



SYDNEY FERRIES | ANNUAL REPORT

2005-06





CONTENTS

Letter to Shareholding Ministers	04
Overview	05
About us	06
Our fleet	08
CEO and Chairman's report	10
General summary	11
Financial overview	13
Key measures, targets and results	14
Organisational overview	16
Board of directors	18
Divisional reports	21
Operations	22
Engineering	24
Human resources and industrial relations	26
Finance and corporate services	28
Financial statements	31
Appendices	65

LETTER TO SHAREHOLDING MINISTERS

31 October 2006

The Hon. Michael Costa MLC
Treasurer
Minister for Infrastructure
Minister for the Hunter
Deputy Leader of the Government in
the Legislative Council (MP)

Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

The Hon. John Della Bosca MLC
Minister for Commerce
Minister for Finance
Minister for Industrial Relations
Minister for Ageing
Minister for Disability Services
Vice President of the Executive Council
Leader of the Government in the Legislative Council (MP)

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 2006.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1989 (NSW)*, the *Annual Report (Statutory Bodies) Regulation 2005 (NSW)* and the *Public Finance and Audit Act 1983 (NSW)*.

Yours sincerely



Geoff Smith AO
Chief Executive Officer



Geoff Ashton AM
Chair



OVERVIEW

Sydney Ferries is at the heart of Sydney and its transport network, connecting people and supporting the economic prosperity of New South Wales.



ABOUT US

Sydney Ferries – a harbour icon

The history and development of Sydney Ferries is linked to the history and development of Sydney and the harbour on which it was founded.

The first recorded ferry was launched in 1789 and took three to four days to travel by oar and sail between the Port of Sydney and Parramatta.

Today, Sydney Ferries continues to make an important contribution to Sydney's public transport network, connecting people and supporting the economic prosperity of Sydney and New South Wales.

Who we are

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

Our vision

To provide a world-class ferry service on Sydney's harbour and related waterways.

Our values

Sydney Ferries conducts its business based on the following values:

- safety first
- excellent customer service
- efficiency
- maintaining a commercial focus
- integrity
- trust
- commitment
- mutual respect and teamwork.

Our mission

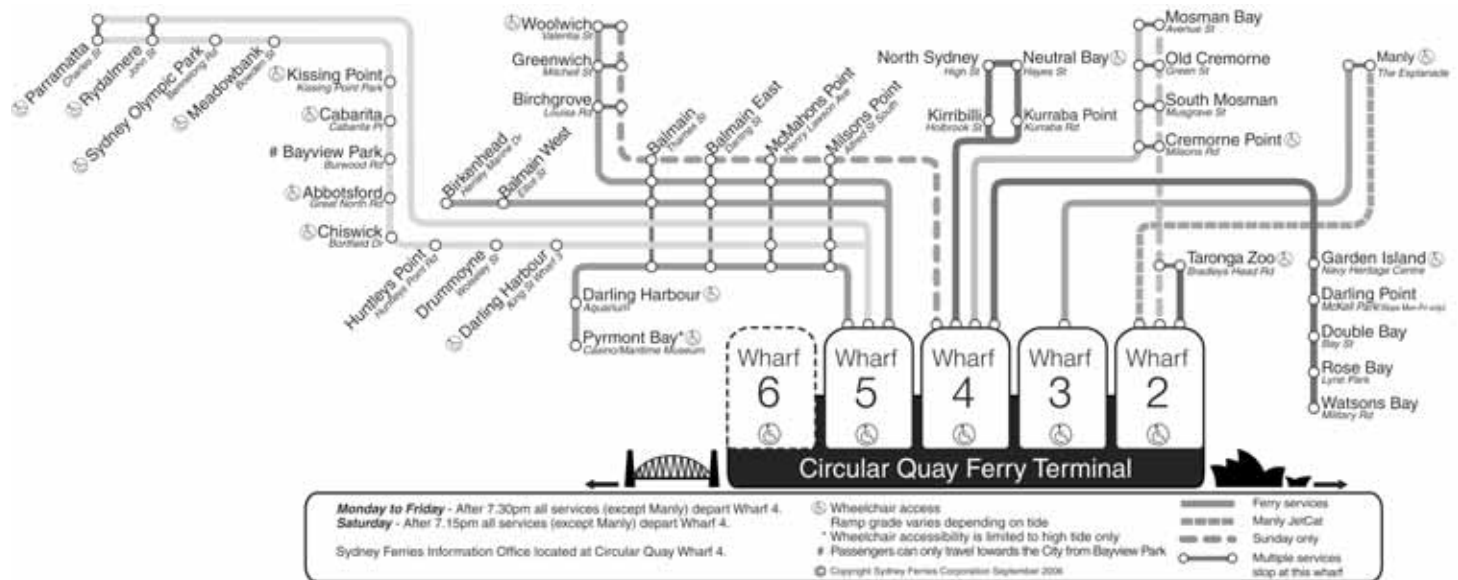
To deliver a quality ferry service for Sydney by:

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

What we do

Sydney Ferries operates services 18 hours a day, seven days a week to 38 locations, 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.



The Sydney Ferries' network spans more than 37 kilometres from Parramatta in the west to Watsons Bay in the east and Manly in the north.

Sydney Ferries operates ferry passenger services across eight routes on Sydney Harbour and along the Parramatta River:

- Parramatta River
- Balmain/Woolwich
- Darling Harbour
- Neutral Bay
- Mosman
- Taronga Zoo
- Eastern Suburbs
- Manly.

A range of ticket options is available to ensure the service remains flexible, affordable and attractive, including discounts for regular ferry users.

Our customers

Sydney Ferries carries over 14 million passengers on trips that cover more than 1.3 million kilometres annually.

Around 35,000 passengers travel with Sydney Ferries on an average weekday and about 12,000 each day on weekends.

A new post-Olympics record was set on 30 December 2005 when more than 71,000 passengers passed through barriers at Manly and Circular Quay.

Sydney Ferries' customers fall into two distinct groups – commuters and leisure travellers.

Around 48 per cent of total patronage is for commuter travel (work and education) while 46 per cent is for leisure, and six per cent for non-leisure personal trips.

Visitors to Sydney comprise 41 per cent of leisure passengers. Twenty-three per cent of that number come from overseas. Leisure passengers tend to travel outside peak periods and include both locals and visitors to Sydney. They use ferry services for destinations like Manly, Taronga Zoo, Watsons Bay and Darling Harbour or to just enjoy a ferry ride. Demand tends to be seasonal (peaking in summer) and is particularly sensitive to weather conditions.

Our people

At 30 June 2006, Sydney Ferries employed 629 people across ferry operations, maintenance, customer service, ticketing, management and administration.

Sydney Ferries has five workplaces:

- Operations centres – Circular Quay and Manly Wharf
- 31-vessel fleet
- Maintenance – Balmain Shipyard
- Corporate office – Pitt Street, Sydney.

OUR FLEET

The Sydney Ferries' fleet consists of 31 vessels across seven classes. They are:



Freshwater Class

The four Freshwater Class ferries are the largest in the fleet. These are the vessels that operate the Manly ferry service.

Collaroy

Freshwater

Narrabeen

Queenscliff



First Fleet Class

The nine First Fleet Class ferries are named after nine of the 11 vessels in the First Fleet that sailed to New South Wales to establish a settlement in 1788. They primarily operate on inner harbour routes.

Alexander

Golden Grove

Borrowdale

Scarborough

Charlotte

Sirius

Fishburn

Supply

Friendship



JetCat Class

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

Blue Fin

Sea Eagle

Sir David Martin



Lady Class

The two Lady Class ferries are primarily used for leisure cruises and Taronga Zoo services.

Lady Herron

Lady Northcott



RiverCat Class

Seven specially designed, low-wash catamarans service the Parramatta River. Each is named after a famous Australian sportswoman.

Betty Cuthbert

Marjorie Jackson

Dawn Fraser

Nicole Livingstone

Evonne Goolagong

Shane Gould

Marlene Matthews



HarbourCat Class

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

Anne Sargeant

Pam Burridge



SuperCat Class

Four high-speed catamarans that primarily service the Eastern Suburbs.

Louise Sauvage

Mary MacKillop

SuperCat 4

Susie O'Neill



Geoff Smith AO, *Chief Executive Officer*



Geoff Ashton AM, *Chair*

Welcome to the Sydney Ferries Annual Report 2005-06.

In 2005-06, Sydney Ferries focused on improving safety, increasing reliability and enhancing customer service.

CEO AND CHAIRMAN'S REPORT

In our second year as a State Owned Corporation, we reviewed our organisational capabilities to ensure the quality and future sustainability of our services.

The past year was one of organisational consolidation.

Suzanne Sinclair was the Corporation's first Chief Executive Officer. She oversaw the evolution of the new Corporation and departed in February 2006. Rear Admiral Chris Oxenbould AO was appointed acting Chief Executive Officer for six months and Rear Admiral Geoff Smith AO was appointed as permanent CEO in August 2006.

Sydney Ferries appointed a permanent General Manager of Operations and restructured the Operations Division to incorporate safety and training support functions. The change establishes a clear line of accountability to the General Manager of Operations.

The Operations Division restructure saw the creation of the Fleet Standards Group. This group will be responsible for the coaching and mentoring of staff and the continual review and improvement of operational standards.

The safety of passengers and staff remains the top priority for Sydney Ferries.

Crew Resource Management training was designed to improve communication between Masters, Engineers and other vessel crew. The training commenced in 2005-06 and has given them the knowledge and tools to handle a wide range of emergency situations.

Sydney Ferries has fitted Global Positioning Systems to all ferries. Vessel Data Recording Systems (black boxes) are being fitted on all ferries to record data required in incident investigations.

The Balmain Shipyard Improvement Program has created new positions to oversee engineering works and repairs. The aim of the program is to improve maintenance services for the fleet.

A Customer Satisfaction Survey was completed to gain a better understanding of what is important to our passengers and what they think about our services. The survey showed that customers care a great deal about Sydney Ferries and have a real sense of ownership.

We have respected the findings of the survey which highlighted customer service and service information as key expectations. Improvement programs have been developed and are progressing.

Sydney Ferries commenced development of a Total Asset Management Plan to align asset planning and management with service delivery.

2005-06 was a challenging year for Sydney Ferries but important structural and operational changes have begun to deliver positive results in improved safety, reliability and customer service.

These achievements set the stage for operational, financial and environmental improvements in 2006-07 as we work towards enhancing safety, reliability and customer service.

Geoff Smith AO
Chief Executive Officer

Geoff Ashton AM
Chair



GENERAL SUMMARY

Safety

Sydney Ferries' number one priority is safety.

To support this commitment, Sydney Ferries introduced 12-hour maximum rosters for Transport Safety Workers to improve fatigue management.

A Crew Resource Management training program specific to Sydney Ferries was implemented to improve communication between Masters, Engineers and other crew. The program develops skills in a wide range of abnormal operating conditions. Improved recording, analysis and risk mitigation measures were implemented.

Sydney Ferries appointed a General Manager of Operations with strong maritime experience, revised the *Vessel Operations Manual* for the *Collaroy* and other Freshwater Class vessels and introduced a new publication to provide additional operational guidance and instructions to all vessel crews.

New berthing procedures on Freshwater Class ferries were developed and implemented to improve control while manoeuvring. Global Positioning System (GPS) technology was fitted to the fleet to aid safe navigation and Vessel Data Recording Systems began being installed across the fleet to assist with incident investigation and prevention measures.

Vessel availability and reliability

In 2005-06, Sydney Ferries focused on strengthening vessel availability and reliability.

The Balmain Shipyard Improvement Program was developed to improve the efficiency and productivity of Sydney Ferries' maintenance facility, and the Vessel Availability Plan began accelerating improvements to planning and technical maintenance.

Sydney Ferries also commenced the Engine Replacement Program under which new engines will be installed on all nine First Fleet Class and three RiverCat Class vessels. The program is expected to lower greenhouse emissions, improve fleet reliability and reduce maintenance costs.

Service reliability and quality customer service

Sydney Ferries introduced several service improvements in 2005-06.

Sydney Ferries provided additional peak hour services at Cabarita Wharf (Parramatta River) in response to growing demand at Breakfast Point (September 2005).

Enhancements were made to the Watsons Bay timetable to include Garden Island, the site of the new Royal Australian Navy Heritage Centre (October 2005).



GENERAL SUMMARY (CONTINUED)

Sydney Ferries doubled Eastern Suburbs services on weekends, reducing waiting times by more than half (October 2005).

Over the peak summer season, when daily patronage can almost double, Sydney Ferries scheduled additional services on the Manly, Darling Harbour and Parramatta River routes.

Improved signage and crowd control measures helped move large numbers of passengers through key terminals. Additional ticket booths and roving ticket sellers helped service the higher demand.

In April and May 2006, Sydney Ferries undertook a *Customer Satisfaction Survey* to understand what is important to passengers, how happy they are with its services and what can be done better. This survey will be used to benchmark future service improvements.

Viability and sustainability

Sydney Ferries recognises that enhancing staff and business systems is critical to improving performance and sustainability.

Sydney Ferries negotiated Enterprise Agreements to increase productivity and improve capability.

The new management structure was completed and human resources policies, procedures and work instructions were finalised.

Sydney Ferries enhanced revenue protection measures, including more effective allocation of resources to prevent high-risk fare evasion, and upgrading on-board ticket-selling equipment.

Sydney Ferries is committed to minimising the environmental impact of its operations on and around Sydney's waterways and surrounding communities.

To support this commitment, Sydney Ferries trialled bio-diesel fuel on the First Fleet Class ferry *Borrowdale* for three months to assess the differential impact of non-fossil fuel and diesel on both fuel efficiency and emissions.

Additional under-wharf booms were installed at the Balmain Shipyard and extensive work commenced on the maintenance facility's liquid handling facilities to mitigate the risk of water contamination from spills.



In April and May 2006, Sydney Ferries undertook a Customer Satisfaction Survey to understand what is important to passengers, how happy they are with its services and what can be done better. This survey will be used to benchmark future improvements to Sydney Ferries' services.

