

MOSMAN COUNCIL

General Purpose Financial Reports for the year ended 30th June 2006

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MOSMAN COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached Annual Financial Statements have been drawn up in accordance with

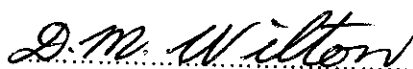
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

To the best of our knowledge and belief, these reports

- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records

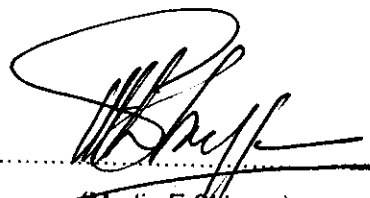
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 3 October 2006



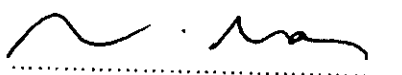
(Denise M Wilton)

MAYOR



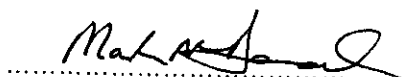
(Martin E Skipper)

COUNCILLOR



(Vivian H R May, PSM)

GENERAL MANAGER



(Mark McDonald)

RESPONSIBLE ACCOUNTING OFFICER

MOSMAN COUNCIL

INCOME STATEMENT for the year ended 30th June 2006

Budget 2006 \$'000		Notes	Actual 2006 \$'000	Actual 2005 \$'000
INCOME				
Revenue:				
15,423	Rates & Annual Charges	3	15,575	15,072
6,648	User Charges & Fees	3	5,011	4,161
325	Investment Revenues	3	382	367
1,579	Other Revenues	3	3,262	4,268
1,489	Grants & Contributions - Operating	3	1,768	1,686
724	Grants & Contributions - Capital	3	1,300	644
Other Income:				
53	Profit from Disposal of Assets	5	128	
	Profit from interests in Joint Ventures & Associates	19	59	64
26,241	Revenues from Ordinary Activities before Capital Amounts		27,485	26,262
EXPENSES				
10,985	Employee Costs	3	11,083	10,638
7,160	Materials & Contracts		8,603	8,335
413	Borrowing Costs	3	415	366
3,300	Depreciation & Amortisation	3	3,337	3,285
4,694	Other Expenses	3	4,212	3,988
	Loss from Disposal of Assets	5	-	52
26,552	Total Expenses from Ordinary Activities		27,650	26,664
(311)	NET OPERATING RESULT FOR YEAR		(165)	(402)
(1,035)	Net operating result before capital grants and contributions		\$ (1,465)	\$ (1,046)

This Statement is to be read in conjunction with the attached Notes.

MOSMAN COUNCIL

BALANCE SHEET as at 30th June 2006

	Notes	Actual 2006 \$'000	Actual 2005 \$'000
CURRENT ASSETS			
Cash & cash equivalents	6	4,469	5,168
Receivables	7	2,815	2,033
Inventories	8	102	104
Other	8	101	131
TOTAL CURRENT ASSETS		<u>7,487</u>	<u>7,436</u>
NON-CURRENT ASSETS			
Receivables	7	99	55
Investments accounted for using the equity method	19	313	466
Infrastructure, Property, Plant & Equipment	9	397,751	397,358
Investment Property	14	29,915	30,080
TOTAL NON-CURRENT ASSETS		<u>428,078</u>	<u>427,959</u>
TOTAL ASSETS		<u>435,565</u>	<u>435,395</u>
CURRENT LIABILITIES			
Payables	10	5,949	5,884
Borrowings	10	1,305	1,020
Provisions	10	2,496	2,320
TOTAL CURRENT LIABILITIES		<u>9,750</u>	<u>9,224</u>
NON-CURRENT LIABILITIES			
Borrowings	10	6,739	6,931
Provisions	10	113	112
TOTAL NON CURRENT LIABILITIES		<u>6,852</u>	<u>7,043</u>
TOTAL LIABILITIES		<u>16,602</u>	<u>16,267</u>
NET ASSETS		<u>\$ 418,963</u>	<u>419,128</u>
EQUITY			
Accumulated Surplus	20	418,963	419,128
Council Equity Interest		<u>418,963</u>	<u>419,128</u>
TOTAL EQUITY		<u>\$ 418,963</u>	<u>419,128</u>

This Statement is to be read in conjunction with the attached Notes

MOSMAN COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2006

	2006 \$'000			2005 \$'000		
	Accum Surplus	Council Equity Interest	Total	Accum Surplus	Council Equity Interest	Total
Balance at beginning of the reporting period	419,128	419,128	419,128	419,530	419,530	419,530
Change in Net Assets recognised in the Statement of Financial Performance	(165)	(165)	(165)	(402)	(402)	(402)
Balance at end of the reporting period	418,963	418,963	418,963	419,128	419,128	419,128

Note

Balance at beginning of the reporting period
Change in Net Assets recognised in the Statement of Financial Performance

Balance at end of the reporting period

This Statement is to be read in conjunction with the attached Notes

MOSMAN COUNCIL

CASH FLOW STATEMENT for the year ended 30th June 2006

Budget 2006 \$'000			Actual 2006 \$'000	Actual 2005 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES	<u>Notes</u>		
	<u>Receipts</u>			
15,473	Rates & Annual Charges		15,509	15,037
6,948	User Charges & Fees		4,811	6,370
295	Investments Income		377	366
2,500	Grants & Contributions		3,043	2,489
2,450	Other operating receipts		4,479	2,302
	<u>Payments</u>			
(10,785)	Employee Costs		(10,918)	(10,344)
(8,225)	Materials & Contracts		(9,193)	(7,864)
(420)	Borrowing Costs		(395)	(362)
(4,650)	Other operating payments		(5,104)	(5,560)
3,586	Net Cash provided by (or used in) Operating Activities	11	2,609	2,434
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts</u>			
503	Proceeds from sale of Infrastructure, Property, Plant & Equipment		286	491
30	Contributions to joint ventures by minority interests	19	-	-
	Distribution received from associated entities	19	212	34
	<u>Payments</u>			
(5,051)	Purchase of Infrastructure, Property, Plant & Equipment		(2,936)	(3,885)
(4,518)	Net Cash provided by (or used in) Investing Activities		(2,438)	(3,360)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	<u>Receipts</u>			
300	Proceeds from Borrowings & Advances		350	1,300
	<u>Payments</u>			
(888)	Repayments of Borrowings & Advances		(897)	(762)
(315)	Repayment of Deferred Creditors		(323)	(130)
(903)	Net Cash provided by (or used in) Financing Activities		(870)	408
(1,835)	Net Increase (Decrease) in cash held		(699)	(518)
5,168	Cash Assets at beginning of reporting period	11	5,168	5,686
3,333	Cash Assets at end of reporting period	11	4,469	5,168

This Statement is to be read in conjunction with the attached Notes

Note 1

**SIGNIFICANT ACCOUNTING
POLICIES**

1. Basis of Preparation**1.1 Compliance with Australian equivalents to International Financial Reporting Standards**

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the NSW Local Government Act 1993 and regulations thereunder and the Local Government Code of Accounting Practice and Financial Reporting.

1.2 Compliance with International Financial Reporting Standards

AIFRS include certain specific provisions relating to not-for-profit entities that are not included in the International Financial Reporting Standards. In addition, Australian Accounting Standard AAS 27 Financial Reporting by Local Governments also applies.

Except to the extent that these special provisions require, these financial statements comply with International Financial Reporting Standards.

1.3 Application of AASB 1 First-time Adoption of AIFRS

These statements are the first Mosman Council financial statements to be prepared in accordance with AIFRS and AASB 1 has been applied in their preparation. Previous financial statements have been prepared in accordance with the former Australian Generally Accepted Principles (GAAP) which differ in certain respects from AIFRS. When preparing these financial statements, Council has amended certain accounting and valuation methods applied in GAAP to comply with AIFRS. With the exception of financial instruments, where Council has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005, the comparative figures have been restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous GAAP to AIFRS on Council's equity and net income are given in Note 21.

1.4 Historical Cost Convention

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes, in accordance with the historical cost convention.

1.5 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or cases where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note. Nothing contained within this report may be taken to be an admission of any liability to any person under any circumstance.

2. The Local Government Reporting Entity

- (i) The consolidated financial statements include all funds and other activities through which the Council controls resources to carry on its functions. A description of the nature of the Council's operations and its principal activities are provided in Note 2(b) of this report.

The following funds and activities are included in the consolidated financial statements:

- General Fund
- Kimbriki Recycling and Waste Disposal Centre Joint Venture
- Shorelink Library Network Joint Venture
- Cremorne Early Childhood Centre

In the process of reporting on the Local Government as a single entity, all transactions and balances between funds and activity areas have been eliminated.

- (ii) The Council is required under Section 411 of the Local Government Act, 1993, to maintain a separate and distinct Trust Fund to account for all monies and property received by the Council in trust, which must be applied only for the purposes of or in accordance with the trusts relating to those monies.
- (iii) A separate statement of monies held in the Trust Fund is available for inspection at the Council offices to any person free of cost.

