

Letter to the voting shareholders

31 October 2005

Governor Macquarie Tower
1 Farrer Place,
Sydney NSW 2000

The Hon. John Della Bosca, MLC

*Special Minister of State
Minister for Commerce
Minister for Industrial Relations
Minister for Ageing
Minister for Disability Services
Assistant Treasurer
Vice-President of the Executive Council*

The Hon. Michael Costa, MLC

*Minister for Finance
Minister for Infrastructure
Minister for the Hunter*

Dear Ministers

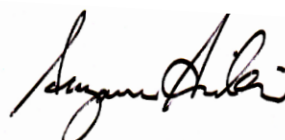
We have pleasure in submitting, for your information and presentation to Parliament, the Sydney Ferries Corporation Annual Report for the year ended 30 June 2005.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984* (NSW), the *Annual Reports (Statutory Bodies) Regulation 2005* (NSW), and the *Public Finance and Audit Act 1983* (NSW).



Geoff Ashton

Acting Chair
Sydney Ferries Corporation



Suzanne Sinclair

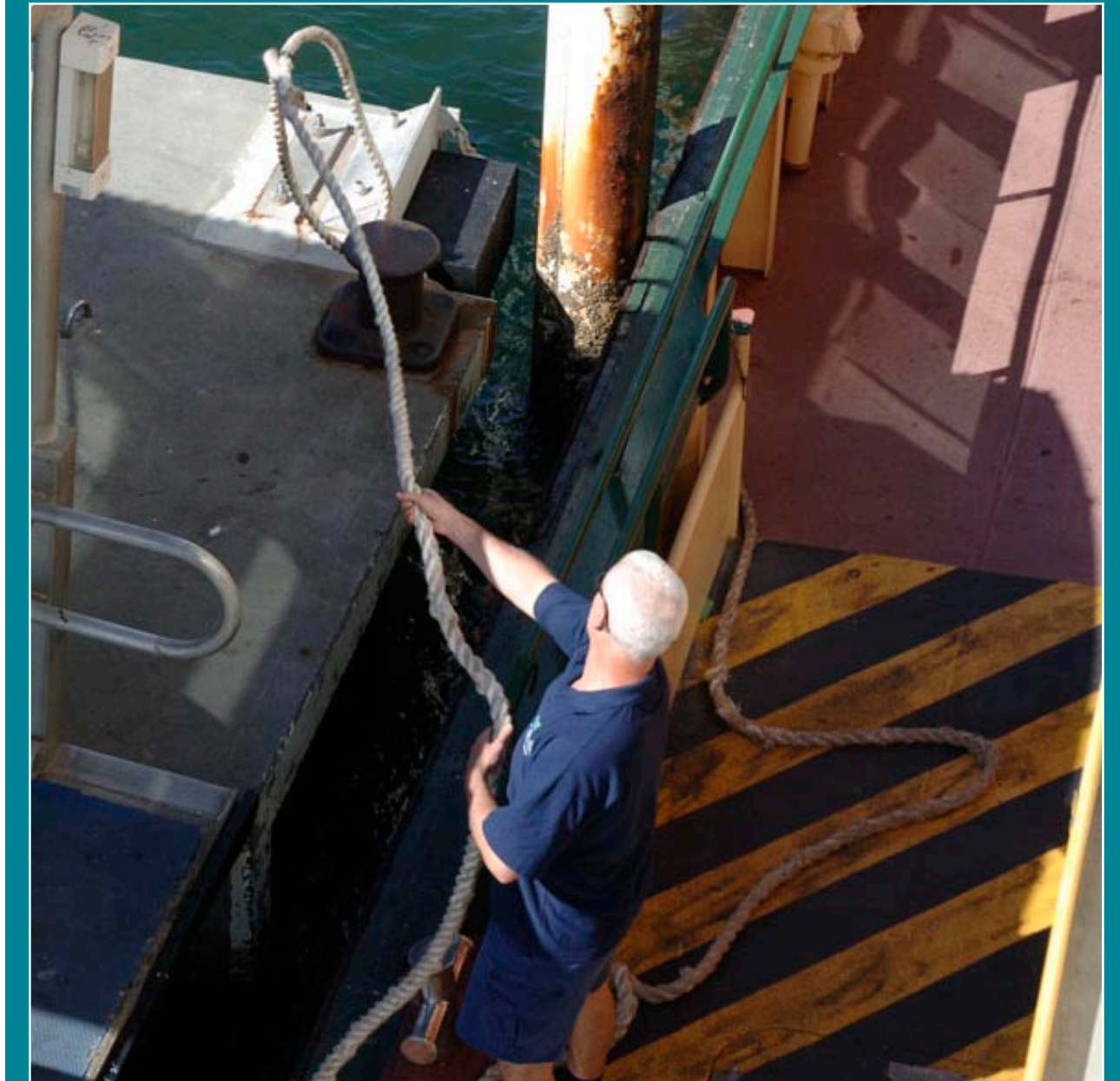
Chief Executive Officer
Sydney Ferries Corporation

Sydney Ferries Corporation

building a safer and better service

Contents	Page
About Sydney Ferries Corporation	
Message from Acting Chair and CEO	6
Who we are	8
Our fleet	10
Our history	12
Organisation structure	15
Highlights 2004/05	16
Our Performance	
Safety and security	20
Customer service	26
Environment and community	30
Organisational capability	34
Efficiency	38
Corporate Governance	42
Financial Statements	51
Appendix	81

About Sydney Ferries Corporation



Message from Acting Chair and Chief Executive Officer

The 2004/05 financial year was a defining period for Sydney Ferries Corporation.

On 1 July 2004, Sydney Ferries was established as a State Owned Corporation, operating independently for the first time since the NSW Government bought the ferry business in 1951.

Amendments to the *Transport Administration Act 1988* (NSW), passed by the NSW Parliament in December 2003 to establish the Corporation, were designed to better focus the organisation on providing safe and reliable services for Sydney and improving customer service, accountability and financial performance.

The Sydney Ferries Corporation Board was appointed in July 2004 and included a wide range of expertise from the maritime industry, the business community, public administration and employee representation.

Sydney Ferries Corporation's first 12 months were challenging and rewarding.

A new management structure was developed to reflect the Corporation's objectives and to support ferry operations following separation from the State Transit Authority. A vision for the Corporation and a set of values were developed to guide the Corporation's actions in accordance with legislative requirements.

In order to better understand the ferry business, its operating environment and customers, it was necessary to conduct a wide-ranging review of the Corporation. A number of opportunities were identified to improve safety, efficiency, workforce capability, and operational performance.

An evaluation of the Balmain Shipyard maintenance operation was conducted. The management structure, work practices and technologies were compared with industry standards. Planning commenced for the implementation of measures to improve the performance of the maintenance operation, thus improving service reliability.

Procurement practices were improved. For example, a national tender for the major periodic maintenance for one of the Freshwater Class ferries achieved significant cost savings.

The safety of our passengers and staff remains the number one priority. There were a number of incidents involving our vessels in 2004/05 examined by the Office of Transport Safety Investigation.

Sydney Ferries Corporation continues to work closely with its regulators including the NSW Maritime Authority, the Office of Transport Safety Investigation and the Independent Transport Safety and Reliability Regulator to meet its steadfast commitment to improve safety. Safety will be the focus of all planning in the coming year.

The Corporation responded positively during the traditionally busy summer period when passenger numbers increased by up to 60 per cent compared to an average day. A detailed plan to prevent ticketing and operational delays and disruptions was implemented with success. The Balmain Shipyard performed well ensuring sufficient ferries were available to meet timetable requirements.

Sydney Ferries Corporation is committed to continuing meaningful stakeholder communications to ensure services meet the needs of the community. The Sydney Ferries Services Working Group was established

in July 2004. The Working Group includes representatives from a broad a range of community interests. It continues to provide valuable practical input to assist the Corporation to improve its operations and help meet customer expectations.

During the year a detailed customer survey was conducted to profile the needs of customers and provide data to investigate potential improvements to current ferry frequency, timing and destinations.

We would like to thank the people that regularly use and support our services. Sydney Ferries Corporation carried more than 14 million passengers in 2004/05. Sydney Ferries Corporation will continue to monitor customer feedback to ensure it remains flexible and responds to customer needs.

We greatly appreciate the dedication and commitment of the Corporation's staff during this challenging transitional period. A new employee excellence awards program has been developed to celebrate the important contributions of staff.

We would also like to acknowledge the hard work of our fellow Board members in helping to set the direction of the Corporation in its first year.

A number of achievements have been realised this year. Efforts are now focused to ensure we deliver a safe and reliable service that meets community expectations in the coming years.



Geoff Ashton
Acting Chairman
Sydney Ferries Corporation



Suzanne Sinclair
Chief Executive Officer
Sydney Ferries Corporation



Who we are

Sydney Ferries Corporation was established as a State Owned Corporation on 1 July 2004, by amendments to the *Transport Administration Act 1988* (NSW) passed by the NSW Parliament in December 2003.

Sydney Ferries Corporation operates ferry passenger services across Sydney Harbour and along the Parramatta River, within the framework provided by this enabling legislation.

Our vision, mission and values provide the internal focus and guiding principles by which we operate within this legislative framework.

Legislative objectives

The principal objective of Sydney Ferries is to deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner.

The other objectives of Sydney Ferries are as follows:

- to be a successful business and, to that end:
 - to operate at least as efficiently as any comparable business; and
 - to maximise the net worth of the State's investment in Sydney Ferries;
- to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates;
- where activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991* (NSW); and

Sydney Ferries Corporation operates services 18 hours a day, travelling approximately 1.3 million kilometres every year. In 2004/05, Sydney Ferries Corporation carried over 14 million passengers.

- to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.

Vision

To provide a safe, reliable and quality ferry service that is customer-focused, efficient and sustainable.

Mission

To deliver a quality ferry service for Sydney by:

- providing safe and reliable transportation;
- maintaining an affordable and sustainable service by being efficient and effective;
- delivering excellent customer service; and
- providing a rewarding and safe working environment.

Values

Safety first

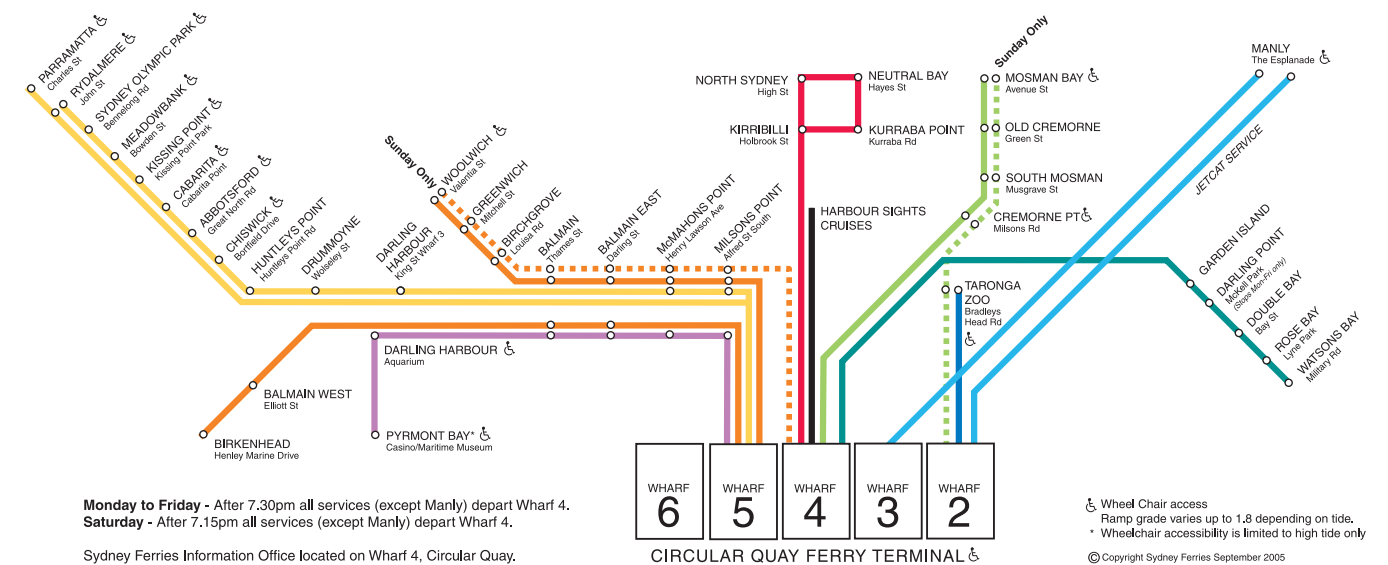
Sydney Ferries Corporation puts safety first to ensure a safe journey for passengers, a safe and healthy work environment for staff and safe waterways for the community.

Excellent customer service

Sydney Ferries Corporation strives to provide a quality service to customers and a satisfying experience every journey.

Doing things more efficiently

Sydney Ferries Corporation strives for continuous improvement across all aspects of its operations to maximise the efficiency and effectiveness of service delivery.



Commercial focus

Sydney Ferries Corporation conducts its business on a commercial basis to maximise shareholder value and ensure the long-term viability of the Corporation.

Integrity

Sydney Ferries Corporation is honest, ethical, accountable and transparent in the conduct of its activities.

Mutual respect and teamwork

Customers and staff are treated with respect and employees work together to achieve the Corporation's goals.

What we do

Sydney Ferries Corporation's principal activity is the provision of ferry passenger services around Sydney Harbour and along the Parramatta River.

Regular passenger services, which are governed by the terms and conditions of an *Instrument of Exemption* issued by the Ministry of Transport, operate along 8 routes from the Circular Quay hub and terminal. They are:

- Parramatta/Rydalmere
- Balmain/Woolwich
- Darling Harbour
- Neutral Bay
- Mosman
- Taronga Zoo

- Eastern Suburbs
- Manly

Sydney Ferries Corporation also operates a relatively small cruise and charter service, on a commercial basis. Three cruises operate each day, in the morning, afternoon and evening, taking in the natural beauty of the harbour and some of the world's best-known landmarks.

Services operate 18 hours a day, 7 days a week, to 41 wharves across a network spanning approximately 37 kilometres from Parramatta in the west, to Manly in the north-east, and Watsons Bay in the east.

More than 270 services depart from Circular Quay each weekday. During 2004/05, Sydney Ferries Corporation carried more than 14 million passengers on services covering a distance of approximately 1.3 million kilometres.

Customers comprise two distinct user groups: commuters and leisure travellers. Around 49% of total patronage is for commuter travel (work and education) while 43% is for leisure travel and tourism. The remaining 8% is for non-leisure personal trips.

Sydney Ferries Corporation employs approximately 600 people in roles including customer service, ferry operations, maintenance, ticketing, management and administration. There are four different workplaces: Circular Quay, Manly wharf, Balmain Shipyard and the corporate office in Pitt St, Sydney.

Our fleet

Freshwater Class

The four Freshwater Class vessels are the largest ferries in the fleet and are used for services to and from Manly, the most popular route.

JetCat Class

Three high-speed JetCats run a premium peak-hour service between Manly and Circular Quay.

First Fleet Class

Nine First Fleet Class ferries are named after the vessels in the first fleet to visit Australia in the late 1700's. They primarily operate on Sydney's Inner Harbour.

SuperCat Class

Four high-speed catamarans primarily service the Eastern Suburbs.

RiverCat Class

Seven specially designed, low wash RiverCats service the Parramatta River, with each named after a famous Australian sportswoman.

HarbourCat Class

Two HarbourCats, the smallest vessels in the fleet, provide fast and frequent back-up services.

Lady Class

Two historic vessels primarily used for tourist-based cruises and Taronga Zoo services.



Freshwater Class



Lady Class



First Fleet Class



JetCat Class



HarbourCat Class



RiverCat Class



SuperCat Class

Sydney Ferries Corporation operates a fleet of 31 vessels of 7 different classes.

Our history

19th C

1831

Steam came to Sydney Harbour in the form of the *Sophie Jane*.



1832

The paddle ferry experiment arrives in Sydney to provide a service from Sydney Cove to Parramatta. It was powered by four horses walking around a treadmill.

1855

The first regular ferry service to Manly was operated by a tug ferry. First Manly wharf was opened near a pub, the Pier.

1860

North Shore Steam Ferry Company formed.

1886

The cable tram from North Sydney was extended to Milsons Point Wharf - an early attempt at integrated public transport.

Ferries have been moving people around Sydney Harbour for over 150 years.

1893

The North Shore Train line extended to Milsons Point.

1899

The North Shore Steam Ferry Company became Sydney Ferries Limited.

20th C

1932

Sydney Harbour Bridge opened 19 March 1932. Passenger numbers fell dramatically due to competition from trains and trams.

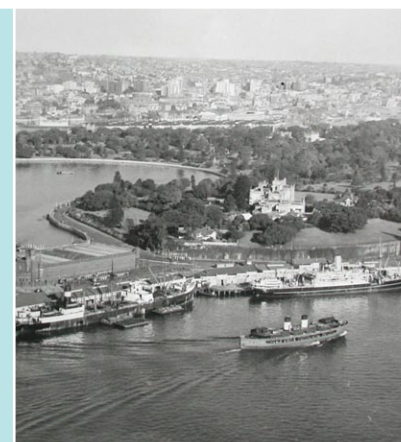


1933

Sydney Ferries converts the *Lady Chelmsford* from steam propulsion to diesel power.

1938

The *South Steyne* was built in Scotland and, at the time, was the largest passenger ferry in the British Empire.



1951

Sydney Ferries Limited sold to the State Government to become Sydney Harbour Ferries Limited.



1959

The *Kubu*, the last coal fired ferry on Sydney Harbour, retires.

1967

State government ordered the first new Lady class ferry since 1914, the *Lady Cutler*.



1974

State government takes over the Manly Steamship Company. All ferries administered by the Public Transport Commission and colours changed to blue and white.

1975

The Tasman Bridge collapsed and the *Lady Wakehurst* and the *Kosciusko* were sent to assist the people of Hobart.



1980

Public Transport Commission disbanded. Buses and ferries combined under the banner of the Urban Transit Authority.

1980

First great ferryboat race. The race was won by the *Lady Woodward*. This was the precursor to the ferrython.

1993

The first RiverCats provide the first service to Parramatta in more than 100 years.



1991

The last high-speed hydrofoil replaced by JetCats.



© John Darroch

21st C

2000

Sydney Olympics - Sydney Ferries provides transport for athletes to the Olympic site. The *Collaroy* carries the Olympic torch to Circular Quay where it was transferred to a RiverCat for transport to Homebush Bay.



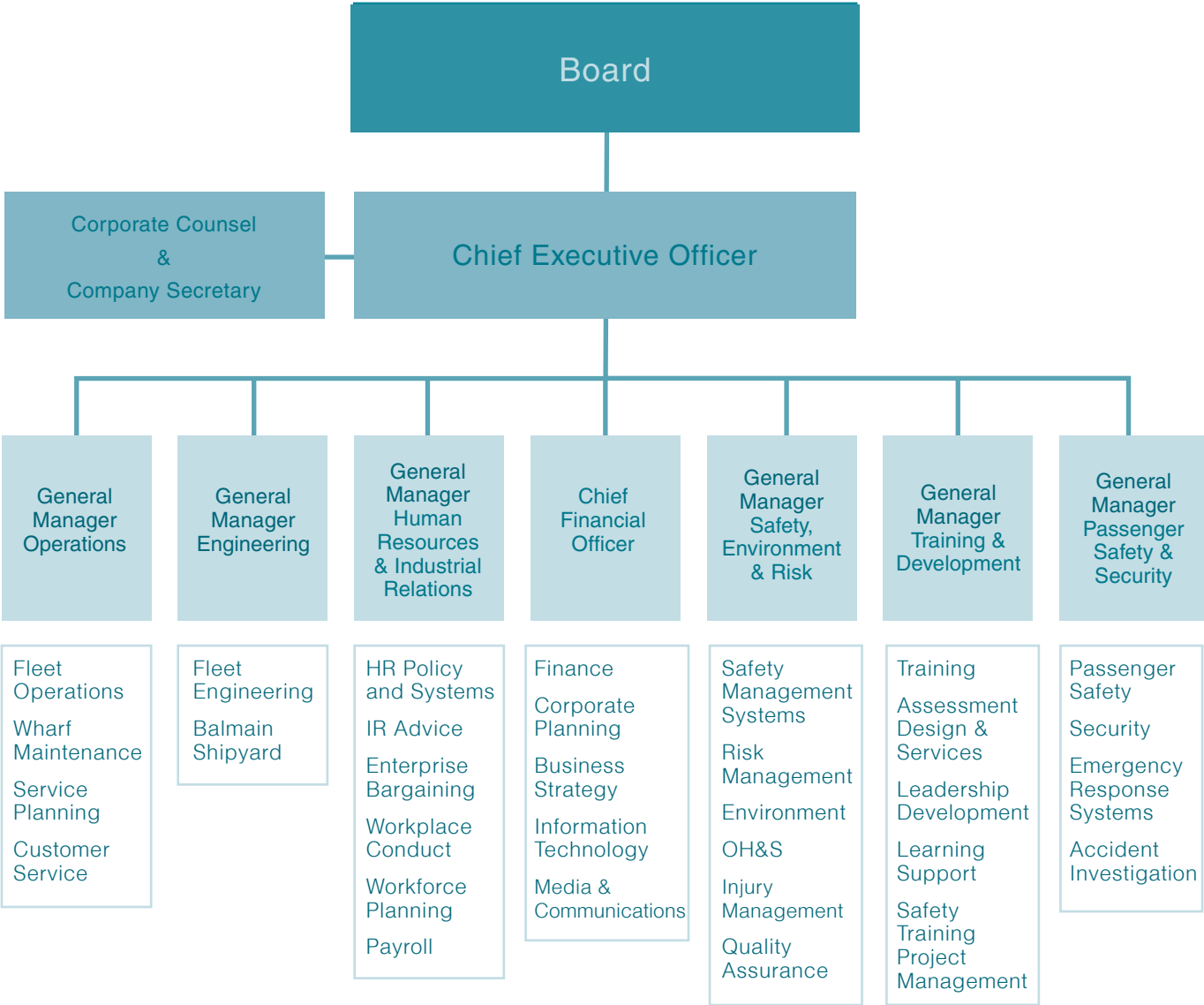
2004

Sydney Ferries becomes a State Owned Corporation.



Sydney Ferries Corporation continues this proud tradition.