FINANCIAL OVERVIEW

Operating performance

Sydney Ferries' operating deficit before tax of \$48.7 million was \$36.9 million below budget due largely to a devaluation of the fleet by \$35.8 million, charged as an expense. This adjustment was required to restate the value of the fleet to the current depreciated replacement cost, and to reflect a change in the estimated remaining useful lives of individual vessels.

Revenue

Total revenue for the year was \$94.1 million. Farebox revenue contributed \$45.3 million. Government funding was \$47.8 million. Other income of \$1.1 million was achieved. Farebox revenue increased \$0.2 million.

During the year, the NSW Government contributed an additional \$10.3 million in funding to enable Sydney Ferries to enhance safety, vessel availability and service reliability.

Expenses

Expenses of \$142.9 million were \$45.0 million above budget due mainly to the fleet devaluation.

Wages and salaries expense of \$50.4 million was \$1.2 million above budget. Additional staff and overtime costs were required to implement new, safer crew rostering arrangements. Mitigating these cost increases was a reduction of \$3.9 million in superannuation expense after the year-end actuarial reassessment of liabilities.

Fuel costs of \$8.3 million were \$1.3 million above budget, in line with international fuel trends.

Financial position

As at 30 June 2006, total equity was \$39.1 million with total assets of \$106.9 million. Total liabilities were \$67.8 million including new borrowings of \$5.9 million.



KEY MEASURES, TARGETS AND RESULTS

Key Performance Indicators (KPIs) are specified in the Performance Agreement between Sydney Ferries and the Minister for Transport.

In 2005-06, Sydney Ferries revised its KPIs to ensure they more fully reflect the organisation's developing business priorities.

The new KPIs and Sydney Ferries' performance against these KPIs in 2005-06 are presented below.

Financial performance

Performance indicator	2005-06 Target	2005-06 Result	2004-05 Result ¹
Earnings before interest, taxes and depreciation and amortisation (\$m) ²	8.0	(35.0)	10.1
Operating result before tax (\$m) ³	(16.7)	(53.5)	(6.3)
Return on average assets ⁴	(9.1%)	(39.4%)	(1.7%)
Return on average equity ⁵	(22.0%)	(88.7%)	(7.7%)
Recurrent funding ⁶	\$32.7m	\$42.9m	\$43.4m

¹ Adjusted for Australian Equivalents to International Financial Reporting Standards (AEIFRS).

² EBITDA excludes capital grants and includes asset revaluation adjustment in 2005-06 of (\$35.8 million).

³ ORBT excludes capital grants and includes asset revaluation adjustment in 2005-06 of (\$35.8 million).

⁴ Operating result before interest and tax (excludes capital grants and includes asset revaluation decrement in 2005-06 of \$35.8 million) as a percentage of annual average total assets.

⁵ Operating result after interest and tax (excludes capital grants and includes asset revaluation decrement in 2005-06 of \$35.8 million) as a percentage of annual average total equity.

⁶ Includes concession and services funding from government. Excludes capital grants and redundancy funding.

Non-financial performance

Performance on passenger and vessel safety measures met the requirements of the *Marine Safety Act 1998* (NSW) and are reported in actual numbers rather than against standardised passenger or service numbers.

Passenger injuries are reported in actual numbers. They are defined as those 'that occur as a result of ferry operations and require medical assistance'. The previous passenger safety measure was standardised per million passengers.

Environmental incidents are reported separately in line with the requirements of both the *Marine Pollution Act 1987* (NSW) and *Protection of the Environment Operations Act 1997* (NSW), and reflect the requirements of the *Marine Safety Act 1998* (NSW).

Performance indicator	2005-06 Target	2005-06 Result	2004-05* Result
Safety			
Number of significant incidents ⁷	Nil	2	3
Number of reportable vessel incidents ⁸	70	69	89
Number of passenger injuries ⁹	18	17	11
Number of reportable incidents of environmental damage ¹⁰	8	12	8
Lost time injury ¹¹ incidence rate (injuries per 100 employees)	5.0	6.0	6.6
Lost time injury frequency rate (injuries per million hours worked)	30	40	38
Vessel availability			
Fleet availability ¹²	80%	71%	73%
Vessel reliability ¹³	95%	91%	<i>Did not measure</i>
Service reliability and customer service			
Percentage of scheduled services that actually run ¹⁴	99.5%	98.9%	98.9%
Percentage of services that run on time ¹⁵	99.5%	98.4%	98.9%
Number of customer complaints	820	1,243	853
Customer Satisfaction Index ¹⁶	–	76%	<i>Did not measure</i>
Organisational viability and sustainability			
Number of sick leave days taken per employee	8	9.6	10.1
Patronage growth (percentage)	1%	-0.2%	0.6%

* Restated to allow comparison.

⁷ Incidents resulting in loss of life, life-threatening injury or injury to multiple persons, and/or damage over \$100,000.

⁸ Marine accidents reportable to NSW Maritime as defined under section 94 of the *Marine Safety Act 1998* (NSW). While Sydney Ferries aims for a result of zero incidents, the ultimate target of 50 reflects the reasonable target of 99.99% of the over 500,000 annual berthings being conducted without incident. (Result includes 'significant' incidents. Accidents that solely involve passenger injuries or environmental incidents are reported separately to provide transparency of the aim for an ultimate result of zero).

⁹ Passenger injury that occurs as a result of ferry operations and requires medical attention.

¹⁰ Reportable incidents under Sections 10 and 20 of the *Marine Pollution Act 1987* (NSW) and Part 5.7 of the *Protection of the Environment Operations Act 1997* (NSW).

¹¹ 'Lost time injury' (LTI) is any injury with one shift or more lost from work.

¹² Percentage of fleet available for scheduled services (days available as a percentage of total working days).

¹³ Percentage of available vessels that remain in service without withdrawal as a consequence of mechanical failure.

¹⁴ Proportion of actual services relative to the number of scheduled services.

¹⁵ Proportion of actual services departing on time (within five minutes of its scheduled departure as measured at Circular Quay).

¹⁶ Measure of customer satisfaction relative to importance against a range of service aspects.



ORGANISATIONAL OVERVIEW

Corporate governance

Statutory framework

Sydney Ferries was established as a State Owned Corporation on 1 July 2004. Its services are provided within the framework of the *Transport Administration Act 1988* (NSW), the *State Owned Corporations Act 1989* (NSW), and the *Passenger Transport Act 1990* (NSW), which includes a service contract with the Ministry of Transport and maritime regulations.

Charter

Sydney Ferries' principal objective is to deliver safe and reliable ferry services in an efficient, effective and financially responsible manner. Other objectives include to:

- maximise the net worth of the state's investment in Sydney Ferries by operating an efficient and successful business
- exhibit a sense of social responsibility by having regard for the community in which it operates
- comply with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991* (NSW) in all its operations
- exhibit a sense of responsibility towards regional development and decentralisation in its operations.

Quality Management System

Sydney Ferries conducts its business in line with the ISO 9001:2000 Quality Management Standard. The organisation is assessed on its compliance to this standard by Anglo-Japanese American Registrars.

Board

The Sydney Ferries Board is accountable to the Shareholding Ministers – the Treasurer and the Minister for Finance – for ensuring that Sydney Ferries meets its objectives.

Chief Executive Officer

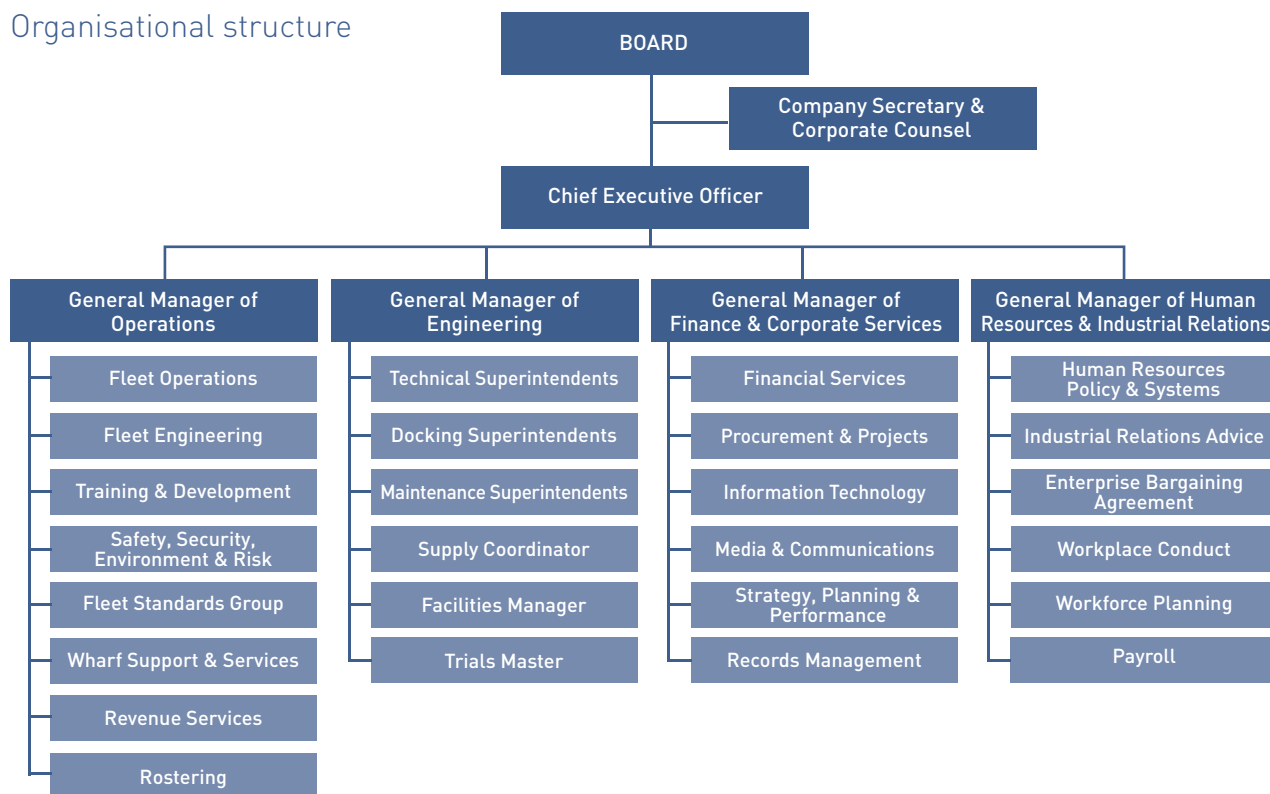
The Chief Executive Officer is accountable to the Board and is responsive to the Minister for Transport.

Business planning and performance reporting

In October 2005, Sydney Ferries initiated a revised business planning process to identify key priorities over a five-year period. Standardised data collection, recording and reporting of key performance indicators enabled high-level trend analysis that informs planning priorities. Sydney Ferries also has an annual Statement of Corporate Intent with Shareholding Ministers.

Sydney Ferries has a Performance Agreement with the Minister for Transport and reports regularly on performance and management activity.

Organisational structure



Sydney Ferries has an instrument of exemption (Service Contract) and a Funding Agreement with the Ministry of Transport, and reports to the Ministry of Transport and Shareholding Ministers on its performance under these agreements.

A Business Continuity Management Plan guides actions in the event of serious disruptions caused by foreseeable crises.

Improving organisational capabilities

Operations Division restructure

In March 2006, Sydney Ferries introduced a new structure for its Operations Division. Training & Development and Safety, Security, Environment & Risk came under the General Manager of Operations.

The aim is to ensure planning coordination and a clear line of accountability to the General Manager of Operations.

An important element of the restructure is the creation of a Fleet Standards Group dedicated to the continual improvement of Sydney Ferries' capabilities through staff mentoring and management against defined standards.

Balmain Shipyard Improvement Program

Sydney Ferries undertook substantial work as part of the Balmain Shipyard Improvement Program, which is intended to increase the efficiency of the maintenance facility and reduce costs.

Finance and Corporate Services Division restructure

A new structure for the Finance and Corporate Services Division was developed to better align its capabilities with strategic outcomes. Recruitment commenced in the key areas of financial and management accounting, business analysis and information technology management.

BOARD OF DIRECTORS

The following directors were in place on 30 June 2006.



Geoff Ashton AM, FAICD, FAIM

Chairman

Appointed Acting Chairman on 22 September 2005 and appointed Chairman from 22 December 2005

Mr Ashton has been an independent non-executive director of Leighton Holdings Ltd since 1996 and was elected Chairman of Leighton Holdings in March 2004. He is currently Chairman of Australian Super. Mr Ashton was the former Managing Director of Clyde Industries Ltd and Monier Ltd, the past National President of the Australian Industry Group, and a non-executive director of the State Transit Authority of NSW.



Clayton Frederick

Director

*Chair of Human Resources and Remuneration Committee
Appointed Director 1 July 2004*

Mr Frederick has more than 35 years experience in the maritime industry. Most recently, he was Chief Operating Officer of Adsteam Marine Ltd. Prior to joining Adsteam, 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. He is also a member of the Lloyd's Register Australian Committee.



Rodney Cavalier AO

Director

*Member of Audit Committee
Member of Human Resources and Remuneration Committee
Appointed Director 1 July 2004*

Mr Cavalier was a member of the NSW Parliament from 1978 to 1988. During his parliamentary career, he was NSW Minister for Education (1984-1988), Minister for Energy and Minister for Finance (1984). Mr Cavalier is the Chairman of the Sydney Cricket and Sports Ground Trust, the Chairman of the Committee for the Sesquicentenary of Responsible Government and a director of CEW Bean Foundation.



Beth Laughton B.Ec, FCA, FAICD

Director

*Chair of Audit Committee
Appointed Director 1 July 2004*

A qualified chartered accountant, Ms Laughton has more than 20 years experience in investment banking, providing advice to companies on mergers, acquisitions, divestments and equity capital market transactions. Ms Laughton is currently a non-executive director of the Port Adelaide Maritime Corporation. Her prior directorships include Ord Minnett Corporate Finance Limited and KPMG Corporate Finance (Aust) Pty Ltd.