3. Basis of Accounting

(i) Compliance

The financial report complies with the applicable Australian Accounting Standards and professional pronouncements, the requirements of the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual.

(ii) Basis of Accounting

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes, in accordance with the historical cost convention.

The accounting policies adopted for the reporting period are consistent with those of the previous reporting period where otherwise indicated.

Nothing contained within this report may be taken to be an admission of any liability to any person under any circumstance.

4. The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all monies and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to these monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

5. Rates

The rating period and reporting period for the Council coincide. All rates levied for the year are recognised as revenue. Uncollected rates are recognised as receivables after providing for amounts due from unknown owners and postponed rates in accordance with the requirements of the Local Government Act 1993.

6. Grants, Contributions and Donations

Grants, donations and other contributions are recognised as revenues when the Council obtains control over the assets comprising the contributions. Control over granted assets is normally obtained upon their receipt. Where prior advice of grants has been received and expenditure has been incurred in accordance with the relevant terms and conditions, unreceived grant entitlements are recorded as receivables.

Contributions not received over which the Council has control are recognised as receivables.

Where grants, contributions and donations recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of the amounts pertained to those undischarged conditions are disclosed in these notes.

Also disclosed is the amount of grants, contributions recognised as revenues in a previous reporting period, which were expended in respect of the Council's operations for the current reporting period.

The Council has obligations to provide facilities from contributions required from developers under the provisions of S94 of the EPA Act 1991. These contributions may be expended only for the purposes for which the contributions were required, but the Council may, within each area of benefit, apply contributions according to the priorities established in the relevant contributions plans and accompanying works schedules.

7. Infringement Income

Council accounts for income on infringement notices issued as follows:

- An assessment of current year notices that have been unpaid and referred for court action are taken up as income.
- An assessment of current year notices that have not reached the stage of further legal action but that is outstanding at year end are taken up as income.
- No allowance is made for prior years fines income that has been referred for legal action due to the inability to determine its collectibility with certainty.

8. Cash Assets and Investment Securities

Investments in Bank Bills, Promissory Notes and Term Deposits are recognised at cost. Interest revenues are recognised as they accrue. Bills of exchange which have been purchased at a discount to face value are recognised at cost; the discount brought to account during the reporting period is accounted for as interest received. Managed Funds are valued at market value in accordance with audited certificates issued by each fund; changes in market value are recognised as interest received.

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition. Where cash and investments held are subject to restrictions and Council's Management Plan for the ensuing reporting period does not provide for the discharge of those restrictions, the amounts have been classified as non-current.

9. Receivables

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1993 (as amended) and the Regulations and Determinations made thereunder.

Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate provision made for amounts the receipt of which is considered doubtful.

10. Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

11. Property, Plant & Equipment**(11.1) Transitional Provisions**

Infrastructure assets (which were expensed prior to 1 January 1993) have been capitalised in the accounts on a "staged" basis since June 1995. All assets, apart from land under roads (the transitional provisions applicable to land under roads have now extended pursuant to AASB 1045, released in

October 2002, until 31 December 2006), have now been brought to account.

All non-current assets purchased or constructed are capitalised as soon as the asset is held "ready for use".

(11.2) **Materiality**

Assets with an economic life which is determined to be longer than one year are only capitalised where the cost of acquisition/construction exceeds materiality thresholds which have been established by Council for each type of asset. In determining such thresholds, which are reviewed annually, regard is given to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year under review are provided below:

Land – Council land	Capitalise
Open Space	Capitalise
Land under roads	Capitalise
Roads, Bridges, Footpaths	
Construction/Reconstruction	Capitalise
Reseal/resheet/major repairs	Capitalise if value > \$1,000

(11.3) **Valuation of Assets**

Plant & Equipment, Office Equipment & Furniture & Fittings

Assets acquired after 1 January 1993 were recorded at historical cost. Assets acquired prior to that date and depreciated in accordance with the (now superseded) Local Government Accounting Regulations 1979 were recorded at deemed cost, being the carrying amount of those assets at 31 December 1992. All assets have now been measured on the "cost basis", being the carrying amount of those assets at 30 June 2001.

Asset capitalisation thresholds of these assets are detailed below:

Plant & Equipment	Capitalise if value > \$1,000
Office Equipment	Capitalise if value > \$500
Furniture & Fittings	Capitalise if value > \$500

Major depreciation periods are:

Plant & Equipment	10 years
Office Equipment	10 years
Furniture & Fittings	10 years

Land**Operational Land**

Land classified by Council as operational land in accordance with Part 2 of Chapter 6 of the Local Government Act 1993, and buildings thereon, were valued by independent valuation (Valuer General) in the reporting period ended 30 June 1995. A valuation was undertaken in 1998/9 to adjust for additional rateable properties. At 1 July 2000, Council elected to adopt its valuations and disclosed them on the cost basis.

Council has undertaken current valuations of all land.

Current Valuation:

A valuation of operational land was undertaken by Council officers using Valuer General Valuations with a Base Date of 30 June 2002. The market valuation was \$274.394M.

The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset.

Community Land

Land not classified by Council as operational land is deemed as community land and was valued by Council officers at municipal site value during the reporting period ended 30 June 1995.

At 1 July 2000, Council elected to adopt its valuations and disclosed them using the cost basis.

Council has undertaken current valuations of all land.

Current Valuation:

A valuation of community land was undertaken by Council officers using Valuer General Valuations with a Base Date of June 2002 as at 30 June 2003, and totalled \$232.067M.

The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset class.

Land Under Roads

Land Under Roads has not been valued or recognised as an asset in the statement of financial position (as allowed under transitional provisions for asset recognition contained in Australian Accounting Standard 27A-Paragraph 108). The transitional provisions applicable to land under roads have now extended pursuant to AASB1045, released in October 2002, until December 2006.

Buildings and Land Improvements

Buildings were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed using the "cost basis". All acquisitions made after the respective dates of valuation are recorded at cost.

Land improvements and other structures were valued by independent valuation during the reporting period ended 30 June 2000. All acquisitions made after the respective dates of valuation are recorded at cost.

Major depreciation periods are:

Buildings	100 years
Playground Equipment	5 years
Benches and Seats	10 years

Asset capitalisation thresholds include:

Buildings	Capitalise
Playground Equipment	Capitalise if value > \$1,000
Other Structures	Capitalise if value > \$1,000

Council has undertaken current valuations of all buildings.

Current Valuation:

An independent valuation of buildings, based on insurable value as at 30 June 2003 was undertaken by International Valuation Consultants with the valuation totalling \$43.268M.

The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset class.

Stormwater Drainage Assets

Stormwater drainage infrastructure was valued by Council officers as at 30 June 1997 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 1997. All acquisitions made after the respective dates of valuation were recorded at cost. All stormwater drainage assets have now been measured on the "cost basis", being the carrying amount of those assets at 30 June 2001.

Major depreciation periods are:

Drains	100 years
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Asset Capitalisation thresholds include:

Drains & culverts	capitalise if value > than \$1,000
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Transport Assets

Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1996.

All acquisitions made after the respective dates of valuation were recorded at cost. All transportation assets have now been measured on the "cost basis", being the carrying amount of those assets at 30 June 2001.

Major depreciation periods are:

Road assets	100 years
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Asset Capitalisation thresholds include:

Road Construction & reconstruction	capitalise if value >than \$1,000
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(11.4) **Depreciation**

Depreciation is recognised on a straight-line basis for all categories of assets. From the financial year ended 30 June 2004, Council has changed its policy in relation to the depreciation of its Infrastructure assets and now depreciates them on a straight line basis rather than a reducing balance methodology.

(11.5) **Borrowing Costs**

Borrowing costs in relation to qualifying assets (net of offsetting revenue) have been capitalised. The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 4, and the amount (if any) of interest revenue offset against borrowing costs in Note 3. All borrowing costs capitalised relate to funds borrowed specifically for the qualifying assets.

(11.6) **Impairment**

Assets that have an indefinite life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable presumption is made that the current replacement cost exceeds the original cost of acquisition.

12. Payables

Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

13. Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

14. Employees' Benefits

Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119 Employee Benefits.

Liabilities for employees benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based on costs) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods.

Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2005/06; 9% in 2004/05). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently 0.95 times members' contributions (NIL% in 2004/2005). Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the

member's benefits, as defined in the Trust Deed, as they accrue.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

15. Construction Contracts

Construction works undertaken by Council for third parties (principally the Roads & Traffic Authority for works on national and state roads) are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

16. Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities, the accounting treatment for which have been affected by changes to the relevant Australian Accounting Standards. Adjustments to reflect Council's interests in these arrangements on adoption of the revised Standards have been carried direct to accumulated surplus in accordance with the transitional provisions of those Standards.

Entities over which Council exercises no "control" are disclosed in detail in Note 19 (b)

Entities over which another Council exercises "control" are disclosed in Note 19 (C)

17. Leases

"Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117 "Accounting for Leases".