Organisation structure



Highlights 2004/05

Operations

- Almost 14.1 million passengers chose to travel with Sydney Ferries Corporation. Patronage grew by approximately 0.6%.
- On-time running averaged 98.9%. Service reliability averaged 98.8%.
- Customer complaints of 59 per million passenger journeys was more than 20% lower than the targeted figure of 75.
- Planning for the busy summer period resulted in reduced queues and minimal delays for the approximately 1.43 million passengers travelling between 18 December 2004 and 18 January 2005.
- A comprehensive customer demand study was undertaken to identify potential improvements to service frequency, timing and destination.
- A detailed benchmarking study of the Balmain Shipyard maintenance operation was undertaken, identifying potential improvements and cost savings.
- A program to upgrade control systems on three of the Manly Freshwater Class vessels was completed.
- A Safety Management System audit in November 2004 confirmed compliance with NSW Maritime Authority requirements.
- Drug and alcohol testing programs were finalised and implemented.
- Safety Refresher Training was developed and introduced for transport safety workers and training facilities at the Balmain Shipyard were upgraded.
- A five year Environmental Management Plan was developed to identify and mitigate the impact of ferry operations on the surrounding environment.
- No major incidents of environmental damage occurred.

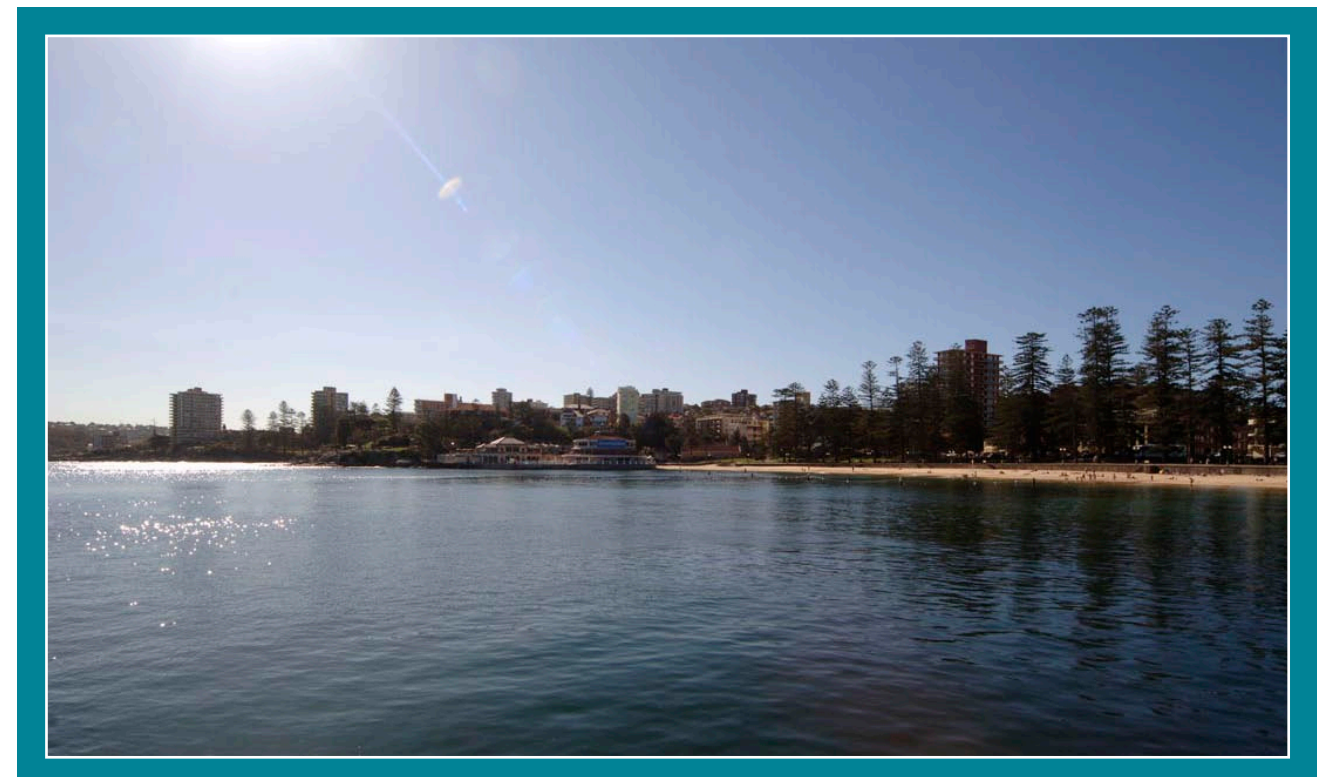
Building a new identity

- Sydney Ferries Corporation was separated from the State Transit Authority and established as a State Owned Corporation on 1 July 2004.
- A simplified organisation structure was developed to ensure alignment to the new strategic direction of the Corporation.
- A vision and set of core values were developed to guide the Corporation within its legislative objectives.

- A review of policies and procedures adopted from the State Transit Authority was commenced.
- A new logo was developed, and a vessel re-branding program commenced.
- A new website was launched in November 2004 providing more accessible information to customers.

Financial Overview

- Operating deficit of \$2.6 million was \$4 million, or 61%, better than budget.
- Achieved a positive return on assets of 0.7% against a target of -2.0%.
- Farebox revenue of \$45.1 million was only \$0.3 million, or less than 1%, lower than the budget target.
- Achieved maintenance cost savings of \$1.9 million against budget.
- Positive operating cash flows of \$10.7 million enabled a \$7.7 million reduction in debt.



Our Performance



Safety and security

At Sydney Ferries Corporation, safety is the number one priority. Over the past year, a range of measures were introduced to improve the safety and security of operations and workplaces. A number of appointments were made to strengthen the safety management system and procedures, while a senior position was created to focus on safety, environment and risk.

Safety Management System

The NSW *Passenger Transport Act 1990* sets out the requirement to document and implement a Safety Management System (SMS) which:

- identifies significant risks arising from service provision;
- specifies the controls to be employed to manage the risks and to monitor safety outcomes; and
- complies with any NSW Maritime Authority requirements or guidelines.

The NSW Maritime Authority SMS requirements are based on the International Maritime Organisation's standard for SMS's, the International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code). Sydney Ferries Corporation's SMS incorporates the requirements of the ISM Code. An audit conducted by the NSW Maritime Authority in November 2004 confirmed Sydney Ferries Corporation's SMS complied with the NSW Maritime Authority requirements.

Drug and alcohol testing

Employees must not commence work if they are affected by alcohol or other drugs. Employees affected by alcohol or other drugs in the workplace are dealt with under an internal discipline policy and in accordance with the provisions of the NSW *Passenger Transport Act 1990* and the *Passenger Transport (Drug and Alcohol Testing) Regulation 2004*. The Regulation provides for the random or targeted drug and alcohol testing of transport safety employees.

In line with this legislation, programs were finalised for random drug and alcohol testing in the first half of 2004/05. Testing may also occur where there is a reasonable belief that an employee is affected by alcohol or drugs, and following all incidents with the potential for injury to passengers or staff, damage to property or environmental harm.

Extensive awareness training of staff was conducted. Self-testing units for alcohol were installed in workplaces.

Fatigue management

A review of rosters, shift patterns and relief processes was conducted to determine the potential impact of staff fatigue. A number of initiatives to improve fatigue management were identified, including:

- the reduction of crew shift lengths to a maximum 12 hours;

our first priority

- the trial of a 'healthy lifestyle' program for staff, including access to exercise facilities and regular health monitoring;
- the review of sick leave coverage practices to ensure that they do not contribute to crew fatigue; and
- the introduction of the Fatigue Analysis Interdyne Program into rostering processes for operational staff.

Work commenced on each of these initiatives.

Vessel modifications

A range of vessel modification initiatives to improve the safety and security of the fleet were implemented. Programs commenced to provide forced ventilation to void spaces and to install coded locks for secure areas on all vessels. These initiatives were designed to increase safety and security standards for passengers and operational staff.

Other safety improvements specific to each class of vessel were implemented.

First Fleet class vessels

Main engines were modified to disengage clutches in the event of a main engine governor power loss. This will substantially mitigate the risk of a loss of control of the vessel through power failure.

Safety lines were installed to enable the use of

harnesses for staff when cleaning upper decks and the wheelhouse.

Visibility for crew in adverse weather conditions was improved through the installation of anti-glare film screens. These screens also reduce fatigue from sunlight exposure.

A program for the replacement of manual anchor windlasses across the fleet commenced. This minimises manual handling and allows for faster anchor deployment in emergency situations.

Freshwater class vessels

A program to upgrade control systems on three of the four Freshwater Class vessels was completed. This system has a significantly higher level of redundancy. It will improve safety standards through ease of operation and the increased reliability of new components.

SuperCat class vessels

Improved steering technology was introduced on SuperCats to enhance vessel reliability and ease of operation.

Monitoring systems on auxillary systems have been improved to increase engine condition monitoring standards and capabilities.

A program commenced to improve manoeuvrability at slow speed, through the enlargement of rudders.

Sydney Ferries Corporation's commitment to the safety of passengers, staff and the public is of paramount concern.

RiverCat class vessels

A new Schottel hydraulic system was designed and installed on all RiverCats to improve steering enhancing operational safety and mitigating the risk of failures.

HarbourCat class vessels

A new hydraulic back-up system was installed on HarbourCats to provide a secondary means of steering in the event of a failure.

Wharf improvements

Sydney Ferries Corporation owns nine wharves on Sydney Harbour. A number of initiatives to improve the safety of wharf infrastructure were completed including:

- new aluminium gangways were installed, slipway concrete repairs completed, roofing and lighting improved and new birthing piles and crash buffers constructed at Balmain Shipyard;
- the installation of new buffer piles at Circular Quay;
- the treatment of termite infestation of timber substructures at Taronga Zoo wharf;
- the construction of a new retaining wall on the shore surrounding Musgrave St wharf and the replacement of several old berthing piles; and
- the upgrade of berthing piles at the High St, Hayes St and Cremorne wharves.

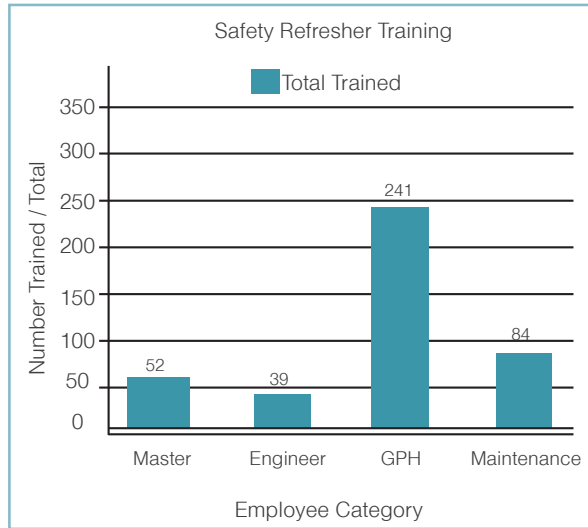
Safety refresher training

Safety Refresher Training was introduced for all transport safety workers. The first round focused on:

- the importance of maintaining competence in safety critical roles;

- components of Sydney Ferries Corporation's Safety Management System and the role of staff in supporting organisational safety;
- responsibilities and processes for random drug and alcohol testing for transport safety workers;
- problem and incident reporting;
- drill management to ensure competent fleet staff; and
- environmental protection policy and risk management procedures.

In 2004/05 more than 80 per cent (416) of operational employees participated in this first round of training:



Heightened security focus

All transport agencies operate in a heightened security environment. Sydney Ferries Corporation reviewed security requirements to improve its emergency response capability.

Security planning

Sydney Ferries Corporation continued the development of security planning to mitigate against the threat of terrorism. This included a range of initiatives aimed at improving passenger and vessel security and coordinated, inter-agency emergency response plans.

Security committees

Sydney Ferries Corporation is a member of a number of local, inter-agency security committees, including:

- Circular Quay Security Co-ordination Committee;
- Port-Intelligence Sub-Committee;
- Transport Emergency Coordination Committee; and
- Mass Transit Incident Response Committee.

Active membership on these Committees enables ongoing information sharing with key stakeholders, integrated emergency planning and an improved ability to make informed decisions in response to the changing security environment.

'White Level' inspection regime

The Department of Transport and Regional Services (DOTARS) sets the security levels applicable to Sydney Ferries Corporation. There are four levels, namely: low, medium, high and extreme. The current security alert level set by DOTARS requires Sydney Ferries Corporation personnel to conduct 'White Level' visual security inspections and carry out other measures such as: reporting any suspicious activities or objects; displaying security identification at all times; and ensuring the serviceability of all emergency equipment.

All General Purpose Hands have been trained in 'White Level' inspection procedures.

Bins

Bins were removed or closed on vessels and at Circular Quay and Manly wharves in line with security requirements and measures taken by other transport agencies.

Balmain Shipyard perimeter fencing

Perimeter fencing at Balmain Shipyard was upgraded to improve the security of docked vessels.

CCTV network

Sydney Ferries Corporation has had Closed Circuit Television (CCTV) at the wharves it has serviced since before the 2000 Sydney Olympic Games.

Work has commenced on improving the CCTV network. This will involve the upgrade of existing CCTV infrastructure at the wharves serviced as well as the expansion of coverage, including the Balmain Shipyard.

The improved technology will: enhance picture quality to facilitate visual identification of all persons entering the area of coverage; increase coverage of surveillance; and provide interface capability with external third-party premises such as the NSW Police Marine Area Command.

Security Training

Security training is a key feature of initial training for new recruits. A total of 32 new recruits participated in this training.

RiverCat class vessels

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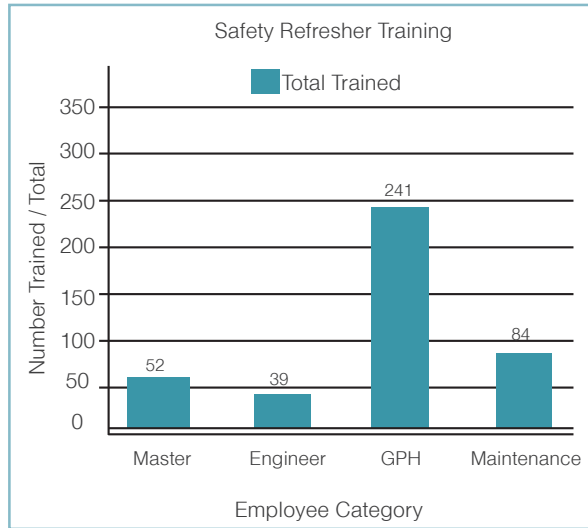
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Key Performance Indicators

Performance Indicator	2004/05 Target	2004/05 Actual
Number of major vessel incidents per year ¹	nil	3
Number of minor vessel incidents per hundred services ²	0.08	0.04
Number of passenger incidents per million passenger journeys ³	13	10.43
Lost time injury incident rate (injuries per 100 employees) ⁴	4.8	5.92
Lost time injury frequency rate (per million hours worked) ⁵	26	33.75

- ¹ 'Major' vessel incidents are defined as incidents causing multiple/substantial injuries to persons, or death, or material damage to infrastructure or vessels.
- ² 'Minor' vessel incidents are defined as incidents not falling within the definition of 'major' vessel incident.
- ³ Passenger incidents are defined as any incident reported by passengers, including illness.
- ⁴ 'Lost Time Injury' (LTI) is an injury with one hour or more lost from work.
- ⁵ Definition of LTI frequency used is one hour lost, compared to industry definition of full shift.

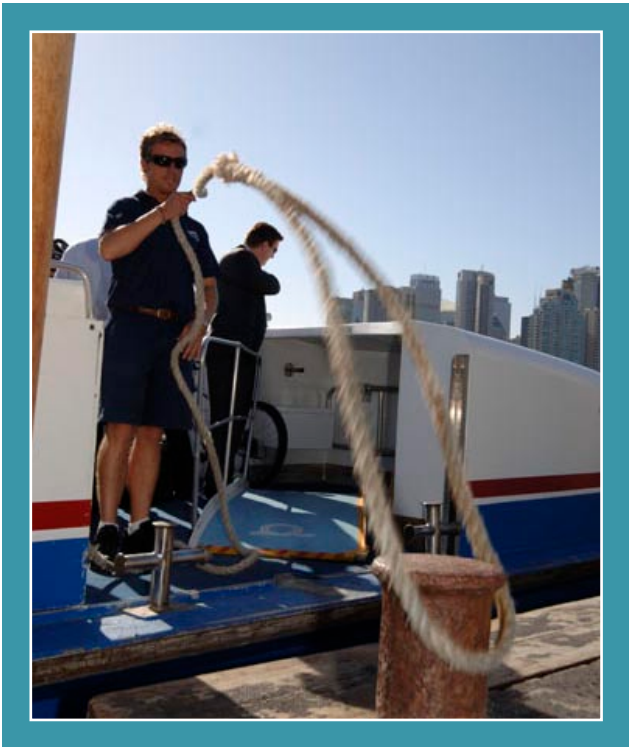
During 2004/05 there were three major vessel incidents.

On 7 February 2005 the First Fleet Class vessel Charlotte collided with the seabed at Milsons Point. There were no injuries. The hull of the vessel was damaged.

On 4 March 2005 the Freshwater Class vessel Collaroy collided with the backboard next to Circular Quay Wharf 3. There were no passengers on board. There were no injuries.

On 26 May 2005 the Freshwater Class vessel Narrabeen collided with Circular Quay Wharf 5. Whilst only minor passenger injuries were reported, the damage to the vessel and the wharf was material.

Lost time injury incident and frequency rates exceeded the year's targeted levels. This result primarily reflects the major incidents that occurred.



Customer service

Sydney Ferries Corporation is committed to providing a safe and reliable ferry service and making each journey a satisfying experience for passengers.

We aim to meet the expectations of our customers by delivering friendly services that offer value for money.

Consumer opinion

Sydney Ferries Corporation welcomes the views of its customers.

Sydney Ferries Corporation received 1,048 opinions from customer including suggestions, compliments and complaints.

Customer demand study

Sydney Ferries Corporation commissioned a detailed assessment of passenger opinions of services provided. The research had three distinct projects:

- on board route and destination survey, where entry and exits were recorded at wharves. This provided extensive passenger usage counts;
- a survey of current ferry users, covering usage patterns, reasons for usage and descriptive characteristics; and
- a non-regular user survey, conducted in areas close to ferry wharves, with persons who had not used a ferry in the past month.

our business

Survey results suggested there were a number of opportunities for Sydney Ferries Corporation to improve services and increase patronage, particularly among the existing user base.

Summer running program

Sydney Ferries Corporation had one of its most successful summers in 2004/05.

In the four weeks from 18 December 2004 to 18 January 2005 approximately 1.43 million passengers travelled on the Corporation's services.

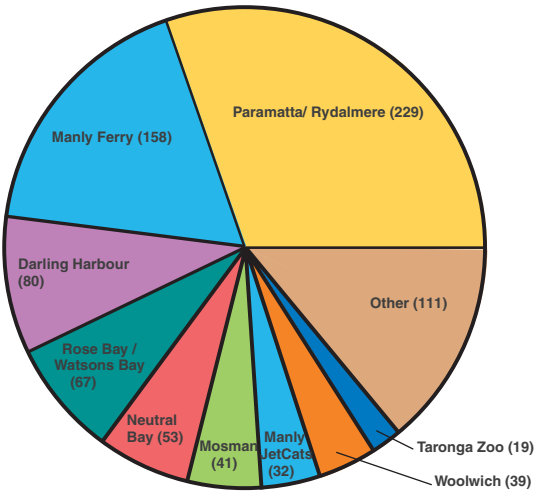
The biggest day was 5 January 2005 when more than 62,000 passengers travelled across Sydney Harbour and the Parramatta River.

A plan for summer 2004/05 was developed to manage the escalated demand.

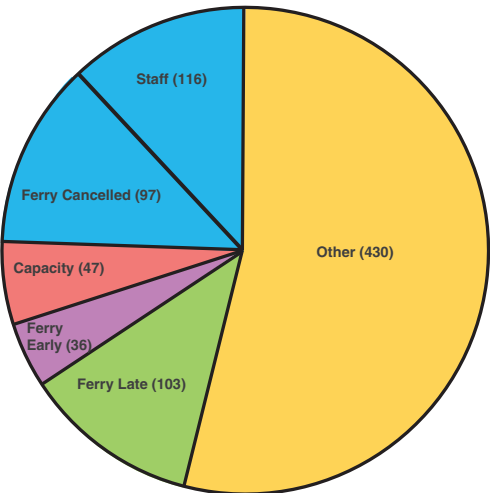
Ticket queues were reduced by employing roving ticket sellers, temporary ticket booths and crowd management methods. Customer communications were improved through a new community information campaign and better directional signage at Circular Quay. Extra services were provided on major routes to meet demand.

Balmain Shipyard performed well over summer providing sufficient vessels to meet timetable requirements and additional back-up ferries to meet customer demand during this busy period.

Complaints by service



Complaints by type



Key performance indicators

Performance Indicator	2004/05 Target	2004/05 Actual
Percentage of services that run on time ¹	99.5%	98.8%
Percentage of scheduled service that actually run ²	99.5%	98.9%
Fleet availability ³	80%	74%
Complaints per million passenger journeys	75.3	58.9

¹ Number of actual trips less delayed trips, divided by the number of actual trips, expressed as a percentage. Measure of delays encompasses vessels departing Circular Quay more than 5 minutes after the scheduled departure.

² Total number of scheduled trips less number of trips cancelled, divided by total number of scheduled trips, expressed as a percentage.

³ Vessels available to cover all scheduled runs, after adjusting for planned and unplanned maintenance, expressed as a percentage.

The target for fleet availability was not achieved due to increased unplanned maintenance on some vessels. Sydney Ferries Corporation is developing a number of plans to improve vessel availability including the installation of new engines in First Fleet Class and RiverCat Class vessels and improvements to the Balmain Shipyard structure and maintenance planning. On time running was affected by a number of factors including fleet availability, weather and passenger incidents. Passenger complaints were below the target due primarily to improved customer service and operations during summer.

Australia day

Australia Day is one of the busiest days of the year.

Sydney Ferries Corporation operates additional services on busy routes. It takes part in the Sydney Festival's annual Ferrython.

Sydney Harbour is heavily congested with people celebrating Australia Day in private vessels.

Owing to large crowds on Parramatta River and Darling Harbour services, vessels involved in Sydney Festival celebrations, and additional vessels not available for charter from other commercial operators, Sydney Ferries Corporation suffered some capacity issues.

Special event services

Sydney Ferries Corporation delivered thousands of patrons to the first Cockatoo Island Festival from Circular Quay and Birkenhead over the Easter long weekend.

Special cruises are added on holidays such as Boxing Day for the start of the Sydney to Hobart race.

Ticketing for these special charters was improved. Tickets were sold on-line for the first time through ticketing agent Ticketmaster7.

Sydney Ferries Corporation has continued to grow partnerships with key business stakeholders including Taronga Zoo. In addition to the regular ferry service between the Zoo and Circular Quay, Sydney Ferries Corporation provided a key link for Zoo patrons attending Taronga Zoo's summer concert series in January and February 2005 by providing additional services before and after each event.

Corporate image



A new logo was designed to reflect Sydney Ferries Corporation's focus on its ferry services.

The new logo – featuring the iconic Freshwater Class ferry – has been rolled out progressively on vessels, uniforms, marketing materials and stationery.