Terry Snee

Director

*Member of Human Resources and Remuneration Committee
Appointed Director 11 August 2004*

Mr Snee commenced his career in 1974 as a marine engineer. He was a member of the Shipping Industry Reform Authority from 1993–94 and a Maritime Group of Unions Representative in the ACTU Executive from 1997–2000. Mr Snee was a member of the Independent Review of Australian Shipping during 2002–03 and is currently a member of the Fair Practices Committee and the International Transport Workers Federation. He has been the Federal President of the Australian Institute of Marine and Power Engineers since 1992.

Joanne Rees BA, LLB

Director

*Member of Audit Committee
Appointed Director 1 July 2004*

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

Ms Rees was formerly 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.

In the reporting year, the following people also served on the Sydney Ferries Board:

Suzanne Sinclair

Director from 13 October 2004 to 22 May 2006
Chief Executive Officer from 21 July 2004 to 22 May 2006

Matthew Taylor

Director and Chair of Board from 1 July 2004 to 22 September 2005

Rear Admiral Chris Oxenbould AO

Acting Chief Executive Officer

from 20 February 2006 to 24 August 2006

Rear Admiral Chris Oxenbould was seconded to Sydney Ferries for six months to improve safety and reliability, and assist with the recruitment of a permanent CEO.

Rear Admiral Oxenbould had a distinguished 37-year career in the Royal Australian Navy, a strategic planning role in the NSW Premier's Department and two years as CEO of the Newcastle Ports Corporation, before joining NSW Maritime as the Chief Executive in January 2004.





DIVISIONAL REPORTS

2005-06 was a year of organisational consolidation in which Sydney Ferries made structural and operational improvements to strengthen safety and reliability, and support staff to deliver enhanced customer service.



OPERATIONS

The Operations Division oversees the day-to-day operations of Sydney Ferries' vessels and staffed passenger wharves.

The Division is responsible for safety, staff training, security, environmental performance and revenue collection. It also plans for future services.

Operations is the largest division in the organisation. It employs almost 85 per cent of staff. These staff work on Sydney Ferries' 31-vessel fleet, the Circular Quay and Manly Wharf operations centres, and at the Circular Quay Information Office.

Operations Division restructure

In June 2006, Sydney Ferries appointed a new permanent General Manager of Operations who led a restructure of the Operations Division to better align the Division with its core responsibilities of delivering a safe, reliable and high-quality ferry service.

New key positions were created, including a Director of Operations & Plans and Fleet Manager of Engineering. The Training & Development and Safety, Security, Environment & Risk departments were incorporated into the Operations Division.

A Fleet Standards Group was established and is responsible for the coaching and mentoring of staff, and the continual review of operational standards.

Safety

Safety is Sydney Ferries' highest priority.

Sydney Ferries introduced 12-hour maximum rosters for transport safety workers to address fatigue. Crew Resource Management training was implemented and revised berthing procedures introduced for larger vessels.

The Operations Division revised the Vessel Operations Manual for *Collaroy* and other Freshwater Class vessels to update safe operating procedures and safe work methods.

Sydney Ferries Safety Plan October 2005

In October 2005, Deputy Premier and Minister for Transport John Watkins announced a plan to enhance Sydney Ferries' safety, operations and training. The plan was developed after an incident involving the Freshwater Class ferry *Collaroy* at Circular Quay in September 2005.

At 30 June 2006, Sydney Ferries had completed a number of the initiatives including installation of Global Positioning Systems. Fitting of 'black box' Vessel Data Recording Systems has also begun.

Sydney Ferries Corporation Safety Plan January 2006–July 2007

Sydney Ferries developed and began the implementation of the Sydney Ferries Corporation Safety Plan January 2006–July 2007 to drive improvements in sustainable safety performance across the organisation and enhance security, quality and environmental management capabilities.

Risk Management Framework

Sydney Ferries commenced a review of the Risk Management Framework, which is designed to improve the organisation's ability to identify and manage risk.

Significant incidents

There were two significant incidents. On 19 September 2005, the Freshwater Class ferry *Collaroy* collided with a wharf at Circular Quay. The vessel and the wharf were damaged and some passengers sustained injuries. The Office of Transport Safety Investigations incident report made nine recommendations. Sydney Ferries has implemented all nine.

On 11 January 2006, the RiverCat Class vessel *Betty Cuthbert* collided with two moored vessels after suffering a mechanical failure. There were no injuries. During the reporting period, Sydney Ferries assisted the Office of Transport Safety Investigations with its investigation.

Training

Staff training is central to Sydney Ferries' commitment to safety and good seamanship.

This commitment was led by the development and roll-out of Crew Resource Management (CRM) training to crew on vessel classes except the Lady Class vessels, which are being completed in the current year.

Developed in association with the Australian Maritime College, CRM training is designed to improve communication between Masters, Engineers and other vessel crew, and gives crew members the knowledge and tools to manage a wide range of emergency situations.

Induction and ongoing training

Sydney Ferries introduced revised competency-based induction training programs for Masters, Engineers, Duty Managers and Controlling Officers.

Safety Refresher Training was also provided to Masters, Engineers, General Purpose Hands and Balmain Shipyard maintenance staff.

Programs included Safety Management System roles and responsibilities; safety practices and incident reporting; drill procedures and log book requirements; security; fire fighting; and assisting passengers with disabilities.

Internal training programs were complemented by staff participation in specialised, external programs. An example is NSW Fire Brigade training in the identification and management of hazardous products and materials.

Customer service

Sydney Ferries is committed to providing the highest level of customer service.

In response to customer demand, Sydney Ferries introduced additional peak services to Cabarita on the Parramatta River, doubled the number of weekend services to the Eastern Suburbs and introduced a new service to Garden Island in support of the Royal Australian Navy Heritage Centre.

Sydney Ferries enhanced its summer operations to meet the needs of customers in the peak season when daily patronage can double.

Revenue protection

Sydney Ferries implemented initiatives aimed at reducing fare evasion, including the deployment of revenue protection resources to the highest risk routes and the technical upgrade of hand-held ticket devices to improve the speed and efficiency of on-board ticket processing.

Security

Sydney Ferries commenced a review of its security plan around terrorist activity. Sydney Ferries is seeking to improve its emergency response capabilities. Staff have worked closely with NSW Police and other agencies on a number of security exercises.

Sydney Ferries operates Closed Circuit Television on its wharves. A tender to upgrade and manage the system was issued. The new network will increase the number of cameras from 197 to 284.

Staff are trained in security search and response techniques and inspect vessels and wharves for potential security issues. Security procedures include practical drills such as bomb search techniques.

In June 2006, Sydney Ferries appointed a new permanent General Manager of Operations who led a restructure of the Operations Division to better align the Division with its core responsibilities of delivering a safe, reliable and high-quality ferry service.



ENGINEERING

The Engineering Division is responsible for managing and maintaining the 31-vessel fleet and oversees servicing, repairs, performance monitoring and work practices for all engineering-related activities.

The Division is responsible for the maintenance of facilities and assets, the nine passenger wharves owned by Sydney Ferries, the Balmain Shipyard maintenance facility and its three wharves.

Sydney Ferries restructured the Engineering Division as part of the Balmain Shipyard Improvement Program to support more efficient maintenance practices and boost vessel availability and service reliability.

Under the restructure, the Engineering Division assumed responsibility for Sydney Ferries' facilities and assets.

The Division developed and implemented the Vessel Availability Plan, designed to have more ferries available for service more often. The Division led work on the Total Asset Management Plan that will inform future maintenance needs.

Balmain Shipyard Improvement Program

Sydney Ferries engaged external consultants to assess the capabilities and performance of the Balmain Shipyard.

The review, completed in July 2005, recommended a new management and crew structure, revised work practices and procedures, performance monitoring and infrastructure changes.

The resulting Balmain Shipyard Improvement Program commenced in December 2005, in close consultation with staff.

2006 Vessel Availability Plan

In March 2006, a Vessel Availability Plan set a target of increasing average vessel availability to 80 per cent. The plan was based on a survey of the Sydney Ferries' fleet by an independent party. Progress was made, with availability lifting from a low of 65 per cent in February 2006 to 71 per cent in June 2006.

Facilities and Asset Management

Sydney Ferries reassigned responsibility for the management of facilities and assets to the Engineering Division.

A range of facilities and asset management projects were developed and a risk-based approach to improvement initiatives adopted.

Major projects for 2005–06

Collaroy Return to Service Project

On 19 September 2005, the Freshwater Class vessel *Collaroy* collided with Circular Quay Wharf 2. The incident report from the Office of Transport Safety Investigations (OTSI) made several recommendations regarding the unique configuration of the vessel within its class and Sydney Ferries' risk management procedures.



The comprehensive return-to-service plan for *Collaroy* required a detailed assessment of the ferry by independent experts. Extensive maintenance followed. Sydney Ferries has upgraded on-board systems and associated procedures and conducted rigorous wharf and sea trials. New crew training specific to *Collaroy* has boosted the operational and safety skills of *Collaroy*'s dedicated crews.

Sydney Ferries implemented all of the recommendations from the OTSI report before returning the vessel to service on 22 May 2006.

Vessel Data Recording System installation

Sydney Ferries is installing Vessel Data Recording Systems across the fleet. The system is similar to 'black boxes' on aeroplanes and records data on vessel location and movement that can assist in the investigation of incidents and accidents. The contract was awarded in 2005-06 and the systems will be rolled out over two years.

Engine Replacement Program

Sydney Ferries is replacing the engines in 12 of its 31 vessels. The Engine Replacement Program was awarded in 2005-06 and involves replacing engines on all nine First Fleet Class and three RiverCat Class vessels. The program commenced with the First Fleet Class vessel *Borrowdale*.

Major planned maintenance

The Freshwater Class vessel *Freshwater* was docked in Brisbane for its scheduled special survey docking. Work included an overhaul of the ferry's main engines and control pitch propeller system. Hull preservation was also completed.

Sydney Ferries restructured the Engineering Division as part of the Balmain Shipyard Improvement Program to support more efficient maintenance practices and boost vessel availability and service reliability.



HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Human Resources and Industrial Relations Division oversees recruitment, staff management and Sydney Ferries' relationships with employee associations.

The Division led a major organisational restructure of Sydney Ferries to strengthen the Operations and Engineering divisions' capabilities.

Employment practices

The Division reviewed the employment policies and procedures adopted from the State Transit Authority. Central to this review was the creation of the Sydney Ferries Employment Manual, which sets out revised employment practices tailored to Sydney Ferries' structure and operations as a Corporation.

Industrial relations practices

The Division commenced negotiations with employee delegates and officials from eight employee associations to create new collective agreements for employees with the aim of standardising employment conditions.

Negotiations were completed and the resulting agreements certified or lodged in accordance with legal requirements.

Merit-based recruitment

The Division introduced a new Recruitment Policy and Procedure for merit-based recruitment: employing the best person for the job.

The Division expanded the range of pre-employment testing. Applicants for key safety-critical positions underwent testing that focused on their ability to react in emergency situations and their attention to safety issues on a day-to-day basis.

Applicants for all positions at Sydney Ferries undergo medical testing and a criminal history check prior to employment. All staff are subject to ongoing random drug and alcohol testing.

Harassment, discrimination and bullying

Sydney Ferries is committed to eliminating inappropriate workplace behaviour. All employees and passengers are entitled to be treated with dignity, courtesy and respect.

Medical Retirement Procedure

Sydney Ferries undertook substantial consultation with employees and employee associations in order to introduce a Medical Retirement Procedure.

The procedure recognises that Sydney Ferries has a legal obligation to ensure employees are able to perform the requirements of their jobs and that the health, safety and welfare of its employees, contractors and passengers are respected.



Drug and alcohol deterrent initiatives

All employees are classified as transport safety workers. They are subject to random, incident and suspicion drug and alcohol testing.

Sydney Ferries commenced negotiations with employees and employee associations to increase the level of random drug and alcohol testing and to review its drug and alcohol testing procedures.

Inaugural Sydney Ferries Employee Excellence Awards

Sydney Ferries held its inaugural Sydney Ferries Employee Excellence Awards in December 2005 to acknowledge outstanding achievements of staff across nine categories. The Minister for Transport presented the awards.

The Human Resources and Industrial Relations Division introduced a new Recruitment Policy and Procedure for merit-based recruitment: employing the best person for the job.



Deputy Premier and Minister for Transport John Watkins at Sydney Ferries' 2005 Employee Excellence Awards with community service winners Lynda Shaw (left) and Lorraine Ryan.



FINANCE AND CORPORATE SERVICES

The Finance and Corporate Services Division is responsible for providing strategic support across the organisation by improving financial and business systems and controls, refining performance targets, identifying trends and informing priority management activity.

The Division focused on improving control over core business systems and processes to support the delivery of safe and reliable ferry services.

Financial management

The Finance and Corporate Services Division developed financial policies and procedures to enable first time reporting under the Australian Equivalents to International Financial Reporting Standards.

It also continued to assume responsibility for administration of financial management from the State Transit Authority, including the preparation of half yearly and annual financial statements and reports to New South Wales Treasury.

Internal controls review

A comprehensive internal audit program identified opportunities for improving internal controls across payroll and rostering, leave management, procurement, control management, inventory, corporate governance, records management, accounting policies and practices.

Capabilities

A new structure for the Finance and Corporate Services Division was developed to better align the Division's capabilities with its strategic outcomes.

Customer service improvement

Sydney Ferries undertook research in May 2006 to establish baseline measures for customer service. The study identified 29 aspects of service important to a passenger's experience. The rating of individual satisfaction against these measures provides a 'customer satisfaction index'. The consolidated rating of the 4,398 respondents for the 2006 customer satisfaction index was 76 per cent.

The study highlighted service improvement expectations, including service reliability, more timely information on service changes to passengers at wharves and continued improvement in frontline customer service.

Customer feedback

Sydney Ferries encourages and monitors feedback from customers. Sydney Ferries acknowledged and investigated 72 per cent of complaints within the seven day target outlined in the Customer Service Charter.

Sydney Ferries previously reported complaints per million passenger journeys. The organisation now reports the actual number of complaints.



A new structure for the Finance and Corporate Services Division was developed to better align the Division's capabilities with its strategic outcomes.