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

18. GST Implications

In accordance with UIG Interpretation 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures

- exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupments.
- Amounts included in the Cash Flow Statement are disclosed on a gross basis.

19. Budget Information

The Income Statement and Note 2 provide budget information of revenues and expenditures by type and for each of the major activities of the Council. Budget figures presented are those approved by Council at the beginning of the financial year and do not include Council approved variations throughout the year. Short explanations of the most significant variations are given in Note 16, and further information of the nature and amount of all variations is available from the Council office upon request.

20. Rounding

In accordance with the Code of Accounting Practice all amounts shown in the Financial Statements have been rounded to the nearest thousand dollars.

21. New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2006 reporting period.

- UIG 4 Determining whether an Asset contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- AASB 2005-8 Amendments to AASB 4, AASB 1023, AASB 139 & AASB 132
- AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038
- UIG 6 Liabilities arising from participating in a Specific Market – Waster Electrical and Electronic Equipment
- AASB 2005-6 Amendments to AASB 121

Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

NOTE 2A

FUNCTIONS

Revenues, expenses & assets have been directly attributed to the following functions.															
FUNCTIONS	REVENUES			EXPENSES			OPERATING RESULT			GRANTS INCLUDE IN REVENUE		TOTAL ASSETS HELD *			
	Original Budget 2006 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	Original Budget 2006 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	Original Budget 2006 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000		
COUNCIL, COMMUNITY & COMMUNICATION (GOV)	2	4		986	875	925	(984)	(871)	(925)			28	6		
RESOURCE & ASSET MANAGEMENT	2,593	3,274	4,185	5,289	6,138	6,361	(2,696)	(2,864)	(2,176)			34,644	34,819		
STRATEGIC TOWN PLANNING	141	120	115	710	647	549	(569)	(527)	(434)		10	17	16		
BUILT ENVIRONMENT	1,186	1,120	991	1,422	1,359	1,384	(236)	(239)	(393)			139	224		
NATURAL ENVIRONMENT	126	115	114	1,057	1,590	1,500	(931)	(1,475)	(1,386)	75	79	26,860	26,882		
PUBLIC HEALTH	3,880	4,006	3,987	4,970	4,375	4,387	(1,090)	(369)	(400)	22	24	1,086	988		
COMMUNITY SAFETY	59	79	85	1,306	1,483	1,402	(1,247)	(1,404)	(1,317)			218	529		
COMMUNITY DEVELOPMENT & SERVICES	1,164	1,190	1,169	2,104	2,613	2,049	(940)	(1,423)	(880)	604	629	3,871	3,907		
LIBRARY & INFORMATION	155	197	165	1,664	1,671	1,550	(1,509)	(1,474)	(1,385)	97	73	6,244	6,178		
PARKS, RECREATION & CULTURE	709	899	561	2,806	3,108	2,979	(2,097)	(2,209)	(2,418)	290	50	244,970	244,059		
TRANSPORT & TRAFFIC	2,778	3,193	2,090	4,037	3,651	3,450	(1,259)	(458)	(1,360)	177	137	117,488	117,787		
ECONOMIC DEVELOPMENT	2	4	1	201	140	128	(199)	(136)	(127)						
TOTAL FUNCTIONS	12,795	14,201	13,463	26,552	27,650	26,664	(13,757)	(13,449)	(13,201)	1,265	1,002	435,565	435,395		
General Purpose Revenues	13,446	13,284	12,799				13,446	13,284	12,799	715	686				
TOTAL	26,241	27,485	26,262	26,552	27,650	26,664	(311)	(165)	(402)	1,980	1,688	435,565	435,395		

*CURRENT ASSETS HAVE BEEN PLACED WITHIN THE RESOURCE & ASSET MANAGEMENT FUNCTION AS THEY CANNOT BE RELIABLY ATTRIBUTED TO SPECIFIC FUNCTIONS

NOTE 2(b)**COMPONENTS OF FUNCTIONS**

The activities relating to the Council's functions reported on in Note 2(a) are as follows:

COUNCIL, COMMUNITY AND COMMUNICATION

Council Secretariat and Civic Involvement, Public Accountability, Governance & Communication.

RESOURCE & ASSET MANAGEMENT

Finance & Corporate Assets, Information and Communication Systems, Insurance & Risk Management, Human Resources, Emergency Management.

STRATEGIC TOWN PLANNING

Zoning Framework, Planning Policy Development, Heritage Planning, Land Use Management Planning, Housing Strategy.

BUILT ENVIRONMENT

Development Administration.

NATURAL ENVIRONMENT

Atmospheric Environment, Water Cycle Management, Biodiversity, Trees, Land Management & Noise.

PUBLIC HEALTH

Waste Minimisation and Management, Cleansing, Disease Prevention, Companion Animals.

COMMUNITY SAFETY

Community Involvement in Crime Prevention Strategies, Combating Offences Safety Construction, Emergency Services, Safety Patrols, Stormwater Drainage.

COMMUNITY DEVELOPMENT & SERVICES

Community Involvement, Children/Family, Youth, Older People, People with Disabilities, Early Childhood Health, Safe Communities, Aboriginal Culture, Heritage and Reconciliation.

Note 2(b) -Components of Functions continued

LIBRARY & INFORMATION

Library Resources, Library Services, Library Information Technology, Library Building, Education, Local Studies, Community Information, Mosman Website.

PARKS, RECREATION & CULTURE

Parks, Gardens & Civic Spaces, Sporting Fields & Facilities, Beaches, Sea Pools & Foreshores, Cultural Development, Gallery Exhibitions & Activities, Community Arts, Crafts & Activities, Community Events, Friend ship Agreements.

TRANSPORT & TRAFFIC

Roads, Facilities, Traffic Management, Pedestrians, Bicycles, Public Transport.

ECONOMIC DEVELOPMENT

Business & Employment, Marketing Mosman, Regional Economic Development.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 3 - REVENUES

RATES & ANNUAL CHARGES	2006 \$'000	2005 \$'000
<u>Ordinary Rates</u>		
Residential	10,992	10,569
Business	1,214	1,187
	<u>12,206</u>	<u>11,756</u>
<u>Special Rates</u>	-	-
<u>Annual Charges</u>		
Domestic Waste Management	3,369	3,316
	<u>3,369</u>	<u>3,316</u>
Total Rates & Annual Charges	<u>15,575</u>	<u>15,072</u>
USER CHARGES & FEES		
<u>User Charges</u>		
Domestic Waste Management	16	15
Lease Rental (Property)	770	674
Meals On Wheels	90	79
Road Restoration	690	274
Staff Vehicle Leases	83	86
Market Days	92	89
Out of School Hours Care	137	105
Vacation Care	59	53
Cultural Centre Rental	98	87
Oval Rents	101	62
Reserve Rents	79	81
Childrens Leisure & Learning	17	24
Library - Photocopying	17	20
Mosman Occasional Child Care Centre	139	130
Mini Skips	36	25
Community Restaurant	30	25
Vehicular Crossing	32	18
Kidzone - Vacation	28	29
Depot Hire	-	4
Civic Centre - Photocopying	7	10
Family Day Care	-	3
Occasional Child Care	7	11
Dinghy Storage Racks	28	21
Other Waste Management	379	391
Other	116	103
	<u>3,051</u>	<u>2,419</u>
<u>Fees</u>		
Planning & Building	1,825	1,613
Art Prize Fees	27	26
Other	108	103
	<u>1,960</u>	<u>1,742</u>
Total User Charges & Fees	<u>5,011</u>	<u>4,161</u>

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MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 3 - REVENUES (cont)

	2006 \$'000	2005 \$'000
INVESTMENT REVENUES		
Interest on overdue rates & charges	37	30
Interest on cash assets & investments		
externally restricted	19	10
internally restricted	57	
unrestricted	269	327
Premiums recognised on financial instruments		-
Amortisation of discounts and premiums		-
Gross Investment Revenues	<u>382</u>	<u>367</u>
Less: Interest deducted from		
capitalised borrowing costs		
Total Investment Revenues	<u>382</u>	<u>367</u>
OTHER REVENUES		
Commissions & Agency Fees	26	15
Certificate Fees	209	182
Fair value adjustments - investment property	(165)	1,032
Fines	1,291	1,130
Footpath Occupation	64	52
Lease Rental	62	56
Legal Fees Recovery (Rates)	22	20
Rental Income(Investment Prop)	1,704	1,685
Other	49	96
Total Other Revenues	<u>3,262</u>	<u>4,268</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 3 - REVENUES (cont)