A vessel re-branding program commenced for the newer vessels in the fleet. They will be re-painted in the Sydney Ferries Corporation 'Marine Green' colour scheme during planned maintenance to bring them in line with the heritage colours of the fleet.

In November 2004, the new website (www.sydneyferries.info) was launched. The website provides timetable updates and late-breaking service news, weather information, a description of services provided and special offers.

Infoline

Sydney Ferries Corporation supports the NSW Government's Transport Infoline (131 500) which provides customers with information about ferry services and connecting bus and rail services. Customers are also able to provide comments to Sydney Ferries Corporation through the Transport Infoline's 'Your Say Line'.

Vessel modifications

Sydney Ferries Corporation completed a number of projects to improve passenger comfort, safety and service reliability:

- doors and air-conditioning on SuperCat Class vessels were upgraded;

- drinking water filtration systems were upgraded on all vessels;
- decking materials were improved on vessels that underwent major re-fits, with special anti-slip properties;
- additional main engine centrifugal filters were installed on SuperCat Class vessels. This increased oil quality and the interval between oil changes, thereby improving vessel availability and service reliability;
- SuperCat Class fuel tanks were expanded, removing the requirement for daily fuelling, thus increasing vessel availability; and
- a project to modify shaft drive equipment on RiverCat Class vessels commenced to improve vessel reliability.

Disabled access

Sydney Ferries Corporation's fleet of 31 vessels is wheelchair accessible. Four of its nine wharves provide access for wheelchairs.

Wharf improvements

Wharves were upgraded to improve safety, appearance, weather protection and comfort for customers.

Circular Quay ticket boxes were painted and ceiling boards repaired. Deck walkway surfaces at Manly wharf were improved.

Taronga Zoo wharf was improved with new lighting, ramp and pontoon handrails, bicycle racks, windbreak shelter and roofing over the cafe area.

Mosman wharf was improved with new roofing, cafe electrical repairs and non-skid resurfacing of the ramp.

New steel roofing was installed at Musgrave St wharf. At Kurraba wharf the passenger waiting shelter was refurbished and new handrails installed.

At Cremorne wharf the level walkway was resurfaced to remove potential trip hazards. Ramps and handrails at Kirribilli wharf were upgraded to improve passenger safety.



Environment and community our responsibility

Sydney Ferries Corporation is committed to managing its operations with due consideration for the environment and to supporting local communities.

Environmental Management System

An Environmental Management System is being developed to minimise the impact of the Corporation's activities on the environment and to ensure ecologically sustainable outcomes.

Environmental Management Plan

As part of the Environmental Management System, a series of environmental risk assessments were undertaken and key risks and recommendations documented in an Environmental Management Plan. The five-year plan forms part of the Safety Management System outlining strategies to control identified environmental risks.

Sydney Ferries Corporation has commenced the development of supplementary procedural guidelines for environmental incident response and the monitoring of environmental performance.

Environmental compliance audit

In October 2004 the department of Environment and Conservation audited Sydney Ferries Corporation as part of its compliance audit program. The audit findings identified a number of liquid handling initiatives which are scheduled in the Environment Management Plan.

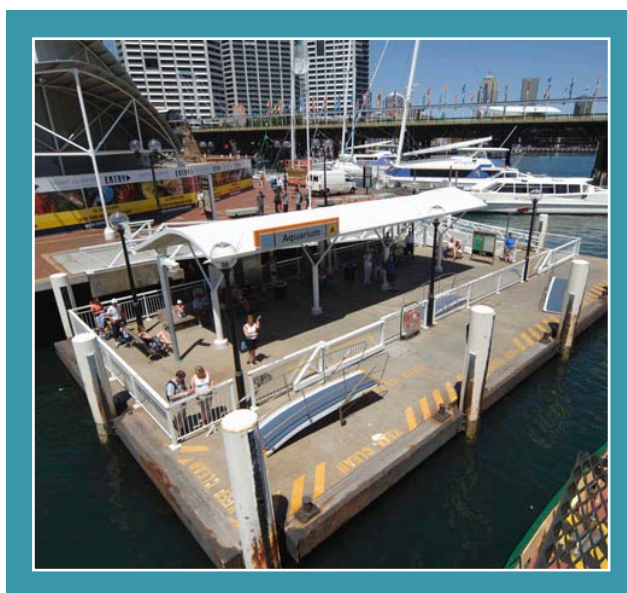
Liquid handling facilities upgrade

Sydney Ferries Corporation has initiated projects to improve risk management of fuel, oil, bilge water, sewerage and other liquid spills from vessels and at the Balmain Shipyard maintenance site.

Vessel liquid transfers

Equipment used to transfer liquids to and from vessels at Balmain Shipyard has been assessed to identify the risk of water contamination from the rupture of piping, hoses and lines for fuel, sewerage and bilge water.

Work has commenced to replace worn or old equipment, continue a comprehensive tank and hose testing program and trials of hose reels on wharves to improve hose storage.



The steadfast commitment of Sydney Ferries Corporation to the environment is critical to ensuring an ecologically sustainable future.

Dock and bilge water storage tanks

Measures were introduced to minimise the risk of potential contamination from the use of underground tanks for the storage of dock and bilge waste water from vessels being maintained at Balmain Shipyard.

Use of the underground tanks ceased upon identification of the risk of groundwater contamination. Permanent bunded tanks have been installed.

Relocation of JetCat bulk oil tank

The JetCat bulk oil storage tank has been relocated away from the water's edge at the Balmain Shipyard.

Installation of spill shields

Spill-shielding roller doors have been installed above the bunds around the trade waste plant, the waste oil tank and the coolant storage areas.

Spill containment – Balmain Shipyard

Sydney Ports Corporation is the lead agency for managing the response to a major environmental incident in Sydney Harbour. To facilitate this role, Sydney Ferries Corporation has installed five tidal compensators for boom attachment by Sydney Ports Corporation in the event of a major fuel spill at Balmain Shipyard.

Spill kits on vessels and wharves

Spill kits have been deployed on all vessels and to wharves at Circular Quay, Manly and Balmain. The kits may be used for minor or medium spills whilst the vessels are either in operation on the waterways or moored.

Biodiesel fuel trial

Sydney Ferries Corporation is committed to the use of cleaner and more efficient fuels. A grant was provided by the NSW Greenhouse Office to trial an alternative non-fossil fuel, known as biodiesel.

The trial, to commence in the first half of 2005/06, will assess the differential impact of diesel, biodiesel and blended diesel/biodiesel fuels (20% and 80% biodiesel) on the engine of the First Fleet Class vessel *Borrowdale* over a 3-month period. The trial includes testing of gas and air emissions.

Silicone-release anti-fouling paint

A trial of a new type of paint commenced to minimise the need for in-water hull scrubs. The new silicone-based, biocide free, ultra smooth and slippery paint inhibits the attachment of fouling organisms to vessel hulls and helps reduce water pollution.

Environmental training

Staff are trained to ensure they understand specific responsibilities for Sydney Ferries Corporation and legislative requirements. A total of 32 new recruits participated in environment training.

Sydney Ferries Services Working Group

The Sydney Ferries Services Working Group was established in 2004.

The Group meets quarterly. It is chaired by Sydney Ferries Corporation and includes representatives from Action for Public Transport, local government, the Ministry of Transport, NSW Maritime, the Independent Transport Safety and Reliability Regulator and commuters.



Issues which were discussed at meetings held during 2004/05 included: timetable improvement initiatives; challenges and opportunities for Australia Day ferry services; summer operations planning; access to wharves and ferries for disabled passengers; the extension of services to the Eastern suburbs; and improvements to the integration of transport services.

Committee member details appear in the Corporate Governance section of this report.

Free transport initiatives

Sydney Ferries Corporation provided free transport on Anzac Day and Reserve Forces Day in support of our war veterans and armed forces.

Free transport was also provided to a variety of other community groups and charities, including participants in Oxfam's 'Walk Against Want', the Manly-based Stewart House and the Children's Hospital at Westmead.

Educational initiatives

Balmain Shipyard staff assisted a group of students from Ultimo TAFE College that toured the facility as part of their Marine Engine Drivers course. Student evaluations were positive.

Other community support initiatives

Staff participated in Australia's Biggest Morning Tea on 27 May 2005, to help raise money for the Cancer Council.

Sydney Ferries Corporation responded to the devastating Boxing Day tsunami with a range of initiatives to raise funds, including staff functions, union donations and support for Manly Council's tsunami appeal.

Some of Sydney Ferries Corporation's operations staff and their Union representatives raised more than \$5,000 for the Westmead Children's Hospital as part of their annual Christmas appeal.



Key Performance Indicators

Performance Indicator	2004/05 Target	2004/05 Actual
Number of major incidents of environmental damage per year	Nil	Nil
Number of minor reportable environmental incidents	14	8

There were no major environmental incidents directly associated with our operations.

There were 14 minor environmental incidents during the year. Relevant authorities were notified as required. Only eight of the reported incidents were deemed to be the responsibility of Sydney Ferries Corporation. These involved relatively small spills of ballast water, hydraulic oil, fuel and bilge water.

Sydney Ferries Corporation was not subject to environmental prosecution for any of these incidents.

Organisational capability

The commitment and competency of staff is essential to meeting Sydney Ferries Corporation's objectives. An extensive program of staff training has commenced to support an improved safety and customer service culture and to improve productivity. Systems are being improved to maintain an informed and motivated workforce. Plans are in development to implement technologies to better support staff in their day to day work.

Clearly defined values

Sydney Ferries Corporation's 'Safety First' culture is built around its values.

Sydney Ferries Corporation's values were developed with staff, customers and stakeholders and endorsed by the Board.

Revised organisation structure

In May 2005 a simplified organisation structure was announced which focuses on safety, accountability and communication.

Balmain Shipyard review

A review of the Balmain Shipyard was undertaken. The benchmarking study was designed to compare current maintenance operations with industry standards and to make shipyard operations more effective.

Planning commenced for the implementation of recommendations.

Job descriptions

New job descriptions have been developed which incorporate revised work practices.

They clarify accountability and responsibilities, streamline decision-making and provide a basis for performance management.

Policies, procedures, working instructions

To ensure a smooth transition while establishing Sydney Ferries Corporation it adopted many of the operating policies and procedures of the State Transit Authority.

A review of these policies and procedures has been instigated to ensure they: are appropriate to Sydney Ferries Corporation; incorporate best practice; are contemporary; and reflect the best interests of our employees and customers.

Flexible work policies

In support of an equitable and fair work environment Sydney Ferries Corporation has worked with its employees and their union representatives to strengthen recruitment plans to ensure all employees have equal access to roles across the organisation.

A new Equity and Diversity Policy which discourages bullying and harassment in the workplace was developed and implemented. A Pregnant Employee Policy was developed and implemented to offer every support to pregnant employees.

Tailored training programs are in place to develop and maintain a motivated, competent and flexible workforce.

our future

Recruitment processes

Sydney Ferries Corporation has improved recruitment procedures and introduced a merit-based selection process for all staff.

Assessment Centres are utilised during selection processes to assist in assessing the suitability of a person against a set criteria.

Training

Staff must undergo extensive training before commencing work with the Corporation.

Initial training is competency-based and aligned to nationally recognised standards where appropriate. Sydney Ferries Corporation has more than 50 workplace trainers and assessors who support an integrated on and off-the-job approach to targeted training for new staff and current staff changing job roles.

Induction training was extensively reviewed. Detailed training needs analysis of key work groups were used to ensure training meets the Corporation's requirements.

The initial training program comprises a range of modules that are considered a minimum standard for all new entrants. They are drug and alcohol policy and regulations, code of conduct, equality and diversity, customer service, crowd management and security awareness, safety management system, crew resource management and products and services.

Sydney Ferries Corporation also conducts regular Safety Refresher Training for all transport safety workers.

Type rating system

Currency of competence is an essential element of Sydney Ferries Corporation's Safety Management System. A 'Type Rating' system is in place to ensure Masters and Engineers maintain competence across the fleet.

This system involves annual training and assessment for crew on vessel classes they are not frequently rostered on.



Training drills

Staff conduct regular practical training drills to develop and maintain skills in relation to safety, security, and the environment within which Sydney Ferries Corporation operates.

A risk-based review of current drills commenced to ensure all safety critical activities are covered and individuals are supported in their competency maintenance.

The drills record system has been reviewed. A new training record keeping system has been developed to ensure an accurate record is kept for the management of training.

Improved training facilities

Sydney Ferries Corporation's key training facility at the Balmain Shipyard was refurbished creating a flexible, customised, professional training environment for staff.

Executive accountability

Sydney Ferries Corporation continued to set out a management framework that included the development of a business plan, a Statement of Corporate Intent and the development of

performance agreements for the CEO and all level two managers.

Apprenticeship training

Sydney Ferries Corporation has strengthened communications with NSW TAFE to ensure apprentices progress well in their studies.

Development of an apprentice record book commenced. It is designed to ensure apprentices, Sydney Ferries Corporation and NSW TAFE can track their four-year term with Sydney Ferries Corporation and NSW TAFE outcomes can be linked to on-the-job training.

Training for trainers and assessors

Internal trainers and workplace assessors were coached to provide improved training programs.

The program delivered relevant refresher training in vessel systems, bridge resource management and communication systems.

Communication processes

Sydney Ferries Corporation is committed to the provision of accurate and timely information to staff and customers to support the delivery of safe and reliable services.

Recent initiatives included:

- the development and implementation of the monthly newsletter *Sydney Ferries News*;
- the introduction of Safety Refresher Training and staff feedback;
- improved links with external education and industry organisations;
- open forums with staff, Chief Executive Officer and Chair; and
- the introduction of toolbox talks at Balmain Shipyard to improve communication of changes in work practices.

Improved practical workplace documentation

Sydney Ferries Corporation is improving the documentation of practical workplace information.

Vessel Operations Manuals have been reviewed and updated. A Sydney Harbour Knowledge Chart Book specific to Sydney Ferries Corporation operations was developed and distributed across the fleet.

Post-incident response procedures

Emergency plans are subject to ongoing review.

Employee excellence awards

An employee awards program was developed to formally recognise the work of staff in 2004/05 and to encourage the continuing commitment of staff to the attainment of Corporation's objectives.

Awards will be presented for exceptional performance and dedication in the following categories:

- safety in the workplace;
- community contribution;
- customer service;
- apprentice/trainee of the year;
- vessel presentation & performance;
- employee of the year;
- innovation in the workplace;
- leadership; and
- team performance.

Supporting technology

Sydney Ferries Corporation undertook an internal review of its Information and Communications Technology requirements to assist in the development of plans for future technology improvement programs and projects.



Key performance indicators

Performance Indicator	2004/05 Target	2004/05 Actual
Number of days sick leave taken per employee	10	10.1

During 2004/05, we achieved our targeted number of sick days per employee.

Sydney Ferries Corporation is refining KPI's to improve how organisational capability is measured.

Efficiency

Sydney Ferries Corporation has an obligation under its enabling legislation to maximise the net worth of the State's investment.

A review of cost structures was commenced in the pursuit of efficient outcomes.

Balmain Shipyard review

More than 20 per cent of Sydney Ferries Corporation's cost base relates to the maintenance of the fleet. An independent consultant was engaged to undertake a benchmarking study of maintenance operations at Balmain Shipyard. The study highlighted a number of areas for potential improvement to the effectiveness and efficiency of the maintenance function.

The report focused on the following objectives:

- shipyard crew restructure to increase trade workforce utilisation and productivity, improve teamwork, and establish clearer roles and responsibilities;
- shipyard management restructure to ensure clear lines of accountability and the implementation of improved performance management and monitoring;
- increased vessel availability and reduced requirement to charter private ferries and buses;
- improved maintenance planning and scheduling processes, to reduce the costs of unplanned and corrective maintenance and increase vessel

availability;

- improved infrastructure and layout of the Shipyard;
- implementation of improved inventory management practices to increase stores turnover and reduce storage costs; and
- review potential for procurement savings from the establishment of Forward Purchase Agreements with key suppliers.

Operations review

A comprehensive review of the efficiency of the crew operations was also undertaken during the year. Opportunities for improving workforce productivity have been identified and include:

- increased workforce utilisation within the aggregate wage hour system;
- standardisation and rationalisation of hours of work for each crew employee category to ensure better alignment of shifts across the various classifications, and to vessel operating times;
- improved rostering processes and practices;
- increased frequency of services to reduce vessel idle time within shifts;
- improved absence control and injury management; and

Sydney Ferries Corporation has an obligation to maximise the net worth of the State's investment.

our obligation

- improved flexibility of staff by reducing impediments to workforce allocation across the various routes and locations.

Procurement initiatives

The financial delegations policy was revised to ensure stricter control over expenditure approval processes, and value for money in the procurement of goods and services. Opportunities for cost reduction were identified, resulting in significant savings during the year.

The Freshwater Class vessels, operating on the Manly-Circular Quay route, require major periodic maintenance twice every five-years. This is to meet survey specifications and to maintain and improve safety and operational capability. During 2004/05, an open tender process was conducted for the scheduled dry-docking of the *Freshwater* in a bid to minimise the cost of this essential maintenance. As a result of this competitive

process, savings were achieved on the base contract work.

To ensure the safety of employees, taxi services are provided for those commencing work early in the morning or who finish work late at night. The cost of taxi services for staff during 2004/05 was approximately \$0.7 million. In November 2004, an open tender process was conducted for the provision of this service, resulting in expected annualised savings of approximately 15% per annum.

Key Performance Indicators¹

Performance Indicator	2004/05 Target	2004/05 Actual
Earnings before interest, taxes, depreciation & amortisation (\$m) ²	9.8	13.1
Operating surplus/ (deficit) before tax (\$m) ³	(6.7)	(2.6)
Return on assets ⁴	-2.0%	0.7%
Return on equity ⁵	-8.3%	-3.2%

¹ Financial Performance Indicators based on audited financial statements.

² EBITDA. Includes operating subsidies, CSO payments and AFT contributions.

³ Sydney Ferries is a 'Not For Profit' entity.

⁴ Operating result before interest and tax as a percentage of average total assets.

⁵ Operating result after interest and tax as a percentage of average total equity.

Our financial performance during the year exceeded all of the above targets. An overview of the Corporation's financial performance is set out on the following page.

Corporate Governance

Financial overview 2004/05

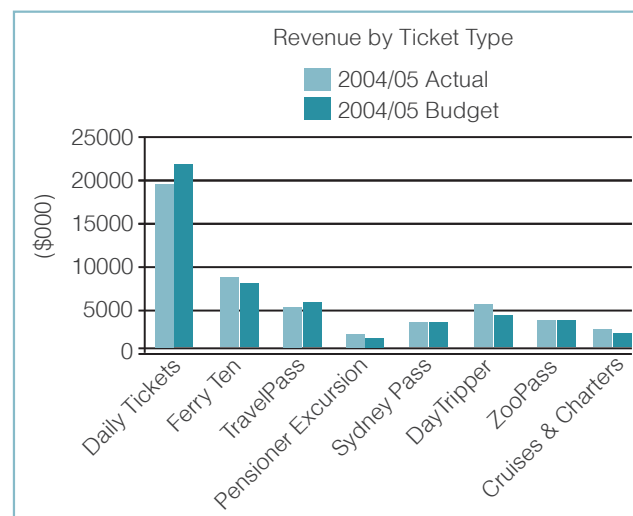
Operating performance

Sydney Ferries Corporation's operating deficit before tax of \$2.6 million was \$4.1 million, or 61%, better than the budget.

Revenue

Total revenue for the year was \$96.3 million which was \$1.3 million better than budget. The two main sources of income are farebox revenue and government funding, comprising 47% and 51% of total revenue, respectively.

Whilst patronage grew by approximately 0.6% over the previous year, farebox revenue of \$45.1 million was \$0.3 million, or 0.7%, less than budget. This was primarily due to a move by passengers away from Daily Tickets to the cheaper DayTripper product. TravelPass sales were also lower than budget.



Government funding for the year totalling \$49.1 million was \$0.9 million higher than budget, due to additional funding for redundancy payouts.

Other revenue of \$2.2 million was approximately

\$0.8 million better than budget, primarily due to interest income earned on the cash surplus over the year.

Expenses

Expenses of \$94.4 million were \$2.8 million below budget.

Employee benefits were \$4.6 million lower than budget. This resulted from a revision of superannuation and leave liabilities.

Maintenance costs were \$1.9 million below budget, primarily because of the savings achieved from the open tender process conducted for the outsourced docking and major maintenance of the Freshwater Class vessel *Freshwater*.

The above favourable results were largely offset by the following above-budget expenditures including:

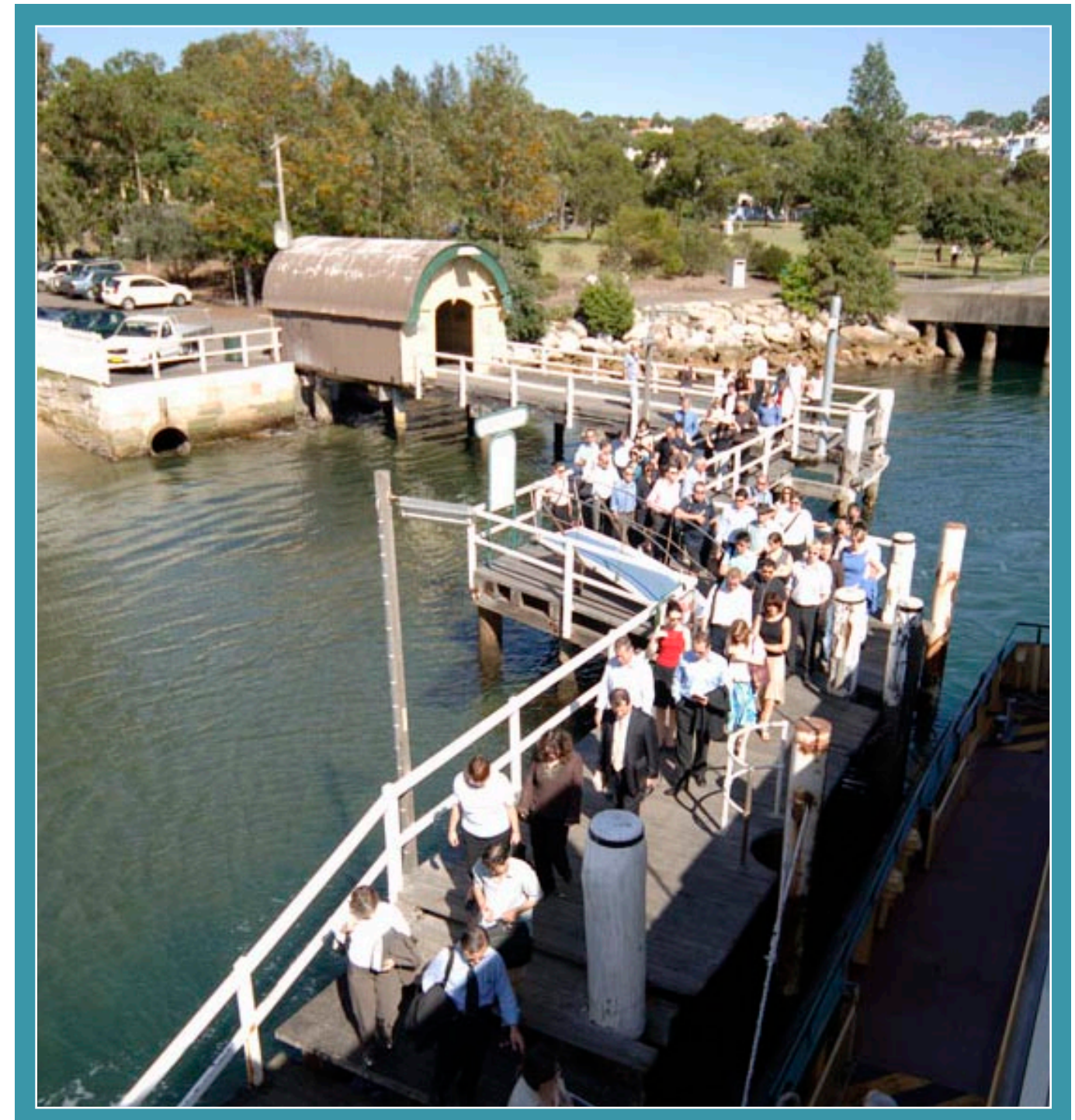
- fuel costs \$1.4 million;
- hire of private ferries and buses \$0.6 million;
- insurance-related costs \$0.7 million;
- professional service fees \$0.6 million;
- interest expense \$0.6 million; and
- redundancy costs \$0.9 million (offset by redundancy funding received from the NSW Government).