The number of complaints in 2005-06 rose against the previous year.

The majority of complaints related to service reliability. Sydney Ferries has identified a number of improvements to operational practices that are expected to improve safety, vessel availability and service reliability.

Business planning and performance reporting

Sydney Ferries initiated a business planning process that identified key priorities.

Standardised data collection, recording and reporting of Key Performance Indicators allows for high-level analysis of patterns and identification of trends to inform forward planning priorities.

Procurement and contract management

Financial and Quality System audits highlighted areas for improvement in procurement processes and control over contract management. New procurement procedures were developed based on NSW Government guidelines.

Information technology

Sydney Ferries' business management requirements are not sufficiently met by current information technology systems. Contracts for several significant projects were tendered and awarded.

Communications

The Communications Unit provides support across the organisation for external and internal communication activities.

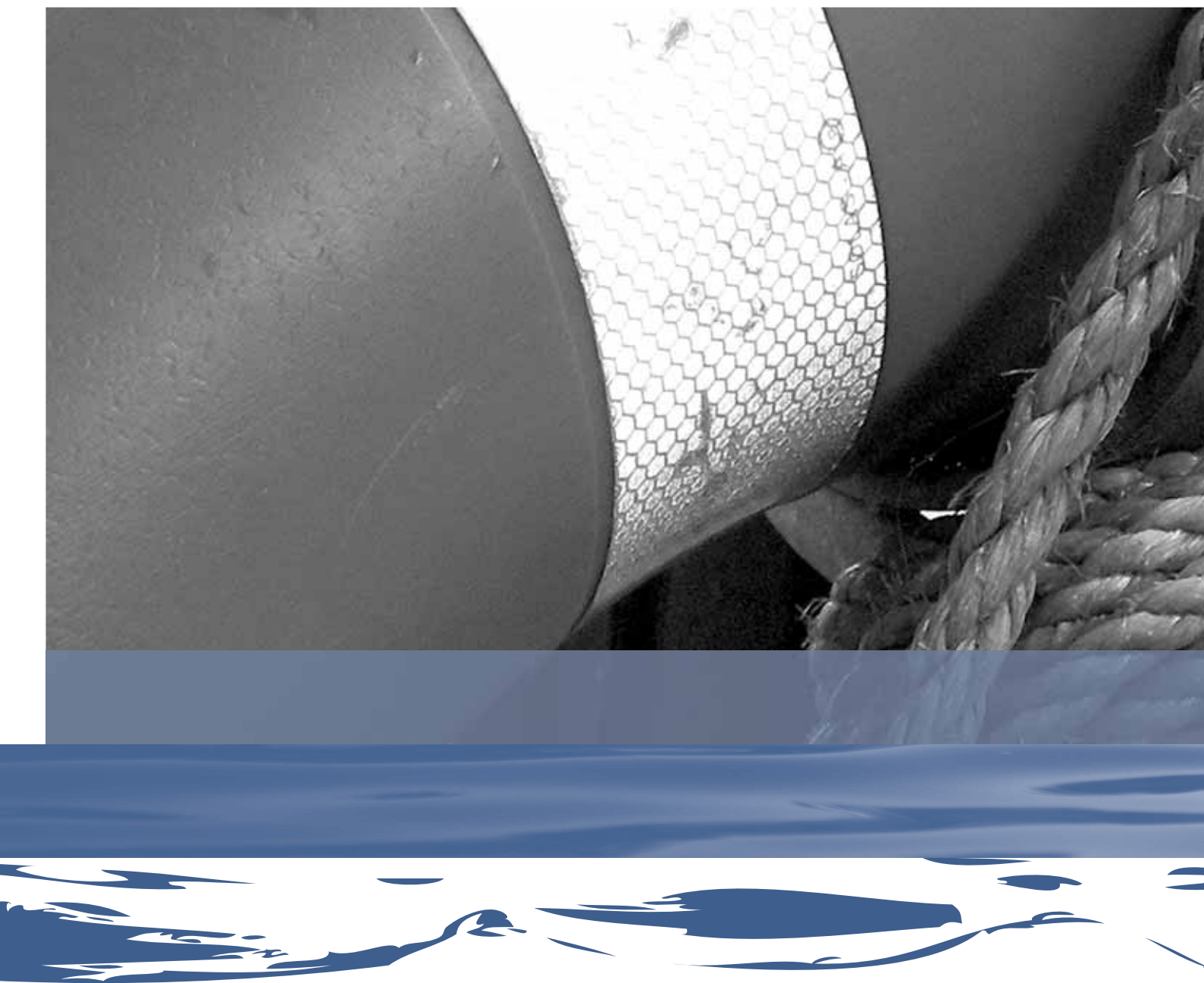
Targeted communications advised passengers of daily schedule service changes, upcoming service improvements, safety messages, special event plans and services such as the New Year's Eve fireworks and Boxing Day cruises.

Community and charitable events

Sydney Ferries continued to support the *Australia Day Ferrython*, which is part of the Sydney Festival.

Sydney Ferries provided a vessel for use in the NSW Cancer Council's *Daffodil Day* fundraiser.

Sydney Ferries also supported the *5th Annual Sydney Ferries Christmas Appeal and Toy Drive*, the 150th anniversary of Manly Wharf and the Corso and the Children's Hospital at Westmead's *Bandaged Bear Day*.





FINANCIAL STATEMENTS

Independent audit report	32	8. Intangibles	51
Income statement	34	9. Trade and other payables	51
Statement of changes in equity	35	10. Borrowings	51
Balance sheet	36	11. Provisions	52
Cash flow statement	37	12. Employee benefits	53
Notes to and forming part of the financial statements	38	13. Commitments	57
1. Summary of significant accounting policies	38	14. Financial instruments	58
2. Revenue and expenses	45	15. Contingent liabilities	60
3. Cash and cash equivalents	48	16. Reconciliation of operating results to net cash from operating activities	60
4. Trade and other receivables	48	17. Equity	61
5. Inventories	48	18. Financial impact of adopting AEIFRS	62
6. Other assets	48	19. Events occurring after reporting date	64
7. Property, plant and equipment	49		

INDEPENDENT AUDIT REPORT



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:

- presents fairly Sydney Ferries' financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Board's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for Sydney Ferries for the year ended 30 June 2006.

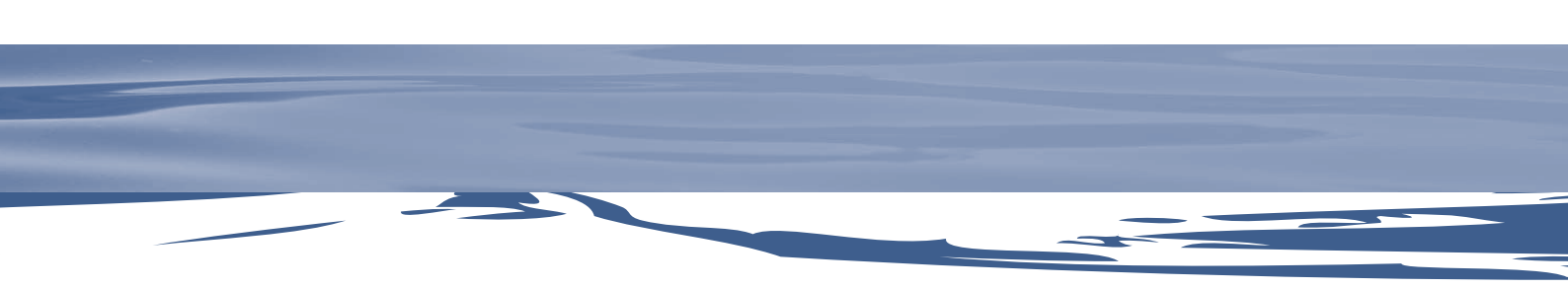
The Board of Directors is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

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



Peter Carr FCPA
Director, Financial Audit Services

SYDNEY
20 October 2006

FINANCIAL STATEMENTS

Income statement

For the year ended 30 June 2006

	Notes	2006 \$000	2005 \$000
REVENUE			
Operational revenue	2(a)	88,251	88,439
Other revenue	2(b)	5,923	7,668
Total revenue		94,174	96,107
EXPENSES			
Fleet running expenses	2(c)	17,388	13,688
Employee benefits	2(d)	50,411	50,033
Depreciation and amortisation	2(e)	14,651	12,507
General operating expenses	2(f)	19,980	17,099
Valuation adjustments	2(g)	36,504	–
Net loss on disposal of assets	2(h)	18	2
Finance costs	2(i)	3,903	4,291
Total expenses		142,855	97,620
(Deficit) for the year attributable to owners		(48,681)	(1,513)

Statement of changes in equity

For the year ended 30 June 2006

	Notes	2006 \$000	2005 \$000
Total equity at the beginning of the year	17	81,622	–
Adjustments arising from first-time adoption of AASB 132 and AASB 139		–	–
Restated total equity at the beginning of the financial year		81,622	–
Increase on revaluation of property, plant and equipment asset reserve	7	6,125	–
Transaction with owners as owners			
Contribution from owners	17	–	83,135
Total income and expenses recognised directly in equity		6,125	83,135
Surplus/(deficit) for the year	17	[48,681]	[1,513]
Total income and expenses recognised for the year		[48,681]	[1,513]
Total equity at the end of the year	17	39,066	81,622

FINANCIAL STATEMENTS

Balance sheet

As at 30 June 2006

	Notes	2006 \$000	2005 \$000
CURRENT ASSETS			
Cash and cash equivalents	3	790	5,540
Trade and other receivables	4	1,547	2,388
Inventories	5	4,367	4,049
Other assets	6	4,994	766
Total current assets		11,698	12,743
NON-CURRENT ASSETS			
Property, plant and equipment	7	95,152	131,788
Intangibles	8	24	26
Total non-current assets		95,176	131,814
Total assets		106,874	144,557
CURRENT LIABILITIES			
Trade and other payables	9	9,034	8,819
Borrowings	10	13,223	10,730
Employee benefits provision	12	9,962	9,363
Provisions	11	311	991
Total current liabilities		32,530	29,903
NON-CURRENT LIABILITIES			
Borrowings	10	34,513	31,270
Employee benefits provision	12	725	1,415
Provisions	11	40	347
Total non-current liabilities		35,278	33,032
Total liabilities		67,808	62,935
Net assets		39,066	81,622
EQUITY			
Accumulated funds	17	32,941	81,622
Reserves	17	6,125	–
Total equity		39,066	81,622

Cash flow statement

For the year ended 30 June 2006

	Notes	2006 Inflows (Outflows) \$000	2005 Inflows (Outflows) \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Passenger fare receipts		50,799	48,711
NSW Government receipts		47,757	45,509
Other income		1,049	1,453
Interest received		69	398
Payments to suppliers		(48,918)	(34,720)
Payments to employees		(48,865)	(43,676)
Interest paid		(4,208)	(2,286)
Net cash flows from operating activities	16	(2,317)	15,389
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(8,333)	(5,951)
Net cash flows from investing activities		(8,333)	(5,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(repayments of) borrowings		5,900	(7,557)
Net cash flows from financing activities		5,900	(7,557)
Net increase/(decrease) in cash and cash equivalents		(4,750)	1,881
Cash transferred in as a result of administrative restructuring		–	3,659
Cash and cash equivalents at the beginning of the year		5,540	–
Cash and cash equivalents at the end of the year	3	790	5,540

Notes to and forming part of the financial statements

For the year ended 30 June 2006

1. SUMMARY OF ACCOUNTING POLICIES

a) 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. Sydney Ferries commenced operations on 1 July 2004 under the *NSW State Owned Corporations Act 1989*, trading as Sydney Ferries Corporation. Sydney Ferries is a statutory State Owned Corporation. The Treasurer and the Minister for Finance are the voting shareholders and each has an equal shareholding.

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. Sydney Ferries is a not-for-profit entity.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been authorised for issue by the Board on 13 October 2006.

b) Basis of preparation

The financial statements of Sydney Ferries have been prepared as a general purpose financial report that has been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AIFRS))
- the requirements of the *NSW Public Finance and Audit Act 1983*
- the *NSW Public Finance and Audit Regulation 2005*
- the *NSW State Owned Corporations Act 1989*
- applicable Treasurer's Directions and Treasury Circulars.

Property, plant and equipment, assets held for sale, and financial assets held for trading and available for sale, are measured at fair value. Other financial statements items are prepared in accordance with historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Sydney Ferries Corporation has elected to adopt the following accounting standards and amendments:

AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004). This Amending Standard operates to restrict the circumstances where entities can on initial recognition designate financial instruments at 'fair value through profit and loss'.

AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*. The amendment operates to exclude business combinations involving businesses or entities under common control from the scope of AASB #3. Accordingly, equity transfers between NSW public sector agencies continue to be accounted for under NSWTC 01/11 *Contributions by owners* made to wholly owned public sector entities.

c) Statement of compliance with AIFRS

The financial statements and notes of Sydney Ferries Corporation comply with Australian Accounting Standards, which include AIFRS.

This is the first financial report prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. Comparatives for the year ended 30 June 2005 have been restated accordingly, unless otherwise permitted.

In accordance with AASB 1 *First-time Adoption of AIFRS and Treasury Mandates*, the date of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* has been deferred to 1 July 2005 and, as a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005. Under previous Accounting Standards, financial instruments were recognised at cost, with the exception of TCorp Hour-Glass facilities, which were measured at fair value, and borrowings were recognised at current capital value.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on Sydney Ferries equity and surplus or deficit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 18.

d) Going concern

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:

- Sydney Ferries' debt is guaranteed by the NSW Government.
- Sydney Ferries is owned by the NSW Government.

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

e) Accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed below.

Key sources of estimation uncertainty

Determination of fair values and useful economic lives of property, plant and equipment

The valuation used to determine the fair value of property, plant and equipment was performed by an independent expert. This valuation involves judgement and estimation in determining the replacement cost, using engineering estimates of the current construction cost of existing assets and assessing their remaining useful life for the purpose of determining depreciation from the acquisition date up to the date of the valuation.

Leasehold property

The cost of leasehold property includes a provision for the estimated cost of make good of the property. This requires estimation of the future costs expected to be incurred and an appropriate discount rate.

