INDEPENDENT AUDITOR'S REPORT

AUDITOR-GENERAL
NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Maritime Authority of NSW and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Maritime Authority of NSW (the Authority), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Authority, and the Authority and controlled entities (the consolidated entity). The consolidated entity comprises the Authority and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Authority and the consolidated entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

My opinion should be read in conjunction with the rest of this report.

Chief Executive's Responsibility for the Financial Report

The Chief Executive is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Authority's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Authority or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

James Sugumar

James Sugumar
Director, Financial Audit Services

20 October 2008
SYDNEY

STATEMENT BY CHIEF EXECUTIVE

MARITIME AUTHORITY OF NSW Financial Statements

For the year ended 30 June 2008

STATEMENT BY CHIEF EXECUTIVE

Pursuant to Section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

1. The accompanying Financial Statements exhibit a true and fair view of the Authority's financial position as at 30 June 2008 and the transactions for the year then ended.

2. The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the Financial Statements to be misleading or inaccurate.

Steve Dunn
Chief Executive

15 October 2008

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $000	2007 $000	Parent 2008 $000	2007 $000
Revenue from continuing operations					
Rendering of services:					
Port management	5	**1,393**	1,104	**1,393**	1,104
Channel fees	6	**7,666**	7,098	**7,666**	7,098
Drivers licences	7	**15,941**	15,353	**15,941**	15,353
Boat registrations	8	**18,254**	17,345	**18,254**	17,345
Moorings	9	**7,049**	6,728	**7,049**	6,728
Commercial vessel charges	10	**2,714**	2,665	**2,714**	2,665
Lease income:					
Rentals	11	**53,099**	46,453	**53,099**	46,453
Investment income	12	**3,086**	5,887	**3,086**	5,887
Other income:					
Other	13	**10,366**	9,466	**10,366**	6,816
Grants and contributions	14	**8,066**	5,743	**8,066**	5,743
Total revenue from continuing operations		**127,634**	117,842	**127,634**	115,192
Expenses					
Employee related expenses	15	**33,800**	31,082	**38,503**	31,421
Superannuation expenses	16	**4,239**	2,597	**–**	–
Service contractors	17	**18,408**	17,397	**18,408**	17,397
Materials		**1,235**	1,202	**1,235**	1,202
Utilities and communications		**2,738**	2,926	**2,738**	2,926
Administration	18	**9,793**	12,104	**9,329**	11,712
Depreciation and amortisation		**8,264**	7,857	**8,264**	7,857
Grants and subsidies	19	**2,011**	1,949	**2,011**	1,949
Maritime Infrastructure Program		**1,986**	1,284	**1,986**	1,284
Financial expenses	20	**18,331**	16,920	**18,331**	16,920
Audit fees – audit of the financial report	35	**164**	154	**164**	154
Loss on disposal of assets	21	**38**	153	**38**	153
Assets written off	21	**385**	4,590	**385**	4,590
Total expenses		**101,392**	100,215	**101,392**	97,565
Surplus for the year		**26,242**	17,627	**26,242**	17,627

The accompanying notes form part of these financial statements

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	Consolidated 2008 $000	2007 $000	Parent 2008 $000	2007 $000
ASSETS					
Current assets					
Cash and cash equivalents	22	**83,081**	66,962	**82,739**	66,568
Trade and other receivables	23	**10,489**	9,255	**10,231**	11,002
Inventories	24	**185**	196	**185**	196
Financial assets at fair value through profit or loss account	25	**36,544**	49,968	**36,544**	49,968
Non current assets classified as held for sale	26	**7,695**	–	**7,695**	–
Total current assets		**137,994**	126,381	**137,394**	127,734
Non-current assets					
Trade and other receivables	23	**10,352**	13,064	**4,948**	6,421
Property, plant and equipment	26	**900,939**	499,634	**900,939**	499,634
Investment properties	27	**133,400**	130,000	**133,400**	130,000
Intangible assets	28	**358**	451	**358**	451
Total non-current assets		**1,045,049**	643,149	**1,039,645**	636,506
TOTAL ASSETS		**1,183,043**	769,530	**1,177,039**	764,240
LIABILITIES					
Current liabilities					
Trade and other payables	29	**71,630**	65,404	**80,479**	75,496
Borrowings	30	**1,880**	1,985	**1,880**	1,985
Provisions	31	**37,659**	35,957	**25,669**	24,015
Total current liabilities		**111,169**	103,346	**108,028**	101,496
Non-current liabilities					
Trade and other payables	29	**93,176**	71,426	**93,176**	71,426
Borrowings	30	**6,573**	8,453	**6,573**	8,453
Provisions	31	**2,863**	4,600	**–**	1,160
Total non-current liabilities		**102,612**	84,479	**99,749**	81,039
TOTAL LIABILITIES		**213,781**	187,825	**207,777**	182,535
NET ASSETS		**969,262**	581,705	**969,262**	581,705
EQUITY					
Asset revaluation reserve		**513,208**	131,049	**513,208**	131,049
Accumulated funds		**456,054**	450,656	**456,054**	450,656
Total equity		**969,262**	581,705	**969,262**	581,705

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $000	2007 $000	Parent 2008 $000	2007 $000
Cash flows from operating activities					
Receipts from customers		**117,341**	107,014	**118,107**	105,208
Payments to suppliers and employees		**(71,015)**	(80,739)	**(71,729)**	(79,327)
Interest paid		**(18,260)**	(16,825)	**(18,260)**	(16,825)
Receipt of grants and contributions		**8,066**	5,743	**8,066**	5,743
Net GST received (paid)		**(393)**	2,580	**(393)**	2,580
Payments for Maritime Infrastructure Program		**(1,986)**	(1,284)	**(1,986)**	(1,284)
Net cash flows from operating activities	22	**33,753**	16,489	**33,805**	16,095
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**3,638**	3,682	**3,638**	3,682
Interest received		**3,086**	5,887	**3,086**	5,887
Purchase of property, plant and equipment		**(18,994)**	(24,122)	**(18,994)**	(24,122)
Net cash flows used in investing activities		**(12,270)**	(14,553)	**(12,270)**	(14,553)
Cash flows from financing activities					
Distributions paid to Government		**(16,908)**	(16,787)	**(16,908)**	(16,787)
Repayment of borrowings – Maritime Trade Tower lease		**(1,880)**	(2,098)	**(1,880)**	(2,098)
Net cash flows used in financing activities		**(18,788)**	(18,885)	**(18,788)**	(18,885)
Net increase in cash and cash equivalents		**2,695**	(16,949)	**2,747**	(17,343)
Cash and cash equivalents at the beginning of the year		**116,930**	133,879	**116,536**	133,879
Cash and cash equivalents at the end of the year	22	**119,625**	116,930	**119,283**	116,536

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated 2008 $000	2007 $000	Parent 2008 $000	2007 $000
Accumulated funds				
Balance at 1 July	**450,656**	450,381	**450,656**	450,381
Surplus for the year	**26,242**	17,627	**26,242**	17,627
Distributions to Government	**(17,765)**	(17,352)	**(17,765)**	(17,352)
Transfer from asset revaluation reserve on disposal	**17,665**	18,973	**17,665**	18,973
Assets transferred to Port Kembla Port Corporation	**(20,744)**	(18,973)	**(20,744)**	(18,973)
Balance at 30 June	**456,054**	450,656	**456,054**	450,656
Asset revaluation reserve				
Balance at 1 July	**131,049**	127,566	**131,049**	127,566
Revaluation Increment	**399,824**	22,456	**399,824**	22,456
Revaluation transferred to equity on disposal	**(17,665)**	(18,973)	**(17,665)**	(18,973)
Balance at 30 June	**513,208**	131,049	**513,208**	131,049
Total equity				
Balance at 1 July	**581,705**	577,947	**581,705**	577,947
Balance at 30 June	**969,262**	581,705	**969,262**	581,705

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1 INFORMATION ABOUT NSW MARITIME

NSW Maritime was established as the Waterways Authority on 1 July 1995 under the *Ports Corporatisation and Waterways Management Act 1995*, as a statutory authority with responsibility for "all waterways management functions under the marine legislation other than those relating to any vessel that either requires a pilot...or whose master is the holder of a Pilotage Exemption Certificate that applies to that vessel". The financial report of NSW Maritime for the year ended 30 June 2008 was authorised for issue by the Chief Executive on 15 October 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions. The financial report has been prepared on the basis of full accrual accounting using historical cost conventions, except for non-current physical assets and investment properties which are shown at fair value, and superannuation which is shown at actuarially assessed present value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(A) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NSW Maritime has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on the income statement or the balance sheet of NSW Maritime.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2008. These are outlined in the table below.

Reference	Title	Summary	Application date
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008
AASB Int. 1038 (Revised)	Contributions by Owners Made to Wholly-Owned Public Sector Entities	This interpretation has been revised as a consequence of revised AASB 1004.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.
AASB 1051	Land under roads	This standard contains the specific transitional requirements relating to land under roads. It applies to general purpose financial reports of local governments, government departments and whole of governments and financial statements of GGSs.	1 July 2008

(B) BASIS OF CONSOLIDATION

The consolidated entity comprises the Maritime Authority and its controlled entity Maritime Authority of NSW Division. Maritime Authority of NSW Division is a division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. Its sole objective is to provide personnel services to NSW Maritime.

NSW Maritime and its controlled entity are not-for-profit entities as profit is not their principal objective. They are consolidated as part of the NSW Total State Sector Accounts. In the process of preparing the consolidated financial statements for the economic entity consisting of NSW Maritime and the Maritime Authority of NSW Division, all inter-entity transactions and balances have been eliminated.

(C) CASH AND CASH EQUIVALENTS – REFER NOTE 22

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and TCorp Hour-Glass cash facilities.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, plus short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. NSW Maritime had bank overdrafts of $nil at 30 June 2008 (2007: $nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) RECEIVABLES – REFER NOTE 23

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the operating statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Collectibility of receivables is reviewed on an ongoing basis and, where necessary, an impairment provision is recorded in accordance with accounting policy note 2 (h).

(E) INVENTORIES – REFER NOTE 24

A perpetual inventory system is adopted and is supported by monthly stocktakes of fuel and annual stocktakes of maps. Ending balance of fuel inventories, which are held for distribution, is reported at the lower of average cost or average replacement cost. Ending balance of maps inventories, which are held for sale, is reported at the lower of actual cost or net realisable value.

(F) FINANCIAL ASSETS AT FAIR VALUE – REFER NOTE 25

NSW Maritime determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates them at each financial year end. The classifications are:

Fair value through profit or loss – NSW Maritime measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the operating statement.

The Hour-Glass investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to NSW Maritime's key management personnel.

Designation at fair value through profit or loss is consistent with NSW Maritime's documented risk management strategy because that strategy requires management to monitor the fair value of its Hour-Glass investments as a basis for assessing the risk associated with the investment.