Financial position

At 30 June 2005 total equity was \$80.5 million and total assets were \$142.9 million.

Total liabilities were \$62.4 million after a reduction in borrowings of \$7.7 million.

Sydney Ferries Corporation achieved its initial ratings by Standards and Poors of BB-.



Corporate Governance

Sydney Ferries Corporation Board

The Sydney Ferries Corporation Board was established by the *Transport Administration Act 1988* (NSW). It comprises a minimum of four and a maximum of seven directors.

The Shareholding Ministers appointed the directors, in consultation with the Minister for Transport, and nominated the Chair. The maximum term of appointment is five years. Directors are eligible for reappointment.

The Shareholding Ministers were the Treasurer and the Special Minister of State. In addition to the Chief Executive Officer, the Board comprised six non-executive directors, with the following terms of appointment.

Director	Date Appointed	Term
Matthew Taylor (Chair)	1 July 2004	1 year
Rodney Cavalier	1 July 2004	3 years
Clayton Frederick	1 July 2004	2 years
Beth Laughton	1 July 2004	2 years
Joanne Rees	1 July 2004	3 years
Terry Snee	11 August 2004	2 years

The initial appointment term of the Chair was one year. His appointment was subsequently extended for a further one-year period. However Mr Taylor resigned on 22 September 2005.

The Chief Executive Officer, Suzanne Sinclair, was appointed to the Board on 13 October 2004, for a term of four years and nine months.

Details of Board member qualifications and experience are set out later in this section.

Role of the board

The legislative objectives of Sydney Ferries are set out on page 8. In the pursuit of these objectives, the Board is required to:

- oversee the implementation of strategies and initiatives to meet the Corporation's objectives;
- set the Corporation's strategic direction, values and cultural standards;
- liaise with stakeholders;
- ensure compliance with statutory requirements;
- monitor organisational performance against the Statement of Corporate Intent;
- establish performance standards for the Chief Executive Officer, and monitor performance against those standards;
- manage risk;
- monitor the integrity of internal control and management information systems; and
- determine policies governing Sydney Ferries Corporation.

The Chair's role is to provide leadership to the Board and promote its cohesiveness and effectiveness.

Role of Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management in accordance with the general policies and specific directions of the Board. This includes the implementation of initiatives and strategies to meet the objectives of the Corporation and the making of business decisions.

The Chief Executive Officer's employment contract clearly defines her roles and responsibilities, conditions of employment and entitlements. The Board sets in place an annual performance agreement for the Chief Executive Officer.

Disclosure of interests

Directors are required to disclose any direct or indirect interest that could potentially conflict with the interests of Sydney Ferries Corporation. In circumstances where a conflict of interest is believed to exist, the Director concerned does not take part in any discussions or decision-making processes of the matter under Board consideration. A register of Directors' interests is maintained.

Independent professional advice

Board members, either collectively or individually, are able to seek independent professional advice, at the expense of Sydney Ferries Corporation, to assist in the performance of their duties.

Board meetings

The Board held 14 meetings. The attendance of the Directors was:

Board Member	Meetings Attended	Maximum No. Possible
Matthew Taylor (Chair)	14	14
Rodney Cavalier	14	14
Clayton Frederick	11	14
Beth Laughton	14	14
Joanne Rees	12	14
Terry Snee*	11	11
Suzanne Sinclair	14	14

* Terry Snee was appointed on 11 August, after the Board commenced.

Senior management attends Board meetings by invitation. The agenda for each Board meeting is prepared by the Company Secretary, in consultation with the Chair and the Chief Executive Officer.

Board Committees

The Board has established three standing Committees to assist in discharging its responsibilities:

- Audit Committee;
- Safety, Environment and Security Committee; and
- Human Resources and Remuneration Committee.

The membership of each Committee is made up of three Directors from the Board. The Chief Executive Officer is a member of the Safety, Environment and Security Committee.

Each Committee has a Board approved Charter. The Charter sets out the Committee’s role, responsibilities, composition and membership requirements.

The Committees assist in the good governance of Sydney Ferries Corporation by enabling the detailed consideration of key issues and the provision of relevant advice to the Board. The Committees meet quarterly, or more frequently if required.

Audit Committee

The Board established the Audit Committee at its inaugural meeting on 1 July 2004. The role of the Committee is to support the Board in discharging its governance and oversight responsibilities in relation to:

- the reliability and integrity of financial information for inclusion in the financial statements;
- the establishment and maintenance of the internal control framework;
- risk management systems (other than operational risk management issues delegated to the Safety, Environment and Security Committee);
- the internal and external audit functions;
- accounting policies and financial reporting; and
- compliance with relevant legal and regulatory obligations.

The composition of the Committee and attendance of members at meetings during 2004/05 is set out below:

Committee Member	Meetings Attended	Maximum No. Possible
Beth Laughton (Chair)	4	4
Rodney Cavalier	3	4
Joanne Rees	2	4

The Chief Executive Officer, Chief Financial Officer and representatives from both Walter Turnbull (internal auditor) and the NSW Audit Office (external auditor) have a standing invitation to attend meetings, but are not members of the Committee.

Safety, Environment and Security Committee

The Board established the Safety, Environment and Security Committee at its meeting on 15 July 2004. The role of the Committee is to assist the Board in discharging its responsibilities in relation to:

- safety, occupational health, the protection of the environment and operational security;
- operational risk management; and
- compliance with relevant legal and regulatory obligations.

The composition of the Committee and attendance of members at meetings during 2004/05 is set out below:

Committee Member	Meetings Attended	Maximum No. Possible
Matthew Taylor (Chair)	5	5
Clayton Frederick	4	5
Sue Sinclair	5	5

The General Manager Safety, Environment and Risk has a standing invitation to attend meetings, but is not a member of the Committee.

Human Resources and Remuneration Committee

The Board established the Human Resources and Remuneration Committee at its meeting on 15 July 2004. The role of the Committee is to assist the Board in discharging its responsibilities in relation to:

- contractual performance and remuneration arrangements for the Chief Executive Officer and senior management;
- plans for the succession and development of senior management;
- staff wellbeing and corporate culture;
- industrial relations outcomes that support corporate objectives; and
- training and development policies and requirements to meet ongoing business objectives.

The composition of the Committee and attendance of members at meetings was:

Committee Member	Meetings Attended	Maximum No. Possible
Clayton Frederick (Chair)	4	4
Rodney Cavalier	4	4
Terry Snee	3	4

The Chief Executive Officer and General Manager Human Resources and Industrial Relations have a standing invitation to attend meetings, but are not members of the Committee.

Sydney Ferries Services Working Group

In July 2004, at the request of the Minister for Transport Services, a working group was established to consider ferry service issues. The Group advises the Minister on a range of matters, including community requirements for the operation of services, and provides a consumer consultation mechanism between key stakeholders to provide input into the management and performance of the Corporation.

Sydney Ferries Corporation facilitates the quarterly meetings of the Group, which comprises the following members:

Member	Representative Group
Suzanne Sinclair	Sydney Ferries
Graeme Taylor	Action for Public Transport
John Thompson	Ferry commuter
Patricia Harvey	Local government commuter
Samantha French	Disabled ferry commuter
Andrew Nicholls	Ministry of Transport
John Dikkenberg	NSW Maritime Authority
Simon Foster	Independent Transport Safety and Reliability Regulator

Board member biographies



Matthew Taylor

Chair
Chair, Sydney Ferries Safety, Environment and Security Committee

Mr Taylor had a distinguished career in the Royal Australian Navy before becoming executive director of the Office of Marine Administration between July 1995 and April 1999, following a restructure of the former Maritime Services Board.

From July 1999 until January 2004 Mr Taylor was Chief Executive Officer of the NSW Waterways Authority.



Rodney Cavalier AO

Director
Member, Sydney Ferries Audit Committee
Member, Sydney Ferries Human Resources and Remuneration Committee

Mr Cavalier was a member of the NSW Parliament from 1978 to 1988. During his parliamentary career Mr Cavalier was NSW Minister for Education (1984 to 1988) and NSW Minister for Energy and Minister for Finance (1984).

Mr Cavalier is currently the Chair of the Sydney Cricket and Sports Ground Trust, the Chair of the Committee for the Sesquicentenary of Responsible Government and a director of CEW Bean Foundation.



Joanne Rees BA/LLB

Director
Member, Sydney Ferries Audit Committee

Ms Rees is a consultant with Slater & Gordon, Lawyers. Ms Rees was previously a consultant with the Australian Securities and Investment Commission managing major litigation following the significant corporate collapses that occurred in Australia earlier this decade. She was also a partner of several large Sydney law firms, including managing partner of the Canberra office of Phillips Fox for a period of seven years.

Ms Rees is also a member of the Department of Lands LPI Advisory Group, chairs the Department of Land's Audit Committee and is a deputy member of the NSW Casino Control Authority.



Clayton Frederick

Director
Chair, Sydney Ferries Human Resources and Remuneration Committee
Member, Sydney Ferries Safety, Environment and Security Committee

Mr Frederick has over 35 years experience in the maritime industry. Most recently he was Chief Operating Officer of Adsteam Marine Limited, a listed Australian company with extensive marine operations throughout Australia, the United Kingdom and the South Pacific. Prior to joining Adsteam (in 1993) Mr Frederick had widespread general management experience in passenger and freight ferry services, liner and bulk shipping and container terminals and depots.

Mr Frederick served for several years on the Australian Maritime Safety Authority advisory committee and is currently a director of Flinders Ports Pty Ltd (operating Adelaide and regional ports in South Australia). He is also a member of the Lloyds Register Australian Committee.



Beth Laughton BEc/CA/FAICD

Director
Chair, Sydney Ferries Audit Committee
Director, TMT Partners 2002 to date

After qualifying as a Chartered Accountant Ms Laughton has spent over 15 years in investment banking, providing advice to companies on mergers, acquisitions, divestments and equity capital market transactions. Ms Laughton is currently an Executive Director of TMT Partners Pty Ltd. Her prior directorships include Ord Minnett Corporate Finance Limited and KPMG Corporate Finance (Aust) Pty Ltd.



Terry Snee

Director
Member, Sydney Ferries Human Resources and Remuneration Committee

Mr Snee commenced his career in 1974 as a marine engineer. This led Mr Snee to becoming a member of the Shipping Industry Reform Authority from 1993 to 1994 and a Maritime Group of Unions Representative in the ACTU Executive from 1997 to 2000. Mr Snee was a member of the Independent Review of Australian Shipping between 2002 and 2003 and is currently a member of the Fair Practices Committee, International Transport Workers Federation and has been the Federal President of the Australian Institute of Marine and Power Engineers since 1992.

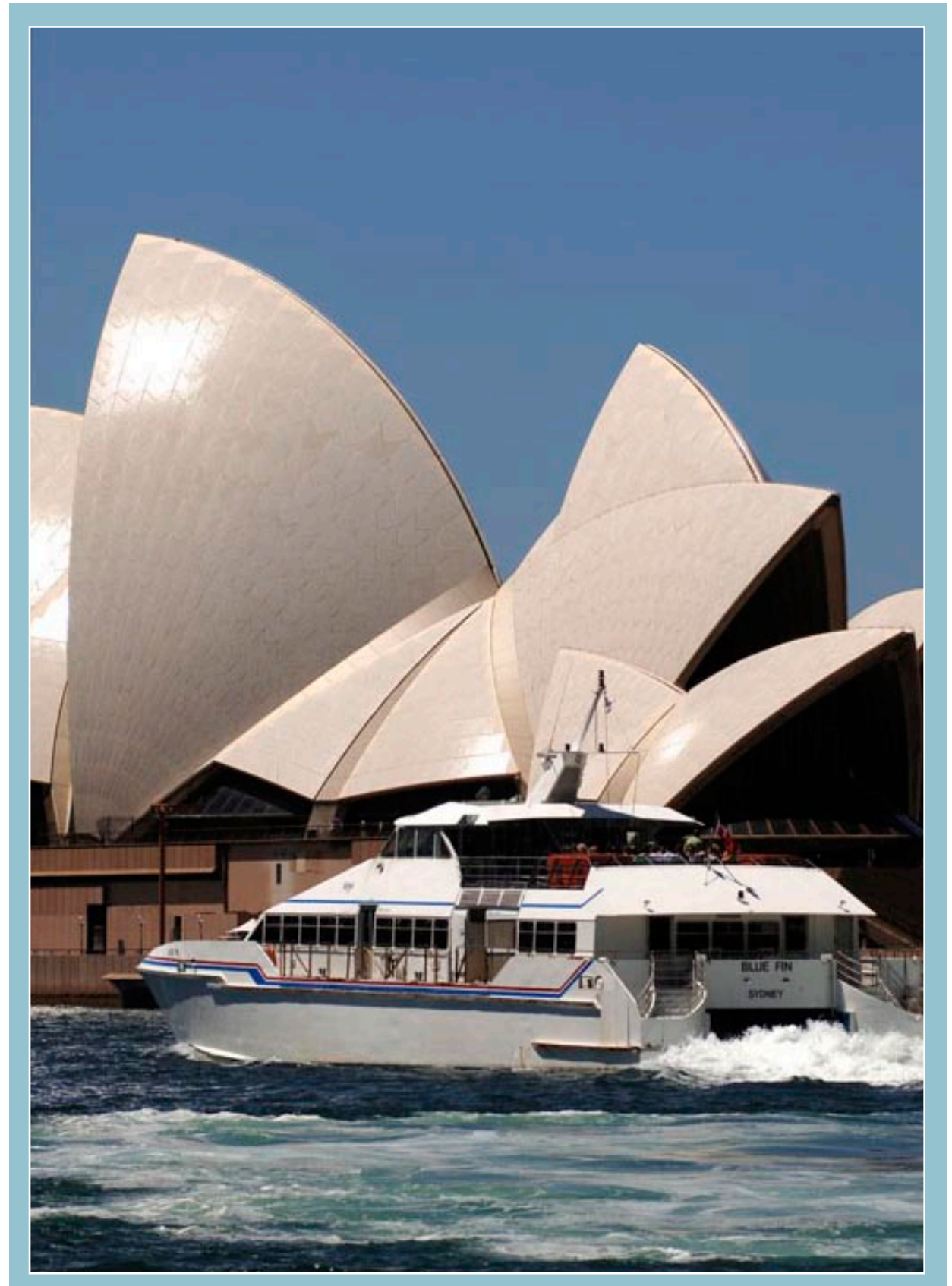


Sue Sinclair BEc/DipLaw/MMgt

Director and Chief Executive Officer
Member, Sydney Ferries Safety Environment and Security Committee

Prior to becoming the Chief Executive Officer Ms Sinclair was appointed to a range of senior positions within the Roads and Traffic Authority of NSW. This included Corporate Counsel (March 1995 to January 1996), Director of Corporate Services (October 1996 to January 2000) and Director Road Safety, Licensing and Vehicle Management (February 2000 to April 2004).

Financial Statements



CONTENTS

Page No

Independent Audit Report	53
Statement of financial performance	54
Statement of financial position	55
Statement of cash flows	56
Notes to and forming part of the financial statements	
1. Summary of significant accounting policies	57
2. Revenue and expenditure	63
3. Income tax	66
4. Receivables	66
5. Inventories	66
6. Other assets	67
7. Property, plant and equipment	68
8. Intangibles	68
9. Payables	69
10. Interest bearing liabilities	70
11. Provisions	72
12. Equity	72
13. Commitments	73
14. Statement of cash flows reconciliations	74
15. Contribution by Owners	75
16. Financial instruments	76
17. Contingent liabilities	76
18. Impact of adopting Australian equivalents to International Financial Reporting Standards	76
19. Events occurring after reporting date	78
Statement by members of the Board	78



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Sydney Ferries

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Sydney Ferries:

- (a) presents fairly Sydney Ferries' financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of Sydney Ferries. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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 are not compromised in their role by the possibility of losing clients or income.

P Carr FCPA
Director, Financial Audit Services

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	Notes	2005 \$000
Revenue from ordinary activities	2(i)	96,327
Expenses from ordinary activities	2(ii)	(94,435)
Borrowing costs	2(iii)	(4,511)
Deficit from ordinary activities		(2,619)
Total Revenue, Expenses and valuation adjustment recognised directly in Equity		-
Total changes in equity other than those resulting from transactions with owners as owners		(2,619)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	Notes	2005 \$000
CURRENT ASSETS		
Cash		5,540
Receivables	4	1,140
Inventories	5	4,049
Other	6	4,788
TOTAL CURRENT ASSETS		15,517
NON-CURRENT ASSETS		
Property, plant and equipment	7	127,385
Intangibles	8	26
TOTAL NON-CURRENT ASSETS		127,411
TOTAL ASSETS		142,928
CURRENT LIABILITIES		
Payables	9	8,819
Interest bearing liabilities	10	10,730
Provisions	11	6,120
TOTAL CURRENT LIABILITIES		25,669
NON-CURRENT LIABILITIES		
Interest bearing liabilities	10	31,270
Provisions	11	5,473
TOTAL NON-CURRENT LIABILITIES		36,743
TOTAL LIABILITIES		62,412
NET ASSETS		80,516
EQUITY		
Accumulated Funds	12	80,516
TOTAL EQUITY		80,516

STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

Cash flows from operating activities		
	Notes	2005 \$000
Passenger revenue (including Reimbursements from Government):		
Fares, charters and tourist services		48,417
Reimbursement by NSW Government for:		
Free travel by school students		367
Concessional travel by pensioners		7,915
Concessional travel by others		1,273
Community service obligations		30,153
Total passenger revenue (including reimbursements from Government)		88,125
Other income		1,443
Interest received		839
NSW Government grants		5,730
Payments to suppliers		(40,958)
Payments to employees		(41,900)
Interest and other finance costs		(2,558)
Net cash flows from operating activities		10,721
Cash flows from investing activities		
Purchase of property, plant and equipment		(1,121)
Net cash flows used in investing activities		(1,121)
Cash flows from financing activities		
Proceeds from/(repayments) of borrowings		(7,719)
Net cash flows from financing activities		(7,719)
Net increase/(decrease) in cash held		1,881
Cash transferred in as a result of administrative restructuring	15	3,659
Cash at the beginning of the financial year		-
Cash at the end of the financial year		5,540

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On 10 December 2003, the NSW Parliament passed the NSW *Transport Administration Amendment (Sydney Ferries) Act 2003* authorising the Minister of Transport to transfer certain assets and liabilities from the State Transit Authority of NSW to Sydney Ferries, to take effect on (and from) 1 July 2004. Further details are found in note 15. Sydney Ferries commenced operations on 1 July 2004 under the NSW *State Owned Corporations Act 1989*, trading as Sydney Ferries Corporation.

The Sydney Ferries Corporation was established to deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner. The Corporation may also, in connection with its ferry services, operate other transport services to ensure it exploits its full public transport potential.

(a) Basis of accounting

The financial statements of Sydney Ferries have been prepared as a general purpose financial report in accordance with the requirements of the NSW *Public Finance and Audit Act 1983*, the NSW *Public Finance and Audit Regulation 2000*, the NSW *State Owned Corporations Act 1989*, Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and applicable Treasurer's Directions and Treasury Circulars.

The financial statements have been prepared on an accrual accounting basis using historical costs, except for non-current assets, which are recorded at fair value. For some classes of non-current assets, fair value is historical cost. For other classes, fair value is market value or depreciated replacement cost.

The financial statements have been prepared on a going concern basis which assumes that repayment of debts will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations.

The Board has determined that the going concern basis is appropriate for the following reasons:

- the net cash flows from operating activities, after including government contributions were \$10.721 million;
- Sydney Ferries' debt is guaranteed by the NSW Government; and
- Sydney Ferries' is NSW Government owned.

NSW Treasury, on behalf of the NSW Government, has issued a letter of Financial Support to Sydney Ferries.

(b) Revenue recognition

Revenue is recognised when Sydney Ferries has:

- control of the goods or right to receive the goods;
- it is probable that the economic benefits will flow to Sydney Ferries; and
- the amount of revenue can be measured reliably.

The following specific measurement criteria also apply:

(i) Passenger revenue

Passenger revenue is recognised as revenue when it can be reliably measured, based on passengers travelled or services provided. Refer note 2(iv) for the revenue recognition policy of free and concessional travel and payments from the NSW Government in respect of community service obligations.

(ii) Government grants

Grants are recognised as revenue when Sydney Ferries obtains control over the assets. Usually control is obtained upon the receipt of cash. Unspent grants are accounted for as liabilities if there is a contractual obligation to refund the unspent amounts.

(iii) Investment income

Interest revenue is recognised as it accrues. Rental income is derived from commercial properties and is recognised in accordance with AASB 1008 'Leases'.

(c) Cash

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash on hand, at bank and investment in NSW Treasury Corporation's Hour-Glass Cash facility.

Investment in the Hour-Glass Cash facility is represented by a number of units of a managed investment pool, which are redeemable at short notice. The value of the investment can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value.

(d) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average.

(f) Other assets

Other assets, including prepayments, are recognised at cost. Prepayments represent amounts paid in advance for services where the benefit will be consumed in a subsequent period.

(g) Property, plant and equipment

The following policies apply to property, plant and equipment:

(i) Basis of valuation

Sydney Ferries applies AASB 1041 'Revaluation of Non-Current Assets' in accordance with NSW Treasury Policy and Guidelines, which require that all non-current assets be measured at fair value.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured at depreciated replacement cost. Depreciated replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provided similar economic benefits.