Superannuation plan assumptions

Sydney Ferries Corporation has used actuarial assumptions in the determination of its defined benefits obligation in relation to the superannuation plans.

Critical accounting judgements in applying the accounting policies

Determination of for-profit or not-for-profit

Management has applied its judgement in assessing whether it meets the definition of a for-profit or not-for-profit entity for the purposes of the accounting standards. Sydney Ferries Corporation has concluded that the business is a not-for-profit entity.

Determination of provisions

Accounting judgement has been applied in the determination of the provision for doubtful trade debtors, provisions for employee entitlements and other provisions. Judgement has been applied by management in estimating the likely loss and/or obligation in relation to each provision. Judgement has been based on past experience adjusted for current circumstances. The accounting policies associated with the measurement of these balances are set out in the significant accounting policies.

Judgements, key assumptions and estimations management has made are further disclosed in the relevant notes to the financial statements.

f) Revenue

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measurable.

Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Passenger revenue

Revenue from the rendering of passenger services is recognised based on usage in the period when the services are rendered.

New South Wales Government reimbursements

Free and 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2006

From 4 January 2005, pensioners are entitled to 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, which pays Sydney Ferries the balance between the full fare applicable for each journey and the fare paid by the passenger.

Government funding for services

Funding is received from the Government in accordance with the Government's social policy programs designed to promote the accessibility and availability of public transport services.

This represents service level payments by the Government to cover the operation of a number of services provided by Sydney Ferries which are non-commercial.

Sydney Ferries' regulated fares are determined by the Independent Pricing and Regulatory Tribunal (IPART).

Grants

Income from grants is recognised when all of the following conditions are satisfied; the entity obtains control of the grant or the right to receive the grant; it is probable that the economic benefits comprising the grant will flow to the entity; and the amount of the grant can be measured reliably. Income from grants is measured at the fair value of the grant received or receivable. Unspent grants are accounted for as liabilities if there is a contractual obligation to refund the unspent amounts.

Investment revenue

Current policy

Interest revenue is recognised in the income statement as it accrues, using the effective interest method.

Comparative period policy

Interest revenue is recognised as it accrues.

Rental revenue

Rental revenue is recognised in accordance with AASB 117 *Leases* on a straight-line basis over the lease term.

g) Operating lease payments

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits. Sydney Ferries Corporation does not have finance leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

h) Finance costs

Current policy

Finance costs comprise interest payable on borrowings calculated using the effective interest method. Finance costs are expensed as incurred and comprise:

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

Comparative period policy

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

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

i) Employee benefits and other provisions

Wages and salaries, compensated absences and on costs

Liabilities for wages and salaries (including non-monetary benefits) and annual leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Sydney Ferries Corporation has long-term annual leave benefits and will measure these benefits at present value in accordance with the requirements of AASB 119 *Employee Benefits*. Market yields on government bonds are used to discount long-term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

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

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows. Where Sydney Ferries Corporation does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

Superannuation

Sydney Ferries Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of Sydney Ferries Corporation's obligations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses that arise subsequent to 1 July 2004 in calculating the obligation of Sydney Ferries Corporation in respect of the plan are recognised immediately in the income statement.

Where the calculation results in a benefit to Sydney Ferries Corporation, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The determination of the present value of defined benefit obligations was performed by an independent actuary using the projected unit credit method. This valuation requires judgement and estimation of a number of assumptions.

These assumptions have been set out in Note 12 (b).

There are three defined benefit superannuation schemes, administered by Pillar Administration on behalf of SAS Trustee Corporation.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

j) 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.

k) 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 Cash Flow Statement on a gross basis and are classified as operating activities.

l) Income tax

For the 2005-06 (and 2004-05) financial year, NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime under the *NSW State Owned Corporations Act 1989*. Accordingly, tax effect accounting is not prepared.

m) 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 on market conditions. The value that best represents the maximum credit risk exposure is the net fair value.

Notes to and forming part of the financial statements

For the year ended 30 June 2006

n) Trade and other receivables

Current policy

Trade and other receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost less impairment losses. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

Comparative period policy

Trade receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when incurred. Other receivables are recognised at cost.

o) 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 costs.

p) Other assets

Other assets are recognised on a cost basis.

q) Property, plant and equipment

Acquisition of assets and capitalisation threshold

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries Corporation. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent, i.e. the deferred payment amount is effectively discounted as an asset-specific rate.

Property, plant and equipment costing \$1,000 or more individually and having a minimum expected useful life of one year or more 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.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 05-03). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Each class of physical non-current asset is revalued at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last revaluation was completed on 30 June 2006 and was based on an independent assessment. Details are provided in Note 7.

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 the 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 provides similar economic benefits.

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.

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.

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, the Corporation is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing in relation to assets measured at fair value. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

Depreciation of property, plant and equipment

Property, plant and equipment, 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 yrs	Straight-line
Plant and equipment	3 to 20 yrs	Straight-line
Ferries	15 to 40 yrs	Straight-line

Dry docking

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (or dry docking) on a regular basis (every five years for the Freshwater Class of ferries and every two years for the remainder of the fleet). The cost of these dockings is capitalised and depreciated over the period prior to the subsequent docking, being five years and two years respectively.

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.

r) Intangible assets

Service contract rights are classified as intangibles. They are licences 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 (between 20 to 25 years). They are reviewed for impairment at each reporting date. When an indicator of impairment exists they are tested for impairment.

s) Trade and other payables

Current policy

Trade and other payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Comparative period policy

Trade and other payables 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.

t) Borrowings

Current policy

Borrowings are not held for trading and are recognised at amortised cost using the effective interest method.

Comparative period policy

Borrowings are recognised at current capital value.

u) Provisions

A provision is recognised in the balance sheet when Sydney Ferries Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to and forming part of the financial statements

For the year ended 30 June 2006

Restoration provisions

In accordance with the Sydney Ferries Corporation published environmental policy and applicable legal requirements, a provision for site restoration is recognised when the Corporation first becomes aware of the exposure.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated over the useful life of the underlying asset or over the period until the restoration is undertaken. The unwinding of the effect of the discounting on the provision is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when Sydney Ferries Corporation has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

v) New Australian Accounting Standards and UIG interpretation

The following standards were available for early adoption but have not been applied in the financial statements of Sydney Ferries Corporation.

Sydney Ferries Corporation is finalising its analysis of the impacts of each new standard in preparation for its respective first-time application date.

- AASB 119 *Employee Benefits* (December 2004) is applicable for annual reporting periods starting on or after 1 January 2006.
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements*, AASB 124 *Related Party Disclosures* as a result of the two additional options of recognising gains and losses. It is applicable for annual reporting periods starting on or after 1 January 2006.
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*. It amends cash flow hedging requirements for foreign currency risk of a highly probable intra-group forecast transaction. It is applicable from 1 January 2006.
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (December 2004) and transfers commentary on contributions tax in a defined benefit plan from the Standard to Australian Guidance. It is applicable from 1 January 2006.
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) and AASB 139 *Financial Instruments: Recognition and Measurement* is applicable from 1 January 2006. The amendments allow a first-time adopter to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances at that date.
- UIG 4 *Determining Whether an Arrangement Contains a Lease* is applicable from 1 January 2006.
- AASB 7 *Financial Instruments: Disclosure* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7 on financial instruments disclosures. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004). The amendments state that a monetary item can be denominated in any currency and still be part of the entity's net investment in a foreign operation. AASB 2006-1 is applicable for annual reporting periods ending on or after 31 December 2006.

	Notes	2006 \$000	2005 \$000
2. REVENUE AND EXPENSES			
Revenue			
(a) Operational revenue			
Passenger revenue			
Fares, charters and tourist services		45,329	45,072
Reimbursement from NSW Government			
Subsidised travel by school students		318	367
Concessional travel by:			
Pensioners		8,202	7,915
Other beneficiaries		1,319	1,273
Government funding for services		33,083	33,812
Total operational revenue		88,251	88,439
(b) Other revenue			
Interest		69	619
NSW Government Grant – capital works		4,830	4,830
NSW Government Grant – redundancies		–	900
Other		1,024	1,319
Total other revenue		5,923	7,668

FINANCIAL STATEMENTS

Notes to and forming part of the financial statements

For the year ended 30 June 2006

	Notes	2006 \$000	2005 \$000
2. REVENUE AND EXPENSES (continued)			
Expenses			
(c) Fleet running expenses			
Inventory expense – spare parts and consumables		17,388	13,688
Total fleet running expenses		17,388	13,688
(d) Employee benefits			
Wages and salaries		40,773	37,506
Annual leave		4,085	3,668
Long service leave		1,078	845
Retirement benefits		(659)	3,590
Workers' compensation		2,071	1,784
Payroll tax		3,063	2,640
Total employee benefits		50,411	50,033
(e) Depreciation and amortisation			
Depreciation	7(d)	14,649	12,505
Amortisation	8	2	2
Total depreciation and amortisation costs		14,651	12,507
(f) General operating expenses			
Insurances		1,639	2,125
Operating leases		1,432	1,284
Consultancy fees		28	68
Professional services		1,504	991
Audit fees – Audit office – audit of financial report		120	80
Audit fees – Internal audit		180	126
Hire of private ferries		1,697	928
Legal		491	162
Infoline		363	373
Environmental compliance		307	171
Bank charges		159	226
Advertising media and classified		216	201
Cleaning and pest control		257	225
Lease of lines – network		150	158
Other		11,437	9,981
Total general operating expenses		19,980	17,099

	Notes	2006 \$000	2005 \$000
2. REVENUE AND EXPENSES (continued)			
(g) Valuation adjustments			
Valuation adjustment to fleet			
Attributable to a change in useful lives estimate	7(c)	10,274	–
Attributable to a revaluation decrement	7(c)	25,512	–
		35,786	–
Valuation adjustment to buildings	7(c)	718	–
Total valuation adjustments		36,504	–
(h) Net loss on disposal of assets			
Proceeds from disposal		–	–
Written down value of assets disposed		18	2
Total losses on disposal of assets		18	2
(i) Finance costs			
Interest expense		4,117	4,511
Less			
Interest income (amortisation of premiums)		214	220
Total finance costs		3,903	4,291
(j) Board members' remuneration			
Remuneration including superannuation contributions		279	266
Total board members' remuneration		279	266

FINANCIAL STATEMENTS

Notes to and forming part of the financial statements

For the year ended 30 June 2006

	Notes	2006 \$000	2005 \$000
3. CASH AND CASH EQUIVALENTS			
Cash		427	244
Cash in transit		283	216
Revenue room floats		75	75
Petty cash floats		4	1
TCorp – Hour-Glass Cash facility		1	5,004
Total cash and cash equivalents		790	5,540
4. TRADE AND OTHER RECEIVABLES			
Sundry debtors		899	1,091
Allowance for impairment		(210)	(210)
		689	881
Prepayments		453	1,248
Trade debtors		15	26
Goods and services tax		390	233
Total trade and other receivables		1,547	2,388
5. INVENTORIES			
Mechanical and electrical spares		3,627	3,429
Distillate		651	513
Other		89	107
Total inventories		4,367	4,049
6. OTHER ASSETS			
Retirement benefits	12(b)	4,355	466
Other		639	300
Total other assets		4,994	766

7. PROPERTY, PLANT AND EQUIPMENT

Class of property, plant and equipment	2006			2005		
	Cost / valuation	Accumulated depreciation/ amortisation	Fair value	Cost / valuation	Accumulated depreciation/ amortisation	Fair value
	\$000	\$000	\$000	\$000	\$000	\$000
Land – freehold	13,710	–	13,710	7,585	–	7,585
Buildings – freehold	11,685	(7,611)	4,074	12,313	(7,280)	5,033
Total land and buildings	25,395	(7,611)	17,784	19,898	(7,280)	12,618
Wharf improvements – leasehold	15,707	(9,778)	5,929	15,104	(9,384)	5,720
Plant and equipment	22,982	(19,107)	3,875	21,524	(16,935)	4,589
Ferries	201,131	(135,422)	65,709	261,197	(153,381)	107,816
Work in progress	1,855	–	1,855	1,045	–	1,045
Total property, plant and equipment	267,070	(171,918)	95,152	318,768	(186,980)	131,788

Valuations

- (a) Property, plant and equipment were revalued in accordance with the basis of valuation set out in note 1 (q).
- (b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Freehold land and buildings	30-Jun-06	Rushton Valuers Pty Ltd
Wharf improvements	30-Jun-03	International Valuation Consultants Pty Ltd
Ferries	30-Jun-06	Rodney Hyman Asset Services Pty Ltd

- (c) An independent valuer, Rushton Valuers Pty Ltd, conducted its valuation using the market value approach for land and the depreciated replacement cost approach for buildings. This resulted in a net revaluation increase of \$5,407 thousand which was made up of an increase of \$6,125 thousand attributable to land offset partially by a decrease of \$718 thousand attributable to buildings.

An independent valuer, Rodney Hyman Asset Services Pty Ltd, conducted its valuation on the ferries fleet utilising the depreciated replacement cost approach pursuant to NSW Treasury guidelines. The resulting revaluation decrease of \$35,786 thousand was attributable to two components, as follows:

- (i) \$10,274 thousand – attributable to a change in the estimated remaining useful lives of the vessels
- (ii) \$25,512 thousand – attributable to a revaluation decrement.

* The main reason for this decrement when compared to the prior valuation is that the replacement cost of the vessels has been determined based on the replacement vessels built outside Australia where costs are significantly lower.