The movement in the fair value of the Hour-Glass investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

Held to maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that NSW Maritime has the positive intention and ability to hold to maturity are classified as "held to maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the operating statement when impaired, derecognised or though the amortisation process.

Available for sale investments – Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the operating statement. However, interest calculated using the effective interest method and dividends are recognised in the operating statement.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the entity commits to purchase or sell the asset. The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the balance sheet date.

NSW Maritime currently has no "held to maturity" investments or "available for sale" investments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) IMPAIRMENT OF FINANCIAL ASSETS

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that NSW Maritime will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the operating statement.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the operating statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the operating statement.

Any reversals of impairment losses are reversed through the operating statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale". These reversals are made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(H) DE-RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is derecognised when:

– the contractual rights to the cash flows from the financial assets expire

– NSW Maritime transfers the financial asset where substantially all the risks and rewards have been transferred; or

– NSW Maritime transfers the financial asset and has not retained control of that asset

Where NSW Maritime has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of NSW Maritime's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or the obligation is cancelled or expires.

(I) PROPERTY, PLANT AND EQUIPMENT – REFER NOTE 26

Property, plant and equipment costing $500 and above individually is capitalised. Only those assets completed and ready for service are taken to the property, plant and equipment account. The remaining capital expenditures are carried forward as construction in progress and included under property, plant and equipment in the balance sheet.

Under certain long-term lease agreements where development has been carried out by the private sector, NSW Maritime may take control of various wharf constructions after 99 years. Due to the length of time until control may be achieved, they are currently recorded at $1. In addition, certain marina leases may be returning to NSW Maritime in a relatively short period of time. However, since there is uncertainty about control and ownership, a reliable measurement of value is not possible.

Following initial recognition at cost, property plant and equipment is carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

	Rates %
Buildings	2 – 5
Plant and equipment:	
Plant – communications	20 – 40
Plant – mobile	5 – 20
Plant – outboard engines	50
Plant – vessels	5 – 20
Plant – other	5 – 20
Computer – hardware	20 – 50
Computer – software	20 – 50
Motor vehicles	10 – 15
Furniture and fittings	7.5 – 20
Infrastructure:	
Moorings	0 – 5
Navigational aids	5 – 20
Roadways	5
Wharves & jetties	2.5 – 10
Seawalls	2.5 – 4

The assets residual values, useful lives and amortisation methods are reviewed, and adjusted if apropriate, at each financial year end.

Revaluations of property plant and equipment

Property plant and equipment is valued at fair value in accordance with Australian Accounting Standard AASB 116 *Property, Plant and Equipment*. NSW Treasury Policy and Guidelines Paper TPP 07-1 *Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value* provides additional guidance on applying AASB 116 to public sector assets.

All significant physical non-current assets of NSW Maritime were revalued during the 2005-2006 financial year. A valuation materiality threshold of $250,000 was adopted, which meant that only asset classes with a written down value in excess of $250,000 were subject to revaluation.

Those assets not revalued are recorded at their historical cost or previously revalued amount, which is considered not to be materially different from fair value. The written down replacement cost of a number of assets has been established by qualified persons within NSW Maritime.

NSW Maritime's dredged assets (principally channels) were independently valued at 30 June 2008, using the written down replacement cost methodology.

A review was performed during the 2007-2008 financial year to identify any material movements in the values of other property plant and equipment assets. No material movements in fair value were identified.

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the income statement, in which case the increment is recognised in the income statement. Any revaluation decrement is recognised in the income statement unless it directly offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses on disposals are included in the income statement. Upon disposal of an asset, any revaluation reserve relating to that asset is transferred to accumulated funds.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount, which is the greater of fair value less costs to sell and value in use. As NSW Maritime is a not-for-profit entity, value in use is defined as depreciated replacement cost. Impairment losses are recognised in the income statement.

(J) INVESTMENT PROPERTIES – REFER NOTE 27

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the year of derecognition.

Transfers are made to and from investment property when, and only when, there is a change in use. Where properties are transferred from investment property, the deemed cost for subsequent accounting is its fair value at the date of change in use. Where properties are transferred to investment property, such properties are accounted for in accordance with the policy stated under *Property plant and equipment* up to the date of change in use.

(K) INTANGIBLE ASSETS – REFER NOTE 28

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulatd impairment losses. The useful lives of NSW Maritime's intangible assets has been assessed to be finite.

These intangible assets are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The useful life of the intangible assets is also examined on an annual basis and adjustments, where applicable, are made on a prospective basis by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense of intangible assets is recognised in the income statement.

(L) PAYABLES – REFER NOTE 29

Payables represent liabilities for goods and services provided to NSW Maritime and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Trade accounts payable are unsecured and are generally settled within their due date.

(M) BORROWINGS – REFER NOTE 30

The Maritime Trade Tower finance lease liability is determined in accordance with AASB 117 Leases.
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Property subject to long term lease, often for terms of up to 99 years, with up-front lease payments, have these lease payments amortised over the term of the lease for the purpose of these financial statements. Property that is subject to this treatment is retained in the accounting records of NSW Maritime at a nominal value of $1.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) PROVISIONS – REFER NOTE 31

Provisions are recognised when NSW Maritime has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where NSW Maritime expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in the income statement.

Employee leave benefits

(i) Salaries, sick leave and annual leave

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees service up to that date. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rate at year end for all employees with five or more years service. It is considered this measurement technique produces results not materially different from the estimated amount using the net present value basis of measurement.

(iii) Payroll tax, fringe benefits tax and superannuation

The outstanding amount of payroll tax and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

NSW Maritime contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to nominated funds. NSW Maritime contributes to defined benefit schemes and accumulation schemes. Payments are applied towards the accruing liability for superannuation in respect of employees and are expensed in the income statement. Actuarial assesments are performed at each reporting date for the defined benefit schemes. Actuarial gains and losses are recognised as income or expense in the income statement. Unfunded defined benefit schemes are recognised as a non-current liability while over-funded schemes are recognised as a non-current asset.

(O) REVENUE RECOGNITION – REFER NOTES 5-14

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

(i) Licences, registrations, and grants and subsidies – where control of a right exists to receive consideration upon the completion of or a stage of services provided.

(ii) Rentals and moorings – where control of a right exists to receive consideration for the provision of assets has been attained in accordance with Australian Accounting Standard AASB 117 Leases.

(iii) Interest – where control of a right exists to receive consideration for the provision of, or investment in assets has been attained.

(iv) Appropriation – Parliamentary appropriations are recognised as revenues when the entity obtains control over the assets comprising the appropriation. Control is normally obtained on receipt of cash, with the exception that unspent appropriations at year-end are accounted for as liabilities.

(v) Grants and subsidies – Government grants are recognised as revenue when the grant is received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) Fines and penalties – Fines and penalties are recognised on a cash basis when received from NSW Police Service Infringement Processing Bureau.

(P) FINANCIAL EXPENSES – REFER NOTE 20

Financial expenses (including interest) are recognised as an expense when incurred.

(Q) INSURANCE

NSW Maritime's insurance requirement is managed by the NSW Treasury Managed Fund. NSW Maritime had the following coverage in place during 2007-2008: workers' compensation, public liability, motor vehicle, property and miscellaneous.

(R) DISTRIBUTION POLICY

NSW Maritime pays distributions to the Consolidated Fund. These distributions are from operations or are proceeds from the disposal of surplus property.

Distributions from operations are provided after the results for the year have been determined and cash requirements for subsequent periods, according to forward estimates, have been satisfied. Distributions from operations are paid in two equal instalments each year, the first on 1 August and the second on 1 December.

Distributions from the proceeds of disposal of surplus property are made to the Consolidated Fund after settlement. The practice has been to remit proceeds to the Consolidated Fund that are in excess of $1M, settlements for less than this amount are incorporated into operating distributions.

(S) INCOME AND OTHER TAXES

NSW Maritime is a non-budget dependent general government agency and is not subject to the income tax equivalent regime.

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) when the GST incurred on the purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the good or service, and

(ii) in relation to receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the Australian Taxation Office is included in operating cash flows. Commitments and contingencies are disclosed at the gross amount, including any GST.

(T) COMPARATIVES

Comparatives for cash flows related to the repayment of the Maritime Trade Tower lease was reclassified as a cash flow from financing activities.

3 FINANCIAL INSTRUMENTS

NSW Maritime's principal financial instruments comprise receivables, payables, finance leases, cash and short-term deposits.

NSW Maritime manages its exposure to key financial risks in accordance with NSW Maritime's risk management policy. The objective of the policy is to facilitate the effective management of potential opportunities and adverse effects.

The main risks arising from NSW Maritime's financial instruments are interest rate risk, credit risk and liquidity risk. NSW Maritime uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Finance Manager under the authority of the Chief Executive. The General Manager Corporate Services reviews and agrees policies for managing each of the risks identified below, including the setting of limits for credit allowances, and future cash flow forecast projections.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL INSTRUMENT CATEGORIES

	Note	Category	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Financial Assets						
Cash and cash equivalents	22	N/A	**83,081**	66,962	**82,739**	66,568
Receivables	23	Loans and receivables at amortised cost excluding prepayments and statutory receivables	**13,857**	13,209	**13,857**	15,225
Financial assets at fair value	25	At fair value through profit or loss – designated as such upon initial recognition	**36,544**	49,968	**36,544**	49,968
Financial Liabilities						
Payables	29	Financial liabilities measured at amortised cost, excluding unearned income	**102,472**	73,786	**111,321**	83,878
Borrowings	30	Finance lease liabilities measured at amortised cost	**8,453**	10,438	**8,453**	10,438

(B) CREDIT RISK

Credit risk arises from the financial assets of NSW Maritime, which comprise cash and cash equivalents, receivables and financial assets at fair value. NSW Maritime's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets (net of any allowance for impairment). Exposure at balance date is addressed in each applicable note. NSW Maritime trades only with recognised, creditworthy third parties, and as such collateral is not requested. NSW Maritime has not securitised its trade and other receivables and has not granted any financial guarantees. Credit risk associated with NSW Maritime's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and at bank and TCorp Hour-Glass cash facilities.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that NSW Maritime will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are normally made on 7 day terms.

Major concentrations of credit risk that arise from NSW Maritime debtors in relation to the industry categories and location of the customer by the percentage of the total receivable from customers are:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS (CONTINUED)

Categories	2008	2007
Boating industries	**11%**	42%
Government authorities	**38%**	16%
Other business	**51%**	42%
	100%	100%

Based on past experience, debtors that are less than 3 months past due (2008: $12.713M; 2007: $12.667M) are not considered impaired. Total unimpaired debtors represent 85% (2007: 87%) of the total trade debtors.

There are no debtors which would otherwise be past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are ‘trade debtors’ and ‘rental debtors’ in the ‘receivables’ category of the balance sheet.