Each class of physical non-current assets is revalued at least every five years to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except where an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, that increment is recognised immediately as revenue.

Revaluation decrements are recognised immediately as expenses, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(ii) Leases

A distinction is made between finance leases, where the ownership is likely to be obtained on expiration of the lease, and operating leases under which the lessor effectively retains the risks and benefits incidental to ownership of the lease assets.

Sydney Ferries does not have finance leases.

Operating lease payments are charged as expenses in the period in which they are incurred.

(iii) Depreciation

Property, plant and equipment and capitalised leased assets, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

Asset Class	Life	Method
Freehold buildings and wharves	40 years	Straight Line
Plant and equipment	3 to 20 years	Straight Line
Ferries	15 to 40 years	Straight Line

(iv) Capitalisation policy

Property, plant and equipment are recorded at the cost of acquisition. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Property, plant and equipment costing \$1,000 or more individually and having a minimum expected working life of three years is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

(v) Work in progress

Costs relating to property, plant and equipment that are under construction, or are otherwise incomplete, are shown in the financial statements as work in progress and are not depreciated until the assets are brought into service.

(vi) Leasehold improvements

The cost of leasehold improvements is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(vii) Repairs and maintenance

The cost of routine maintenance and repairs are expensed as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the costs are capitalised and depreciated in accordance with note 1(g)(iii).

(viii) Major periodic maintenance

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (or "Docking") on a regular basis (every 5 years for the Freshwater class of ferries and every 2 years for the remainder of the fleet). These costs are expensed.

(h) Intangibles - service contract rights

Service contract rights are licenses issued by the Ministry of Transport to operate ferry services in specific regions. Service contract rights, representing the consideration for service rights purchased, are recognised at cost and are amortised on a straight-line basis over the period during which benefits are expected to arise.

(i) Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received prior to end of financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Interest bearing liabilities Borrowings

Borrowings are recognised at current capital value. Current capital value is the face value of the debt adjusted for unamortised discounts or premiums. The discounts or premiums are treated as interest expense or income, respectively, and amortised over the term of the borrowing on a straight-line basis. Interest is expensed as it accrues.

The fair value of long-term borrowings has been derived utilising accepted financial market methodologies and using quoted market rates at balance date.

(k) Provisions

Provisions are recognised when Sydney Ferries has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions, or other past events, and a reliable estimate of the amount of the obligation can be made.

(l) Employee benefits

All Liabilities for employee benefits, including on-costs, to balance date are fully provided in the Statement of Financial Position.

(i) Salaries and wages, and on-costs

Liabilities for salaries and wages are recorded as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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

(ii) Annual leave and long service leave

Provision has been made for benefits accruing to employees for annual leave and long service leave which is estimated to be payable on the basis of statutory and contractual requirements.

Annual leave liabilities that are expected to be paid within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates that are expected to be paid when the liability is settled. Long service leave that is not expected to be paid within twelve months is assessed at its present value by an independent actuary.

(iii) Superannuation

The employees’ retirement benefits liability in respect of three defined benefit superannuation schemes, administered by Pillar Administration on behalf of SAS Trustee Corporation, is fully provided. The liability for employees’ retirement benefits is based on an actuarial assessment (refer Note 11(iii)).

Employee superannuation guarantee contribution entitlements paid to funds other than those noted above are expensed when the liability is incurred and paid when due.

(m) Insurance

Appropriate insurances are purchased to cover material liability, physical damage, business interruption, and other exposures arising out of normal business operations. The cost of the insurance is expensed over the period to which the insurance cover relates.

(n) Accounting for Goods and Services Tax (GST)

In relation to the Goods and Services Tax (“GST”), revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by the Corporation as a purchaser is not recoverable from the Australian Taxation Office.

In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. Cash flows are included in the Statements of Cash flows on a gross basis and are classified as operating activities.

(o) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred and comprise:

- interest on bank overdrafts, short term and long term borrowing; and
- amortisation of discounts or premiums relating to borrowings.

(p) Comparatives

As this is the first period of operation for Sydney Ferries as a State Owned Corporation, comparative figures are not applicable.

(q) Rounding

All amounts shown in the financial reports are expressed to the nearest thousand dollars unless otherwise specified.

(r) The impacts of adopting Australian Equivalents to International Financial Reporting Standards

For the annual reporting period ending on or after 30 June 2005, AASB 1047 ‘Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards’ (“AEIFRS”) requires disclosure, in the notes, of any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; or, if the impacts are not yet known, to make a statement to that effect. Refer to Note 18 for further details.

(s) Segment Reporting

Sydney Ferries operates predominantly in one business segment (transport) and one geographical segment (Australia). It operates ferry services in the Sydney metropolitan area, utilising Sydney Harbour and the Parramatta River.

2. REVENUE AND EXPENDITURE

(i)

Revenue from ordinary activities	Notes	2005 \$000
Passenger Revenue (including Reimbursements from Government):		
Fares, charters and tourists services		45,072
Reimbursement for:		
Free travel by school students	2(iv)(a)	367
Concessional travel by:		
Pensioners	2(iv)(a)	7,915
Other community groups	2(iv)(a)	1,273
Community service obligations (CSO):		
Pricing CSO	2(iv)(b)	5,639
Service level CSO	2(iv)(b)	28,173
Total Passenger Revenue (including Reimbursements from Government)		88,439
Interest from third-parties	2(v)	839
Grants	2(vi)	5,730
Other		1,319
Total revenue from ordinary activities		96,327

		2005
(ii)	Expenses from ordinary activities (excluding employee benefits)	Notes
		\$000
	Fleet running expenses	18,518
	General operating expenses	14,552
	Depreciation and Amortisation	12,080
	Operating leases	1,284
	Consultancy/professional services	1,059
	External Audit Fees - Audit of Financial Report	80
	Internal Audit fees	126
	Total expenses from ordinary activities (excluding employee benefits)	47,699
	Employee benefits	
	Wages and salaries	37,506
	Workers' compensation	1,784
	Payroll tax	2,640
	Annual leave	3,668
	Long service leave	845
	Retirement benefits	293
	Total employee benefits	46,736
	Total Expenses from ordinary activities	94,435
(iii)	Borrowing costs	
	Interest and amortisation	4,511
	Total borrowing costs	4,511

(iv) New South Wales Government reimbursements

(a) Free & concessional travel

Free and concessional travel is provided to a range of community groups. The extent to which these groups are entitled to free and concessional travel is determined by NSW Government policy. Reimbursement is provided for free school travel based on the number of student travel passes on issue. From 4 January 2005, pensioners are entitled to buy an all-day concession ticket price of \$2.50 (previously: \$1.10, \$2.20 or \$3.30). The NSW Government pays Sydney Ferries the balance of the full fare for all estimated travel consumed.

Other free and concessional travel is reimbursed by the NSW Government paying Sydney Ferries the balance between the full fare applicable for each journey and the fare paid by the passenger.

(b) Community service obligations (CSO)

Reimbursements were received from the Government in accordance with the Government's social policy programs designed to promote the accessibility and availability of public transport services. CSO payments comprise pricing CSO and service level CSO.

Pricing CSO – Sydney Ferries fares are determined by the Independent Pricing and Regulatory Tribunal (IPART). In line with the Government's social policy programs, Sydney Ferries fares are below the equivalent commercial benchmarks. Consequently, Sydney Ferries is reimbursed the difference between the two sets of fares in the form of a pricing CSO.

Service level CSO – Represents payment by the Government to cover the operation of a number of services provided by Sydney Ferries which are not commercially justifiable by normal industry benchmarks.

(v) Interest income

Interest received, or due and receivable, comprises:

Interest from Hour-Glass Cash facility (unitised investment)	605
Other Interest	234
Total interest income	839

(vi) Grants

Grants for:

Capital works ¹	4,830
Redundancies	900
Total grants	5,730

¹ This grant was received from the NSW Government Action for Transport 2010 program for the acquisition of new vessels, the refurbishment of ferries and the installation of CCTV cameras on wharves.

(vii) Board members' remuneration

The amount of remuneration, including superannuation contributions, received or due and receivable by the non-executive members of Sydney Ferries Board for services in respect of all entities was \$265,663. There were no other benefits paid to the members of the Board.

3. INCOME TAX

For the 2004-05 financial year, Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime under the NSW *State Owned Corporation Act 1989*. Accordingly, tax effect accounting is not prepared.

4. RECEIVABLES

Current	Notes	2005 \$000
Trade debtors		26
		26
Sundry debtors		1,091
Provision for doubtful debts		(210)
		881
Goods and Services Tax		233
Total receivables		1,140

5. INVENTORIES

Mechanical and electrical spares		3,429
Distillate		513
Other		107
Total inventories		4,049

6. OTHER ASSETS

Current		
Prepayments		1,248
Retirement benefits	11(iii)	3,240
Other		300
Total current other assets		4,788

7. PROPERTY, PLANT AND EQUIPMENT

Class of property, plant and equipment	Cost / Valuation	2005 Accumulated depreciation/ amortisation	Fair Value
	\$000	\$000	\$000
Freehold operating land	7,585	-	7,585
Total land	7,585	-	7,585
Buildings	12,313	(7,280)	5,033
Total buildings	12,313	(7,280)	5,033
Wharves	15,104	(9,384)	5,720
Total wharves	15,104	(9,384)	5,720
Total land, buildings & wharves	35,002	(16,664)	18,338
Plant and equipment	21,524	(16,935)	4,589
Ferries	256,368	(152,955)	103,413
Total Ferries	256,368	(152,955)	103,413
Work in progress	1,045	-	1,045
Total property, plant and equipment	313,939	(186,554)	127,385

(i) Valuations

- (a) Property, plant and equipment were revalued in accordance with the basis of valuation set out in note 1(g)(i).
- (b) The following non-current assets, when under the ownership of the State Transit Authority of NSW, were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Operating land and buildings	30 June 2003	International Valuation Consultants Pty Ltd
Wharves	30 June 2003	International Valuation Consultants Pty Ltd
Ferries	30 June 2004	Rodney Hyman Asset Services Pty Ltd

(ii) Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

Class of property, plant and equipment	Opening balance ² \$000	2005		Additions \$000	Depreciation/ Amortisation \$000	Closing \$000
		Transfers \$000	Disposals \$000			
Freehold operating land	7,585	-	-	-	-	7,585
Total Land	7,585	-	-	-	-	7,585
Buildings	5,325	-	-	36	(328)	5,033
Wharves	6,083	-	-	-	(363)	5,720
Total land, buildings & wharves	18,993	-	-	36	(691)	18,338
Plant and equipment	6,656	-	(2)	292	(2,357)	4,589
Ferries	111,427	-	-	1,018	(9,032)	103,413
Work in progress ¹	1,270	(1,018)	-	793	-	1,045
Total	138,346	(1,018)	(2)	2,139	(12,080)	127,385

¹ Major items of work in progress include the installation of ferry control systems and the Government Radio Network transceiver upgrade.
² Being the balances transferred from State Transit Authority of NSW on 1 July 2004. Refer note 15 for details.

8. INTANGIBLES	Notes	2005 \$000
Route Rights		26
Total intangibles		26

9. PAYABLES		
Trade creditors	9(i)	2,337
Other creditors and accruals		3,002
Accrued salaries, wages and on-costs		1,527
Accrued interest payable		1,953
Total payables		8,819

(i) Trade creditors are non-interest bearing and are normally settled on 30-day terms.

10. INTEREST BEARING LIABILITIES

	Notes	2005 \$000
Current		
Borrowings secured by NSW Government guarantee		10,730
Total current interest bearing liabilities		10,730
Non-current		
Borrowings secured by NSW Government guarantee		31,270
Total non-current interest bearing liabilities		31,270
Total interest bearing liabilities		42,000
Payable		
Not later than 1 year		10,566
Later than 1 year and not later than 5 years		7,572
Later than 5 years		23,444
Total interest bearing borrowings (face value)		41,582
Unamortised discount		(248)
Unamortised premium		666
Total interest bearing borrowings (capital value)		42,000

11. PROVISIONS

Current	Notes	2005 \$000
Employee benefits	11(i)	5,129
Others	11(ii)	991
Total current provisions		6,120

Non-current

Employee benefits	11(i)	5,037
Retirement benefits	11(iii)	89
Others	11(ii)	347
Total non-current provisions		5,473

(i) Aggregate employee benefits and related on-costs

Provisions - current		5,129
Provisions - non-current		5,126
Accrued salaries, wages and on-costs	9	1,527
Total employee benefits and related on-costs		11,782

(ii) Other Provisions

Provision for marine damage claims		60
Provision for public liability claims		474
Provision for marine hull damage		136
Provision for redundancy		668
Total other provisions		1,338

Each of these provisions were first recognised during the reporting period.

(iii) Retirement benefits

The defined benefit superannuation schemes relating to employees of Sydney Ferries are as follows:

- (a) SASS State Authorities Superannuation Scheme
- (b) SANCS State Authorities Non-Contributory Superannuation Scheme
- (c) SSS State Superannuation Scheme

These schemes are part of the pooled fund, the trustee of which is SAS Trustee Corporation (Trustee). The fund's actuary, Mercer Human Resource Consulting Pty Ltd, appointed by the Trustee, has calculated the financial liability.

The financial assumptions that have been used in the calculation are:

	2005-2006 % pa	2006-2007 % pa	Thereafter % pa
Rate of investment return	7.0	7.0	7.0
Rate of salary increase	4.0	4.0	4.0
Rate of increase in Consumer Price Index	2.5	2.5	2.5

The assessed liability as at 30 June 2005 and funds held in Reserve Account with the Trustee are as follows:

	SASS \$000	SANCS \$000	SSS \$000	Total \$000
Gross liability	14,657	2,817	591	18,065
Reserve balance	(16,955)	(3,759)	(502)	(21,216)
Unfunded liability/(prepaid contributions *)	(2,298)	(942)	89	(3,151)

* Prepaid retirement contributions are recognised as a current asset.

Prepaid Contributions	Notes	2005 \$000
SASS		(2,298)
SANCS		(942)
Total Prepaid Contributions	6	(3,240)

Non-current liability

Retirement benefits		89
---------------------	--	----

12. EQUITY

	Accumulated Funds \$000
2005	
Balance at 1 July 2004	Nil
Transaction with owners as owners - Contribution from owners	83,135
Changes in equity (other than transactions with Owners as owners) Deficit for the year	(2,619)
Balance at the end of the financial year	80,516

Sydney Ferries is a statutory State Owned Corporation. The NSW Special Minister for State and the Minister for Finance are the voting shareholders and each has an equal shareholding.

13. COMMITMENTS

(i) Other expenditure commitments

Aggregate other expenditure for the acquisition of goods and services at balance date and not provided for:

Not later than 1 year	4,822
Total other expenditure commitments (including GST)	4,822

(ii) Operating lease commitments

Payable

Not later than 1 year	1,020
Later than 1 year and not later than 5 years	2,494
Later than 5 years	43,525
Total operating lease commitments (including GST)	47,039

Operating leases exist in respect of office accommodation, office equipment and wharves.

The other expenditure and operating lease commitment totals as shown above include Goods and Services Tax (GST) of \$4.712M, which is recoverable from the Australian Taxation Office.

14. STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

(i) Reconciliation of operating results to net cash from operating activities

	Notes	2005 \$000
Surplus/(Deficit)		(2,619)
Adjustments to reconcile net operating result to net cash from operating activities:		
Amortisation of service contract rights		2
Depreciation and amortisation of non-current assets		12,080
Changes in assets and liabilities:		
(increase)/decrease in receivables		(852)
(increase)/decrease in inventory		(142)
(increase)/decrease in prepayments		(897)
(increase)/decrease in other assets		(3,541)
increase/(decrease) in trade and other creditors		8,819
increase/(decrease) in employee entitlements		348
increase/(decrease) in other provisions		1,339
(increase)/decrease in goods and services tax		(233)
increase/(decrease) in revenue received in advance		(3,583)
Net cash flows from operating activities		10,721

(ii) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in the bank, and short term deposits.

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2005 \$000
Cash	1(c)	5,540
Total cash		5,540

(iii) Financing facility available

Short-term standby credit facility		15,000
Drawn down at balance date		-
Facility unused at balance date		15,000

The short-term standby credit facility is to meet daily cash flow requirements which may arise from time to time.

15. CONTRIBUTION BY OWNERS

On 29 October 2003 the Minister for Transport Services announced the decision to corporatise Sydney Ferries effective from 1 July 2004. Accordingly, the *Transport Administration Amendment (Sydney Ferries) Act 2003* was passed in the NSW Parliament on 10 December 2003.

Vesting orders were signed by the Minister for Transport Services on 30 June 2004 authorising the transfer of certain assets and liabilities from State Transit Authority of NSW to Sydney Ferries.

The fair value of assets and liabilities transferred on 1 July 2004 were as follows:

	\$000
Assets	
Cash	3,659
Property, plant and equipment	138,346
Inventory	3,908
Other	439
Total assets	146,352

Liabilities

Borrowings	49,727
Employee benefits	9,907
Other	3,583
Total liabilities	63,217
Net Assets	83,135

16. FINANCIAL INSTRUMENTS

(i) Interest rate risk

Exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

Fixed interest rate maturing in

2005	Floating interest rate \$000	1 year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000	Total \$000	Weighted average effective interest rate	
							Floating %	Fixed %
Financial assets								
Cash	5,248	-	-	-	292	5,540	5.42	N/A
Receivables	-	-	-	-	1,140	1,140	N/A	N/A
Total financial assets	5,248	-	-	-	1,432	6,680		

Financial liabilities								
Trade creditors & accruals	-	-	-	-	8,819	8,819	N/A	N/A
Borrowings		10,730	7,869	23,401	-	42,000	6.24	7.89
Total financial liabilities	-	10,730	7,869	23,401	8,819	50,819		

(ii) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values except for the following:

	Total carrying amount 2005 \$000	Aggregate net fair value 2005 \$000
Financial liabilities		
Borrowings	42,000	43,555
Total financial liabilities	42,000	43,555

17. CONTINGENT LIABILITIES

The estimated value of liability claims against Sydney Ferries at 30 June 2005 is \$100,000.

18. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Sydney Ferries will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 1 July 2005.

Management has determined the key areas where changes in accounting policies are to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options available in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised entities of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury’s likely mandates (referred to as “indicative mandates”).

Shown below are management’s best estimates, as at the date of preparing the 30 June 2005 financial statements, of the financial impacts of AEIFRS on Sydney Ferries Statement of Financial Position and Statement of Financial Performance. Sydney Ferries does not anticipate any material impact on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the Urgent Issues Group Interpretations and/or emerging accepted practice in their interpretation and application. Sydney Ferries accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics. However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

(a) Reconciliation of AEIFRS equity, total liabilities, total assets and earnings with current standards (“AGAAP”) as at 30 June 2005:

	Equity \$000	Liabilities \$000	Assets \$000	Gross Surplus / (Deficit) \$000	Net Surplus / (Deficit) \$000
Total reported under AGAAP	80,516	62,412	142,928	(2,619)	(2,619)
AEIFRS adjustments:					
Retirement benefits ¹	(58)	58	-	(58)	(58)
Property, plant & equipment ²	4,403	-	4,403	4,403	4,403
Financial instruments ³	-	-	-	-	-
Total AEIFRS adjustments	4,345	58	4,403	4,345	4,345
Total restated under AEIFRS	84,861	62,470	147,331	1,726	1,726

- ¹ Retirement benefits

Under AEIFRS, Sydney Ferries is required to recognise the full constructive obligation, being the amount by which the accumulated benefit obligation to all members exceeds the fair value of the assets relating to those members. The full constructive obligation is determined by an actuarial assessment.
- ² Property, plant and equipment

As part of the long-term maintenance program for its fleet, all vessels undergo a major refit (or “Docking”) on a regular basis (every 5 years for the Freshwater class of Manly Ferries and every 2 years for the remainder of the fleet). From July 1st 2005, under AASB 116 ‘Property, Plant and Equipment’, the cost of Dockings will be capitalised and depreciated over the period prior to the subsequent Docking, being 5 years and 2 years respectively. Ongoing maintenance of the fleet will continue to be expensed as incurred. The effect of this change for 2004-05 would have been to increase the value of Plant and Equipment by \$4,829K, Depreciation by \$426K and reduce the Deficit by the difference of \$4,403K.
- ³ Financial instruments

Management is progressively working on the potential impact of its derivative exposures. Any impact is anticipated to be relatively minor.

(b) Financial Instruments

In accordance with NSW Treasury’s indicative mandates, Sydney Ferries will apply the exemption provided in AASB ‘1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards’

not to apply the requirements of AASB 132 'Financial Instruments: Presentation and Disclosures' and AASB 139 'Financial Instruments: Recognition and Measurement' for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Further, the impact of these Standards will, in part, depend on whether the fair value option can, or will, be mandated consistent with Government Finance Statistics.

(c) Grant recognition for not-for profit entities

Sydney Ferries will apply the requirements in AASB 1004 'Contributions' regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 'Financial Reporting by Local Governments'. If the ED 125 approach is applied, revenue and / or expense recognition will not occur until either Sydney Ferries supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

19. EVENTS OCCURRING AFTER REPORTING DATE

There are no known events occurring after the reporting date that materially affect the Financial Statements.

End of Audited Financial Report

Statement by members of the Board (for the year ending 30 June 2005)

Pursuant to section 41(C)(1B) of the NSW *Public Finance and Audit Act 1983* and in accordance with a resolution of the members of the Board of Sydney Ferries, we declare on behalf of Sydney Ferries that in our opinion:

1. The accompanying Financial Statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position and performance of Sydney Ferries as at 30 June 2005; and
2. The Financial Statements have been prepared in accordance with the provisions of the NSW *Public Finance and Audit Act 1983*, the NSW *Public Finance and Audit Regulation 2000*, the NSW *State Owned Corporations Act 1989*, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board and the Treasurer's directions.
3. At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

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

This statement is made in accordance with a resolution of the Directors.