	<u>Notes</u>	OPERATING		CAPITAL	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
GRANTS					
General Purpose (Untied)					
Financial Assistance		648	616		
Pensioner Rates Subsidies (General)		67	70		
Specific Purpose					
Pensioner Rates Subsidies					
Domestic Waste Management		22	24		
Community Services		604	629		
Library Services		77	58	19	15
Roads & Bridges		96	95		
Recreation & Culture		24	57	80	75
Traffic Facility		43	42		
Seawalls		-	-	225	-
Housing & Community Amenities		30	7	45	
Total Grants & Subsidies		1,611	1,598	369	90
Comprising:					
- Commonwealth funding		648	616		
- State funding		963	982	369	90
- Other funding					
		1,611	1,598	369	90
CONTRIBUTIONS & DONATIONS					
Developer Contributions					
Section 94-Parking	17			67	80
Section 94-Open Space	17			509	443
Section 94A levies	17				
Planning agreements	17				
Subdivider dedications	11				
Section 64					
Water	17				
Sewer	17				
Stormwater	17				
RTA Contributions		90	47	174	14
Traffic Facility					1
Transport & Communication		6	7	181	
Community Development		28	30		
Recreation & Culture		23	4		16
Other Councils - Joint Works					
Paving					
Kerb & Gutter					
Other		10			
Total Contributions & Donations		157	88	931	554
TOTAL GRANTS & CONTRIBUTIONS		1,768	1,686	1,300	644

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 3 - REVENUES (cont)

CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2006 \$'000		2005 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
Unexpended at the close of the previous reporting period	60	310	232	125
Summarised as follows:				
Community Services-Family First	15		86	
Stormwater			105	
Beat Graffiti-Youth			5	
Recreation & Culture	13		15	
Health			20	
Library	1		1	
Youth	19			
Community Services	12			
Developer Contributions - Open Space		310		125
Less: expended during the current period from revenues recognised in previous reporting periods				
Community Services-Family First	15		71	
Stormwater			105	
Youth			5	
Recreation & Culture	13		2	
Library	1			
Youth	19			
Community Services	12			
Health				
Subtotal	0	310	29	125
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
Youth			19	
Community Services	12		12	
Library	15			
Recreation & Culture	175			
Housing & Community Amenities	40			
Roads & Bridges	89			
RTA	27			
Developer Contributions - Open Space		212		185
Subtotal	358	212	31	185
Unexpended at the close of this reporting period and held as restricted assets	358	522	60	310
Net increase (decrease) in restricted assets in the	298	212	-172	185

OPERATING LEASES providing revenue to the Council

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property above.

Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also included above. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

Lessee's commitments under all non-cancellable lease agreements, including those relating to Investment property, are as follows:

	2006 \$'000	2005 \$'000
Not later than one year	1,755	1,735
Later than one year and not later than 5 years	9,595	9,482
Later than 5 years		
	<u>11,350</u>	<u>11,217</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 4 - EXPENSES

EMPLOYEE COSTS	2006 \$'000	2005 \$'000
Salaries and Wages	8,620	8,362
Travelling	93	79
Employee Leave Entitlements	1,237	1,197
Superannuation - defined contribution plan contributions	748	680
Superannuation - defined benefit plan contributions	103	-
Workers' Compensation Insurance	185	259
Fringe Benefits Tax	61	53
Training Costs (excluding Salaries)	107	88
Other	11	12
Less: Capitalised and distributed costs	(82)	(92)
Total Operating Employee Costs	11,083	10,638
Total Number of Employees	167	165
(Full time equivalent at end of reporting period)		
BORROWING COSTS		
Interest on Overdraft	1	1
Interest on Loans	390	365
Interest on other debts	24	
Gross Interest Charges	415	366
Less: Borrowing Costs capitalised		
Total Interest Charges	415	366
MATERIALS & CONTRACTS		
Raw materials & consumables	206	221
Contractor and consultancy costs		
Bushcare	451	459
Tree Pruning/Removal	154	163
Parks, Gdns & Civic Spaces	439	432
Cleansing	1,589	1,515
Recreational Facilities	256	246
Waste Management	2,049	2,193
Infrastructure	778	559
Structures	388	415
Aged Services	111	118
Plant Running	136	138
Other	1,000	855
Auditor's Remuneration		
- Audit Services	22	20
- Other Services		
- Other Auditors		
Consultancies	173	220
Legal Expenses		
- Planning & Development	386	366
- Other Legal Expenses	170	131
Operating Lease	138	151
Printing & Stationery	157	133
Total Materials & Contracts	8,603	8,335

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 4 - EXPENSES (cont)

	2006 \$'000	2005 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Plant and Equipment	150	152
Office Equipment	79	112
Furniture & Fittings	19	20
Land Improvements	283	297
Buildings	369	294
Other Structures	6	8
Infrastructure		
- roads, bridges & footpaths	1,621	1,612
- stormwater drainage	480	477
Other assets		
- heritage collections	-	
- library books	124	119
- other	206	194
Less: Capitalised and distributed costs		
Total Depreciation, Amortisation & Impairment	3,337	3,285

Allocation between Depreciation & Amortisation, and Impairment is shown in Note 9.

OTHER EXPENSES

Advertising	231	203
Bad and Doubtful Debts	51	31
Bank & Financial Services	40	72
Catering	76	73
Computer/IT Services	398	376
Donations & Contributions to Local & Regional Bodies	327	312
Equipment Maintenance	44	49
Insurances	620	578
Leases (Property)	37	38
Leases (Photocopiers)	74	61
Light, Power & Heating	194	177
Mayoral Allowance	29	28
Members' Fees & Allowances	161	155
Members' Expenses	60	51
Payments to other levels of Government	888	791
Postage & Couriers	79	89
Street Lighting	346	302
Subscriptions & Publications	55	64
Telephone & Communications	138	155
Waste Disposal & Recycling Centre	135	132
Water	56	62
Other	173	189
Total Other Expenses	4,212	3,988

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2006 \$'000	2005 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	191	13
Less: Carrying amount of assets sold		-
Gain (Loss) on disposal	<u>191</u>	<u>13</u>
DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT		
Proceeds from disposal	311	569
Less: Carrying amount of assets sold	374	634
Gain (Loss) on disposal	<u>(63)</u>	<u>(65)</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>128</u>	<u>(52)</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2006 \$'000		2005 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH & CASH EQUIVALENTS				
Cash on Hand and at Bank	419		218	
Deposits at Call			-	
Short Term Deposits & Bills, etc	4,050		4,950	
Other			-	
Total Cash & Cash Equivalents	<u>4,469</u>		<u>5,168</u>	
INVESTMENT SECURITIES				
Term Deposits				
Bills of Exchange				
Treasury Corporation				
NCDs, FRNs, CDOs				
Managed Funds				
Other				
Total Investment Securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES	<u>4,469</u>	<u>-</u>	<u>5,168</u>	<u>-</u>

Cash Assets comprise highly liquid investments convertible to known amounts of cash with short periods to maturity subject to insignificant risk of changes of value.

The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 15 July 2005, and may broadly be described as "Trustee Securities". Accordingly, credit risk is considered to be insignificant. Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 5.45% and 6.02% (2005-5.41% & 5.89%).

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	2006 \$'000		2005 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
EXTERNAL RESTRICTIONS				
Included in liabilities				
Unexpended Loans				
RTA Advances				
Self Insurance Claims				
Other				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other				
Developer Contributions 17	522		310	
RTA Contributions				
Unexpended Grants/Contributions 3	358		60	
Water Supply funds	-	-		
Sewerage funds	-	-		
Domestic Waste Management	160		249	
Other				
	<u>1,040</u>	<u>-</u>	<u>619</u>	<u>-</u>
Total External Restrictions	<u>1,040</u>	<u>-</u>	<u>619</u>	<u>-</u>
Total Internal Restrictions	<u>2,372</u>	<u>-</u>	<u>2,922</u>	<u>-</u>
TOTAL UNRESTRICTED	<u>1,057</u>	<u>-</u>	<u>1,627</u>	<u>-</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES	<u>4,469</u>	<u>-</u>	<u>5,168</u>	<u>-</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	2006		2005	
	Current	Non-Current	Current	Non-Current
Cash Assets	4,469	-	5,168	-
Investment Securities	-	-	-	-
TOTAL CASH ASSETS & INVESTMENT SECURITIES	4,469	-	5,168	-
External Restrictions	1,040	-	619	-
Internal Restrictions	2,372	-	2,922	-
Unrestricted	1,057	-	1,627	-
	4,469	-	5,168	-

DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

Notes	Opening Balance 30 June 2005	Movements		Closing Balance 30 June 2006
		Transfers To Restriction	Transfers From Restriction	
	\$'000	\$'000	\$'000	\$'000
External Restrictions				
Included in liabilities				
Unexpended Loans	-	-	-	-
RTA Advances	-	-	-	-
Self Insurance Claims	-	-	-	-
Other	-	-	-	-
Other				
Developer Contributions	310	595	383	522
RTA Contributions	-	-	-	-
Unexpended Grants/Contributions	60	358	60	358
Water Supply funds	-	-	-	-
Sewerage funds	-	-	-	-
Domestic Waste Management	249	-	89	160
Other	-	-	-	-
Total External Restrictions	619	953	532	1,040
	619	953	532	1,040