2008 – Consolidated		Total $000	Not past due $000	Past due but not impaired $000	Considered impaired $000
< 3 months overdue		12,713	12,713	–	–
3 months – 6 months overdue		690	–	690	–
> 6 months overdue		2,959	–	454	2,505
		16,362	12,713	1,144	2,505
Allowance for impairment		(2,505)			(2,505)
Receivables		13,857	12,713	1,144	–
2007– Consolidated					
< 3 months overdue		12,667	12,667	–	–
3 months – 6 months overdue		1,144	–	542	602
> 6 months overdue		1,335	–	–	1,335
		15,146	12,667	542	1,937
Allowance for impairment		(1,937)			(1,937)
Receivables		13,209	12,667	542	–

2008 – Parent entity		Total $000	Not past due $000	Past due but not impaired $000	Considered impaired $000
< 3 months overdue		12,713	12,713	–	–
3 months – 6 months overdue		690	–	690	–
> 6 months overdue		2,959	–	454	2,505
		16,362	12,713	1,144	2,505
Allowance for impairment		(2,505)			(2,505)
Receivables		13,857	12,713	1,144	–
2007 – Parent					
< 3 months overdue		14,683	14,683	–	–
3 months – 6 months overdue		1,144	–	542	602
> 6 months overdue		1,335	–	–	1,335
		17,162	14,683	542	1,937
Allowance for impairment		(1,937)			(1,937)
Receivables		15,225	14,683	542	–

The aging analysis excludes statutory receivables and prepayments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets at fair value

NSW Maritime has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits vary. The deposits at balance date were earning an average interest rate of 3.7% (2007: 7.5%), while over the year the weighted average interest rate was 3.2% (2007: 6.6%) on a weighted average balance during the year of $114.6M (2007– $122.6M). None of these assets are past due or impaired.

(C) LIQUIDITY RISK

Liquidity risk is the risk that NSW Maritime will be unable to meet its payment obligations when they fall due. NSW Maritime continuously manages liquidity risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets when required. The objective is to maintain a balance between continuity of funding and flexibility through the use of available liquid resources. Consequently exposure to liquidity risk is considered minimal.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. NSW Maritime policy is to apply the judgement debt interest rate as stated in the Uniform Civil Procedures Rules 2005.

The table below summarises the maturity profile of NSW Maritime's financial liabilities, together with the interest rate exposure. All obligations are shown at undiscounted cash flow amounts.

			Interest Rate Exposure			Maturity Dates		
	Weighted Avg. int rate	Nominal Amount	Fixed rate	Variable rate	Non-interest bearing	< 1 year	1-5 years	> 5 years
2008 – Consolidated								
Payables								
Accrued salaries	–	1,091	–	–	1,091	1,091	–	–
Creditors	–	102,472	–	–	102,472	8,586	93,886	–
Borrowings								
Finance leases	n/a	124,577	–	124,577	–	21,663	102,914	–
		228,140	–	124,577	103,563	31,340	196,800	–
2007 – Consolidated								
Payables								
Accrued salaries	–	91	–	–	91	91	–	–
Creditors	–	73,786	–	–	73,786	1,650	72,136	–
Borrowings								
Finance leases	n/a	144,823	–	144,823	–	20,246	96,181	28,396
		218,700	–	144,823	73,877	21,987	168,317	28,396

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS (CONTINUED)

	Weighted Avg. int rate	Nominal Amount	Interest Rate Exposure: Fixed rate	Variable rate	Non-interest bearing	Maturity Dates: < 1 year	1-5 years	> 5 years
2008 – Parent								
Payables								
Accrued salaries		–	–	–	–	–	–	–
Creditors		111,321	–	–	111,321	17,435	93,886	–
Borrowings								
Finance leases		124,577	–	124,577	–	21,663	102,914	–
		235,898	–	124,577	111,321	39,098	196,800	–
2007 – Parent								
Payables								
Accrued salaries		–	–	–	–	–	–	–
Creditors		83,878	–	–	83,878	11,742	72,136	–
Borrowings								
Finance leases		144,823	–	144,823	–	20,246	96,181	28,396
		228,701	–	144,823	83,878	31,988	168,317	28,396

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed above will not reconcile to the balance sheet.

(D) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. NSW Maritime's exposure to market risk is primarily through price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. NSW Maritime has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which NSW Maritime operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2007. The analysis assumes that all other variables remain constant.

Interest rate risk

NSW Maritime has insignificant exposure to interest rate risk on its borrowings as its only borrowings arise from a long-term finance lease in which the interest rate is fixed.

NSW Maritime has some limited exposure to interest rate risk arising from its investment in interest-bearing cash balances. In assessing sensitivity, a reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. NSW Maritime's exposure to interest rate risk is set out on the following.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS (CONTINUED)

	$'000 Carrying Amount	$'000 -1% Profit	$'000 -1% Equity	$'000 +1% Profit	$'000 +1% Equity
2008 – Consolidated					
Financial assets					
Cash and cash equivalents	83,081	(831)	(831)	831	831
2007 – Consolidated					
Financial assets					
Cash and cash equivalents	66,962	(670)	(670)	670	670
2008 – Parent					
Financial assets					
Cash and cash equivalents	82,739	(827)	(827)	827	827
2007 – Parent					
Financial assets					
Cash and cash equivalents	66,568	(666)	(666)	666	666

Other price risk – TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment facilities, which are held for strategic rather than trading purposes. NSW Maritime has no direct equity investments, and holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment horizon	**2008 $'000**	2007 $'000
Cash facility	Cash, money market instruments	Up to 2 years	80,059	62,584
Bond market facility	Cash, money market instruments Australian bonds	2 years to 4 years	0	12,100
Medium term growth facility	Cash, money market instruments Australian and international bonds listed property Australian and international shares	4 years to 7 years	26,301	26,453
Long term growth facility	Cash, money market instruments Australian and international bonds listed property Australian and international shares	7 years and over	10,243	11,415
			116,603	112,552

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS (CONTINUED)

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unitholders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits NSW Maritime's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the facilities, using historically based volatility information. The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

	Impact on profit / loss		
	Change in unit price	**2008 $'000**	2007 $'000
Cash facility	+/- 1%	801	626
Bond market facility	+/- 5%	–	605
Medium term growth facility	+/- 7.5%	1,973	1,984
Long term growth facility	+/- 15%	1,536	1,712

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year for each facility (as advised by TCorp).

(E) FAIR VALUE

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on NSW Maritime's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

As at 30 June 2008 NSW Maritime recognised $nil (2007: $nil) amortised cost of financial instruments in the balance sheet.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

SIGNIFICANT ACCOUNTING JUDGEMENTS

Operating lease commitments – NSW Maritime as lessor

NSW Maritime has entered into commercial property leases of its property portfolio and has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Impairment of non-financial assets

NSW Maritime assesses impairment of all assets at each reporting date by evaluating possible impairment conditions. These include changes in technology, economic and political environments and future customer expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. In relation to the year ended 30 June 2008, management did not identify significant triggers for impairment testing and as such these assets have not been tested for impairment.

Classification of assets and liabilities as held for sale

NSW Maritime classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and NSW Maritime must be committed to selling the asset either through entering into a contractual sale agreement or through the activation of, and commitment to, a program to locate a buyer and dispose of the assets and liabilities.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Make good provisions

A provision has been made for the present value of anticipated costs of future environmental restoration. The provision includes future cost estimates associated with remediation of the maritime environment. The calculation of this provision requires assumptions such as application of environmental legislation, community expectations, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the expense and/or asset (if applicable) and provision. The related carrying amounts are disclosed in note 31.

Long service leave provision

Long service leave is measured on a nominal basis. NSW Maritime periodically compares the difference between using the nominal method and the full present value method. The calculation using the full present value method requires assumptions such as application of employment legislation, and expected future salary levels and expected future salary on-cost expenses. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The related carrying amounts are disclosed in note 31.

Net defined benefit superannuation asset or liability

The net defined benefit superannuation asset or liability arising from underfunding or overfunding of obligations is assessed each year by independent consultants. This assessment requires assumptions in relation to future salary increases, changes in CPI and return on plan assets. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The related carrying amounts are disclosed in note 32.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in note 26.

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
5 PORT MANAGEMENT				
Wharfage	**295**	115	**295**	115
Site occupation charges	**74**	61	**74**	61
Ship utility charges	**5**	4	**5**	4
Navigation services	**708**	671	**708**	671
Pilotage	**224**	198	**224**	198
Storage facilities	**87**	55	**87**	55
	1,393	1,104	**1,393**	1,104
6 CHANNEL FEES				
Newcastle Port Corporation	**2,898**	2,668	**2,898**	2,668
Port Kembla Port Corporation	**1,204**	1,043	**1,204**	1,043
Sydney Ports Corporation	**3,564**	3,387	**3,564**	3,387
	7,666	7,098	**7,666**	7,098
7 DRIVERS LICENCES				
One year licence	**1,926**	1,967	**1,926**	1,967
Three year licence	**13,333**	12,868	**13,333**	12,868
Licence tests	**682**	518	**682**	518
	15,941	15,353	**15,941**	15,353
8 BOAT REGISTRATIONS				
Initial	**867**	905	**867**	905
Renewal	**14,676**	15,887	**14,676**	15,887
Other	**2,711**	553	**2,711**	553
	18,254	17,345	**18,254**	17,345
9 MOORINGS				
Private	**5,373**	5,101	**5,373**	5,101
Commercial	**1,532**	1,467	**1,532**	1,467
Inspection fees	**144**	160	**144**	160
	7,049	6,728	**7,049**	6,728
10 COMMERCIAL VESSELS CHARGES				
Survey fees	**1,616**	1,611	**1,616**	1,611
Registration fees	**765**	708	**765**	708
Examinations	**154**	152	**154**	152
Commercial vessels penalties	**–**	3	**–**	3
Other	**179**	191	**179**	191
	2,714	2,665	**2,714**	2,665