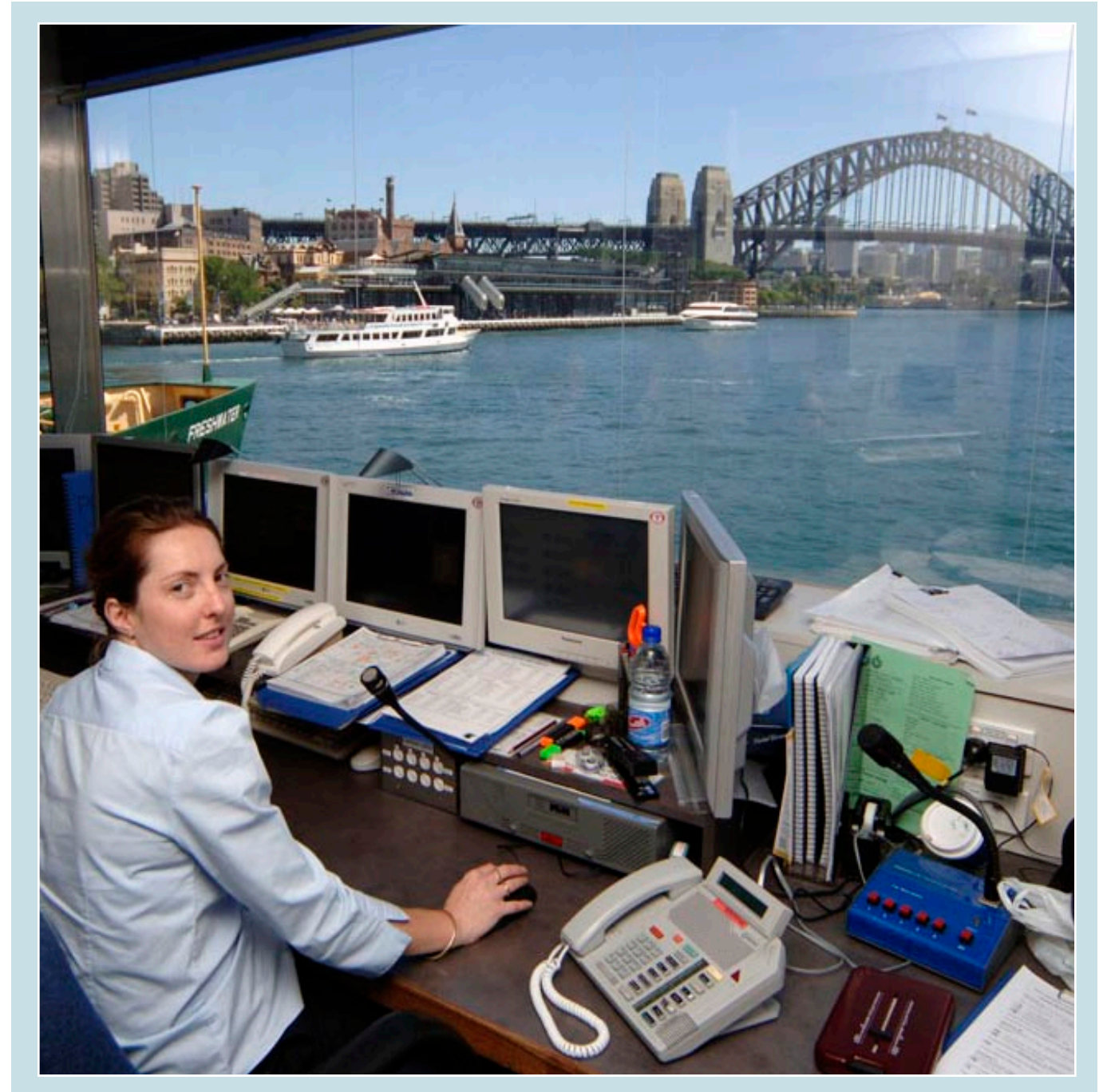


Geoff Ashton
ACTING CHAIRMAN



Suzanne Sinclair
CHIEF EXECUTIVE OFFICER

Appendix



Appendix

Charter, Aims and Objectives

Sydney Ferries Corporation was established to deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner. The Corporation is also empowered to, in connection with its ferry services, operate other transport services to ensure it exploits its full public transport potential.

Sydney Ferries operates under the *State Owned Corporations Act 1989* (NSW), trading as Sydney Ferries Corporation.

Contacting Sydney Ferries Corporation

Customer and
Service information: 131 500
Principal Office: Level 3, 35 Pitt Street
Sydney 2000
Phone: 9246 8300
Fax: 9246 8305
Website: www.sydneyferries.info

Office operating hours are 9:00 am to 5:00 pm Monday to Friday. Operating hours for the ferry fleet are from 5:00 am to 1:00am each day.

Legal changes

There have been no changes in Acts or legislation during the financial year 2004/05 that directly relate only to Sydney Ferries Corporation.

Research & development

Sydney Ferries Corporation has not undertaken any specific research during the 2004-05 financial year, other than that necessary to complete its day-to-day operational requirements.

Human resources statistics

2004/05	
Corporate Services	18
Staff & Customer Support	12
Operations	453
Engineering	88
Total	571

Consultants

Sydney Ferries Corporation engaged two consultants during the 2004-05 financial year. KPMG was engaged to undertake a review of the Balmain Shipyard at a cost of \$85,000 and Xentropy Pty Ltd was engaged to undertake a review of the Corporation's Information and Communication Technology requirements at a total cost of \$68,161.

Equal Employment Opportunity

Trends in the Representation and Distribution Of EEO Groups

EEO Group	Representation Benchmark	2004-05	Distribution Benchmark	2004-05
Women	50%	15%	100	30
Aboriginal People & Torres Strait Islanders	2%	1%	100	50
People whose first language was not English	19%	26%	100	137
People with a disability	12%	4%	100	33
People with a disability requiring work-related adjustment	7%	n/a	100	n/a

Note: The table contains only the figures from the establishment of Sydney Ferries Corporation on 1 July 2004. These figures are based on staff transferred to Sydney Ferries Corporation from the State Transit Authority on 1 July 2004 and utilising STA comparatives.

Sydney Ferries Corporation has continued to support and maintain Equal Employment Opportunity (EEO) through the introduction of a new recruitment policy and procedure.

In its first year the Corporation created an Equity and Diversity Policy and introduced improved working practices for pregnant employees. In 2005/06 Sydney Ferries Corporation will develop and implement a Disability Action Plan and EEO Management Plan specific to Sydney Ferries Corporation.

Ethnic affairs priorities statement

When established, Sydney Ferries Corporation adopted the State Transit Authority's Ethnic Affairs Priorities Statement.

Sydney Ferries Corporation will develop, implement and monitor its own Corporate Ethnic Affairs Priorities Statement and systems to address the culturally and linguistically diverse needs of employees, customers and stakeholders.

This new statement will be integrated into corporate planning and evaluation processes. It will form part of the Corporation's communications strategies. It will be reported on in the 2005/06 Annual Report as per Sydney Ferries Corporation's reporting requirements.

NSW Government Action Management Plan for Women

Sydney Ferries Corporation is actively committed to developing and implementing strategies aimed at improving the experience of female employees and customers. Female employees are encouraged to apply for promotion opportunities within the Corporation. During 2004/05 Sydney Ferries Corporation:

- developed and introduced a Pregnancy at Work Policy and Procedure to support pregnant employees in the workforce and assist in providing them a safe and healthy work environment;
- developed and introduced an Equity and Diversity Program, including procedures covering workplace behaviour to prevent harassment, discrimination and bullying;
- reviewed the length of shifts for operations staff to encourage family friendly work practices. More flexible work arrangements were introduced for some employees with specific family care needs; and
- participated in the Networking Forum for Women in Transport Agencies, coordinated by the NSW Premier’s Department.

Land disposal

Sydney Ferries Corporation has not disposed of any land during the financial year 2004-05.

Promotion

Since its establishment on 1 July 2004, Sydney Ferries Corporation has produced and distributed ferry timetables and various brochures to assist tourists, commuters and other ferry users. All key publications are available on the Sydney Ferries website (www.sydneyferries.info).

Sydney Ferries also publishes a monthly staff newsletter, *Sydney Ferries News*.

Travel

No Sydney Ferries Corporation staff undertook overseas visits during the financial year 2004-05.

Payment of Accounts

Details of Sydney Ferries Account paying performance are as follows:

DAYS	1ST QUARTER 04-05 TOTAL PAID	% OF TOTAL	2ND QUARTER 04-05 TOTAL PAID	% OF TOTAL	3RD QUARTER 04-05 TOTAL PAID	% OF TOTAL	4TH QUARTER 04-05 TOTAL PAID	% OF TOTAL	TOTAL 04-05 TOTAL PAID	% OF TOTAL
0-30	15,248	94.6%	17,205	96.7%	14,417	92.5%	15,009	96.5%	61,879	95.2%
30-60	716	4.4%	353	2.0%	1,015	6.5%	278	1.8%	2,372	3.6%
60-90	31	0.2%	19	0.1%	84	0.5%	197	1.3%	331	0.5%
90+	123	0.8%	207	1.2%	61	0.4%	59	0.4%	450	0.7%
TOTAL	16,118	100.0%	17,794	100.0%	15,577	100.0%	15,543	100.0%	65,032	100.0%
TARGET		98%		98%		98%		98%		98%

Sydney Ferries Corporation is reviewing procedures for processing invoices to ensure it meets its target for 98% of invoice payments made within 30 days.

No interest was paid due to the late payments of accounts.

Risk management and insurance activities

Strategic risk matters are managed by the use of specialist external agencies tasked with ensuring that Sydney Ferries Corporation’s risk and insurance costs are minimised within a framework of corporate governance, operating policies, procedures and work instructions. Sydney Ferries is confident that the use of external agencies has ensured a lower overall insurance cost to the Corporation whilst also minimising exposure to potential risk.

Controlled entities

Sydney Ferries Corporation does not have any controlled entities.

Occupational Health and Safety

Sydney Ferries Corporation was not prosecuted during 2004/05 under the *Occupational Health and Safety Act 2000* (NSW) by WorkCover NSW.

Three incidents were recorded by WorkCover NSW in relation to: an injured employee, a vessel collision involving the Freshwater Class ferry Narrabeen at Circular Quay on 26 May 2005, and an altercation between two employees. Sydney Ferries Corporation has introduced improved policies and procedures relating to appropriate conduct in the workplace.

Waste

Waste management practices have been a focus across the organisation, including improvements to waste management at Balmain Shipyard.

Sydney Ferries Corporation is committed to improving its waste management practices to ensure it continues to meet its objectives and statutory obligations.

Budgets

Sydney Ferries Corporation Budgets for 2004-05 and 2005-06 are as follows:

REVENUE AND EXPENDITURE

Revenue from ordinary activities	FY Budget 2004-05	FY Budget 2005-06
Passenger revenue:		
Fares, charters and tourists services	45,394	47,236
Reimbursement for:		
Free travel by school students	378	391
Concessional travel by:		
Pensioners	7,915	8,202
Other community groups	1,273	1,319
Community Service Obligations (CSO):		
Pricing CSO	5,639	5,780
Service level CSO	28,173	17,002
Total passenger revenue	88,772	79,930
Interest from third-parties	23	150
Grants	4,830	4,830
Other	1,360	1,179
Total revenue from ordinary activities	94,985	86,089
Expenses from ordinary activities		
Wages and salaries	50,485	49,229
Fleet running expenses	19,038	13,698
General operating expenses	15,615	15,049
Interest	3,900	4,131
Depreciation:	12,574	14,185
Total expenses from ordinary activities	101,612	96,292
Surplus/(Deficit)	(6,627)	(10,203)

Employee Code of Conduct

When established, Sydney Ferries Corporation adopted the State Transit Authority's Code of Conduct. Sydney Ferries Corporation is currently devising a new Employee Code of Conduct to ensure employees understand:

The Corporation's objectives, values, vision and mission;

- an employees responsibilities in relation to personal conduct, effective performance of duties and assigned roles; and
- expected standards of conduct and behaviour and appropriate interaction with others.
- when finalised the new code will be published in appropriate internal media. In accordance with reporting requirements, the revised Code will be published in the Sydney Ferries Corporation 2005/06 Annual Report.

After balance date events

No events have occurred after balance date (30 June 2005) that significantly affected Sydney Ferries Corporation's financial or other operations.

External costs incurred in producing the Annual Report

The cost of consultants used in producing this report was \$15,675. The cost of printing copies to be delivered to the NSW Parliament is estimated at approximately \$2,000.

Performance and numbers of executive officers

In 2004/05 there were two executives, both female, with total remuneration packages equal to or exceeding the NSW Senior Executive Service Level One.

In accordance with legislative requirements, the following table shows the remuneration packages of executives with total remuneration packages equal to or exceeding the New South Wales Senior Executive Service Level Five.

Position Title	Officer	Total Remuneration Package	Performance Review Summary
Chief Executive Officer	Suzanne Sinclair	\$265,000	<ul style="list-style-type: none">• managed the establishment of Sydney Ferries Corporation.• transitioned ferry functions from the State Transit Authority to Sydney Ferries Corporation.• develop and implemented a new organisation structure for the Corporation.• initiated a strategic review of the Corporation's business activities.• oversaw a successful summer operations campaign.• achieved cost saving of \$1.9 million including approximately \$1 million savings on outsourcing of maintenance.

The other executive officer was the Chief Financial Officer Wendy Hughes [B.Bus(Acctg&Fin),ASA].

Freedom of Information Act

The number and results of FOI applications are as follows:

Number of new FOI requests

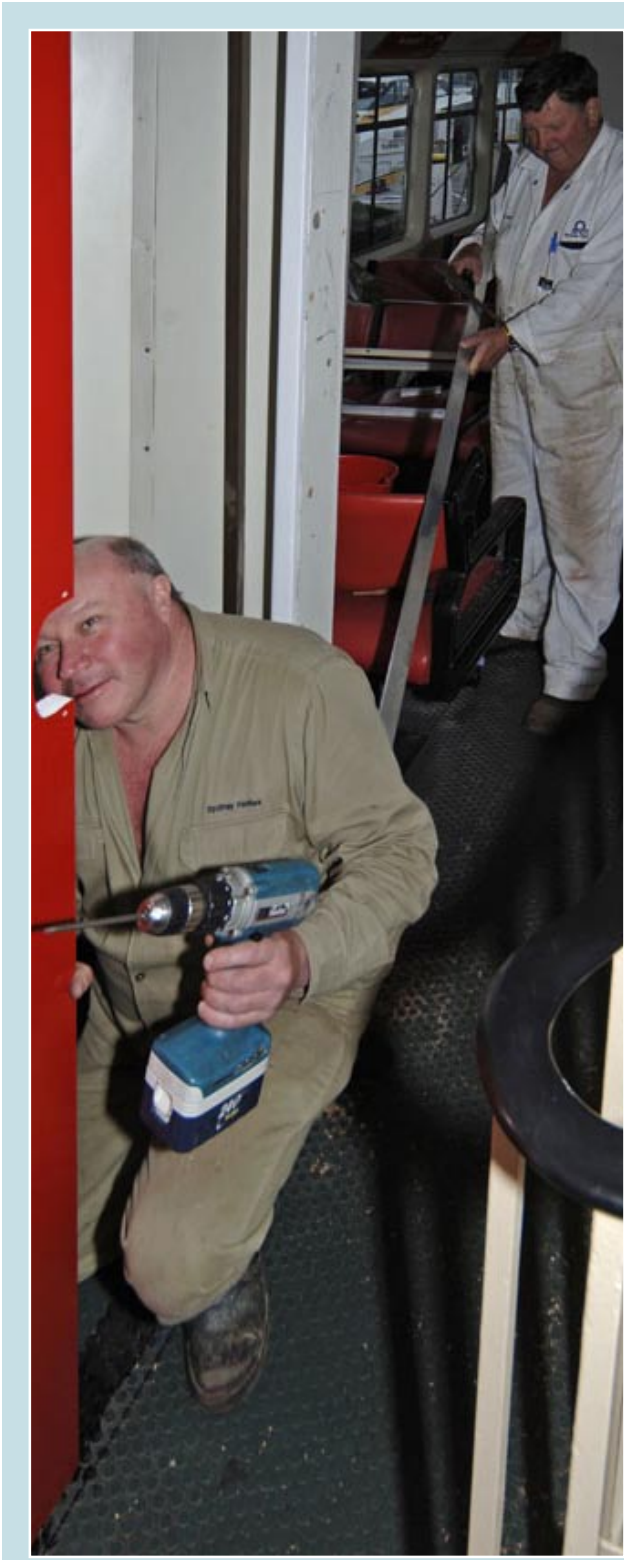
	Personal	Other	Total
New	1	8	9
Brought forward	0	0	0
Total to be processed	1	8	9
Completed	0	5	5
Transferred out	1	0	1
Total processed	1	5	6
Unfinished (carried forward)	0	3	3

Completed Requests

	Personal	Other
Granted in full	0	2
Granted in part	0	3
Completed	0	5

Formal Consultations

	Issued	Total
Number of requests requiring formal consultation	1	1



FOI requests Granted in Part or Refused

Basis of disallowing or restricting access

	Personal	Other
Section 25(1)(a) (exempt)	0	3

Costs and Fees of Requests processed during the Period

	Assessed Costs	FOI Fees Received
All completed requests	\$1,305	\$547.50

Days to process FOI Applications

Time elapsed	
0 – 21 days	0
22 – 35 days	0
Over 35 days	5
Totals	5

Processing time per Application

Time elapsed	
0 – 10 hours	3
11 – 20 hours	2
21 - 40hours	0
Over 40 hours	0
Totals	5



Reviews and appeals

Number of internal reviews finalised	3
Number of Ombudsman reviews	1

Details of internal review results

Grounds on which internal review requested

	Upheld	Varied
Exempt matter	2	1

Implementation of Price Determination

The Independent Pricing and Regulatory Tribunal fare determination for Sydney Ferries Corporation was issued in December 2004. The determination allowed for an average 4.2% increase overall. The determination was implemented in full.

The Subordinate Legislation Act

Sydney Ferries Corporation complies with all the requirements of the *Subordinate Legislation Act 1989* (NSW) as they apply to Sydney Ferries Corporation.

Electronic service delivery

Sydney Ferries Corporation complies with the NSW Government commitment to the Electronic Service Delivery program, which requires that NSW Government agencies have the systems to do business and provide customer-focused services electronically (eGovernment).

The key customer-focused services provided electronically through the internet include:

- information on services and products, including the facility to print timetables;
- employment opportunities; and
- tourist information.

After this report has been published, it will be available on-line at www.sydneyferries.info.

As a matter of policy, Sydney Ferries Corporation does business electronically wherever appropriate

Credit card certification

The Chief Executive Officer of Sydney Ferries Corporation has certified all Corporate Credit Cards issued to Sydney Ferries Corporation staff are for business purposes and are used in accordance with the Premier's Memoranda and Treasurer's Directions.

Index

About Sydney Ferries Corporation	8	Land Disposal	82
Board of Directors	48	Independent Audit Report	52
Budgets	85	Letter of submission	2
Changes in acts and subordinate legislation	81, 88	Management and structure	14
Charter, Aims and Objectives	81	Message from the Acting Chair and CEO	6
Consultants	82	Occupational Health and Safety	84
Consumer Response	26	Overseas travel	83
Contacting us	81	Payment of Accounts	83
Corporate Credit cards	89	Performance summary: financial	17
Corporate governance	42	Price determination and implementation	88
Cost of producing this annual report	86	Publications	82
Customer Service Commitment	26	Research and development	81
Electronic service delivery	89	Risk management and insurance activities	83
Employee Code of Conduct	86	Safety & Security	20
Environmental performance	30	Statement by Directors	78
Equal Employment Opportunity (EEO)	82	Statement of cash flows	55
Ethnic Affairs Priority Statement (EAPS)	83	Statement of financial performance	53
Executive performance and remuneration	86	Statement of financial position	54
Freedom of information (FOI) statistics	86	Values	8
Human Resources	81	Vision	8
Improving access for customers with a disability	29	Waste Reduction	84

Images:

'Our History' section: Photographs provided by [John Darroch, 9451 5772](#)

All other images: Photographer [Neil Duncan, 9810 3487](#)



Key Performance Indicators

Performance Indicator	2004/05 Target	2004/05 Actual
Number of major vessel incidents per year ¹	nil	3
Number of minor vessel incidents per hundred services ²	0.08	0.04
Number of passenger incidents per million passenger journeys ³	13	10.43
Lost time injury incident rate (injuries per 100 employees) ⁴	4.8	5.92
Lost time injury frequency rate (per million hours worked) ⁵	26	33.75

- ¹ 'Major' vessel incidents are defined as incidents causing multiple/substantial injuries to persons, or death, or material damage to infrastructure or vessels.
- ² 'Minor' vessel incidents are defined as incidents not falling within the definition of 'major' vessel incident.
- ³ Passenger incidents are defined as any incident reported by passengers, including illness.
- ⁴ 'Lost Time Injury' (LTI) is an injury with one hour or more lost from work.
- ⁵ Definition of LTI frequency used is one hour lost, compared to industry definition of full shift.

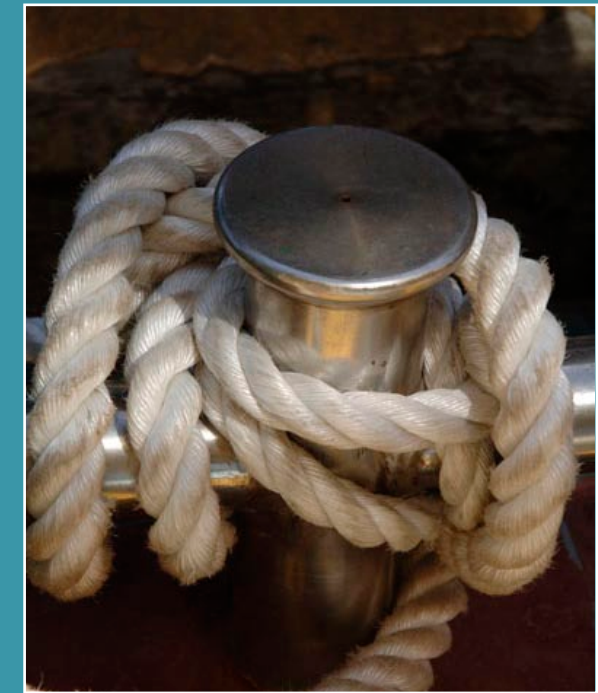
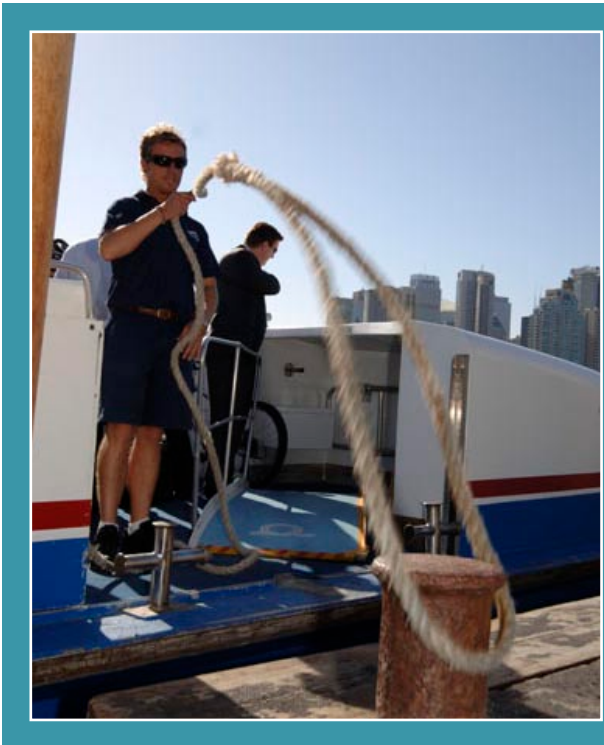
During 2004/05 there were three major vessel incidents.