FINANCIAL STATEMENTS

Notes to and forming part of the financial statements

For the year ended 30 June 2006

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) 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:

2006							
	Opening balance	Transfers/ adjustments	Disposals	Additions	Revaluation increments/ (decrements)	Depreciation/ amortisation	Closing balance
Class of property, plant and equipment	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Land – freehold	7,585	–	–	–	6,125	–	13,710
Buildings – freehold	5,033	–	–	91	(718)	(332)	4,074
Total land and buildings	12,618	–	–	91	5,407	(332)	17,784
Wharf improvements – leasehold	5,720	–	–	603	–	(394)	5,929
Plant and equipment	4,589	75	(18)	1,426	–	(2,197)	3,875
Ferries	107,816	–	–	5,404	(35,785)	(11,726)	65,709
Work in progress	1,045	(7,523)	–	8,333	–	–	1,855
Total property, plant and equipment	131,788	(7,448)	(18)	15,857	(30,378)	(14,649)	95,152

2005							
	Opening balance	Transfers/ adjustments	Disposals	Additions	Revaluation increments/ (decrements)	Depreciation/ amortisation	Closing balance
Class of property, plant and equipment	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Land – freehold	7,585	–	–	–	–	–	7,585
Buildings – freehold	5,325	–	–	36	–	(328)	5,033
Total land and buildings	12,910	–	–	36	–	(328)	12,618
Wharf improvements – leasehold	6,083	–	–	–	–	(363)	5,720
Plant and equipment	6,656	–	(2)	292	–	(2,357)	4,589
Ferries	111,427	–	–	5,846	–	(9,457)	107,816
Work in progress	1,270	(1,018)	–	793	–	–	1,045
Total property, plant and equipment	138,346	(1,018)	(2)	6,967	–	(12,505)	131,788

8. INTANGIBLES

2006						
	Opening balance	Transfers from State Transit Authority	Disposals	Additions	Amortisation	Carrying amount
	\$000	\$000	\$000	\$000	\$000	\$000
Route rights	26	–	–	–	2	24
Total	26	–	–	–	2	24

2005						
	Opening balance	Transfers from State Transit Authority	Disposals	Additions	Amortisation	Carrying amount
	\$000	\$000	\$000	\$000	\$000	\$000
Route rights	–	28	–	–	2	26
Total	–	28	–	–	2	26

	2006 \$000	2005 \$000
--	---------------	---------------

9. TRADE & OTHER PAYABLES

Trade creditors	1,620	2,337
Other creditors and accruals	3,520	3,002
Accrued salaries, wages and on-costs	1,920	1,527
Workers' compensation	161	–
Accrued interest payable	1,813	1,953
Total payables	9,034	8,819

10. BORROWINGS

Current		
Borrowings secured by NSW Government guarantee	13,223	10,730
Total current borrowings	13,223	10,730
Non-current		
Borrowings secured by NSW Government guarantee	34,513	31,270
Total non-current borrowings	34,513	31,270
Total borrowings	47,736	42,000
(a) Payable		
Not later than 1 year	13,066	10,566
Later than 1 year and not later than 5 years	15,572	7,572
Later than 5 years	18,846	23,444
Total borrowings	47,484	41,582
Unamortised discount	[245]	[248]
Unamortised premium	497	666
Total borrowings	47,736	42,000

FINANCIAL STATEMENTS

Notes to and forming part of the financial statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
11. (i) PROVISIONS		
Current	311	991
Non-current	40	347
Total provisions	351	1,338
The balance of provisions consists of:		
Provision for marine damage claims (a)	26	60
Provision for public liability claims (a)	32	474
Provision for marine hull damage (a)	68	136
Provision for redundancy	165	668
Environmental compliance costs	60	–
Total provisions	351	1,338

(a) Provision for insurance

An assessment was carried out by David A Zaman Pty Ltd, Consulting Actuary on General Insurance Risk Provisions. STA is responsible for all claims incurred prior to 1 July 2004 under its previously constituted basis as a combined entity. The risks considered were public liability, protection and indemnity (marine), Rivercat wash and marine hull. Other risks (including directors and officers, travel/personal accident etc) are not considered here. The analysis was based directly on the actual money values of the claims data. No special adjustment was made for inflationary effects on claim amounts nor was any allowance made for the time value of claim payments being spread across a period of time as the amounts are not considered material.

(ii) MOVEMENTS IN PROVISIONS

2006				
Class of provision	Opening balance \$000	Increase/(decrease) in provision \$000	Payments \$000	Closing balance \$000
Marine damage claims	60	(34)	–	26
Public liability claims	474	(442)	–	32
Marine hull claims	136	(68)	–	68
Environmental compliance	–	60	–	60
Redundancy	668	240	(743)	165
Total	1,338	(244)	(743)	351

	Notes	2006 \$000	2005 \$000
12. EMPLOYEE BENEFITS			
(i) Employee benefits – provisions			
Current			
Provision for annual leave		4,450	3,928
Provision for public holidays		708	600
Provision for long service leave	12(a)	4,804	4,835
Total employee benefits liabilities		9,962	9,363
Non-current			
Provision for long service leave	12(a)	725	803
Retirement benefits	12(b)	–	612
Total non-current employee benefits liabilities		725	1,415
(ii) Aggregate employee benefits and related on-costs			
Current		9,962	9,363
Non-current		725	1,415
Accrued salaries, wages and on-costs	9	1,920	1,527
Total employee benefits and related on-costs		12,607	12,305

(a) Employee benefits – provision for long service leave

Valuation of the long service leave liability as at 30 June 2006 was calculated by Mercer Human Resource Consulting. The method of calculation used was a financial model which projected expected future long service leave payments arising from leave taken while in service and lump sum payments of accrued leave on termination of service.

Financial assumptions	2006 % pa	2005 % pa
Discount rate	5.79	5.1
Expected rate of salary increases	4.0	4.0

The discount rate is based on the prevailing yield on long-term Commonwealth Government bonds as at 30 June 2006. The assumed rate of salary increases of 4% is based upon the projected 2006/2007 budget for wage and salary increases provided as well as general economic forecasts. Similar assumptions to those that were used in the previous valuations in respect of termination of employment were used.

Notes to and forming part of the financial statements

For the year ended 30 June 2006

12. EMPLOYEE BENEFITS (CONTINUED)

(b) Retirement benefits

Defined benefit plan

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. At least a component of the final benefit is derived from a multiple of member salary and years of membership.

All of the above schemes have been closed to new employees since 1992.

Assets are invested in entity or in property occupied by the entity. All funds assets are invested by the Trustee at arm's length through independent fund managers.

The principal actuarial assumptions that have been used in the calculation are:

	2006 % pa	2005 % pa
Discount rate	5.9	5.2
Expected return on plan assets as at 30 June	7.6	7.3
Expected rate of salary increases	4% to 2008 & 3.5% thereafter	4.0
Expected rate of increase in Consumer Price Index	2.5	2.5

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

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

	SASS \$000	SANCS \$000	SSS \$000	Total \$000
As at 30 June 2006				
Gross liability	28,287	3,020	1,061	32,368
Reserve balance	(31,604)	(4,003)	(1,116)	(36,723)
Unfunded liability/(prepaid contributions*)	(3,317)	(983)	(55)	(4,355)
As at 30 June 2005				
Gross liability	27,910	3,293	1,201	32,404
Reserve balance	(27,825)	(3,758)	(675)	(32,258)
Unfunded liability/(prepaid contributions*)	85	(465)	526	147

* Prepaid retirement contributions are recognised as a current asset.

12. EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

(b) Retirement benefits (continued)

(i) Movement in defined benefit liability during the year:

	SASS \$000	SANCS \$000	SSS \$000	Total \$000
Year ending 30 June 2006				
Opening balance	85	(465)	526	146
Benefit expense/(income)	(2,441)	(557)	(285)	(3,283)
Contributions	(961)	39	(296)	(1,218)
Closing balance	(3,317)	(983)	(55)	(4,355)
Year ending 30 June 2005				
Opening balance	–	–	–	–
Benefit expense/(income)	1,056	(258)	561	1,359
Contributions	(971)	(207)	(35)	(1,213)
Closing balance	85	(465)	526	146

(ii) Defined benefits expense/(income) for the year:

	SASS \$000	SANCS \$000	SSS \$000	Total \$000
Year ending 30 June 2006				
Current service cost	928	184	50	1,162
Interest cost	1,641	163	67	1,871
Expected return on plan assets	(2,054)	(281)	(53)	(2,388)
Net actuarial losses/(gains) recognised	(2,956)	(623)	(349)	(3,928)
Past service cost	–	–	–	–
Losses/(gains) on curtailments or settlements	–	–	–	–
Total included in retirement benefits expense	(2,441)	(557)	(285)	(3,283)
Year ending 30 June 2005				
Current service cost	–	–	–	–
Interest cost	–	–	–	–
Expected return on plan assets	–	–	–	–
Net actuarial losses/(gains) recognised	1,056	(258)	561	1,359
Past service cost	–	–	–	–
Losses/(gains) on curtailments or settlements	–	–	–	–
Total included in retirement benefits expense	1,056	(258)	561	1,359

(iii) Actual return on plan assets for the year:

Year ending 30 June 2006				
Actual return on plan assets	4,214	575	128	4,917
Year ending 30 June 2005				
Actual return on plan assets	1,995	424	55	2,474

Notes to and forming part of the financial statements

For the year ended 30 June 2006

12. EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

(b) Retirement benefits (continued)

(iv) A summary of the financial position of the fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans" as supplied by the Trustee:

	SASS \$000	SANCS \$000	SSS \$000	Total \$000
As at 30 June 2006				
Accrued benefits	27,248	2,846	839	30,933
Net market value of the fund assets	(31,604)	(4,003)	(1,116)	(36,723)
Net (surplus)/deficit	(4,356)	(1,157)	(277)	(5,790)
As at 30 June 2005				
Accrued benefits	25,526	2,817	764	29,107
Net market value of the fund assets	(27,824)	(3,759)	(675)	(32,258)
Net (surplus)/deficit	(2,298)	(942)	89	(3,151)

	SASS Multiple of member contributions	SANCS % member salary	SSS Multiple of member contributions
Recommended contribution rates for the year ending:			
30 June 2006	1.90	2.50	1.60
30 June 2005	1.90	2.50	1.60

At the last actuarial review, the *Aggregate Funding* method was used to determine the employer contribution recommendations. The method adopted affects the timing of the cost to Sydney Ferries.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(v) The weighted-average economic assumptions adopted for the last actuarial review of the fund were:

	2006 % pa	2005 % pa
Expected rate of return on fund assets	7.3	7.0
Expected rate of salary increases	4.0	4.0
Expected rate of increase in Consumer Price Index	2.5	2.5

(vi) If a surplus exists in Sydney Ferries' interest in the fund, Sydney Ferries may be able to reduce the required contribution rate, subject to the fund's actuarial advice.

Where a deficiency exists, Sydney Ferries is responsible for any difference between its share of the fund assets and the defined benefit obligation.

13. COMMITMENTS

(a) Significant operating lease arrangements

Sydney Ferries Corporation rents various operating assets in the provision of its services including wharves, office equipment, office accommodation and motor vehicles.

The Balmain and Harbour wharves are on an annual lease term. Manly Wharf has a 50-year lease term and commenced in 1991 and Sydney Ferries is in the process of negotiating the third five-year review of the lease agreement.

The wharf leases all have non-enforceable renewal clauses, at the option of Sydney Ferries.

Sydney Ferries does not have the right to purchase the wharf at the end of the term of the lease.

There are no operating restrictions imposed on Sydney Ferries as a result of the lease arrangements.

Contingent rents are payable for motor vehicles based upon excess mileage charges. Contingent rents are recorded when incurred.

Sydney Ferries Corporation does not sub-lease any of its operating lease assets.

	2006 \$000	2005 \$000
Operating lease commitments		
Non-cancellable operating lease commitments are payable as follows:		
Not later than 1 year	1,049	1,020
Later than 1 year and not later than 5 years	1,976	2,494
Later than 5 years	35,603	43,525
Total operating lease commitments (including GST)	38,628	47,039
(b) Capital expenditure commitments		
Not later than 1 year	4,430	–
Later than 1 year and not later than 5 years	2,543	–
Total capital expenditure commitments (including GST)	6,973	–
(c) 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	5,665	4,822
Later than 1 year and not later than 5 years	5	–
Total other expenditure commitments (including GST)	5,670	4,822
The commitment totals as shown above in (a) to (c) include Goods and Services Tax (GST) of \$4.661 thousand (2005:\$4.712 thousand), which is recoverable from the Australian Taxation Office.		
(d) Remuneration commitments		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:		
Not later than 1 year	358	–
Later than 1 year and not later than 5 years	757	–
Total remuneration commitments	1,115	–

FINANCIAL STATEMENTS

Notes to and forming part of the financial statements

For the year ended 30 June 2006

14. FINANCIAL INSTRUMENTS

(a) 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:

Trade creditors are non-interest bearing and are normally settled on 30-day terms

	Fixed interest rate maturing in					Total	Weighted average effective interest rate	
	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing		Floating	Fixed
	\$000	\$000	\$000	\$000	\$000		%	%
2006								
Financial assets								
Cash	427	–	–	–	363	790	5.42	N/A
Receivables	–	–	–	–	1,094	1,094	N/A	N/A
Total financial assets	427	–	–	–	1,457	1,884		
Financial liabilities								
Trade creditors	–	–	–	–	1,620	1,620	N/A	N/A
Borrowings	13,067	156	15,737	18,776	–	47,736	5.97	6.07
Total financial liabilities	13,067	156	15,737	18,776	1,620	49,356		
2005								
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	–	–	–	–	2,339	2,339	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	2,339	44,339		

(b) 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		Aggregate net fair value	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Financial liabilities				
Borrowings	47,736	42,000	48,180	43,555
Total financial liabilities	47,736	42,000	48,180	43,555

(c) Credit risk

At the balance sheet date there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the balance sheet.

2006	Govt \$000	Other \$000	Total \$000
Receivables	670	424	1,094
Total receivables	670	424	1,094

2005	Govt \$000	Other \$000	Total \$000
Receivables	984	156	1,140
Total receivables	984	156	1,140

FINANCIAL STATEMENTS

Notes to and forming part of the financial statements

For the year ended 30 June 2006

15. CONTINGENT LIABILITIES

The estimated value of liability claims against Sydney Ferries at 30 June 2006 is \$2,164 thousand (2005: \$100 thousand). This consists of insured claims of \$1,910 thousand and other liabilities of \$255 thousand.