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
11 RENTALS				
Land	**247**	317	**247**	317
Maritime Trade Tower – building	**11,224**	9,439	**11,224**	9,439
Maritime Trade Tower – land	**17,777**	16,375	**17,777**	16,375
Long term lease rental income	**710**	710	**710**	710
Commercial	**14,097**	13,237	**14,097**	13,237
Private	**7,524**	4,979	**7,524**	4,979
Government	**–**	31	**–**	31
NSW Maritime property	**63**	66	**63**	66
Superyacht charges	**1,457**	1,299	**1,457**	1,299
	53,099	46,453	**53,099**	46,453
12 INVESTMENT INCOME				
Bank and other interest	**370**	232	**370**	232
TCorp investment facilities designated at fair value through profit or loss – gain on fair valuation	**2,716**	5,655	**2,716**	5,655
	3,086	5,887	**3,086**	5,887
13 OTHER INCOME				
Other boating fees	**2,181**	2,168	**2,181**	2,168
Miscellaneous services	**4,785**	4,652	**4,785**	4,648
Superannuation funding surplus	**–**	2,646	**–**	–
Revaluation increment on investment assets	**3,400**	–	**3,400**	–
	10,366	9,466	**10,366**	6,816
14 GRANTS AND CONTRIBUTIONS				
Sydney Harbour estuarine vegetation mapping	**10**	15	**10**	15
Sydney Harbour foreshore vegetation mapping	**15**	25	**15**	25
Botany Bay sanddrift beach stabilisation	**120**	–	**120**	–
Government licencing system implementation	**191**	–	**191**	–
Walsh Bay Redevelopment project	**3,211**	–	**3,211**	–
King Street Wharf project	**4,519**	2,500	**4,519**	2,500
MOT commuter wharves upgrade / maintenance	**–**	3,000	**–**	3,000
Sydney Harbour foreshore seagrass analysis	**–**	10	**–**	10
SHFA – Dawes Point seawall restoration	**–**	193	**–**	193
	8,066	5,743	**8,066**	5,743
15 EMPLOYEE RELATED EXPENSES				
Payroll services	**–**	–	**35,226**	29,150
Ordinary time	**23,493**	21,639	**–**	–
Long service leave	**1,129**	1,184	**–**	–
Recreation leave	**2,223**	2,040	**–**	–
Payroll tax and fringe benefits tax	**2,151**	2,032	**–**	–
Overtime	**499**	383	**–**	–
Sick leave	**470**	423	**–**	–
Voluntary separation payments	**129**	120	**–**	–
Other employee benefits and workers' compensation	**429**	990	**–**	–
External labour	**3,277**	2,271	**3,277**	2,271
	33,800	31,082	**38,503**	31,421

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
16 SUPERANNUATION EXPENSES				
Accumulation schemes expense including contributions	**1,513**	1,338	**–**	–
Defined benefit schemes expense including contributions	**2,434**	1,251	**–**	–
Accruals for salaries, enterprise agreement and annual leave	**292**	8	**–**	
	4,239	2,597	**–**	–
17 SERVICE CONTRACTORS				
Contractors	**11,789**	8,980	**11,789**	8,980
Maintenance agreements	**1,000**	729	**1,000**	729
Wharf maintenance	**4,161**	6,416	**4,161**	6,416
Navigational aids maintenance	**1,384**	1,231	**1,384**	1,231
Other	**74**	41	**74**	41
	18,408	17,397	**18,408**	17,397
18 ADMINISTRATION				
Advertising	**606**	496	**606**	496
Collection fees	**638**	583	**638**	583
Printing	**580**	667	**580**	667
Rent	**972**	920	**972**	920
Training	**573**	1,283	**573**	1,283
Stationery and office supplies	**266**	332	**266**	332
Insurance	**611**	589	**611**	589
Travel	**871**	809	**405**	417
Motor vehicle and vessel expenses	**753**	699	**753**	699
Legal fees	**1,668**	2,165	**1,668**	2,165
Management fees – port corporations	**269**	450	**269**	450
Internal audit fees	**124**	39	**124**	39
Subscriptions, donations and professional fees	**149**	141	**149**	141
Other	**1,713**	2,931	**1,715**	2,931
	9,793	12,104	**9,329**	11,712
19 GRANTS AND SUBSIDIES				
Volunteer Marine Rescue Council	**1,307**	1,271	**1,307**	1,271
National Marine Safety Committee	**543**	520	**543**	520
Australia Day NSW Maritime staff support	**161**	153	**161**	153
University of Sydney – Building Seawall ARC Linkage	**–**	5	**–**	5
	2,011	1,949	**2,011**	1,949
20 FINANCIAL EXPENSES				
Interest – Maritime Trade Tower	**18,260**	16,825	**18,260**	16,825
Transactions and account keeping fees	**71**	95	**71**	95
	18,331	16,920	**18,331**	16,920

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
21 LOSS ON DISPOSAL OF ASSETS				
Property plant and equipment				
Disposed assets at cost	**5,052**	10,589	**5,052**	10,589
Less: accumulated depreciation	**(991)**	(2,164)	**(991)**	(2,164)
Written down value of disposed assets	**4,061**	8,425	**4,061**	8,425
Less: Proceeds from sale of property, plant and equipment	**3,638**	3,682	**3,638**	3,682
Loss on disposal of property, plant and equipment	**423**	4,743	**423**	4,743
Consisting of:				
Loss on property plant and equipment sold	**38**	153	**38**	153
Loss on property plant and equipment written off	**385**	4,590	**385**	4,590
	423	4,743	**423**	4,743
22 CASH AND CASH EQUIVALENTS				
Cash on hand	**49**	47	**49**	47
Cash at bank	**2,973**	4,331	**2,631**	3,937
TCorp Investments: Hour-Glass cash facility	**80,059**	62,584	**80,059**	62,584
Cash and cash equivalents in the balance sheet	**83,081**	66,962	**82,739**	66,568

RECONCILIATION OF CASH

The amount shown is fair value. For the purposes of the cash flow statement, cash and cash equivalents include cash at bank, cash on hand, short term deposits and TCorp investments. The TCorp Investments are unit trust investment facilities which are at call.

Cash and cash equivalent assets recognised in the balance sheet are reconciled at the end of the financial year to the cash flow statement as follows:

	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Cash and cash equivalents (per balance sheet)	**83,081**	66,962	**82,739**	66,568
Long term growth facility	**10,243**	11,415	**10,243**	11,415
Medium term growth facility	**26,301**	26,453	**26,301**	26,453
Bond market facility	**–**	12,100	**–**	12,100
Closing cash and cash equivalents (per cash flow statement)	**119,625**	116,930	**119,283**	116,536

RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS

	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Net cash provided by (used in) operating activities	**33,753**	16,489	**33,805**	16,095
Revaluation increment	**3,400**	–	**3,400**	–
Depreciation and amortisation	**(8,264)**	(7,857)	**(8,264)**	(7,857)
Net gain (loss) on asset disposal	**(38)**	(153)	**(38)**	(153)
Non-cash assets received and recognised	**591**	–	**591**	–
Non-cash assets granted	**–**	(4,590)	**–**	(4,590)
Assets written off	**(385)**	–	**(385)**	–
Interest received	**3,086**	5,887	**3,086**	5,887
Changes in assets and liabilities				
Increase (decrease) in current receivables	**1,218**	3,444	**(284)**	5,194
Increase (decrease) in inventory	**(11)**	66	**(11)**	66
Increase (decrease) in non-current receivables	**(2,712)**	1,116	**(1,473)**	(1,478)
Decrease (increase) in current payables	**(5,877)**	4,313	**(5,137)**	5,154
Decrease (increase) in non-current payables	**589**	(691)	**589**	(691)
Decrease (increase) in provisions	**892**	(397)	**363**	–
Net surplus	**26,242**	17,627	**26,242**	17,627

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
23 TRADE AND OTHER RECEIVABLES (CURRENT)				
Trade debtors	**6,027**	5,286	**6,027**	5,286
Rental debtors	**3,280**	1,922	**3,280**	1,922
Payments in advance	**262**	1,392	**4**	1,123
Accrued income	**1,112**	666	**1,112**	666
Land sale receivables (a)	**1,473**	1,479	**1,473**	1,479
Net GST receivable	**206**	409	**206**	409
Other	**634**	38	**634**	2,054
Less: allowance for impairment	**(2,505)**	(1,937)	**(2,505)**	(1,937)
	10,489	9,255	**10,231**	11,002
MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT				
Balance at 1 July	**1,937**	104	**1,937**	104
Amounts written off during the year	**(45)**	–	**(45)**	–
Amounts recovered during the year	**(124)**	–	**(124)**	–
Increase/(decrease) in allowance recognised in profit or loss	**737**	1,833	**737**	1,833
Balance at 30 June	**2,505**	1,937	**2,505**	1,937
TRADE AND OTHER RECEIVABLES (NON-CURRENT)				
Superannuation surplus	**5,404**	6,643	**–**	–
Land sale receivable	**4,948**	6,421	**4,948**	6,421
	10,352	13,064	**4,948**	6,421

(a) Land sale receivables relate to the Maritime Trade Tower land which was sold in 1989 on a 96 year term with payments extending for 25 years. These amounts represent the capital portion owed. The purchasers tenure is secured by a lease.

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in note 3.

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
24 INVENTORIES				
Boating maps (at cost) and fuel (at average cost)	**185**	196	**185**	196
25 FINANCIAL ASSETS AT FAIR VALUE				
TCorp – Hour-Glass Investment Facilities				
Long term growth facility	**10,243**	12,100	**10,243**	12,100
Medium term growth facility	**26,301**	26,453	**26,301**	26,453
Bond market facility	**–**	11,415	**–**	11,415
	36,544	49,968	**36,544**	49,968

Details regarding credit risk, liquidity risk and market risk, arising from financial instruments are disclosed in note 3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

26 PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED 30 JUNE 2008

	Construction in Progress $000	Land and Buildings $000	Infrastructure $000	Plant and Equipment $000	Total $000
At 1 July 2007,					
Net of accumulated depreciation	43,371	123,409	318,858	13,996	499,634
Additions	19,582	4,484	56,142	5,286	85,494
Disposals / Transfers to assets held for resale (a)	(43,475)	(30,190)	(950)	(1,359)	(75,974)
Revaluations	–	16,215	383,609	–	399,824
Depreciation charge for the year	–	(914)	(4,618)	(2,507)	(8,039)
At 30 June 2008					
Carrying amount	19,478	113,004	753,041	15,416	900,939
AT 1 JULY 2007					
Cost or fair value	43,371	125,236	326,709	17,830	513,146
Accumulated depreciation and impairment	–	(1,827)	(7,851)	(3,834)	(13,512)
Net carrying amount	43,371	123,409	318,858	13,996	499,634
AT 30 JUNE 2008					
Cost or fair value	19,478	115,745	765,492	20,784	921,499
Accumulated depreciation and impairment	–	(2,741)	(12,451)	(5,368)	(20,560)
Net carrying amount	19,478	113,004	753,041	15,416	900,939

(a) Includes land at a book value of $7.695 M which is scheduled for disposal before 30 June 2009.

ASSET STOCKTAKE

An asset stocktake of all items on the fixed asset register was undertaken during 2007-2008. Records were adjusted for stocktake results.

VALUATION

The fair values of freehold land and buildings have been determined by reference to independent valuations. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

All physical non-current assets were revalued as at 1 July 2005 and incorporated into the financial statements at 30 June 2005. Independent valuers of land and buildings were:

Rozelle Bay Maritime Precinct: Urbis JHD Valuations Pty Ltd
Homebush Bay Land: Urbis JHD Valuations Pty Ltd
Rozelle Bay Office: LandMark White (NSW) Pty Ltd
South Head Signal Station: Widnell Quantity Surveyors
Newcastle land: State Valuation Office
Port Kembla land: State Valuation Office

Other physical non-current assets were valued by NSW Maritime management with appropriate expertise. See also note 2(j).