On 7 February 2005 the First Fleet Class vessel Charlotte collided with the seabed at Milsons Point. There were no injuries. The hull of the vessel was damaged.

On 4 March 2005 the Freshwater Class vessel Collaroy collided with the backboard next to Circular Quay Wharf 3. There were no passengers on board. There were no injuries.

On 26 May 2005 the Freshwater Class vessel Narrabeen collided with Circular Quay Wharf 5. Whilst only minor passenger injuries were reported, the damage to the vessel and the wharf was material.

Lost time injury incident and frequency rates exceeded the year's targeted levels. This result primarily reflects the major incidents that occurred.



Customer service

Sydney Ferries Corporation is committed to providing a safe and reliable ferry service and making each journey a satisfying experience for passengers.

We aim to meet the expectations of our customers by delivering friendly services that offer value for money.

Consumer opinion

Sydney Ferries Corporation welcomes the views of its customers.

Sydney Ferries Corporation received 1,048 opinions from customer including suggestions, compliments and complaints.

Customer demand study

Sydney Ferries Corporation commissioned a detailed assessment of passenger opinions of services provided. The research had three distinct projects:

- on board route and destination survey, where entry and exits were recorded at wharves. This provided extensive passenger usage counts;
- a survey of current ferry users, covering usage patterns, reasons for usage and descriptive characteristics; and
- a non-regular user survey, conducted in areas close to ferry wharves, with persons who had not used a ferry in the past month.

our business

Survey results suggested there were a number of opportunities for Sydney Ferries Corporation to improve services and increase patronage, particularly among the existing user base.

Summer running program

Sydney Ferries Corporation had one of its most successful summers in 2004/05.

In the four weeks from 18 December 2004 to 18 January 2005 approximately 1.43 million passengers travelled on the Corporation's services.

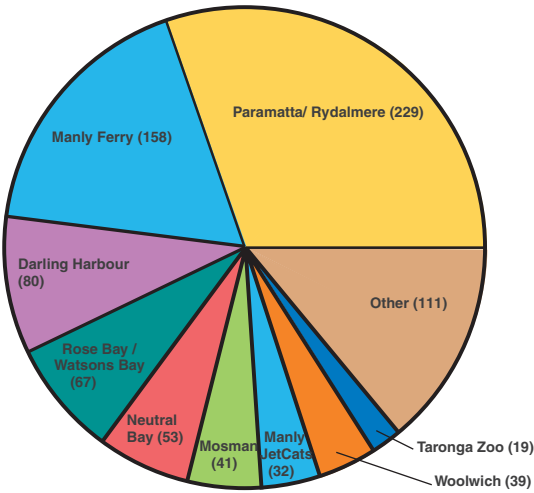
The biggest day was 5 January 2005 when more than 62,000 passengers travelled across Sydney Harbour and the Parramatta River.

A plan for summer 2004/05 was developed to manage the escalated demand.

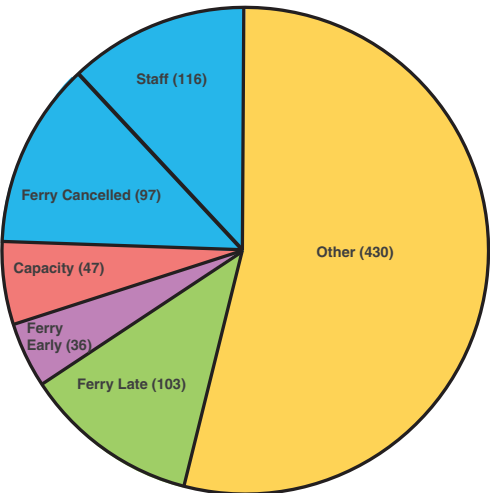
Ticket queues were reduced by employing roving ticket sellers, temporary ticket booths and crowd management methods. Customer communications were improved through a new community information campaign and better directional signage at Circular Quay. Extra services were provided on major routes to meet demand.

Balmain Shipyard performed well over summer providing sufficient vessels to meet timetable requirements and additional back-up ferries to meet customer demand during this busy period.

Complaints by service



Complaints by type



Key performance indicators

Performance Indicator	2004/05 Target	2004/05 Actual
Percentage of services that run on time ¹	99.5%	98.8%
Percentage of scheduled service that actually run ²	99.5%	98.9%
Fleet availability ³	80%	74%
Complaints per million passenger journeys	75.3	58.9

¹ Number of actual trips less delayed trips, divided by the number of actual trips, expressed as a percentage. Measure of delays encompasses vessels departing Circular Quay more than 5 minutes after the scheduled departure.

² Total number of scheduled trips less number of trips cancelled, divided by total number of scheduled trips, expressed as a percentage.

³ Vessels available to cover all scheduled runs, after adjusting for planned and unplanned maintenance, expressed as a percentage.

The target for fleet availability was not achieved due to increased unplanned maintenance on some vessels. Sydney Ferries Corporation is developing a number of plans to improve vessel availability including the installation of new engines in First Fleet Class and RiverCat Class vessels and improvements to the Balmain Shipyard structure and maintenance planning. On time running was affected by a number of factors including fleet availability, weather and passenger incidents. Passenger complaints were below the target due primarily to improved customer service and operations during summer.



Issues which were discussed at meetings held during 2004/05 included: timetable improvement initiatives; challenges and opportunities for Australia Day ferry services; summer operations planning; access to wharves and ferries for disabled passengers; the extension of services to the Eastern suburbs; and improvements to the integration of transport services.

Committee member details appear in the Corporate Governance section of this report.

Free transport initiatives

Sydney Ferries Corporation provided free transport on Anzac Day and Reserve Forces Day in support of our war veterans and armed forces.

Free transport was also provided to a variety of other community groups and charities, including participants in Oxfam's 'Walk Against Want', the Manly-based Stewart House and the Children's Hospital at Westmead.

Educational initiatives

Balmain Shipyard staff assisted a group of students from Ultimo TAFE College that toured the facility as part of their Marine Engine Drivers course. Student evaluations were positive.

Other community support initiatives

Staff participated in Australia's Biggest Morning Tea on 27 May 2005, to help raise money for the Cancer Council.

Sydney Ferries Corporation responded to the devastating Boxing Day tsunami with a range of initiatives to raise funds, including staff functions, union donations and support for Manly Council's tsunami appeal.

Some of Sydney Ferries Corporation's operations staff and their Union representatives raised more than \$5,000 for the Westmead Children's Hospital as part of their annual Christmas appeal.



Key Performance Indicators

Performance Indicator	2004/05 Target	2004/05 Actual
Number of major incidents of environmental damage per year	Nil	Nil
Number of minor reportable environmental incidents	14	8

There were no major environmental incidents directly associated with our operations.

There were 14 minor environmental incidents during the year. Relevant authorities were notified as required. Only eight of the reported incidents were deemed to be the responsibility of Sydney Ferries Corporation. These involved relatively small spills of ballast water, hydraulic oil, fuel and bilge water.

Sydney Ferries Corporation was not subject to environmental prosecution for any of these incidents.

Corporate Governance

Financial overview 2004/05

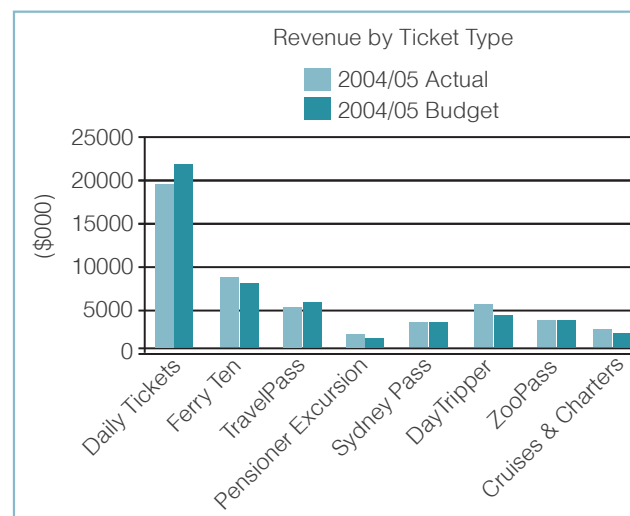
Operating performance

Sydney Ferries Corporation's operating deficit before tax of \$2.6 million was \$4.1 million, or 61%, better than the budget.

Revenue

Total revenue for the year was \$96.3 million which was \$1.3 million better than budget. The two main sources of income are farebox revenue and government funding, comprising 47% and 51% of total revenue, respectively.

Whilst patronage grew by approximately 0.6% over the previous year, farebox revenue of \$45.1 million was \$0.3 million, or 0.7%, less than budget. This was primarily due to a move by passengers away from Daily Tickets to the cheaper DayTripper product. TravelPass sales were also lower than budget.



Government funding for the year totalling \$49.1 million was \$0.9 million higher than budget, due to additional funding for redundancy payouts.

Other revenue of \$2.2 million was approximately

\$0.8 million better than budget, primarily due to interest income earned on the cash surplus over the year.

Expenses

Expenses of \$94.4 million were \$2.8 million below budget.

Employee benefits were \$4.6 million lower than budget. This resulted from a revision of superannuation and leave liabilities.

Maintenance costs were \$1.9 million below budget, primarily because of the savings achieved from the open tender process conducted for the outsourced docking and major maintenance of the Freshwater Class vessel *Freshwater*.

The above favourable results were largely offset by the following above-budget expenditures including:

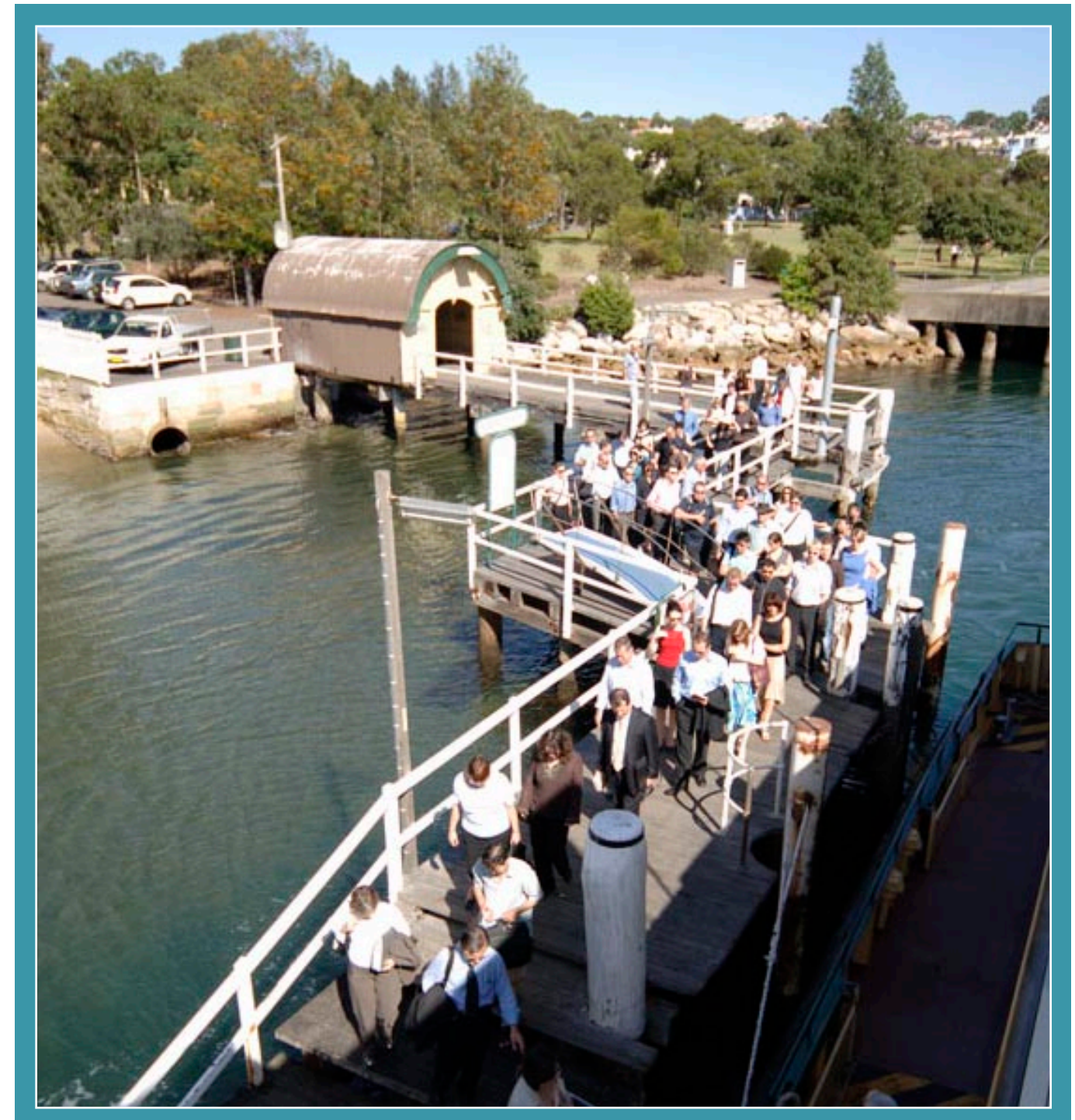
- fuel costs \$1.4 million;
- hire of private ferries and buses \$0.6 million;
- insurance-related costs \$0.7 million;
- professional service fees \$0.6 million;
- interest expense \$0.6 million; and
- redundancy costs \$0.9 million (offset by redundancy funding received from the NSW Government).

Financial position

At 30 June 2005 total equity was \$80.5 million and total assets were \$142.9 million.

Total liabilities were \$62.4 million after a reduction in borrowings of \$7.7 million.

Sydney Ferries Corporation achieved its initial ratings by Standards and Poors of BB-.



STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	Notes	2005 \$000
Revenue from ordinary activities	2(i)	96,327
Expenses from ordinary activities	2(ii)	(94,435)
Borrowing costs	2(iii)	(4,511)
Deficit from ordinary activities		(2,619)
Total Revenue, Expenses and valuation adjustment recognised directly in Equity		-
Total changes in equity other than those resulting from transactions with owners as owners		(2,619)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	Notes	2005 \$000
CURRENT ASSETS		
Cash		5,540
Receivables	4	1,140
Inventories	5	4,049
Other	6	4,788
TOTAL CURRENT ASSETS		15,517
NON-CURRENT ASSETS		
Property, plant and equipment	7	127,385
Intangibles	8	26
TOTAL NON-CURRENT ASSETS		127,411
TOTAL ASSETS		142,928
CURRENT LIABILITIES		
Payables	9	8,819
Interest bearing liabilities	10	10,730
Provisions	11	6,120
TOTAL CURRENT LIABILITIES		25,669
NON-CURRENT LIABILITIES		
Interest bearing liabilities	10	31,270
Provisions	11	5,473
TOTAL NON-CURRENT LIABILITIES		36,743
TOTAL LIABILITIES		62,412
NET ASSETS		80,516
EQUITY		
Accumulated Funds	12	80,516
TOTAL EQUITY		80,516

STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

Cash flows from operating activities		
	Notes	2005 \$000
Passenger revenue (including Reimbursements from Government):		
Fares, charters and tourist services		48,417
Reimbursement by NSW Government for:		
Free travel by school students		367
Concessional travel by pensioners		7,915
Concessional travel by others		1,273
Community service obligations		30,153
Total passenger revenue (including reimbursements from Government)		88,125
Other income		1,443
Interest received		839
NSW Government grants		5,730
Payments to suppliers		(40,958)
Payments to employees		(41,900)
Interest and other finance costs		(2,558)
Net cash flows from operating activities		10,721
Cash flows from investing activities		
Purchase of property, plant and equipment		(1,121)
Net cash flows used in investing activities		(1,121)
Cash flows from financing activities		
Proceeds from/(repayments) of borrowings		(7,719)
Net cash flows from financing activities		(7,719)
Net increase/(decrease) in cash held		1,881
Cash transferred in as a result of administrative restructuring	15	3,659
Cash at the beginning of the financial year		-
Cash at the end of the financial year		5,540

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On 10 December 2003, the NSW Parliament passed the NSW *Transport Administration Amendment (Sydney Ferries) Act 2003* authorising the Minister of Transport to transfer certain assets and liabilities from the State Transit Authority of NSW to Sydney Ferries, to take effect on (and from) 1 July 2004. Further details are found in note 15. Sydney Ferries commenced operations on 1 July 2004 under the NSW *State Owned Corporations Act 1989*, trading as Sydney Ferries Corporation.

The Sydney Ferries Corporation was established to deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner. The Corporation may also, in connection with its ferry services, operate other transport services to ensure it exploits its full public transport potential.

(a) Basis of accounting

The financial statements of Sydney Ferries have been prepared as a general purpose financial report in accordance with the requirements of the NSW *Public Finance and Audit Act 1983*, the NSW *Public Finance and Audit Regulation 2000*, the NSW *State Owned Corporations Act 1989*, Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and applicable Treasurer's Directions and Treasury Circulars.

The financial statements have been prepared on an accrual accounting basis using historical costs, except for non-current assets, which are recorded at fair value. For some classes of non-current assets, fair value is historical cost. For other classes, fair value is market value or depreciated replacement cost.

The financial statements have been prepared on a going concern basis which assumes that repayment of debts will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations.

The Board has determined that the going concern basis is appropriate for the following reasons:

- the net cash flows from operating activities, after including government contributions were \$10.721 million;
- Sydney Ferries' debt is guaranteed by the NSW Government; and
- Sydney Ferries' is NSW Government owned.

NSW Treasury, on behalf of the NSW Government, has issued a letter of Financial Support to Sydney Ferries.

(b) Revenue recognition

Revenue is recognised when Sydney Ferries has:

- control of the goods or right to receive the goods;
- it is probable that the economic benefits will flow to Sydney Ferries; and
- the amount of revenue can be measured reliably.

(iii) Superannuation

The employees’ retirement benefits liability in respect of three defined benefit superannuation schemes, administered by Pillar Administration on behalf of SAS Trustee Corporation, is fully provided. The liability for employees’ retirement benefits is based on an actuarial assessment (refer Note 11(iii)).

Employee superannuation guarantee contribution entitlements paid to funds other than those noted above are expensed when the liability is incurred and paid when due.

(m) Insurance

Appropriate insurances are purchased to cover material liability, physical damage, business interruption, and other exposures arising out of normal business operations. The cost of the insurance is expensed over the period to which the insurance cover relates.

(n) Accounting for Goods and Services Tax (GST)

In relation to the Goods and Services Tax (“GST”), revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by the Corporation as a purchaser is not recoverable from the Australian Taxation Office.

In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. Cash flows are included in the Statements of Cash flows on a gross basis and are classified as operating activities.

(o) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred and comprise:

- interest on bank overdrafts, short term and long term borrowing; and
- amortisation of discounts or premiums relating to borrowings.

(p) Comparatives

As this is the first period of operation for Sydney Ferries as a State Owned Corporation, comparative figures are not applicable.

(q) Rounding

All amounts shown in the financial reports are expressed to the nearest thousand dollars unless otherwise specified.

(r) The impacts of adopting Australian Equivalents to International Financial Reporting Standards

For the annual reporting period ending on or after 30 June 2005, AASB 1047 ‘Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards’ (“AEIFRS”) requires disclosure, in the notes, of any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; or, if the impacts are not yet known, to make a statement to that effect. Refer to Note 18 for further details.

(s) Segment Reporting

Sydney Ferries operates predominantly in one business segment (transport) and one geographical segment (Australia). It operates ferry services in the Sydney metropolitan area, utilising Sydney Harbour and the Parramatta River.

2. REVENUE AND EXPENDITURE

(i)	Revenue from ordinary activities	Notes	2005
			\$000
	Passenger Revenue (including Reimbursements from Government):		
	Fares, charters and tourists services		45,072
	Reimbursement for:		
	Free travel by school students	2(iv)(a)	367
	Concessional travel by:		
	Pensioners	2(iv)(a)	7,915
	Other community groups	2(iv)(a)	1,273
	Community service obligations (CSO):		
	Pricing CSO	2(iv)(b)	5,639
	Service level CSO	2(iv)(b)	28,173
	Total Passenger Revenue (including Reimbursements from Government)		88,439
	Interest from third-parties	2(v)	839
	Grants	2(vi)	5,730
	Other		1,319
	Total revenue from ordinary activities		96,327

		2005
(ii)	Expenses from ordinary activities (excluding employee benefits)	Notes
		\$000
	Fleet running expenses	18,518
	General operating expenses	14,552
	Depreciation and Amortisation	12,080
	Operating leases	1,284
	Consultancy/professional services	1,059
	External Audit Fees - Audit of Financial Report	80
	Internal Audit fees	126
	Total expenses from ordinary activities (excluding employee benefits)	47,699
	Employee benefits	
	Wages and salaries	37,506
	Workers' compensation	1,784
	Payroll tax	2,640
	Annual leave	3,668
	Long service leave	845
	Retirement benefits	293
	Total employee benefits	46,736
	Total Expenses from ordinary activities	94,435
(iii)	Borrowing costs	
	Interest and amortisation	4,511
	Total borrowing costs	4,511

(iv) New South Wales Government reimbursements

(a) Free & concessional travel

Free and concessional travel is provided to a range of community groups. The extent to which these groups are entitled to free and concessional travel is determined by NSW Government policy. Reimbursement is provided for free school travel based on the number of student travel passes on issue. From 4 January 2005, pensioners are entitled to buy an all-day concession ticket price of \$2.50 (previously: \$1.10, \$2.20 or \$3.30). The NSW Government pays Sydney Ferries the balance of the full fare for all estimated travel consumed.

Other free and concessional travel is reimbursed by the NSW Government paying Sydney Ferries the balance between the full fare applicable for each journey and the fare paid by the passenger.

(b) Community service obligations (CSO)

Reimbursements were received from the Government in accordance with the Government's social policy programs designed to promote the accessibility and availability of public transport services. CSO payments comprise pricing CSO and service level CSO.

Pricing CSO – Sydney Ferries fares are determined by the Independent Pricing and Regulatory Tribunal (IPART). In line with the Government's social policy programs, Sydney Ferries fares are below the equivalent commercial benchmarks. Consequently, Sydney Ferries is reimbursed the difference between the two sets of fares in the form of a pricing CSO.

Service level CSO – Represents payment by the Government to cover the operation of a number of services provided by Sydney Ferries which are not commercially justifiable by normal industry benchmarks.

(v) Interest income

Interest received, or due and receivable, comprises:

Interest from Hour-Glass Cash facility (unitised investment)	605
Other Interest	234
Total interest income	839

(vi) Grants

Grants for:

Capital works ¹	4,830
Redundancies	900
Total grants	5,730

¹ This grant was received from the NSW Government Action for Transport 2010 program for the acquisition of new vessels, the refurbishment of ferries and the installation of CCTV cameras on wharves.