16. (i) RECONCILIATION OF OPERATING RESULTS TO NET CASH FROM OPERATING ACTIVITIES

	2006 \$000	2005 \$000
Surplus/(Deficit)	(48,681)	(1,513)
Adjustments to reconcile net operating result to net cash from operating activities:		
Amortisation of service contract rights	2	2
Revaluation decrements	36,504	–
Equipment write-off	18	2
Depreciation and amortisation of non-current assets	14,649	12,505
Other non-cash items	(241)	(168)
Changes in assets and liabilities:		
(increase)/decrease in receivables	1,000	(1,748)
(increase)/decrease in inventory	(318)	(141)
(increase)/decrease in other assets	(4,228)	(763)
increase/(decrease) in trade and other creditors	(160)	8,819
increase/(decrease) in employee entitlements	(91)	871
increase/(decrease) in other provisions	(988)	1,339
(increase)/decrease in goods and services tax	(157)	(233)
increase/(decrease) in revenue received in advance	374	(3,583)
Net cash flows from operating activities	(2,317)	15,389
(ii) Financing facility available		
Short-term standby credit facility	15,000	15,000
Drawn-down at balance date	5,900	–
Facility unused at balance date	9,100	15,000

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

17. EQUITY

	Reserves		Accumulated funds		Total equity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Balance at the beginning of the year	–	–	81,622	–	81,622	–
Transaction with owners as owners:						
Contribution from owners	–	–	–	83,135	–	83,135
Asset revaluation reserve:						
Increment on revaluation of property, plant and equipment (Refer note 7)	6,125	–	–	–	6,125	–
Changes in equity (other than transactions with owners as owners):						
(Deficit) for the year	–	–	(48,681)	(1,513)	(48,681)	(1,513)
Balance at the end of the year	6,125	–	32,941	81,622	39,066	81,622

FINANCIAL STATEMENTS

Notes to and forming part of the financial statements

For the year ended 30 June 2006

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

Sydney Ferries commenced operations on 1 July 2004 under the *NSW State Owned Corporations Act 1989*, trading as Sydney Ferries Corporation. Sydney Ferries has applied the AEIFRS for the first time in the 2005/2006 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. Sydney Ferries has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect NSW Treasury's mandates and policy decisions. There are no material impacts on Sydney Ferries' cash flows.

(a) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian Equivalents to IFRS (AEIFRS)

As at financial year 30 June 2005		Previous AGAAP \$000	Effect of transition to AEIFRS \$000	AEIFRS \$000
	Notes			
Current assets				
Cash and cash equivalents		5,540	–	5,540
Trade and other receivables	(i)	1,140	1,248	2,388
Inventories		4,049	–	4,049
Other	(i), (ii)	4,788	(4,022)	766
Total current assets		15,517	(2,774)	12,743
Non-current assets				
Property, plant and equipment	(iii)	127,385	4,403	131,788
Intangibles		26	–	26
Total non-current assets		127,411	4,403	131,814
Total assets		142,928	1,629	144,557
Current liabilities				
Trade and other payables		8,819	–	8,819
Borrowings		10,730	–	10,730
Employee benefits – provisions	(iv)	5,129	4,234	9,363
Provisions	(iv)	991	–	991
Total current liabilities		25,669	4,234	29,903
Non-current liabilities				
Borrowings		31,270	–	31,270
Employee benefits – provisions	(ii), (iv)	5,126	(3,711)	1,415
Provisions		347	–	347
Total non-current liabilities		36,743	(3,711)	33,032
Total liabilities		62,412	523	62,935
Net assets		80,516	1,106	81,622
Equity				
Accumulated funds	(ii), (iii)	80,516	1,106	81,622
Total equity		80,516	1,106	81,622

Financial impact of adopting AEIFRS (continued)

(b) Reconciliation of surplus/(deficit) reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to surplus/(deficit) under Australian Equivalents to IFRS (AEIFRS)

As at year ended 30 June 2005	Notes	Previous AGAAP \$000	Effect of transition to AEIFRS \$000	AEIFRS \$000
INCOME				
Operational revenue		88,439	–	88,439
Other income		7,668	–	7,668
Total income		96,107	–	96,107
EXPENSES				
Fleet running expenses	(iii)	18,518	(4,830)	13,688
Employee benefits	(ii)	46,736	3,297	50,033
Depreciation and amortisation	(iii)	12,080	427	12,507
General operating expenses		17,099	–	17,099
Net gain or loss on disposal of assets		2	–	2
Finance costs		4,291	–	4,291
Total expenses		98,726	(1,106)	97,620
Total changes in equity other than those resulting from transactions with owners as owners		(2,619)	1,106	(1,513)

Notes to reconciliation

(i) Prepayments reclassified as receivables (current)

Under AEIFRS, the prepayment amount of \$1,248 thousand has been reclassified as a current trade and other receivable from other current asset.

(ii) Retirement benefits

Under AEIFRS, Sydney Ferries was required to use a government bond rate, which was lower than the expected investment return rate, to recognise the full constructive obligation, being the amount by which the accumulated benefit obligation to all members exceeded the fair value of the assets relating to those members. The full constructive obligation has been determined by an actuarial assessment. This change has resulted in an increase of a provision and an employee expense of \$3,297 thousand for 2004-2005.

(iii) Capitalisation of dry docking costs

As part of the long-term maintenance program for its fleet, all vessels undergo a major refit (or docking) on a regular basis (every five years for the Freshwater Class of Manly ferries and every two years for the remainder of the fleet). From 1 July 2004, under AASB116 *Property, Plant and Equipment*, the cost of dockings was capitalised and depreciated over the period prior to the subsequent docking, being five years and two years respectively. Ongoing maintenance of the fleet continues to be expensed as incurred. The effect of this change for 2004-05 was to increase the value of plant and equipment by \$4,830 thousand, depreciation by \$427 thousand and reduce the deficit in that year by the difference of \$4,403 thousand.

Notes to and forming part of the financial statements

For the year ended 30 June 2006

Financial impact of adopting AEIFRS (continued)

(b) Reconciliation of surplus/(deficit) reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to surplus/(deficit) under Australian Equivalents to IFRS (AEIFRS) (continued)

(iv) Current portion of long service leave

AEIFRS requires employee benefits to be classified as current liability where Sydney Ferries does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. This change has resulted in an increase of current liability by \$4,234 thousand.

(c) Financial instruments

As discussed in note 1 (c), the comparative information for 2004-05 for financial instruments has not been restated and is presented in accordance with previous AGAAP. AASB 132 and AASB 139 have been applied from 1 July 2005. There was no adjustment to equity or the balance sheet as at 1 July 2005 from the application of AASB 132 and AASB 139.

(d) Grants recognition

Sydney Ferries, as a not-for-profit entity, has applied 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 previous AASB 1004. However, the new AASB may be amended by proposals in Exposure Draft ED 125 *Financial Reporting by Local Governments* and ED 147 *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*. If the ED 125 and ED 147 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 and ED 147 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.



APPENDICES

Annual report	66	Legal change	72
Board	66	Occupational health and safety	73
Budgets	67	Oversees visits	73
Consultants	68	Ministerials	73
Contacting Sydney Ferries	68	Payment of accounts	73
Controlled entities	68	Performance and numbers of executive officers	74
Credit card certification	68	Privacy management plan	74
Drug and alcohol testing	68	Publications	74
Electronic service delivery	68	Research and development	74
Equal employment opportunity	68	Risk management and insurance activities	74
Ethnic affairs priorities statement	68	Subordinate legislation act	74
Fares (IPART determination)	69	Summary of land	74
Freedom of information	69	Waste	74
Human resources information	72	Women's action plan	74
Land disposal	72		

Annual report

The annual report is available online at www.sydneyferries.info. The total production cost was \$24,848 (excludes GST).

Board

Membership

The *Transport Administration Act 1988* (NSW) and the *State Owned Corporations Act 1989* (NSW) allow for a minimum of three and a maximum of seven directors. The appointment and term of each director is determined by the Shareholding Ministers following consultation with the Portfolio Minister, for a period not exceeding five years. Appointments may be renewed. The remuneration of each non-executive director is determined by the Shareholding Ministers.

The Chief Executive Officer is appointed by the Board following concurrence of the Shareholding Ministers and the Portfolio Minister. The Chief Executive Officer may also be appointed as a Director.

Directors have access to management and independent advice. Such advice would normally be sought after consultation with the Chair and Secretary.

Director accountability

The *Transport Administration Act 1988* (NSW) and the *State Owned Corporations Act 1989* (NSW) outline the accountabilities of Directors. In summary, Directors must:

- agree, with the Shareholding Ministers, on the annual Statement of Corporate Intent
- report to the Shareholding Ministers on the operations of Sydney Ferries on a half-yearly basis
- deliver an annual report, including audited financials, within four months of the end of the financial year.

Conflicts of interest

A register of Directors' interests is maintained. Directors do not take part in discussions or decision-making processes considered by the Board if they have any personal interest in the matter.

Board committees

The Board currently has two standing committees that assist in the good governance of Sydney Ferries, undertake detailed consideration of major issues, provide advice on sensitive matters and examine issues that may be referred to it. Each committee has a charter that is approved by the Board.

Audit Board Committee

The Audit Board Committee supports the Board in discharging its corporate governance responsibilities in relation to:

- financial reporting
- accounting processes
- business ethics and corporate conduct
- internal controls
- compliance with legal and regulatory obligations
- providing a forum for communication between the Board, senior management and internal and external auditors.

The Chief Executive Officer, General Manager Finance and Corporate Services, representatives from Walter Turnbull (Sydney Ferries' internal auditors) and the Audit Office of NSW have a standing invitation to attend meetings but are not members of the committee.

Human Resources and Remuneration Board Committee

The Human Resources and Remuneration Board Committee supports the Board in discharging its responsibilities in relation to:

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

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.

Meetings of the Board and committees

Director	Board meeting		Audit Committee meeting		Human Resources and Remuneration Committee meeting	
	Eligible*	Attended	Eligible*	Attended	Eligible*	Attended
Geoffrey Ashton AM	13	12	–	3**	–	2**
Rodney Cavalier AO	18	14	6	4	3	3
Clayton Frederick	18	15	–	–	3	3
Beth Laughton	18	16	6	6	–	1**
Joanne Rees	18	15	6	4	–	–
Terry Snee	18	14	–	1**	3	2
Matthew Taylor	4	4	–	–	–	–
Suzanne Sinclair	7	6	–	4**	–	1**

* Reflects the maximum number of meetings the Director was eligible to attend.

** Attended as an invitee, not a committee member.

Budgets

Sydney Ferries' budgets for 2005-06 and 2006-07 are set out below.

Revenue and expenses	Budget 2005-06 \$000	Budget 2006-07 \$000
Revenue from ordinary activities		
Passenger revenue:		
Fares, charters and tourist services	47,236	48,220
Reimbursement for:		
Free travel by school students	391	402
Concessions to pensioners	8,202	8,500
Concessions to other community groups	1,319	1,347
Government funding	33,082	34,021
Total passenger revenue	90,230	92,490
Interest received from third parties	150	48
Grants	4,830	–
Other	1,179	1,351
Total revenue from ordinary activities	96,389	93,889
Expenses from ordinary activities		
Wages and salaries	49,229	57,888
Fleet running expenses	13,698	19,801
General operating expenses	15,049	19,623
Interest	4,131	4,681
Depreciation	15,812	14,208
Total expenses from ordinary activities	97,919	116,201
Surplus /(Deficit)	(1,530)	(22,312)

Government funding was increased by \$10,300 thousand in 2005-06. This was required to fund the introduction of important safety and reliability initiatives including Crew Resource Management training and the introduction of 12-hour rostering. This increased Government funding from \$22,782 thousand to \$33,082 thousand.

Consultants

One consultant, Mr Michael Zavelberg, was engaged for 2005-06 at a total cost of \$28,122.

Contacting Sydney Ferries

Sydney Ferries
PO Box R1799
Royal Exchange NSW 1225
Telephone: (02) 9246 8300
Facsimile: (02) 9246 8305
Online: www.sydneyferries.info

Controlled entities

Sydney Ferries does not have any controlled entities.

Credit card certification

The Chief Executive Officer of Sydney Ferries has certified that all corporate credit cards issued to Sydney Ferries staff are for business purposes only and are used in accordance with the Premier's Memoranda and Treasurer's Directions.

Drug and alcohol testing

Employees and contractors are classified as Transport Safety Workers and are subject to incident, random and suspicion drug and alcohol testing. Employees can also be targeted for testing in line with disciplinary procedures.

In 2005-06, Sydney Ferries undertook 111 drug tests and 174 alcohol tests on employees and contractors. There were 11 positive drug results and one positive alcohol test result.

Of the positive drug results, two were suspicion, five target, one random and three post incident. Of the positive drug tests, one person was a contractor, two employee tradespersons and eight employee General Purpose Hands.

The positive alcohol test arose from a suspicion test. The employee was a General Purpose Hand/Cashier.

Sydney Ferries offers assistance to employees who self-identify with a drug and/or alcohol problem. During 2005-06, Sydney Ferries assisted six employees through its Self-Identification Program: four from the reporting period and two from the previous year. All six employees were General Purpose Hands.

Electronic service delivery

Sydney Ferries is committed to ensuring access to passenger service information through electronic service delivery. A number of initiatives were implemented in line with this commitment.

131 500 improvements

Notable improvements included a website redesign (July 2005), an upgrade of Streetworks base maps and a mapping server upgrade. Several website usability upgrades and a new 131 500 internet service that can be accessed by WAP and GPRS enabled mobile phones were launched. www.mobile.131500.info.

Equal employment opportunity

Sydney Ferries supports and encourages equal employment opportunity (EEO) through its recruitment policies and procedures.

Sydney Ferries is committed to achieving EEO targets.

Sydney Ferries supports its pregnant female employees and aims to provide them with a safe and healthy working environment. In 2005-06, Sydney Ferries introduced an Employee's Pregnancy Plan to assist employees who are planning a family. During 2005-06 seven female employees worked during their pregnancies and were supported on their return to work in accordance with the plan.

A snapshot of Sydney Ferries' EEO statistics is shown below.