NSW Maritime's dredged assets (channels) were independently valued at 30 June 2008 by Ferriers Practice Pty Ltd. The depreciated replacement cost methodology was used for this valuation, in accordance with NSW Treasury Policy and Guidelines Paper TPP 07-1.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

26 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

YEAR ENDED 30 JUNE 2007

	Construction in Progress $000	Land and Buildings $000	Infrastructure $000	Plant and Equipment $000	Total $000
At 1 July 2006,					
Net of accumulated depreciation	26,453	126,933	320,745	14,165	488,296
Additions	24,122	1	3,446	3,564	31,133
Disposals / Transfers to assets held for resale	(7,204)	(2,612)	(4,521)	(1,291)	(15,628)
Revaluations	–	–	3,483	–	3,483
Depreciation charge for the year	–	(913)	(4,295)	(2,442)	(7,650)
At 30 June 2007					
Carrying amount	43,371	123,409	318,858	13,996	499,634
AT 1 JULY 2006					
Net carrying amount	26,453	126,933	320,745	14,165	488,296
AT 30 JUNE 2007					
Cost or fair value	43,371	125,236	326,709	17,830	513,146
Accumulated depreciation and impairment	–	(1,827)	(7,851)	(3,834)	(13,512)
Net carrying amount	43,371	123,409	318,858	13,996	499,634

27 INVESTMENT PROPERTIES

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Opening balance at 1 July	**130,000**	130,000	**130,000**	130,000
Net gain from fair value adjustment	**3,400**	–	**3,400**	–
Closing balance at 30 June	**133,400**	130,000	**133,400**	130,000

The fair value of investment properties has been determined by reference to independent valuations prepared by Preston Rowe Paterson NSW Pty Ltd as at 30 June 2008. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date, in accordance with Australian Valuation Standards.

28 INTANGIBLES

	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Opening balance at 1 July	**451**	466	**451**	466
Additions (subsequent expenditure)	**132**	192	**132**	192
Depreciation charge for the year	**(225)**	(207)	**(225)**	(207)
Closing balance at 30 June	**358**	451	**358**	451
At 1 July				
Cost or fair value	**4,876**	4,701	**4,876**	4,701
Accumulated depreciation and impairment	**(4,425)**	(4,235)	**(4,425)**	(4,235)
	451	466	**451**	466
At 30 June				
Cost or fair value	**4,991**	4,876	**4,991**	4,876
Accumulated depreciation and impairment	**(4,633)**	(4,425)	**(4,633)**	(4,425)
	358	451	**358**	451

Intangible assets consist of computer software which is not an integral part of a computer system and is recorded at cost. Intangible assets have been assessed as having a finite life and are amortised using the straight line method over 5 years. The assets are tested for impairment when an indicator of impairment arises.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
29 TRADE AND OTHER PAYABLES				
CURRENT				
Accrued salaries, wages and on-costs	**1,445**	373	**11,323**	–
Creditors	**4,874**	5,587	**4,096**	16,052
Customer advances and deposits	**71**	1,161	**71**	1,161
Priority list on moorings	**468**	457	**468**	457
Wetland lease security deposits (a)	**30,565**	28,626	**30,565**	28,626
Rent in advance	**2,719**	1,120	**2,719**	1,120
Long term lease unearned income	**710**	710	**710**	710
Long term channel fees unearned income	**228**	–	**228**	–
Other creditors and accruals	**6,099**	4,082	**5,848**	4,082
Boating fees in advance (b)	**24,451**	23,288	**24,451**	23,288
	71,630	65,404	**80,479**	75,496
NON-CURRENT				
Boating fees in advance (b)	**9,213**	9,092	**9,213**	9,092
Long term lease unearned income (c)	**61,624**	62,334	**61,624**	62,334
Long term channel fees unearned income	**22,339**	–	**22,339**	–
	93,176	71,426	**93,176**	71,426

Trade payables are non-interest bearing and are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

(a) This amount mainly represents cash deposits, in lieu of bank guarantees, received from the developer of King Street Wharf, as security over the completion of specific stages of the construction project. Once these stages are completed, approximately $10.17M will be paid to NSW Treasury as a distribution from property disposal. A further $8.73M will be returned to the Roads and Traffic Authority under the terms of the arrangement.

(b) Boating fees in advance comprises prepayments by customers for licences, registrations and moorings for the service component which will be provided by NSW Maritime in the future.

(c) Long term lease unearned income comprises prepaid lease rental in which the income is recognised on a straight-line basis over lease terms exceeding 50 years.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 3.

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
30 BORROWINGS				
CURRENT – MARITIME TRADE TOWER FINANCE LEASE (SEE NOTE 33)	**1,880**	1,985	**1,880**	1,985
NON CURRENT – MARITIME TRADE TOWER FINANCE LEASE (SEE NOTE 33)	**6,573**	8,453	**6,573**	8,453

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in note 3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
31 PROVISIONS				
CURRENT EMPLOYEE BENEFITS AND RELATED ON-COST				
Annual leave (a)	**2,792**	2,614	**–**	–
Long service leave – short term benefit (b)	**748**	759	**–**	–
Long service leave – long term benefit (b)	**7,345**	7,493	**–**	–
Payroll tax provision on long service leave	**475**	506	**–**	–
Provision for workers' compensation (c)	**630**	570	**–**	–
	11,990	11,942	**–**	–
CURRENT OTHER PROVISIONS				
Provision for distribution	**14,607**	13,750	**14,607**	13,750
Provision for environmental restoration	**11,062**	10,265	**11,062**	10,265
	37,659	35,957	**25,669**	24,015
NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COST				
Long service leave (b)	**220**	179	**–**	–
Payroll tax provision on long service leave	**13**	11	**–**	–
Provision for workers' compensation (c)	**2,630**	3,250	**–**	–
	2,863	3,440	**–**	–
NON-CURRENT OTHER PROVISIONS				
Provision for environmental restoration	**–**	1,160	**–**	1,160
	2,863	4,600	**–**	1,160

	Balance 1 Jul 07 $000	Charges to revenue $000	Less payments $000	Balance 30 Jun 08 $000
MOVEMENT IN ANNUAL AND LONG SERVICE LEAVE PROVISIONS				
Annual leave	2,614	2,204	(2,026)	2,792
Long service leave – current	8,252	1,021	(1,180)	8,093
Long service leave – non-current	179	41	–	220

(a) The liability for annual leave is calculated as at 1 July 2008 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated as at 1 July 2008 wage rates and has been fully provided. This figure excludes allowances for personnel who were still subject to the completion of service conditions.

(c) Workers' compensation provision includes $1.940M for dust diseases (2007: $2.320M) of which $230K (2007: $220K) is current. This provision is for claims from former Maritime Services Board staff for dust related diseases that can be attributed to their service prior to 30 June 1995.

The Treasury Managed Fund (TMF) normally calculates hindsight premiums each year. In 2007-2008 NSW Maritime received a refund for the 2003-2004 workers' compensation hindsight adjustment and made a payment for the 2001-2002 final workers' compensation hindsight adjustment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

32 SUPERANNUATION

NSW Maritime has three defined benefit superannuation schemes covering appoximately one quarter of its employees. They are:
State Superannuation Scheme (SSS)
State Authorities Non-Contributory Superannuation Scheme (SANCS)
State Authorities Superannuation Scheme (SASS)

Superannuation was reassessed by Pillar Administration. The assessment resulted in a funding surplus of $5.404M at 30 June 2008 ($6.643M surplus at 30 June 2007).

All of the superannuation schemes are defined benefits schemes, where at least a component of the final benefit is derived from a multiple of member salary and years of membership. All schemes are closed to new members. Member numbers of the schemes are as follows:

	SASS 2008	**SANCS 2008**	**SSS 2008**
Contributors	**58**	**94**	**36**
Deferred benefits	**–**	**–**	**1**
Pensioners	**2**	**–**	**27**
Pensions fully commuted	**–**	**–**	**5**

	SASS 2007	SANCS 2007	SSS 2007
Contributors	61	103	42
Deferred benefits	–	–	1
Pensioners	2	–	22
Pensions fully commuted	–	–	5

SUPERANNUATION POSITION RECOGNISED IN THE BALANCE SHEET

	SASS 2008 $000	**SANCS 2008 $000**	**SSS 2008 $000**	**Total 2008 $000**
Accrued liability	**14,972**	**3,118**	**39,660**	**57,750**
Reserve account balance	**(17,591)**	**(4,140)**	**(41,423)**	**(63,154)**
Net (asset) liability recognised in balance sheet	**(2,619)**	**(1,022)**	**(1,763)**	**(5,404)**
Future service liability	**3,105**	**1,176**	**1,712**	**5,993**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Accrued liability	15,187	3,292	39,374	57,853
Reserve account balance	(18,994)	(4,663)	(45,144)	(68,801)
Surplus in excess of recovery available from schemes	1,497	539	2,269	4,305
Net (asset) liability recognised in balance sheet	(2,310)	(832)	(3,501)	(6,643)
Future service liability	3,336	1,283	2,024	6,643

The future service liability does not have to be recognised by NSW Maritime. It is only used to determine if an asset ceiling limit should be imposed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

32 SUPERANNUATION (CONTINUED)

RECONCILIATION OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Present value of partly funded defined benefit obligations at beginning of year	**15,187**	**3,292**	**39,374**	**57,853**
Current service cost	**605**	**178**	**320**	**1,103**
Interest cost	**937**	**199**	**2,476**	**3,612**
Contributions by fund participants	**323**	**–**	**406**	**729**
Actuarial (gains) losses	**(594)**	**(103)**	**(1,641)**	**(2,338)**
Benefits paid	**(1,486)**	**(448)**	**(1,275)**	**(3,209)**
Present value of partly funded defined benefit obligations at end of year	**14,972**	**3,118**	**39,660**	**57,750**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Present value of partly funded defined benefit obligations at beginning of year	13,894	3,266	40,149	57,309
Current service cost	592	187	358	1,137
Interest cost	799	184	2,345	3,328
Contributions by fund participants	304	–	379	683
Actuarial (gains) losses	384	(85)	(1,409)	(1,110)
Benefits paid	(786)	(260)	(2,448)	(3,494)
Present value of partly funded defined benefit obligations at end of year	15,187	3,292	39,374	57,853

RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Fair value of fund assets at beginning of year	**18,994**	**4,663**	**45,144**	**68,801**
Expected return on fund assets	**1,449**	**365**	**3,492**	**5,306**
Actuarial gains (losses)	**(2,337)**	**(639)**	**(6,691)**	**(9,667)**
Employer contributions	**648**	**200**	**347**	**1,195**
Contributions by fund participants	**323**	**–**	**406**	**729**
Benefits paid	**(1,486)**	**(449)**	**(1,275)**	**(3,210)**
Fair value of fund assets at end of year	**17,591**	**4,140**	**41,423**	**63,154**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Fair value of fund assets at beginning of year	16,603	4,133	40,622	61,358
Expected return on fund assets	1,255	310	3,068	4,633
Actuarial gains (losses)	1,011	269	3,140	4,420
Employer contributions	607	211	383	1,201
Contributions by fund participants	304	–	379	683
Benefits paid	(786)	(260)	(2,448)	(3,494)
Fair value of fund assets at end of year	18,994	4,663	45,144	68,801

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

32 SUPERANNUATION (CONTINUED)

TOTAL EXPENSE (INCOME) RECOGNISED IN THE INCOME STATEMENT

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Current service cost	**605**	**178**	**320**	**1,103**
Interest cost	**937**	**199**	**2,476**	**3,612**
Expected return on fund assets (net of expenses)	**(1,449)**	**(365)**	**(3,492)**	**(5,306)**
Actuarial losses (gains) recognised in year	**1,743**	**536**	**5,051**	**7,330**
Movement in adjustment for limitation on net assets	**(1,497)**	**(539)**	**(2,269)**	**(4,305)**
Expense (income) recognised	**339**	**9**	**2,086**	**2,434**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Current service cost	592	187	358	1,137
Interest cost	798	184	2,344	3,326
Expected return on fund assets (net of expenses)	(1,255)	(310)	(3,068)	(4,633)
Actuarial losses (gains) recognised in year	(627)	(354)	(4,549)	(5,530)
Movement in adjustment for limitation on net assets	1,497	539	2,269	4,305
Expense (income) recognised	1,005	246	(2,646)	(1,395)

FAIR VALUE OF FUND ASSETS

All fund assets are invested by the SAS Trustee Corporation at arms length through independent fund managers.

ACTUAL RETURN ON FUND ASSETS

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Return on fund assets – gains (losses)	**(1,177)**	**(275)**	**(3,032)**	**(4,484)**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Return on fund assets – gains (losses)	2,429	579	5,707	8,715

VALUATION METHOD AND PRINCIPAL ACTUARIAL ASSUMPTIONS AT BALANCE SHEET DATE

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

32 SUPERANNUATION (CONTINUED)

	2008	2007
ECONOMIC ASSUMPTIONS ADOPTED WERE:		
Salary increase rate	**3.50%**	4.00%
Rate of CPI increase	**2.50%**	2.50%
Expected rate of return on assets backing current pension liabilities	**8.30%**	7.60%
Expected rate of return on assets backing other liabilities	**7.30%**	7.60%
Discount rate	**6.55%**	6.40%

THE FOLLOWING IS A SUMMARY OF THE FINANCIAL POSITION OF THE FUND CALCULATED IN ACCORDANCE WITH AAS 25 "FINANCIAL REPORTING BY SUPERANNUATION PLANS":

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Accrued benefits	**14,884**	**3,134**	**36,442**	**54,460**
Net market value of fund assets	**(17,591)**	**(4,140)**	**(41,423)**	**(63,154)**
Net (surplus)/deficit	**(2,707)**	**(1,006)**	**(4,981)**	**(8,694)**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Accrued benefits	14,953	3,262	35,613	53,828
Net market value of fund assets	(18,995)	(4,663)	(45,145)	(68,803)
Net (surplus)/deficit	(4,042)	(1,401)	(9,532)	(14,975)

RECOMMENDED CONTRIBUTION RATES ARE:

	SASS 2008	SANCS 2008	SSS 2008
multiple of member contributions	**1.90**	**–**	**0.93**
% member salary	**–**	**2.5**	**–**

	SASS 2007	SANCS 2007	SSS 2007
multiple of member contributions	1.90	–	0.93
% member salary	–	2.5	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

32 SUPERANNUATION (CONTINUED)

FUNDING METHOD

The method used to determine the employer contribution recommendations at the last actuarial review date was the Aggregate Funding method. The method adopted affects the timing of the cost to NSW Maritime. Under the aggregate funding method the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

THE ECONOMIC ASSUMPTIONS ADOPTED FOR THE LAST ACTUARIAL REVIEW OF THE FUND WERE:

	2008	2007
Weighted average assumptions		
Expected rate of return on fund assets backing current pension liabilities	**7.70%**	7.70%
Expected rate of return on fund assets backing other liabilities	**7.00%**	7.00%
Expected salary increase rate	**4.00%**	4.00%
Expected rate of CPI increase	**2.50%**	2.50%

NATURE OF ASSET / LIABILITY

If a surplus exists in NSW Maritime's interest in the fund, NSW Maritime may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

33 COMMITMENTS

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
(A) CAPITAL EXPENDITURE COMMITMENTS				
Aggregate capital expenditures contracted for at balance date and not provided:				
Not later than one year	**666**	3,374	**666**	3,374
Later than one year and not later than 5 years *	**–**	73	**–**	73
Total Including GST	**666**	3,447	**666**	3,447
(B) OPERATING EXPENDITURE COMMITMENTS (EXCLUDING LEASE COMMITMENTS)				
Not later than one year	**2,139**	5,259	**2,139**	5,259
Later than one year and not later than 5 years *	**–**	2,953	**–**	2,953
Total Including GST	**2,139**	8,212	**2,139**	8,212
(C) OPERATING LEASE COMMITMENTS PAYABLE				
Not later than one year	**463**	636	**463**	636
Later than one year and not later than 5 years	**564**	818	**564**	818
Later than 5 years	**22**	77	**22**	77
Total Including GST	**1,049**	1,531	**1,049**	1,531

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

33 COMMITMENTS (CONTINUED)

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$000	$000	**$000**	$000
(D) OPERATING LEASE COMMITMENTS RECEIVABLE				
Not later than one year	**11,832**	2,219	**11,832**	2,219
Later than one year and not later than 5 years	**32,162**	38,528	**32,162**	38,528
Later than 5 years	**6,473**	4,190	**6,473**	4,190
Total Including GST	**50,467**	44,937	**50,467**	44,937
(E) FINANCE LEASE COMMITMENTS				
Minimum lease payment commitments in relation to finance leases payable as follows:				
Not later than one year	**23,829**	22,271	**23,829**	22,271
Later than one year and not later than 5 years	**113,205**	105,799	**113,205**	105,799
Later than 5 years	**–**	31,236	**–**	31,236
Minimum lease payments including GST	**137,034**	159,306	**137,034**	159,306
Less: GST	**(12,457)**	(14,483)	**(12,457)**	(14,483)
Less: future finance charges	**(116,124)**	(134,385)	**(116,124)**	(134,385)
Present value of minimum lease payments	**8,453**	10,438	**8,453**	10,438
The present value of finance lease commitments is as follows:				
Not later than one year	**1,880**	1,985	**1,880**	1,985
Later than one year and not later than 5 years	**6,573**	6,942	**6,573**	6,942
Later than 5 years	**–**	1,511	**–**	1,511
Total excluding GST	**8,453**	10,438	**8,453**	10,438
Classified as:				
Current (note 30)	**1,880**	1,985	**1,880**	1,985
Non-current (note 30)	**6,573**	8,453	**6,573**	8,453
	8,453	10,438	**8,453**	10,438

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

33 COMMITMENTS (CONTINUED)

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$000	$000	**$000**	$000
(F) NATIONAL MARINE SAFETY COMMITTEE INCORPORATED (NMSC)				
Commitments in relation to operating expenditure of the NMSC are as follows:				
Not later than one year	**613**	592	**613**	592
Later than one year and not later than 5 years *	**–**	613	**–**	613
Total Including GST	**613**	1,205	**613**	1,205
* There were no expenditure commitments later than 5 years				
(G) MARITIME INFRASTRUCTURE PROGRAM (MIP)				
Not later than one year	**2,028**	1,700	**2,028**	1,700
Later than one year and not later than 5 years*	**4,457**	3,455	**4,457**	3,455
Total Including GST	**6,485**	5,155	**6,485**	5,155
* There were no expenditure commitments later than 5 years				
(H) VOLUNTEER MARINE RESCUE COUNCIL OF NEW SOUTH WALES				
Not later than one year *	**1,307**	1,307	**1,307**	1,307
Total (No GST)	**1,307**	1,307	**1,307**	1,307
* There were no commitments later than one year				
(I) TOTAL GST INCLUDED IN THE ABOVE COMMITMENTS IS AS FOLLOWS:				
GST recoverable from the Australian Taxation Office	**13,453**	16,260	**13,453**	16,260
GST payable to the Australian Taxation Office	**(4,588)**	(4,085)	**(4,588)**	(4,085)
Net GST recoverable from the Australian Taxation Office	**8,865**	12,175	**8,865**	12,175

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

34 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities for unsettled claims subject to litigation as at 30 June 2008 are estimated to be $3.218M (2007: $3.635M). If successful, these claims will be met by NSW Maritime's insurers. The contingent asset in relation to these claims is $3.218M (2007: $3.635M).

35 AUDITORS' REMUNERATION

	Consolidated		Parent	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Amounts received or due and receivable by the NSW Auditor-General for:				
audit or review of the financial report *	**164**	154	**164**	154

* There were no other services performed by the NSW Auditor-General

36 POST BALANCE DATE EVENTS

NSW Maritime has not identified any material events or transactions that require adjustments or disclosures in the financial report.

END OF AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDIT REPORT

AUDITOR-GENERAL
NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Maritime Authority of NSW Division

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Maritime Authority of NSW Division (the Division), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Division as at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

The Chief Executive's Responsibility for the Financial Report

The Chief Executive is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Division's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

INDEPENDENT AUDIT REPORT

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

James Sugumar
Director, Financial Audit Services

20 October 2008
SYDNEY

STATEMENT BY CHIEF EXECUTIVE

MARITIME AUTHORITY OF NSW DIVISION Financial Statements

For the year ended 30 June 2008

STATEMENT BY CHIEF EXECUTIVE

Pursuant to Section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

1. The accompanying Financial Statements exhibit a true and fair view of the Division's financial position as at 30 June 2008 and the transactions for the year then ended.