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

Internal Restrictions

Employee Leave Entitlements	500	-	-	500
Uncompleted Works	183	415	183	415
Deposits & Bonds	900	-	-	900
Library Air Conditioning	110	115	79	146
Inkerman Street Wharf	26	-	26	-
Community Environmental Contract	1,071	-	721	350
Balmoral/Clifton Gardens Marine	50	-	50	-
Asset Management System	50	-	41	9
Civic Centre Security	22	25	5	42
Balmoral Bathes Fire Consultancy	10	-	-	10
Total Internal Restrictions	2,922	555	1,105	2,372

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 7 - RECEIVABLES

	2006 \$'000		2005 \$'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	288	99	266	55
Interest & Extra Charges	16		12	
Rates Legals	7		3	
User Charges & Fees	1,489		973	
Accrued Revenues - Fines	553		410	
GST Receivable	135		200	
Investment Income	22		21	
Other levels of Government	304		134	
Joint Ventures			74	
Other	362		250	
Total	3,176	99	2,343	55
Less: Allowance for Doubtful Debts				
User Charges & Fees	329		301	
Other	32		9	
Total Receivables	2,815	99	2,033	55

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2005: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Other levels of Government

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

Other Receivables

Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

RESTRICTED RECEIVABLES

Domestic Waste Management	88		82	
Other				
Total Restrictions	88	-	82	-
Unrestricted Receivables	2,727	99	1,951	55
Total Receivables	2,815	99	2,033	55

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 8 - INVENTORIES & OTHER ASSETS

	2006 \$'000		2005 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	57		59	
Trading Stock	45		45	
Total Inventories	<u>102</u>	<u>-</u>	<u>104</u>	<u>-</u>
<i>Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.</i>				
OTHER ASSETS				
Prepayments	101		131	
Total Other Assets	<u>101</u>	<u>-</u>	<u>131</u>	<u>-</u>

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MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2005 \$'000				RYING AMOUNT MOVEMENTS DURING \$'000				2005 \$'000		
	AT COST	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	AT COST	ACCUM DEPN	CARRYING AMOUNT		
Plant & Equipment	2,129	763	1,366	436	(375)	(150)	2,090	(813)	1,277		
Office Equipment	2,620	2,424	196	43	-	(79)	2,663	(2,503)	160		
Furniture & Fittings	859	475	384	24	-	(19)	883	(494)	389		
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-		
Land											
- Operational	111,966	-	111,966	1,036	-	-	113,002	-	113,002		
- Community	102,193	-	102,193	-	-	-	102,193	-	102,193		
- non deprec land improv'ts	-	-	-	-	-	-	-	-	-		
- land under roads	-	-	-	-	-	-	-	-	-		
Land Improvements - depreciable											
Buildings	9,885	2,934	6,951	154	-	(283)	10,039	(3,217)	6,822		
Other Structures	31,867	3,651	28,216	351	-	(369)	32,338	(4,140)	28,198		
Infrastructure	154	76	78	-	-	(6)	154	(82)	72		
- Roads, bridges, footpaths	161,307	43,785	117,522	1,300	-	(1,621)	162,607	(45,406)	117,201		
- Bulk earthworks (non-deprec.)	-	-	-	-	-	-	-	-	-		
- Stormwater drainage	48,000	21,821	26,179	370	-	(480)	48,370	(22,301)	26,069		
- Water Supply Network	-	-	-	-	-	-	-	-	-		
- Sewerage Network	-	-	-	-	-	-	-	-	-		
Other Assets	-	-	-	-	-	-	-	-	-		
- Heritage Collections	-	-	-	-	-	-	-	-	-		
- Library Books	2,596	2,147	449	155	-	(124)	2,751	(2,271)	480		
- Other	3,936	2,078	1,858	236	-	(206)	4,172	(2,284)	1,888		
Future Reinstatement Costs	-	-	-	-	-	-	-	-	-		
- Tips	-	-	-	-	-	-	-	-	-		
- Quarries	-	-	-	-	-	-	-	-	-		
Totals	477,512	80,154	397,358	4,105	(375)	(3,337)	481,262	(83,511)	397,751		

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 10 - LIABILITIES

	2006 \$'000		2005 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods & Services	1,605		1,359	
Payments received in advance	31		49	
Accrued Expenses - Interest on Loans	33		37	
Accrued Expenses - Interest on Other	24		-	
Deposits, Retentions & Bonds	4,256		4,439	
Total Payables	5,949	-	5,884	-
BORROWINGS				
Bank Overdraft			-	
Loans	982	5,252	890	5,891
Deferred Payment Liabilities	323	1,487	130	1,040
Total Borrowings	1,305	6,739	1,020	6,931
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>				
PROVISIONS				
Annual Leave	1,142		1,050	
Long Service Leave	1,354	113	1,270	112
Total Provisions	2,496	113	2,320	112

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

NOTE 10 - LIABILITIES (cont)

	2006 \$'000		2005 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS				
	2,496	113	2,320	112

(1) **LIABILITIES relating to RESTRICTED ASSETS**

Domestic Waste Management

Payables	-	-	-	-
Interest Bearing Liabilities	-	-	-	-
Provisions	-	-	-	-
Subtotal	-	-	-	-

Other

Payables	24	-	-	-
Interest Bearing Liabilities	323	-	-	-
Provisions	-	-	-	-
Subtotal	347	-	-	-
TOTAL	347	-	-	-

(2) **Current Liabilities not anticipated to be settled within the next 12 months**

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months;

	2006	2005
Employee Leave Entitlements	1,428	1,339
Security Bonds, Deposits & Retentions	3,606	3,709
	<u>5,034</u>	<u>5,048</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2006 \$'000	2005 \$'000
Total Cash Assets (Note 6)	4,469	5,168
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	<u>4,469</u>	<u>5,168</u>

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Operating Result from Income Statement	(165)	(402)
Add: Depreciation and Amortisation	3,337	3,286
Increase in provision for doubtful debts	51	31
Increase in employee benefits provisions	177	332
Decrease in inventories	2	-
Decrease in other assets	30	-
Increase in trade creditors	-	440
Fair value adjustments as revenue items	165	-
Loss on Sale of Assets	-	52
	<u>3,597</u>	<u>3,739</u>
Less:	-	-
Increase in receivables	661	143
Increase in inventories	-	5
Increase in other assets	140	61
Gain on Sale of Assets	128	-
Equity share of profit in Associates	59	64
Fair value adjustments as revenue items	-	1,032
Net Cash provided by (or used in) operations	<u>2,609</u>	<u>2,434</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2006 \$'000	2005 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- PWD Construction	-	
- Bushfire Grants	-	
- Developer Contributions received in kind	-	
- Non-cash issues of Shares in Other Companies	-	
- Estimated future reinstatement, etc costs	-	
- Other	963	
	<u>963</u>	<u>-</u>
- Finance Leases	-	
- Land taken over for non-payment of Rates	-	
	<u>963</u>	<u>-</u>

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts		
Total Facilities	90	90
Corporate Credit Cards	61	38

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 12 - COMMITMENTS FOR EXPENDITURE

	2006 \$'000	2005 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	500	875
Construction of Investment Property		
Buildings		
Plant & Equipment		158
	<u>500</u>	<u>1,033</u>
These expenditures are payable:		
Not later than one year	500	333
Later than one year and not later than 5 years		700
Later than 5 years		
	<u>500</u>	<u>1,033</u>

Commitments for Capital Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(b) Other Expenditure Commitments

Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	24	23
Waste Management Services	15,652	14,093
Repairs & maintenance - Investment Property		
Other		
	<u>15,676</u>	<u>14,116</u>
These expenditures are payable:		
Not later than one year	2,444	2,202
Later than one year and not later than 5 years	13,232	11,914
Later than 5 years		
	<u>15,676</u>	<u>14,116</u>

Commitments for other Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(c) Finance Lease Commitments

Commitments under finance leases at the reporting date are as follows:

Not later than one year		
Later than one year and not later than 5 years		
Later than 5 years		
Minimum lease payments	-	-
Less: future finance charges		
Net Lease Liability	-	-
Representing lease liabilities:		
Current	-	-
Non-Current	-	-

No Joint Ventures or Partnerships have any finance lease arrangements.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2006 \$'000	2005 \$'000
(d) Operating Lease Commitments (Non-Cancellable)		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	190	184
Later than one year and not later than 5 years		
Later than 5 years		
	<u>190</u>	<u>184</u>

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

Contingent rental payments exist in relation to the lease of one grader if utilisation exceeds 250 hours during any month. No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased. No lease contains any escalation clause

Commitments for Operating Lease Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(e) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:

Not later than one year	675	486
Later than one year and not later than 5 years	1,768	1,030
Later than 5 years		
	<u>2,443</u>	<u>1,516</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2006 Indicators</u>	2005	2004	2003
Current Ratio					
<u>Current Assets</u>	\$7,487	0.77:1	0.81:1	0.91:1	
Current Liabilities	\$9,750				
Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$6,359	1.46:1	1.61:1	1.63:1	1.76:1
Current Liabilities not relating to Restricted Assets	\$4,369				
Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$1,635	6.51%	5.11%	4.18%	3.19%
Operating Revenue	\$25,132				
Rate & Annual Charges Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$15,575	56.67%	59.74%	48.14%	59.20%
Total Revenues	\$27,485				
Rates & Annual Charges Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$410	2.57%	2.18%	2.05%	1.60%
Rates & Annual Charges Collectible	\$15,948				

Detailed methods of calculation of these indicators is defined in the Code.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 14 - INVESTMENT PROPERTY

	2006 \$'000	2005 \$'000
At fair value		
Opening balance at 1 July	30,080	29,048
Net gain (loss) from fair value adjustment	<u>-165</u>	<u>1,032</u>
Closing balance at 30 June	<u>29,915</u>	<u>30,080</u>
Amounts recognised in profit and loss		
Rental income	1,704	1,685
Outgoings recouped	<u>7</u>	<u>7</u>
	1,711	1,692
Repairs, maintenance & other operating expenses		
- <i>property generating rental income</i>	<u>-43</u>	<u>-43</u>
	<u>1,668</u>	<u>1,649</u>

Valuation basis

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date.