EEO Group	Target	2005-06
Women	50%	28%
Aboriginal and Torres Strait Islanders	2%	2%
People whose first language is not English	19%	13%
People with a disability	12%	11%
People with a disability requiring work-related adjustment	7%	1%

Note – The table contains figures based on a survey distributed on 23 January 2006 to all Sydney Ferries employees, and on information collected regarding new employees after that date. The response rate to the survey was 19.1 per cent of total employees.

Ethnic affairs priorities statement

Sydney Ferries is proud of its ethnically diverse workforce and its ability to mix easily. In 2005-06, Sydney Ferries advertised to encourage Marine Trainees from Indigenous backgrounds.

Fares (IPART determination)

The Independent Pricing and Regulatory Tribunal fare determination for Sydney Ferries was issued in December 2005 and implemented in full from 3 January 2006.

Freedom of information

In 2005-06, Sydney Ferries received 26 applications for access to documents under the *Freedom of Information Act 1989*, compared to nine applications in 2004-05 – an almost threefold increase.

Statistical summary

This statistical summary is set out in accordance with the provisions of the *Freedom of Information Act 1989* (NSW), the *Freedom of Information Regulation 2005* (NSW) and the Premier's Department FOI Procedure Manual.

Section A – Number of new FOI requests

FOI Requests		Personal	Other	Total
A1	New (including transferred in)	1	25	26
A2	Brought forward	0	3	3
A3	Total to be processed	0	29	29
A4	Completed	1	18	19
A5	Transferred out	0	0	0
A6	Withdrawn	0	0	0
A7	Total processed	1	18	19
A8	Unfinished (carried forward)	0	10	10

Section B – Results of FOI requests

Results of FOI Request		Personal	Other	Total
B1	Granted in full	0	6	6
B2	Granted in part	1	7	8
B3	Refused	0	5	5
B4	Deferred	0	0	0
B5	Completed	1	18	19

Section C – Ministerial Certificates

		Personal	Other	Total
C1	Ministerial Certificates issued	0	0	0

Section D – Formal consultations

		Personal	Other	Total
D1	Number of requests requiring formal consultations	0	2	2

Section E – Amendment of personal records

Results of amended request			Total
E1	Granted in full	0	0
E2	Granted in part	0	0
E3	Refused	0	0

APPENDICES

Section F – Notation of personal records

		Total
F1	Number of requests for notation	0

Section G – FOI request granted in part or refused

Basis of disallowing or restricting access	Personal	Other	Total
G1 Section 19 (application incomplete, wrongly directed)	0	0	0
G2 Section 22 (deposit not paid)	0	1	1
G3 Section 25(1)(a1) (diversion of resources)	0	1	1
G4 Section 25(1)(a) (exempt)	1	10	11
G5 Section 25(1)(b)(c)(d) (otherwise available)	0	0	0
G6 Section 28(1)(b) (documents not held)	0	0	0
G7 Section 24(2) (deemed refused, over 21 days)	0	0	0
G8 Section 31(4) (released to medical practitioner)	0	0	0
G9 Totals	1	12	13

Section H – Costs and fees of requests processed

	Assessed costs	FOI fees received
H1 All completed requests	\$825	\$670

Section I – Discounts allowed

Type of discount allowed	Personal	Other
I1 Public interest	0	0
I2 Financial hardship – Pensioner/child	0	0
I3 Financial hardship – Non-profit organisation	0	0
I4 Totals	0	0
I5 Significant correction of personal records	0	0

Section J – Days to process

Elapsed time	Personal	Other
J1 0-21 days	0	5
J2 22-35 days	1	4
J3 Over 35 days	0	9
J4 Totals	1	18

Section K – Processing time

Processing hours	Personal	Other
K1 0-10 hours	1	17
K2 11-20 hours	0	1
K3 21-40 hours	0	0
K4 Over 40 hours	0	0
K5 Totals	1	18

Section L – Reviews and appeals

Number finalised		Total
L1	Number of internal reviews finalised	1
L2	Number of Ombudsman reviews finalised	0
L3	Number of District Court appeals finalised	0

Details of internal reviews

Processing hours		Personal		Other	
Grounds upon which internal review requested		Upheld	Varied	Upheld	Varied
L4	Access refused	0	0	0	1
L5	Deferred	0	0	0	0
L6	Exempt matter	0	0	0	0
L7	Unreasonable charges	0	0	0	0
L8	Charge unreasonably incurred	0	0	0	0
L9	Amendment refused	0	0	0	0
L10	Totals	0	0	0	1

FOI Statement of Affairs

Sydney Ferries is required to publish an annual Statement of Affairs, pursuant to section 14 of the *Freedom of Information Act 1989* (NSW), describing the structure and functions of Sydney Ferries, how these functions affect members of the public, and any arrangements that exist to enable the public to participate in the formulation of Sydney Ferries' policy and the exercise of Sydney Ferries' functions. The statement must also include a description of the various kinds of documents held by Sydney Ferries and how these may be accessed or amended by members of the public.

Participation of the public in policy formulation and the exercise of Sydney Ferries' functions

When Sydney Ferries was created as a stand-alone entity, a working group was formally established to consider ferry service issues. The working group meets quarterly. Its two major objectives are to:

- advise the Minister for Transport on a range of matters, including community requirements for the operation of Sydney Ferries
- provide a communication and consumer consultation mechanism between key stakeholders to ensure input into the management and performance of Sydney Ferries.

The members of the working group comprise a:

- representative of Action for Public Transport
- ferry commuter
- commuter representative from local government
- ferry commuter with disabilities
- Ministry of Transport representative

- NSW Maritime representative
- representative of the Independent Transport Safety and Reliability Regulator
- Sydney Ferries representative (in the role of chair).

Public participation is also evident in the form of customer surveys, which Sydney Ferries undertakes periodically. These act as a barometer of customer satisfaction with the service provided by Sydney Ferries. The results of these surveys contribute to the improvement of Sydney Ferries' services.

Sydney Ferries has a procedure in place for dealing with customer complaints whereby complaints are recorded and actioned. There is a dedicated staff member to handle complaints. Complaints can be made by contacting the Transport Infoline online at www.131500.info or by calling 131 500.

Kinds of documents held by Sydney Ferries

The Sydney Ferries Summary of Affairs is published in the *Government Gazette*, pursuant to section 14 of the *Freedom of Information Act 1989*. A copy of the most recent Summary of Affairs can be found in *Government Gazette* Number 168, 30 December 2005.

The types of documents held by Sydney Ferries include:

- Sydney Ferries Corporation Annual Reports
- Sydney Ferries Corporation Statements of Corporate Intent
- policy documents
- procedures covering the corporate functions and operations of Sydney Ferries.

APPENDICES

Accessing and amending Sydney Ferries' documents

Requests and applications for access to Sydney Ferries' documents should be made pursuant to the *Freedom of Information Act 1989* (NSW), be accompanied by a \$30 application fee (cheque or money order) and directed in writing to:

FOI Officer
Sydney Ferries Corporation
PO Box R1799
ROYAL EXCHANGE NSW 1225

FOI and privacy enquiries may be directed to the Corporate Counsel and Company Secretary by telephoning Sydney Ferries on (02) 9246 8300. Applications to amend or notate Sydney Ferries' documents relating to a person's own personal affairs may also be made to the Corporate Counsel and Company Secretary.

Legal change

The following changes occurred to Sydney Ferries governing legislation in 2005-06:

Date	Legislation Amended	Amendment
1 July 2005	<i>State Owned Corporations Act 1989</i> (NSW)	The amendments replace references to the 'Labor Council of New South Wales' with 'Unions NSW'. Amendments were also made so that when there is a change in Treasurer, the Treasurer's shares automatically transfer to the succeeding Treasurer, so that a single instrument of transfer may transfer shares held by the other voting shareholder in any one or more statutory SOCs.
1 July 2005	<i>Transport Administration Act 1988</i> (NSW)	The amendments replace references to the 'Labor Council of New South Wales' with 'Unions NSW'.
1 July 2005	<i>Transport Administration Amendment (Sydney Ferries) Act 2003</i> (NSW) No. 99	This Act amended the <i>Transport Administration Act 1988</i> (NSW) to establish Sydney Ferries as a State Owned Corporation. These amendments have now been incorporated into the <i>Transport Administration Act 1988</i> (NSW) and the <i>Transport Administration Amendment (Sydney Ferries) Act 2003</i> (NSW) has been repealed.
1 September 2005	<i>Transport Administration (General) Regulation 2005</i>	The <i>Transport Administration (General) Regulation 2000</i> (NSW) was due to be automatically repealed on 1 September 2005. This Regulation was replaced by the <i>Transport Administration (General) Regulation 2005</i> (NSW) without substantive amendment.
1 September 2005	<i>Transport Administration (Staff) Regulation 2005</i>	The <i>Transport Administration (Staff) Regulation 2000</i> (NSW) was due to be automatically repealed on 1 September 2005. This Regulation was replaced by the <i>Transport Administration (Staff) Regulation 2005</i> (NSW) without substantive amendment.
24 November 2005	<i>State Owned Corporations Act 1989</i> (NSW)	The amendments make certain terms in the Act consistent with Australian Accounting Standards.
3 January 2006	<i>Transport Administration (Sydney Ferries – Fares) Order 2004</i>	The amendments give effect to fare increases announced by IPART in December 2005.

Human resources information

2005-06	
Finance and Corporate Services	10
Operations	525
Engineering	86
Human Resources and Industrial Relations	4
Executive Office	4
Total staff	629

Land disposal

Sydney Ferries did not dispose of any land during 2005-06.

Occupational health and safety

Sydney Ferries was not prosecuted during 2005-06 under the *Occupational Health and Safety Act 2000* (NSW) by WorkCover NSW.

Overseas visits

No Sydney Ferries' staff undertook overseas visits during 2005-06.

Ministerials

Ministerial communication is created through an inquiry or complaint directly to the Minister for Transport or through another Member of Parliament. There were 173 items of Ministerial communication for the year.

Payment of accounts

Details of Sydney Ferries' account payment performance are below:

Creditors' quarterly aged analysis for the financial year 2005-2006										
Days	1st Qtr 05-06		2nd Qtr 05-06		3rd Qtr 05-06		4th Qtr 05-06		Total 05-06	
	Total amount paid	% of Total	Total amount paid	% of Total	Total amount paid	% of Total	Total amount paid	% of Total	Total amount paid	% of Total
0 Days	7,979.65	46.48%	13,436.05	38.70%	7,030.96	24.51%	18,534.26	43.84%	46,980.92	38.24%
01-30	6,103.50	35.55%	15,896.61	45.79%	16,243.23	56.63%	16,144.80	38.19%	54,388.14	44.27%
31-60	2,721.47	15.85%	4,502.20	12.97%	4,556.08	15.88%	6,384.23	15.10%	18,163.99	14.79%
61-90	336.98	1.96%	348.60	1.00%	477.45	1.66%	1,142.39	2.70%	2,305.41	1.88%
91 and Above	25.31	0.15%	535.58	1.54%	377.53	1.32%	74.63	0.18%	1,013.06	0.82%
Total	17,166.92	53.5%	34,719.04	61.3%	28,685.25	75.5%	42,280.31	56.2%	122,851.52	61.8%
Target		98%		98%		98%		98%		98%

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

Performance and numbers of executive officers

At the end of the 2005-06 financial year, there were four executives, one female and three male, with total remuneration packages equal to, or exceeding, the NSW Senior Executive Service Level One. This compares to two executives, both female, who were at or above this level in 2004-05.

Two of these executives, namely the Acting Chief Executive Officer, Rear Admiral Chris Oxenbould AO, and the General Manager of Operations, Commodore Denis Mole AM, were equal to or above the NSW Senior Executive Service Level Five.

The Chair of the Board confirms that the Acting Chief Executive Officer provided strong leadership, further developed Sydney Ferries' planning and effectively managed the Corporation on a day-to-day basis.

The Acting Chief Executive Officer confirms that the General Manager of Operations, since joining Sydney Ferries in March 2006, provided strong leadership for operational staff, managed all aspects of the Operations Division well and conducted safe ferry services in compliance with maritime regulatory requirements.

Privacy management plan

Although not subject to the *Privacy and Personal Information Protection Act 1998* (NSW), Sydney Ferries has adopted a Privacy Management Plan. No complaints were received in 2005-06 alleging breaches of privacy.

Publications

Sydney Ferries produced and distributed a range of publications, including timetables, flyers and brochures, to assist commuters, leisure travellers and other ferry users. All key publications are available on the Sydney Ferries' website – www.sydneyferries.info.

Research and development

In 2005-06 Sydney Ferries undertook a three-month trial of bio-diesel fuel on the First Fleet Class vessel *Borrowdale* to assess the impact of this non-fossil fuel source on fuel efficiency and gas particulate air emissions.

In addition, Sydney Ferries commissioned a *Customer Satisfaction Survey* to enhance management and continual improvement of services to customers.

Risk management and insurance activities

Strategic risk management is managed by the use of specialist external agencies tasked with ensuring that Sydney Ferries' 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 ensured a lower overall insurance cost to the Corporation while also minimising exposure to potential risk.

Subordinate legislation act

There were no departures from obligations under the *Subordinate Legislation Act 1989* (NSW).

Summary of land

Address	Value
Avenue Road, Mosman	\$1,176,000
Kurraba Rd, Neutral Bay	\$913,000
High St, Neutral Bay	\$148,000
Musgrave St, Mosman	\$700,000
Holbrook Ave, Kirribilli	\$410,000
72 Waterview St, Balmain	\$9,815,000
Hayes St, Neutral Bay	\$70,000
Total	\$13,232,000

Waste

Waste management practices have been a focus across the organisation. Sydney Ferries is committed to improving its waste management practices to ensure it continues to meet its objectives and statutory obligations.

Women's action plan

Sydney Ferries is actively committed to developing and implementing strategies aimed at improving the experience of female employees.

In 2005-06, Sydney Ferries negotiated provisions in its Enterprise Agreement with Balmain Shipyard employees to actively recruit female apprentices across all trades.

Sydney Ferries also advertised for female Marine Trainees to commence in 2006-07.



Circular Quay, Sydney
www.sydneyferries.info