(vii) Board members' remuneration

The amount of remuneration, including superannuation contributions, received or due and receivable by the non-executive members of Sydney Ferries Board for services in respect of all entities was \$265,663. There were no other benefits paid to the members of the Board.

3. INCOME TAX

For the 2004-05 financial year, Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime under the NSW *State Owned Corporation Act 1989*. Accordingly, tax effect accounting is not prepared.

4. RECEIVABLES

Current	Notes	2005 \$000
Trade debtors		26
		26
Sundry debtors		1,091
Provision for doubtful debts		(210)
		881
Goods and Services Tax		233
Total receivables		1,140

5. INVENTORIES

Mechanical and electrical spares		3,429
Distillate		513
Other		107
Total inventories		4,049

6. OTHER ASSETS

Current		
Prepayments		1,248
Retirement benefits	11(iii)	3,240
Other		300
Total current other assets		4,788

7. PROPERTY, PLANT AND EQUIPMENT

Class of property, plant and equipment	Cost / Valuation	2005 Accumulated depreciation/ amortisation	Fair Value
	\$000	\$000	\$000
Freehold operating land	7,585	-	7,585
Total land	7,585	-	7,585
Buildings	12,313	(7,280)	5,033
Total buildings	12,313	(7,280)	5,033
Wharves	15,104	(9,384)	5,720
Total wharves	15,104	(9,384)	5,720
Total land, buildings & wharves	35,002	(16,664)	18,338
Plant and equipment	21,524	(16,935)	4,589
Ferries	256,368	(152,955)	103,413
Total Ferries	256,368	(152,955)	103,413
Work in progress	1,045	-	1,045
Total property, plant and equipment	313,939	(186,554)	127,385

(i) Valuations

- (a) Property, plant and equipment were revalued in accordance with the basis of valuation set out in note 1(g)(i).
- (b) The following non-current assets, when under the ownership of the State Transit Authority of NSW, were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Operating land and buildings	30 June 2003	International Valuation Consultants Pty Ltd
Wharves	30 June 2003	International Valuation Consultants Pty Ltd
Ferries	30 June 2004	Rodney Hyman Asset Services Pty Ltd

(ii) Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

Class of property, plant and equipment	Opening balance ² \$000	2005		Additions \$000	Depreciation/ Amortisation \$000	Closing \$000
		Transfers \$000	Disposals \$000			
Freehold operating land	7,585	-	-	-	-	7,585
Total Land	7,585	-	-	-	-	7,585
Buildings	5,325	-	-	36	(328)	5,033
Wharves	6,083	-	-	-	(363)	5,720
Total land, buildings & wharves	18,993	-	-	36	(691)	18,338
Plant and equipment	6,656	-	(2)	292	(2,357)	4,589
Ferries	111,427	-	-	1,018	(9,032)	103,413
Work in progress ¹	1,270	(1,018)	-	793	-	1,045
Total	138,346	(1,018)	(2)	2,139	(12,080)	127,385

¹ Major items of work in progress include the installation of ferry control systems and the Government Radio Network transceiver upgrade.
² Being the balances transferred from State Transit Authority of NSW on 1 July 2004. Refer note 15 for details.

8. INTANGIBLES	Notes	2005 \$000
Route Rights		26
Total intangibles		26

9. PAYABLES		
Trade creditors	9(i)	2,337
Other creditors and accruals		3,002
Accrued salaries, wages and on-costs		1,527
Accrued interest payable		1,953
Total payables		8,819

(i) Trade creditors are non-interest bearing and are normally settled on 30-day terms.

10. INTEREST BEARING LIABILITIES

	Notes	2005 \$000
Current		
Borrowings secured by NSW Government guarantee		10,730
Total current interest bearing liabilities		10,730
Non-current		
Borrowings secured by NSW Government guarantee		31,270
Total non-current interest bearing liabilities		31,270
Total interest bearing liabilities		42,000
Payable		
Not later than 1 year		10,566
Later than 1 year and not later than 5 years		7,572
Later than 5 years		23,444
Total interest bearing borrowings (face value)		41,582
Unamortised discount		(248)
Unamortised premium		666
Total interest bearing borrowings (capital value)		42,000

11. PROVISIONS

Current	Notes	2005 \$000
Employee benefits	11(i)	5,129
Others	11(ii)	991
Total current provisions		6,120

Non-current

Employee benefits	11(i)	5,037
Retirement benefits	11(iii)	89
Others	11(ii)	347
Total non-current provisions		5,473

(i) Aggregate employee benefits and related on-costs

Provisions - current		5,129
Provisions - non-current		5,126
Accrued salaries, wages and on-costs	9	1,527
Total employee benefits and related on-costs		11,782

(ii) Other Provisions

Provision for marine damage claims		60
Provision for public liability claims		474
Provision for marine hull damage		136
Provision for redundancy		668
Total other provisions		1,338

Each of these provisions were first recognised during the reporting period.

(iii) Retirement benefits

The defined benefit superannuation schemes relating to employees of Sydney Ferries are as follows:

- (a) SASS State Authorities Superannuation Scheme
- (b) SANCS State Authorities Non-Contributory Superannuation Scheme
- (c) SSS State Superannuation Scheme

These schemes are part of the pooled fund, the trustee of which is SAS Trustee Corporation (Trustee). The fund's actuary, Mercer Human Resource Consulting Pty Ltd, appointed by the Trustee, has calculated the financial liability.

The financial assumptions that have been used in the calculation are:

	2005-2006 % pa	2006-2007 % pa	Thereafter % pa
Rate of investment return	7.0	7.0	7.0
Rate of salary increase	4.0	4.0	4.0
Rate of increase in Consumer Price Index	2.5	2.5	2.5

The assessed liability as at 30 June 2005 and funds held in Reserve Account with the Trustee are as follows:

	SASS \$000	SANCS \$000	SSS \$000	Total \$000
Gross liability	14,657	2,817	591	18,065
Reserve balance	(16,955)	(3,759)	(502)	(21,216)
Unfunded liability/(prepaid contributions *)	(2,298)	(942)	89	(3,151)

* Prepaid retirement contributions are recognised as a current asset.

Prepaid Contributions	Notes	2005 \$000
SASS		(2,298)
SANCS		(942)
Total Prepaid Contributions	6	(3,240)

Non-current liability

Retirement benefits		89
---------------------	--	----

12. EQUITY

	Accumulated Funds \$000
2005	
Balance at 1 July 2004	Nil
Transaction with owners as owners - Contribution from owners	83,135
Changes in equity (other than transactions with Owners as owners) Deficit for the year	(2,619)
Balance at the end of the financial year	80,516

Sydney Ferries is a statutory State Owned Corporation. The NSW Special Minister for State and the Minister for Finance are the voting shareholders and each has an equal shareholding.

13. COMMITMENTS

(i) Other expenditure commitments

Aggregate other expenditure for the acquisition of goods and services at balance date and not provided for:

Not later than 1 year	4,822
Total other expenditure commitments (including GST)	4,822

(ii) Operating lease commitments

Payable

Not later than 1 year	1,020
Later than 1 year and not later than 5 years	2,494
Later than 5 years	43,525
Total operating lease commitments (including GST)	47,039

Operating leases exist in respect of office accommodation, office equipment and wharves.

The other expenditure and operating lease commitment totals as shown above include Goods and Services Tax (GST) of \$4.712M, which is recoverable from the Australian Taxation Office.

14. STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

(i) Reconciliation of operating results to net cash from operating activities

	Notes	2005 \$000
Surplus/(Deficit)		(2,619)
Adjustments to reconcile net operating result to net cash from operating activities:		
Amortisation of service contract rights		2
Depreciation and amortisation of non-current assets		12,080
Changes in assets and liabilities:		
(increase)/decrease in receivables		(852)
(increase)/decrease in inventory		(142)
(increase)/decrease in prepayments		(897)
(increase)/decrease in other assets		(3,541)
increase/(decrease) in trade and other creditors		8,819
increase/(decrease) in employee entitlements		348
increase/(decrease) in other provisions		1,339
(increase)/decrease in goods and services tax		(233)
increase/(decrease) in revenue received in advance		(3,583)
Net cash flows from operating activities		10,721

(ii) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in the bank, and short term deposits.

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2005 \$000
Cash	1(c)	5,540
Total cash		5,540

(iii) Financing facility available

Short-term standby credit facility		15,000
Drawn down at balance date		-
Facility unused at balance date		15,000

The short-term standby credit facility is to meet daily cash flow requirements which may arise from time to time.

15. CONTRIBUTION BY OWNERS

On 29 October 2003 the Minister for Transport Services announced the decision to corporatise Sydney Ferries effective from 1 July 2004. Accordingly, the *Transport Administration Amendment (Sydney Ferries) Act 2003* was passed in the NSW Parliament on 10 December 2003.

Vesting orders were signed by the Minister for Transport Services on 30 June 2004 authorising the transfer of certain assets and liabilities from State Transit Authority of NSW to Sydney Ferries.

The fair value of assets and liabilities transferred on 1 July 2004 were as follows:

	\$000
Assets	
Cash	3,659
Property, plant and equipment	138,346
Inventory	3,908
Other	439
Total assets	146,352

Liabilities

Borrowings	49,727
Employee benefits	9,907
Other	3,583
Total liabilities	63,217
Net Assets	83,135

16. FINANCIAL INSTRUMENTS

(i) Interest rate risk

Exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

Fixed interest rate maturing in

2005	Floating interest rate \$000	1 year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000	Total \$000	Weighted average effective interest rate	
							Floating %	Fixed %
Financial assets								
Cash	5,248	-	-	-	292	5,540	5.42	N/A
Receivables	-	-	-	-	1,140	1,140	N/A	N/A
Total financial assets	5,248	-	-	-	1,432	6,680		

Financial liabilities								
Trade creditors & accruals	-	-	-	-	8,819	8,819	N/A	N/A
Borrowings		10,730	7,869	23,401	-	42,000	6.24	7.89
Total financial liabilities	-	10,730	7,869	23,401	8,819	50,819		

(ii) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values except for the following:

	Total carrying amount 2005 \$000	Aggregate net fair value 2005 \$000
Financial liabilities		
Borrowings	42,000	43,555
Total financial liabilities	42,000	43,555

17. CONTINGENT LIABILITIES

The estimated value of liability claims against Sydney Ferries at 30 June 2005 is \$100,000.

18. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Sydney Ferries will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 1 July 2005.

Management has determined the key areas where changes in accounting policies are to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options available in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised entities of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury’s likely mandates (referred to as “indicative mandates”).

Shown below are management’s best estimates, as at the date of preparing the 30 June 2005 financial statements, of the financial impacts of AEIFRS on Sydney Ferries Statement of Financial Position and Statement of Financial Performance. Sydney Ferries does not anticipate any material impact on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the Urgent Issues Group Interpretations and/or emerging accepted practice in their interpretation and application. Sydney Ferries accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics. However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

(a) Reconciliation of AEIFRS equity, total liabilities, total assets and earnings with current standards (“AGAAP”) as at 30 June 2005:

	Equity \$000	Liabilities \$000	Assets \$000	Gross Surplus / (Deficit) \$000	Net Surplus / (Deficit) \$000
Total reported under AGAAP	80,516	62,412	142,928	(2,619)	(2,619)
AEIFRS adjustments:					
Retirement benefits ¹	(58)	58	-	(58)	(58)
Property, plant & equipment ²	4,403	-	4,403	4,403	4,403
Financial instruments ³	-	-	-	-	-
Total AEIFRS adjustments	4,345	58	4,403	4,345	4,345
Total restated under AEIFRS	84,861	62,470	147,331	1,726	1,726

- ¹ Retirement benefits

Under AEIFRS, Sydney Ferries is required to recognise the full constructive obligation, being the amount by which the accumulated benefit obligation to all members exceeds the fair value of the assets relating to those members. The full constructive obligation is determined by an actuarial assessment.
- ² Property, plant and equipment

As part of the long-term maintenance program for its fleet, all vessels undergo a major refit (or “Docking”) on a regular basis (every 5 years for the Freshwater class of Manly Ferries and every 2 years for the remainder of the fleet). From July 1st 2005, under AASB 116 ‘Property, Plant and Equipment’, the cost of Dockings will be capitalised and depreciated over the period prior to the subsequent Docking, being 5 years and 2 years respectively. Ongoing maintenance of the fleet will continue to be expensed as incurred. The effect of this change for 2004-05 would have been to increase the value of Plant and Equipment by \$4,829K, Depreciation by \$426K and reduce the Deficit by the difference of \$4,403K.
- ³ Financial instruments

Management is progressively working on the potential impact of its derivative exposures. Any impact is anticipated to be relatively minor.

(b) Financial Instruments

In accordance with NSW Treasury’s indicative mandates, Sydney Ferries will apply the exemption provided in AASB ‘1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards’

Appendix

Charter, Aims and Objectives

Sydney Ferries Corporation was established to deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner. The Corporation is also empowered to, in connection with its ferry services, operate other transport services to ensure it exploits its full public transport potential.

Sydney Ferries operates under the *State Owned Corporations Act 1989* (NSW), trading as Sydney Ferries Corporation.

Contacting Sydney Ferries Corporation

Customer and
Service information: 131 500
Principal Office: Level 3, 35 Pitt Street
Sydney 2000
Phone: 9246 8300
Fax: 9246 8305
Website: www.sydneyferries.info

Office operating hours are 9:00 am to 5:00 pm Monday to Friday. Operating hours for the ferry fleet are from 5:00 am to 1:00am each day.

Legal changes

There have been no changes in Acts or legislation during the financial year 2004/05 that directly relate only to Sydney Ferries Corporation.

Research & development

Sydney Ferries Corporation has not undertaken any specific research during the 2004-05 financial year, other than that necessary to complete its day-to-day operational requirements.

Human resources statistics

2004/05	
Corporate Services	18
Staff & Customer Support	12
Operations	453
Engineering	88
Total	571

Consultants

Sydney Ferries Corporation engaged two consultants during the 2004-05 financial year. KPMG was engaged to undertake a review of the Balmain Shipyard at a cost of \$85,000 and Xentropy Pty Ltd was engaged to undertake a review of the Corporation's Information and Communication Technology requirements at a total cost of \$68,161.

Equal Employment Opportunity

Trends in the Representation and Distribution Of EEO Groups

EEO Group	Representation Benchmark	2004-05	Distribution Benchmark	2004-05
Women	50%	15%	100	30
Aboriginal People & Torres Strait Islanders	2%	1%	100	50
People whose first language was not English	19%	26%	100	137
People with a disability	12%	4%	100	33
People with a disability requiring work-related adjustment	7%	n/a	100	n/a

Note: The table contains only the figures from the establishment of Sydney Ferries Corporation on 1 July 2004. These figures are based on staff transferred to Sydney Ferries Corporation from the State Transit Authority on 1 July 2004 and utilising STA comparatives.

Sydney Ferries Corporation has continued to support and maintain Equal Employment Opportunity (EEO) through the introduction of a new recruitment policy and procedure.

In its first year the Corporation created an Equity and Diversity Policy and introduced improved working practices for pregnant employees. In 2005/06 Sydney Ferries Corporation will develop and implement a Disability Action Plan and EEO Management Plan specific to Sydney Ferries Corporation.

Ethnic affairs priorities statement

When established, Sydney Ferries Corporation adopted the State Transit Authority's Ethnic Affairs Priorities Statement.

Sydney Ferries Corporation will develop, implement and monitor its own Corporate Ethnic Affairs Priorities Statement and systems to address the culturally and linguistically diverse needs of employees, customers and stakeholders.

This new statement will be integrated into corporate planning and evaluation processes. It will form part of the Corporation's communications strategies. It will be reported on in the 2005/06 Annual Report as per Sydney Ferries Corporation's reporting requirements.

Budgets

Sydney Ferries Corporation Budgets for 2004-05 and 2005-06 are as follows:

REVENUE AND EXPENDITURE

Revenue from ordinary activities	FY Budget 2004-05	FY Budget 2005-06
Passenger revenue:		
Fares, charters and tourists services	45,394	47,236
Reimbursement for:		
Free travel by school students	378	391
Concessional travel by:		
Pensioners	7,915	8,202
Other community groups	1,273	1,319
Community Service Obligations (CSO):		
Pricing CSO	5,639	5,780
Service level CSO	28,173	17,002
Total passenger revenue	88,772	79,930
Interest from third-parties	23	150
Grants	4,830	4,830
Other	1,360	1,179
Total revenue from ordinary activities	94,985	86,089
Expenses from ordinary activities		
Wages and salaries	50,485	49,229
Fleet running expenses	19,038	13,698
General operating expenses	15,615	15,049
Interest	3,900	4,131
Depreciation:	12,574	14,185
Total expenses from ordinary activities	101,612	96,292
Surplus/(Deficit)	(6,627)	(10,203)

Employee Code of Conduct

When established, Sydney Ferries Corporation adopted the State Transit Authority's Code of Conduct. Sydney Ferries Corporation is currently devising a new Employee Code of Conduct to ensure employees understand:

The Corporation's objectives, values, vision and mission;

- an employees responsibilities in relation to personal conduct, effective performance of duties and assigned roles; and
- expected standards of conduct and behaviour and appropriate interaction with others.
- when finalised the new code will be published in appropriate internal media. In accordance with reporting requirements, the revised Code will be published in the Sydney Ferries Corporation 2005/06 Annual Report.

After balance date events

No events have occurred after balance date (30 June 2005) that significantly affected Sydney Ferries Corporation's financial or other operations.

External costs incurred in producing the Annual Report

The cost of consultants used in producing this report was \$15,675. The cost of printing copies to be delivered to the NSW Parliament is estimated at approximately \$2,000.

Performance and numbers of executive officers

In 2004/05 there were two executives, both female, with total remuneration packages equal to or exceeding the NSW Senior Executive Service Level One.

In accordance with legislative requirements, the following table shows the remuneration packages of executives with total remuneration packages equal to or exceeding the New South Wales Senior Executive Service Level Five.

Position Title	Officer	Total Remuneration Package	Performance Review Summary
Chief Executive Officer	Suzanne Sinclair	\$265,000	<ul style="list-style-type: none">• managed the establishment of Sydney Ferries Corporation.• transitioned ferry functions from the State Transit Authority to Sydney Ferries Corporation.• develop and implemented a new organisation structure for the Corporation.• initiated a strategic review of the Corporation's business activities.• oversaw a successful summer operations campaign.• achieved cost saving of \$1.9 million including approximately \$1 million savings on outsourcing of maintenance.

The other executive officer was the Chief Financial Officer Wendy Hughes [B.Bus(Acctg&Fin),ASA].

Freedom of Information Act

The number and results of FOI applications are as follows:

Number of new FOI requests

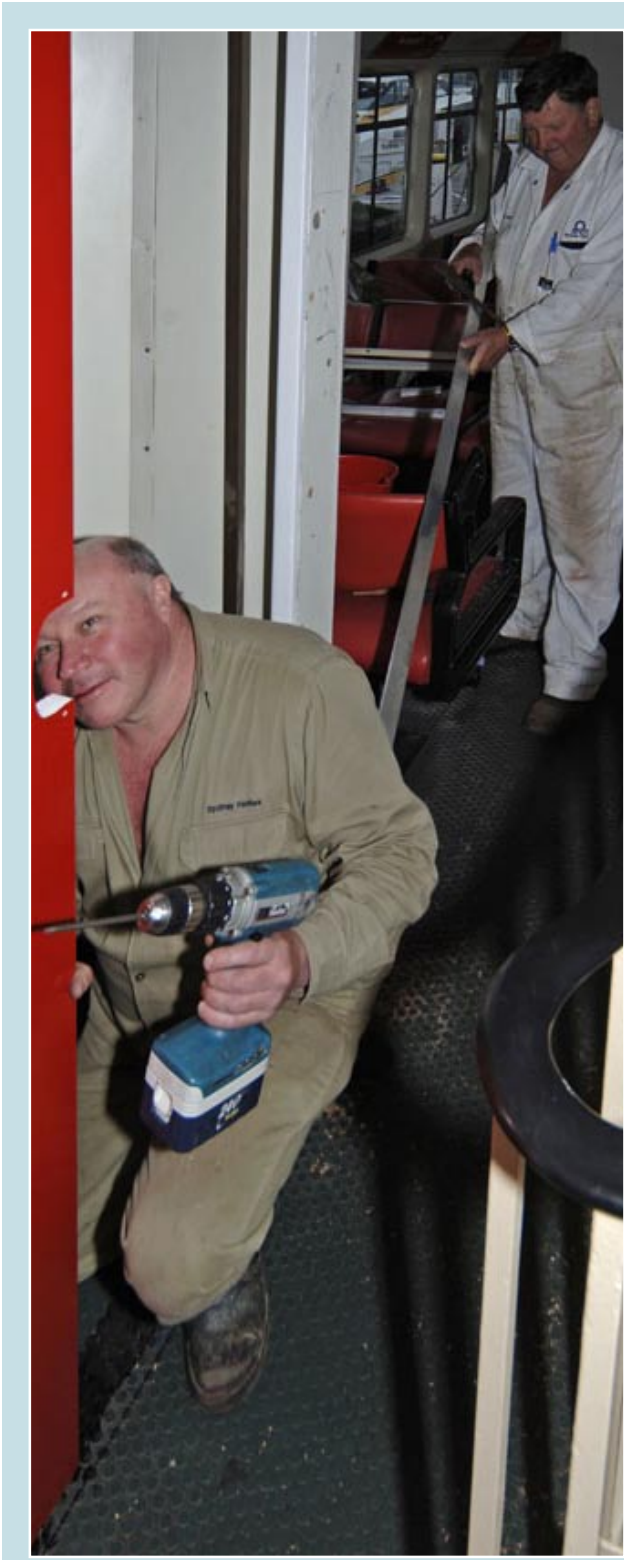
	Personal	Other	Total
New	1	8	9
Brought forward	0	0	0
Total to be processed	1	8	9
Completed	0	5	5
Transferred out	1	0	1
Total processed	1	5	6
Unfinished (carried forward)	0	3	3

Completed Requests

	Personal	Other
Granted in full	0	2
Granted in part	0	3
Completed	0	5

Formal Consultations

	Issued	Total
Number of requests requiring formal consultation	1	1



FOI requests Granted in Part or Refused

Basis of disallowing or restricting access

	Personal	Other
Section 25(1)(a) (exempt)	0	3

Costs and Fees of Requests processed during the Period

	Assessed Costs	FOI Fees Received
All completed requests	\$1,305	\$547.50

Days to process FOI Applications

Time elapsed	
0 – 21 days	0
22 – 35 days	0
Over 35 days	5
Totals	5

Processing time per Application

Time elapsed	
0 – 10 hours	3
11 – 20 hours	2
21 - 40hours	0
Over 40 hours	0
Totals	5