2. The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the Financial Statements to be misleading or inaccurate.

Steve Dunn
Chief Executive

15 October 2008

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 $000	2007 $000
Revenue			
Payroll services		**35,226**	29,154
Superannuation funding surplus		**–**	2,646
Total revenue		**35,226**	31,800
Expenses			
Employee related expenses	5	**30,523**	28,811
Superannuation expenses	6	**4,239**	2,597
Administration	7	**464**	392
Total expenses		**35,226**	31,800
Surplus (deficit) for the year		**–**	–

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	2008 $000	2007 $000
ASSETS			
Current assets			
Cash and cash equivalents	8	**342**	394
Trade and other receivables	9	**11,581**	9,501
Total current assets		**11,923**	9,895
Non-current assets			
Trade and other receivables	9	**5,404**	6,643
Total non-current assets		**5,404**	6,643
TOTAL ASSETS		**17,327**	16,538
LIABILITIES			
Current liabilities			
Trade and other payables	10	**2,474**	1,156
Provisions	11	**11,990**	11,942
Total current liabilities		**14,464**	13,098
Non-current liabilities			
Provisions	11	**2,863**	3,440
Total non-current liabilities		**2,863**	3,440
TOTAL LIABILITIES		**17,327**	16,538
NET ASSETS		**–**	–
EQUITY			
Accumulated funds		**–**	–
TOTAL EQUITY		**–**	–

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 $000	2007 $000
Cash flows from operating activities			
Receipts from customers		34,385	30,956
Payments to suppliers and employees		(34,437)	(30,562)
Net cash flows from operating activities	8	(52)	394
Net increase in cash and cash equivalents		(52)	394
Cash and cash equivalents at the beginning of the year		394	–
Cash and cash equivalents at the end of the year	8	342	394

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	2008 $000	2007 $000
Accumulated funds		
Balance at 1 July	–	–
Surplus for the year	–	–
Distributions to Government	–	–
Balance at 30 June	–	–

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1 INFORMATION ABOUT NSW MARITIME AUTHORITY DIVISION

NSW Maritime Authority Division was established on 16 March 2006, as a special purpose entity to take over all payroll and employment related responsibilities from NSW Maritime in order to enhance and protect the working conditions of NSW Maritime employees. The financial report of NSW Maritime Authority Division for the year ended 30 June 2008 was authorised for issue by the Chief Executive on 15 October 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions. The financial report has been prepared on the basis of full accrual accounting using historical cost conventions, except for superannuation which is shown at actuarially assessed present value.

Maritime Authority of NSW Division is a division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. Its sole objective is to provide personnel services to NSW Maritime.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(A) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Maritime Authority of NSW Division has adopted AASB 7 *Financial Instruments:* Disclosures and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on the income statement or the balance sheet of Maritime Authority of NSW Division.

Reference	Title	Summary	Application date
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008
AASB Int. 1038 (Revised)	Contributions by Owners Made to Wholly-Owned Public Sector Entities	This interpretation has been revised as a consequence of revised AASB 1004.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.
AASB 1051	Land under roads	This standard contains the specific transitional requirements relating to land under roads. It applies to general purpose financial reports of local governments, government departments and whole of governments and financial statements of GGSs.	1 July 2008

(B) CASH AND CASH EQUIVALENTS – REFER NOTE 8

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(C) RECEIVABLES – REFER NOTE 9

The only receivable relates to an amount payable by NSW Maritime. This amount will be settled in cash during the next financial year. Subsequent transactions between NSW Maritime and the Maritime Authority of NSW Division will be settled on a monthly basis. This financial asset is measured at the original invoice amount as the effect of discounting is immaterial. There is no material risk associated with the collectibility of this receivable, so no impairment evaluation is deemed necessary.

(D) PAYABLES – REFER NOTE 10

Trade accounts payable, including accruals not yet billed, are recognised when Maritime Authority of NSW Division becomes obliged to make future payments as a result of purchase of assets or services. Trade accounts payable are unsecured and are generally settled within their due date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) PROVISIONS – REFER NOTE 11

Provisions are recognised when Maritime Authority of NSW Division has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where Maritime Authority of NSW Division expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in the income statement.

Employee leave benefits

(i) Salaries, sick leave and annual leave

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rate at year end for all employees with five or more years in service. It is considered this measurement technique produces results not materially different from the estimated amount using the net present value basis of measurement.

(iii) Payroll tax, fringe benefits tax and superannuation

The outstanding amount of payroll tax and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

Maritime Authority of NSW Division contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to nominated funds. Maritime Authority of NSW Division contributes to defined benefit schemes and accumulation schemes. Payments are applied towards the accruing liability for superannuation in respect of employees and are expensed in the income statement. Actuarial assesments are performed at each reporting date for the defined benefit schemes. Actuarial gains and losses are recognised as income or expense in the income statement. Unfunded defined benefit schemes are recognised as a non-current liability while over-funded schemes are recognised as a non-current asset.

(F) REVENUES

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The only source of revenue for the Maritime Authority of NSW Division is NSW Maritime. The Division is structured such that all expenses are reimbursed by NSW Maritime, so that revenues will always equal costs.

(G) INSURANCE

Maritime Authority of NSW Division's insurance requirement is managed by the NSW Treasury Managed Fund. During 2007–2008 the Division had workers' compensation insurance in place.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS

Maritime Authority of NSW Division's principal financial instruments comprise receivables, payables, cash and short-term deposits.

Maritime Authority of NSW Division's exposure to key financial risks is managed by NSW Maritime in accordance with NSW Maritime's risk management policy. The objective of the policy is to facilitate the effective management of potential opportunities and adverse effects.

The main risks arising from Maritime Authority of NSW Division's financial instruments are interest rate risk and liquidity risk. The Division has no significant credit risk. Methods used to measure and manage risk include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates, and development and monitoring of forward cash flow estimates.

Primary responsibility for identification and control of financial risks rests with NSW Maritime's Finance Manager under the authority of the Chief Executive. The General Manager Corporate Services reviews and agrees policies for managing each of the risks identified below.

(A) FINANCIAL INSTRUMENT CATEGORIES

	Note	Category	2008 $000	2007 $000
Financial Assets				
Cash and cash equivalents	8	N/A	**342**	394
Receivables	9	Loans and receivables at amortised cost excluding prepayments and statutory receivables	**11,323**	9,232
Financial Liabilities				
Payables	10	Financial liabilities measured at amortised cost, excluding unearned income	**2,474**	1,156

(B) CREDIT RISK

Credit risk arises from the financial assets of Maritime Authority of NSW Division, which comprise cash and cash equivalents and receivables. Maritime Authority of NSW Division's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. Exposure at balance date is addressed in each applicable note. Maritime Authority of NSW Division trades only with NSW Maritime and as such collateral is not requested. Maritime Authority of NSW Division has not securitised its trade and other receivables and has not granted any financial guarantees. Credit risk associated with NSW Maritime's financial assets, other than receivables, is managed through the selection of its bankers.

Cash

Cash comprises cash on hand and bank balances held with Maritime Authority of NSW Division's bankers. Interest on daily bank balances is credited directly to NSW Maritime.

Receivables – NSW Maritime

The receivable from NSW Maritime is considered to have no significant risk, and no allowance for impairment is considered. No interest is earned on this debt. The amount is payable within 30 days. No amount is past due.

(C) LIQUIDITY RISK

As a body funded by NSW Maritime, Maritime Authority of NSW Division has no significant liquidity risk. The table below reflects all contractually fixed payables resulting from recognised financial liabilities as at 30 June, based on management expectations. Maritime Authority of NSW Division has no interest-bearing payables and, therefore, no exposure to interest rate risk. All obligations are shown at undiscounted cash amounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

3 FINANCIAL INSTRUMENTS (CONTINUED)

	Maturity Dates		
	< 1 year $000	1-5 years $000	> 5 years $000
2008			
Payables			
Accrued salaries	1,091	–	–
Creditors	1,383	–	–
	2,474	–	–
2007			
Payables			
Accrued salaries	91	–	–
Creditors	1,065	–	–
	1,156	–	–

(D) MARKET RISK

Interest rate risk

Maritime Authority of NSW Division has no material exposure to market interest rate risks, as it has no long-term variable interest rate debt obligations and receives no interest on its short-term cash balances.

(E) FAIR VALUE

Financial instruments are generally recognised at cost. Maritime Authority of NSW Division has no financial instruments which are measured at fair value.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Long service leave provision

Long service leave is measured on a nominal basis. The Division periodically compares the difference between using the nominal method and the full present value method. The calculation using the full present value method requires assumptions such as application of employment legislation, and expected future salary levels and expected future salary on-cost expenses. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The related carrying amounts are disclosed in note 11.

Net defined benefit superannuation asset or liability

The net defined benefit superannuation asset or liability arising from underfunding or overfunding of obligations is assessed each year by independent consultants. This assessment requires assumptions in relation to future salary increases, changes in CPI and return on plan assets. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The related carrying amounts are disclosed in note 12.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

		2008 $000	2007 $000
5	**EMPLOYEE RELATED EXPENSES**		
	Ordinary time	**23,493**	21,639
	Long service leave	**1,027**	1,184
	Recreation leave	**2,325**	2,040
	Payroll tax and fringe benefits tax	**1,898**	2,032
	Overtime	**499**	383
	Sick leave	**470**	423
	Voluntary separation payments	**253**	120
	Other employee benefits and workers' compensation	**292**	990
	External labour	**266**	–
		30,523	28,811
6	**SUPERANNUATION**		
	Contributions	**1,805**	1,346
	Funding deficit (surplus)	**2,434**	1,251
		4,239	2,597
7	**ADMINISTRATION**		
	Travel allowances	**464**	392
8	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	**342**	394

RECONCILIATION OF CASH

The amount shown is fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise the amount shown above.

RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS

	2008 $000	2007 $000
Net cash provided by (used in) operating activities	**(52)**	394
Changes in assets and liabilities		
Increase (decrease) in current receivables	**2,080**	(1,750)
Increase (decrease) in non-current receivables	**(1,239)**	2,594
Decrease (increase) in current payables	**(1,318)**	(841)
Decrease (increase) in provisions	**529**	(397)
Net surplus	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	2008 $000	2007 $000
9 TRADE AND OTHER RECEIVABLES		
CURRENT RECEIVABLES		
Amount owing from NSW Maritime	**11,323**	9,232
Prepayments	**258**	269
Total current receivables	**11,581**	9,501
NON CURRENT RECEIVABLES		
Superannuation – SASS	**2,619**	2,310
Superannuation – SANCS	**1,022**	832
Superannuation – SSS	**1,763**	3,501
	5,404	6,643

(I) NET FAIR VALUE

The Division considers the carrying amount of debtors approximate their net fair values.

(II) SIGNIFICANT TERMS AND CONDITIONS

The amount receivable from NSW Maritime is payable within the next financial year. Amounts owing which arise during subsequent years will be settled within one month.

Details regarding credit risk, liquidity risk and market risk relating to receivables are disclosed in note 3.