The 2006 valuation was made by Mr Anthony St Leon, AAPI AICV, of Egan National Valuers (2005 - same).

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 15 - FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

2006	Floating Interest Rate '000	Fixed interest maturing in ≤ 1 year '000	> 1 year ≥ 5 years '000	> 5 years '000	Non- interest bearing '000	Total '000
Financial Assets						
Cash Assets	4,469	-	-	-	-	4,469
Investment Securities	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Rates & Annual Charges	-	288	99	-	23	410
User Charges & Fees	-	-	-	-	1,160	1,160
Accrued Revenues-Fines	-	-	-	-	553	553
GST Receivable	-	-	-	-	135	135
Investment Income	-	22	-	-	-	22
Other levels of Govt.	-	-	-	-	304	304
Other	-	-	-	-	330	330
Other Financial Assets	-	-	-	-	-	-
Total	4,469	310	99	-	2,505	7,383
Weighted Average Interest Rate		5.7%	9%			
Financial Liabilities						
Payables						
Goods & Services	-	-	-	-	1,605	1,605
Payments in advance	-	-	-	-	31	31
Accrued Expenses-Int on Loans	-	33	-	-	-	33
Accrued Expenses-Int on Other	-	24	-	-	-	24
Deposits, Retentions, Bonds	-	-	-	-	4,256	4,256
Other	-	-	-	-	-	-
Interest Bearing Liabilities	-	1,305	6,247	492	-	8,044
Finance Lease Liabilities	-	-	-	-	-	-
Total	-	1,362	6,247	492	5,892	13,993
Weighted Average Interest Rate		6.06%	6.10%	6.25%		
NET FINANCIAL ASSETS (LIABILITIES)	4,469	(1,052)	(6,148)	(492)	(3,387)	(6,610)

2005 Comparatives

In accordance with AASB 1.36A, comparative figures are not presented for the first year of adoption of Australian equivalents to International Financial Reporting Standards.

Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Note 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the State of New South Wales, and there is no material exposure to any individual debtor.

Reconciliation of Financial Assets & Liabilities

	2006 \$'000	2005 \$'000
Net financial assets from previous page		
Financial Assets	7,383	7,256
Financial Liabilities	13,993	13,835
	<u>-6,610</u>	<u>-6,579</u>
Non-financial assets and liabilities		
Inventories	102	104
Property, Plant & Equipment	397,751	397,358
Investment Property	29,915	30,080
Interest in Associated Bodies	313	466
Other Assets	101	131
Accrued Expenses	0	0
Provisions	-2,609	-2,432
Other liabilities	0	0
	<u>425,573</u>	<u>425,707</u>
Net Assets per Statement of Financial Position	<u>418,963</u>	<u>419,128</u>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 16 - Significant Variations to Budget

Line items with a differential of greater than 10% to original budget

User Charges & Fees - This line item varies from the original budget by **\$1.637M** (24.6%) as \$1.704M revenue from investment properties was reallocated to the other revenue line item

Interest Revenues - This line item exceeds the original budget by **\$57K** (17.5%)
This can be attributed to a greater than anticipated investment base with the anticipated increase reported to Council throughout the year.

Other Revenues - This line item exceeds the original budget by **\$1.683M** (106.6%) as \$1.704M revenue from investment properties was reallocated to this line item rather than the budgeted User Charges & Fees

Grants & Contributions - Operating - This line item exceeds the original budget by **\$279K** (18.7%) and this can in the main be attributed to Aged Services funding exceeding budget by **\$72K** together with Library grants exceeding budget by **\$45K** and the receipt of an unbudgeted Creek Rehabilitation grant of **\$30K**.

Grants & Contributions - Capital - This line item exceeds the original budget by **\$576K** (80%)
This in the main can be attributed to greater S94 Open Space Contributions than those estimated **\$204K**, additional funds regarding Roads to Recovery **\$100K** together with **\$225K** Seawall Grant funds that were unbudgeted.

Profit from Disposal of Assets - This line item exceeds the original budget by **\$75K** (141%) and relates to greater than anticipated proceeds from asset sales.

Materials & Contractors - This line item exceeds the original budget by **\$1,443M** (20%)
This can be attributed to costs associated with Audit Fees \$22K, Consultancies \$173K, Legals \$556K, Operating Lease \$138K, Printing & Stationery \$157K that were budgeted against the Other Expenses category.
Legal costs associated with Land & Environment Court exceeded original budget by \$186K.

Other Expenses - This line item varies from the budget by **\$482K** (10.2%).
This can be attributed to costs budgeted against this item being reallocated to Materials & Contractors. It should be noted that within this line item Council's Fire Brigade Contribution exceeded the original budget by \$67K.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENSE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	WORKS PROVIDE D TO DATE
		CASH	NON-CASH					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage								
Roads								
Traffic Facilities								
Parking		67			67			1,123
Open Space	310	509		19	316		522	1,614
Community facilities								
Other								
Subtotal S94 under plans	310	576		19	383		522	2,737
Sec 94 not under plans								
Sec 94A levies								
Planning Agreements								
Sec 64 Contributions								
Total Contributions	310	576		19	383		522	2,737

Note: The above summary of contribution plans represents the total of Council's individual contribution plans. Individual plan details are shown below.

OPEN SPACE & CAR PARKING

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENSE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	WORKS PROVIDE D TO DATE
		CASH	NON-CASH					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage								
Roads								
Traffic Facilities								
Parking		67			67			1,123
Open Space	310	509		19	316		522	1,614
Community facilities								
Other								
Total	310	576		19	383		522	2,737

N37

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 18 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

HIH Insurance

Council's public risk insurance cover in previous years was insured or re-insured with a member of the HIH Insurance group of companies.

At reporting date, there are no known claims outstanding from that period.

Statewide Mutual

Council is a member of Statewide Mutual, an organisation formed for the purchase and management of certain insurances on behalf of its members. Council is liable to contribute its proportionate share of any shortfall arising through the scheme.

Statewide Mutual's Directors report that as at the reporting date, Mosman Council has no contingent liability to the scheme.

Details of an agreement between the Commonwealth and State Governments for the partial reimbursement of losses incurred were advised on 22 June 2004. Statewide Mutual is complying with the specified procedures but has not yet been advised whether its claim has been accepted.

Statecover Mutual Ltd

Council holds a partly paid share in Statecover Mutual Limited, a company providing workers compensation insurance cover for the Council. Council has a contingent liability to contribute further equity in the event of the capital base of the company.

Superannuation - Defined Benefits Schemes

The Local Government Superannuation Scheme - Pool B is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119. Sufficient information is not available to account for the Scheme as a defined benefits plan because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 18 March 2004 and covers the period ended 30 June 2003. It found that the Scheme's assets exceeded its past service liabilities by \$202M. This has resulted in Council's annual contributions being at half normal levels. The financial position is monitored annually.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES

Council participates in a number of cooperative arrangements with other Councils and other bodies. Depending on the extent of Council's interest and "control", these are set out in the following parts to this Note.

Note 19 (a) - Council's interest and "control" exceeds 50% of the cooperative organisation.

Note 19 (b) - Entities of which no one member has "control".

Note 19 (c) - Entities of which another member has "control".

Note 19 (d) - Joint venture operations not comprising an entity.

Note 19 (e) - Joint ventures not recognised.

(a) - Cooperative Organisations "Controlled" by Council

NIL

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 19 (b) - Entities not "Controlled" by any member

Shorelink Library Network	2006	2005
Council's respective interests are:		
- interest in outputs of the joint operation	13%	13%
- ownership interest in the joint operation	17%	17%
- the proportion of voting power in the joint operation	20%	20%
Movements in Investment in Joint Operation	\$'000	\$'000
Opening Balance	63	75
Amount recognised on adoption of AAS19		
New Capital Contributions		
Share in Operating Result	2	-12
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	65	63

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Expenditure Commitments

Expenditure committed for (including capital expenditure) at the reporting date but not recognised in the financial statements as liabilities:

Capital Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

Operating Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

Contingent Liabilities

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from Council's share of the joint operation

- arising from joint and several liability of all members

Revenues, expenses, assets and liabilities of these operations included within these reports in accordance with Australian Accounting Standard AAS 19 "Accounting for Interests in Joint Ventures" are summarised below. Reporting periods and accounting policies adopted by both joint operations conform to those adopted by Council. No events have occurred after balance date the financial effects of which may materially affect the financial or operating performance of the joint operations for the next reporting period.