	2008 $000	2007 $000
10 TRADE AND OTHER PAYABLES		
CURRENT PAYABLES		
Trade creditors	**778**	782
SASS pool funds	**–**	1
Accrued superannuation	**263**	–
Accrued payroll tax	**233**	146
Accrued wages	**1,091**	91
Accrued fringe benefits tax	**109**	136
	2,474	1,156

Details regarding credit risk, liquidity risk and market risk relating to payables are disclosed in note 3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	2008 $000	2007 $000
11 PROVISIONS		
CURRENT EMPLOYEE BENEFITS AND RELATED ON-COST		
Annual leave (a)	**2,792**	2,614
Long service leave – short term benefit (b)	**748**	759
Long service leave – long term benefit (b)	**7,345**	7,493
Payroll tax provision on long service leave	**475**	506
Provision for workers' compensation (c)	**630**	570
	11,990	11,942
NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COST		
Long service leave (b)	**220**	179
Payroll tax provision on long service leave	**13**	11
Provision for workers' compensation (c)	**2,630**	3,250
	2,863	3,440

(a) The liability for annual leave is calculated as at 1 July 2008 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated as at 1 July 2008 wage rates and has been fully provided. This figure excludes allowances for personnel who were still subject to the completion of service conditions.

(c) Workers' compensation provision includes $1.940M for dust diseases (2007: $2.320M) of which $230K (2007: $220K) is current. This provision is for claims from former Maritime Services Board staff for dust related diseases that can be attributed to their service prior to 30 June 1995.

The Treasury Managed Fund (TMF) normally calculates hindsight premiums each year. In 2007-2008 NSW Maritime Authority Division received a refund for the 2003-2004 workers' compensation hindsight adjustment and made a payment for the 2001-2002 final workers' compensation hindsight adjustment.

MOVEMENT IN ANNUAL & LONG SERVICE LEAVE PROVISION	Balance 1 Jul 07 $000	Charges to revenue $000	Less payments $000	Balance 30 Jun 08 $000
Annual leave	2,614	2,204	(2,026)	2,792
Long service leave – current	8,252	1,021	(1,180)	8,093
Long service leave – non-current	179	41	–	220

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

12 SUPERANNUATION

The Division has three defined benefit superannuation schemes covering approximately one quarter of its employees. They are:
State Superannuation Scheme (SSS)
State Authorities Non-Contributory Superannuation Scheme (SANCS)
State Authorities Superannuation Scheme (SASS)

Superannuation was reassessed by Pillar Administration. The assessment resulted in a funding surplus of $5.404M at 30 June 2008 ($6.643M surplus at 30 June 2007).

All of the above superannuation schemes are defined benefits schemes, where at least a component of the final benefit is derived from a multiple of member salary and years of membership. All schemes are closed to new members. Member numbers of the schemes are as follows:

	SASS 2008	SANCS 2008	SSS 2008
Contributors	**58**	**94**	**36**
Deferred benefits	**–**	**–**	**1**
Pensioners	**2**	**–**	**27**
Pensions fully commuted	**–**	**–**	**5**

	SASS 2007	SANCS 2007	SSS 2007
Contributors	61	103	42
Deferred benefits	–	–	1
Pensioners	2	–	22
Pensions fully commuted	–	–	5

SUPERANNUATION POSITION RECOGNISED IN THE BALANCE SHEET

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Accrued liability	**14,972**	**3,118**	**39,660**	**57,750**
Reserve account balance	**(17,591)**	**(4,140)**	**(41,423)**	**(63,154)**
Surplus in excess of recovery available from schemes	**–**	**–**	**–**	**–**
Net (asset) liability recognised in balance sheet	**(2,619)**	**(1,022)**	**(1,763)**	**(5,404)**
Future service liability	**3,105**	**1,176**	**1,712**	**5,993**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

12 SUPERANNUATION (CONTINUED)

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Accrued liability	15,187	3,292	39,374	57,853
Reserve account balance	(18,994)	(4,663)	(45,144)	(68,801)
Surplus in excess of recovery available from schemes	1,497	539	2,269	4,305
Net (asset) liability recognised in balance sheet	(2,310)	(832)	(3,501)	(6,643)
Future service liability	3,336	1,283	2,024	6,643

The future service liability does not have to be recognised by the Division. It is only used to determine if an asset ceiling limit should be imposed.

RECONCILIATION OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

	SASS 2008 $000	**SANCS 2008 $000**	**SSS 2008 $000**	**Total 2008 $000**
Present value of partly funded defined benefit obligations at beginning of year	**15,187**	**3,292**	**39,374**	**57,853**
Current service cost	**605**	**178**	**320**	**1,103**
Interest cost	**937**	**199**	**2,476**	**3,612**
Contributions by fund participants	**323**	**–**	**406**	**729**
Actuarial (gains) losses	**(594)**	**(103)**	**(1,641)**	**(2,338)**
Benefits paid	**(1,486)**	**(448)**	**(1,275)**	**(3,209)**
Present value of partly funded defined benefit obligations at end of year	**14,972**	**3,118**	**39,660**	**57,750**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Present value of partly funded defined benefit obligations at beginning of year	13,894	3,266	40,149	57,309
Current service cost	592	187	358	1,137
Interest cost	799	184	2,345	3,328
Contributions by fund participants	304	–	379	683
Actuarial (gains) losses	384	(85)	(1,409)	(1,110)
Benefits paid	(786)	(260)	(2,448)	(3,494)
Present value of partly funded defined benefit obligations at end of year	15,187	3,292	39,374	57,853

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

12 SUPERANNUATION (CONTINUED)

RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Fair value of fund assets at beginning of year	**18,994**	**4,663**	**45,144**	**68,801**
Expected return on fund assets	**1,449**	**365**	**3,492**	**5,306**
Actuarial gains (losses)	**(2,337)**	**(639)**	**(6,691)**	**(9,667)**
Employer contributions	**648**	**200**	**347**	**1,195**
Contributions by fund participants	**323**	**–**	**406**	**729**
Benefits paid	**(1,486)**	**(449)**	**(1,275)**	**(3,210)**
Fair value of fund assets at end of year	**17,591**	**4,140**	**41,423**	**63,154**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Fair value of fund assets at beginning of year	16,603	4,133	40,622	61,358
Expected return on fund assets	1,255	310	3,068	4,633
Actuarial gains (losses)	1,011	269	3,140	4,420
Employer contributions	607	211	383	1,201
Contributions by fund participants	304	–	379	683
Benefits paid	(786)	(260)	(2,448)	(3,494)
Fair value of fund assets at end of year	18,994	4,663	45,144	68,801

TOTAL EXPENSE (INCOME) RECOGNISED IN THE INCOME STATEMENT

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Current service cost	**605**	**178**	**320**	**1,103**
Interest cost	**937**	**199**	**2,476**	**3,612**
Expected return on fund assets (net of expenses)	**(1,449)**	**(365)**	**(3,492)**	**(5,306)**
Actuarial losses (gains) recognised in year	**1,743**	**536**	**5,051**	**7,330**
Movement in adjustment for limitation on net assets	**(1,497)**	**(539)**	**(2,269)**	**(4,305)**
Expense (income) recognised	**339**	**9**	**2,086**	**2,434**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Current service cost	592	187	358	1,137
Interest cost	798	184	2,344	3,326
Expected return on fund assets (net of expenses)	(1,255)	(310)	(3,068)	(4,633)
Actuarial losses (gains) recognised in year	(627)	(354)	(4,549)	(5,530)
Movement in adjustment for limitation on net assets	1,497	539	2,269	4,305
Expense (income) recognised	1,005	246	(2,646)	(1,395)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

12 SUPERANNUATION (CONTINUED)

FAIR VALUE OF FUND ASSETS

All Fund assets are invested by the SAS Trustee Corporation at arm's length through independent fund managers.

ACTUAL RETURN ON FUND ASSETS	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Return on fund assets – gains (losses)	**(1,177)**	**(275)**	**(3,032)**	**(4,484)**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Return on fund assets – gains (losses)	2,429	579	5,707	8,715

VALUATION METHOD AND PRINCIPAL ACTUARIAL ASSUMPTIONS AT BALANCE SHEET DATE

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

	2008	2007
ECONOMIC ASSUMPTIONS ADOPTED WERE:		
Salary increase rate	**3.50%**	4.00%
Rate of CPI increase	**2.50%**	2.50%
Expected rate of return on assets backing current pension liabilities	**8.30%**	7.60%
Expected rate of return on assets backing other liabilities	**7.30%**	7.60%
Discount rate	**6.55%**	6.40%

THE FOLLOWING IS A SUMMARY OF THE FINANCIAL POSITION OF THEFUND CALCULATED IN ACCORDANCE WITH AAS 25 "FINANCIAL REPORTING BY SUPERANNUATION PLANS":

	SASS 2008 $000	SANCS 2008 $000	SSS 2008 $000	Total 2008 $000
Accrued benefits	**14,884**	**3,134**	**36,442**	**54,460**
Net market value of fund assets	**(17,591)**	**(4,140)**	**(41,423)**	**(63,154)**
Net (surplus) deficit	**(2,707)**	**(1,006)**	**(4,981)**	**(8,694)**

	SASS 2007 $000	SANCS 2007 $000	SSS 2007 $000	Total 2007 $000
Accrued benefits	14,953	3,262	35,613	53,828
Net market value of fund assets	(18,995)	(4,663)	(45,145)	(68,803)
Net (surplus) deficit	(4,042)	(1,401)	(9,532)	(14,975)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

12 SUPERANNUATION (CONTINUED)

RECOMMENDED CONTRIBUTION RATES ARE:	SASS 2008	SANCS 2008	SSS 2008
multiple of member contributions	**1.90**	**–**	**0.93**
% member salary	**–**	**2.5**	**–**

	SASS 2007	SANCS 2007	SSS 2007
multiple of member contributions	1.90	–	0.93
% member salary	–	2.5	–

FUNDING METHOD

The method used to determine the employer contribution recommendations at the last actuarial review date was the Aggregate Funding method. The method adopted affects the timing of the cost to the Division. Under the aggregate funding method the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

THE ECONOMIC ASSUMPTIONS ADOPTED FOR THE LAST ACTUARIAL REVIEW OF THE FUND WERE:	2008	2007
Weighted average assumptions		
Expected rate of return on fund assets backing current pension liabilities	**7.70%**	7.70%
Expected rate of return on fund assets backing other liabilities	**7.00%**	7.00%
Expected salary increase rate	**4.00%**	4.00%
Expected rate of CPI increase	**2.50%**	2.50%

NATURE OF ASSET / LIABILITY

If a surplus exists in the Division’s interest in the fund, the Division may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund’s actuary. Where a deficiency exists, the employer is responsible for any difference between the employer’s share of fund assets and the defined benefit obligation.

13 COMMITMENTS

The Division had no commitments for expenditures at 30 June 2008.

14 CONTINGENT LIABILITIES AND ASSETS

The Division had no contingent assets or liabilities at 30 June 2008.

15 POST BALANCE DATE EVENTS

The Division has not identified any material events or transactions that require adjustments or disclosures in the financial report.

END OF AUDITED FINANCIAL STATEMENTS