	2006	2005
	\$'000	\$'000
Operating Statement		
Share of joint venture revenues in operating revenues	81	63
Share of joint venture costs in operating expenses	80	72
Net Contribution	1	-9
Statement of Financial Position		
Current Assets	34	43
Non-Current Assets	35	23
Share of Assets employed in Joint Ventures	69	66
Current Liabilities	4	2
Non-Current Liabilities	0	1
Share of Liabilities incurred in Joint Ventures	4	3
NET INTEREST IN JOINT VENTURES	65	63

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 19 (c) - Entities "controlled" by another member

Kimbriki Waste Disposal Facility	2006	2005
Council's respective interests are:		
- interest in outputs of the joint operation	4%	3%
- ownership interest in the joint operation	4%	4%
- the proportion of voting power in the joint operation	17%	17%
Movements in Investment in Joint Operation	\$'000	\$'000
Opening Balance	403	401
Amount recognised on adoption of AAS14		
New Capital Contributions		
Share in Operating Result	57	76
Distributions Received	-212	-74
Adjustment to Equity Share		
Share in Equity of Joint Operation	248	403

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Expenditure Commitments

Expenditure committed for (including capital expenditure) at the reporting date but not recognised in the financial statements as liabilities:

Capital Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

Operating Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

Contingent Liabilities

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from Council's share of the joint operation

- arising from joint and several liability of all members

Council's interest in these bodies has been accounted for in accordance with Australian Accounting Standard AAS 14 "Accounting for Investments in Associates" and is disclosed as "Interest in Associated Bodies". Reporting periods and accounting policies adopted by both joint operations conform to those adopted by Council. No events have occurred after balance date the financial effects of which may materially affect the financial or operating performance of the joint operations for the next reporting period.

	2006	2005
	\$'000	\$'000
Net Surplus (deficit) of Associates	57	76
Share of Assets employed in Associates	312	520
Share of Liabilities incurred in Associates	-64	-117
NET INTEREST IN ASSOCIATES	248	403

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

NOTE 21 - IMPACTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a result of the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005, the amounts shown in the comparative 2005 figures in these financial statements differ from the amounts shown in Council's 2005 Annual Financial Statements prepared under the then generally accepted accounting principles (GAAP).

The amounts shown in the 2005 comparatives are reconciled to Council's 2005 GAAP financial statements as follows:

	\$'000
(a) Reconciliation of Equity at 1 July 2004	
Equity 1 July 2004 in accordance with GAAP	403,876
1. Investment Property (AASB 140)	
Council has identified certain properties as Investment Properties and, pursuant to AASB 140.30 has elected to adopt the fair value model.	
Under GAAP these assets were recorded at cost.	
Net increase (decrease) in carrying value of Investment Property	15,686
2. Employee Benefits Provisions (AASB 117)	
Liabilities for employee benefits (other than long service leave) payable more than 12 months beyond reporting date, were measured under GAAP at nominal values, but are measured under AIFRS as the present value of the future cash outflows.	
Net (increase) decrease in provision for Employee Benefits	12
3. Capital Levy Write off (AASB108)	
Council has previously capitalised a capital levy paid as part of	
its annual workers compensation premium. Recent correspondence from	
StateCover indicates that the levy will not be returned to members & should be expensed	
Net increase (decrease) in Non Current Assets Other	(44)
Depreciation not previously recognised (expense)	0
Net change in opening Equity	15,654
Equity 1 July 2004 in accordance with AIFRS	419,530

(b) Reconciliation of 2005 Statement of Financial Position (GAAP) with 2005 comparative Balance Sheet (AIFRS)

4. Investment Property (AASB 140)	
Consequent on the decision in 1. above, the identified investment properties have been removed from Infrastructure, Property, Plant & Equipment and separately disclosed in the Balance Sheet. Subsequent movements include recognition at fair value at 1 July 2004, the reversal of depreciation charged in 2005 under GAAP and the change in fair value during the 2005 reporting period.	
Carrying value of Investment Property at 1 July 2004 removed from Infrastructure, Property, Plant & Equipment	(13,362)
Net fair value of Investment Property at 1 July 2004	29,048
Net increase (decrease) in fair value of Investment Property during year	1,032
Depreciation charged under GAAP now reversed	-
5. Employee Benefits Provisions (AASB 117)	
Liabilities for employee benefits (other than long service leave) payable more than 12 months beyond reporting date, were measured under GAAP at nominal values, but are measured under AIFRS as the present value of the future cash outflows.	
Net (increase) decrease in provision at 1 July 2004	-
Net (increase) decrease in 2005 reporting period expense	-

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

NOTE 21 (cont) - Transition to AIFRS

	Notes	GAAP \$'000	Adjustments \$'000	AIFRS \$'000
Current Assets				
Cash & Cash Equivalents		5,168		5,168
Investment Securities		-		-
Receivables		2,033		2,033
Inventories		104	-	104
Other		131		131
Non-current Assets held for sale		-		-
Non-current Assets				
Investment Securities		-		-
Receivables		55		55
Inventories		-	-	-
Investments accounted for using the equity method		466		466
Infrastructure, Property, Plant & Equipment		410,600	(13,242)	397,358
Investment Property		-	30,080	30,080
Intangible Assets		-		-
Other Non-current Assets		59	(59)	-
Total Assets		418,616	16,779	435,395
Current Liabilities				
Payables		2,175	3,709	5,884
Borrowings		1,020		1,020
Provisions		990	1,330	2,320
Non-current Liabilities				
Payables		3,709	(3,709)	-
Borrowings		6,931		6,931
Provisions		1,465	(1,353)	112
Total Liabilities		16,290	(23)	16,267
NET ASSETS		402,326	16,802	419,128
EQUITY				
Accumulated Surplus		402,326	16,802	419,128
TOTAL EQUITY		402,326	16,802	419,128

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

NOTE 21 (cont) - Transition to AIFRS

(c) Reconciliation of 2005 Statement of Financial Performance (GAAP) with 2005 comparative Income Statement (AIFRS)

8. Investment Property (AASB 140)

Consequent on the decision in 1. above, the AIFRS recognises the net change in fair value of Investment properties in the Income Statement (recognised through Asset Revaluation Reserve under GAAP), and does not charge depreciation on Investment Property carried at fair value.

Net increase (decrease) in fair value of Investment Property 1,032
Depreciation charged under GAAP now reversed.

	Notes	GAAP \$'000	Adjustments \$'000	AIFRS \$'000
REVENUES				
Rates & Annual Charges		15,072		15,072
User Charges & Fees		4,161		4,161
Investment Revenues		367		367
Other Revenues		3,236	1,032	4,268
Grants & Contributions - Operating		1,686		1,686
Grants & Contributions - Capital		644		644
Profit from Disposal of Assets		-	-	-
Profit from interests in Joint Ventures & Associates		64		64
Total Revenues		25,230	1,032	26,262
EXPENSES				
Employee Costs		10,634	4	10,638
Materials & Contracts		8,335	-	8,335
Borrowing Costs		366	-	366
Depreciation & Amortisation		3,405	(120)	3,285
Other Expenses		3,988		3,988
Loss from Disposal of Assets		52	-	52
Loss from interests in Joint Ventures & Associates		-	-	-
Total Expenses		26,780	(116)	26,664
Operating Result from continuing operations		(1,550)	1,148	(402)
Operating result from discontinued operations		-		-
Gain (loss) on restructure		-		-
NET OPERATING RESULT FOR YEAR		(1,550)	1,148	(402)

N44

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

NOTE 21 (cont) - Transition to AIFRS

(d) Reconciliation of Statement of Cash Flows

The adoption of AIFRS has not resulted in any material adjustments to the Statement of Cash Flows.

	AIFRS 30/6/2005 \$'000	Adjustments \$'000	AIFRS 1/7/2005 \$'000
Notes			
Accumulated Surplus	419,128		419,128
Asset Revaluation Reserves	-		-
Other Reserves	-		-
Minority Interest	-		-
TOTAL EQUITY	419,128	-	419,128

N45



SPENCER STEER
CHARTERED ACCOUNTANTS

MOSMAN COUNCIL

GENERAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

We have audited the *general purpose financial report* of Mosman Council for the year ended 30 June 2006, comprising the Statement by Councillors and Management, Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes to the Financial Statements. The financial statements include the consolidated accounts of the economic entity comprising the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council. In respect of the original budget figures disclosed in the Income Statement, Cash Flow Statement and Note 2(a), we have not examined the underlying basis of their preparation. Similarly, we have not examined the variations from the adopted budget disclosed in Note 16 and therefore express no opinion on them.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements under the Local Government Act 1993 so as to present a view which is consistent with our understanding of the Council's and the economic entity's financial position, the result of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion,

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
- (b) the general purpose financial report
 - (i) has been prepared in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
 - (ii) is consistent with the Council's accounting records; and
 - (iii) presents fairly the Council's financial position and the results of its operations
- (c) we have been able to obtain all the information relevant to the conduct of our audit; and
- (d) there were no material deficiencies in the accounting records or financial reports.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 4th day of October 2006



SPENCER STEER
CHARTERED ACCOUNTANTS

4 October 2006

The Mayor
Mosman Council
PO Box 211
SPIT JUNCTION NSW 2088

Mayor,

Audit Report - Year Ended 30 June 2006

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2006 and that all information required by us was readily available. We have signed and attached our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Reports.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

Australian equivalents to International Financial Reporting Standards (AIFRS) were applied for the first time in the preparation of Council's financial statements. The basis of the preparation is outlined in Note 1.1 of the financial statements. Reconciliations and explanations of the effect of the transition to AIFRS regarding the recognition, measurement and disclosure of assets and liabilities are disclosed in Note 21.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;



1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a deficit of \$165,000 as compared with a deficit of \$387,000 in the previous year.

The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2006 \$000	% of Total	2005 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	15,575	59%	15,072	59%	503
User charges, fees & other revenues	8,460	32%	8,493	33%	(33)
Grants & contributions provided for operating purposes	1,768	7%	1,686	7%	82
Interest & investment revenue	382	1%	367	1%	15
	26,185	100%	25,618	100%	567
Expenses					
Employee benefits & costs	11,083	40%	10,638	40%	445
Materials, contracts & other expenses	12,815	46%	12,375	46%	440
Depreciation, amortisation & impairment	3,337	12%	3,285	12%	52
Borrowing costs	415	2%	366	1%	49
	27,650	100%	26,664	100%	986
Surplus(Deficit) before capital items	\$ (1,465)		\$ (1,046)		\$ (419)
Grants & contributions provided for capital purposes	1,300		644		656
Net Surplus(Deficit) for the year	\$ (165)		\$ (402)		\$ 237

The table above shows an overall improvement over the previous year of \$237,000. Fluctuations of note consisted of;

- o rates levied increased by \$450,000 to \$12.206 million.
- o domestic waste management charges increased by \$53,000 to \$3.369 million.
- o user charges, fees and other revenues decreased by \$33,000. Apart from the fair value of investment properties which fell by \$165,000 as compared with a rise in value during 2005 of \$1.032 million user charges, fees and other revenues increased by \$1.164 million.

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.



	2006 \$000	2005 \$000
Funds were provided by:-		
Operating Result (as above)	(165)	(402)
Add back non funding items:-		
Depreciation, amortisation & impairment	3,337	3,285
- Book value of non current assets sold	374	634
- (Gain)Loss of fair value to investment properties	165	(1,032)
- (Surplus)Deficit in joint ventures	(59)	(64)
	3,652	2,421
New loan borrowings	1,313	1,300
Transfers from externally restricted assets (net)	0	154
Transfers from internal reserves (net)	550	400
Distributions from joint ventures	212	74
Net Changes in current/non current assets & liabilities	0	322
	5,727	4,671
Funds were applied to:-		
Purchase and construction of assets	(4,104)	(3,785)
Principal repaid on loans	(1,220)	(892)
Transfers to externally restricted assets (net)	(80)	0
Net Changes in current/non current assets & liabilities	(50)	0
	(5,454)	(4,677)
Increase(Decrease) in Available Working Capital	273	(6)

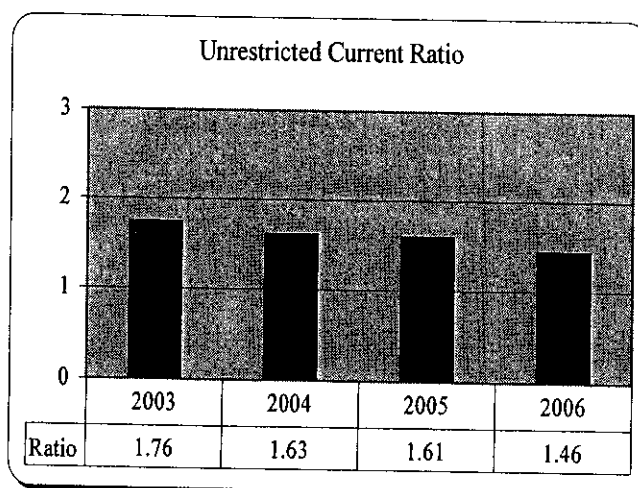
2. FINANCIAL POSITION

2.1 Current Ratios

The **Current Ratio** is a good indicator of the ability of a business to meet its debts and obligations as they fall due. Current liabilities exceeded current assets by \$2.263 million representing a factor of 0.77 to 1. Under the new accounting standards, applied for the first time, liabilities for payables such as employee leave entitlements, deposits and retentions are required to be disclosed as current liabilities irrespective of when these liabilities are expected to be paid.

The **Unrestricted Current Ratio** is a more specific financial indicator used in local government. Current assets & liabilities that are not expected to be paid/realised within the following 12 months & externally restricted assets are excluded from the above measure of liquidity.

The **Unrestricted Current Ratio** at the close of the year was **1.46 to 1** and it in fact represents the general funds of Council.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of *Available Working Capital*. Net Current Assets are adjusted by eliminating both external and internal reserves held for future purposes.

At the close of the year the Available Working Capital of Council stood at \$2.641 million as detailed below;

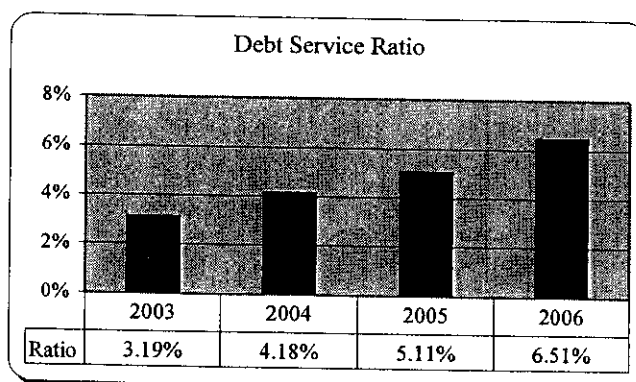
	2006	2005	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	(2,263)	(1,788)	(475)
<i>Add: Payables & provisions not expected to be realised in the next 12 months included above</i>	5,034	5,048	(14)
Adjusted Net Current Assets	2,771	3,260	(489)
<i>Add: Budgeted & expected to pay in the next 12 months</i>			
- Borrowings	1,305	1,020	285
- Employees leave entitlements	1,068	981	87
- Deposits & retention moneys	650	730	(80)
<i>Less: Externally restricted assets</i>	(781)	(701)	(80)
<i>Less: Internally restricted assets</i>	(2,372)	(2,922)	550
Available Working Capital as at 30 June	\$ 2,641	\$ 2,368	\$ 273

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2006 was satisfactory.

2.3 Debt

New borrowing taken up during the year amounted to \$1.313 million (2005 - \$1.3 million).

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 6.51% and as can be seen in the chart alongside reflects the increase in borrowings over past 3 years.



2.4 Summary

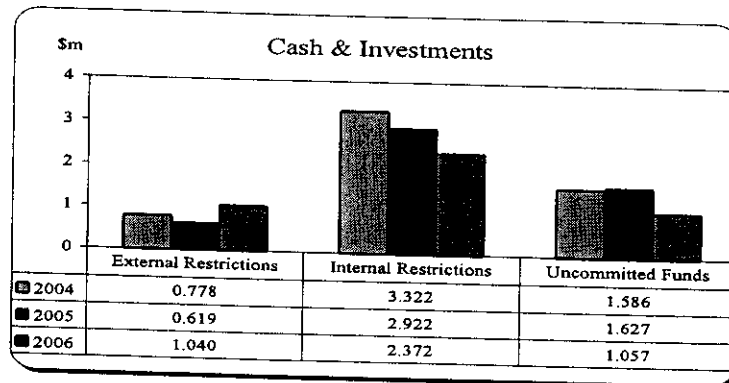
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$4.469 million as compared with \$5.168 million and \$5.686 million at the close of financial years 2005 and 2004 respectively.

The chart alongside summarises the purposes for which cash and investments were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended development contributions under Section 94 of \$522,000, domestic waste management charges of \$160,000 and specific purpose grants of \$358,000.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$2.372 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.057 million, which are available to provide liquidity for day to day operations.

3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that Cash Assets decreased by \$699,000 to \$4.469 million at the close of the year. In addition to operating activities which contributed net cash of \$2.609 million were the proceeds from the sale of assets (\$286,000), new loans (\$350,000) and distributions from joint venture operations (\$212,000). Cash outflows other than operating activities were used to repay loans (\$897,000) and deferred creditors (\$323,000), and to purchase and construct assets (\$2.936 million).

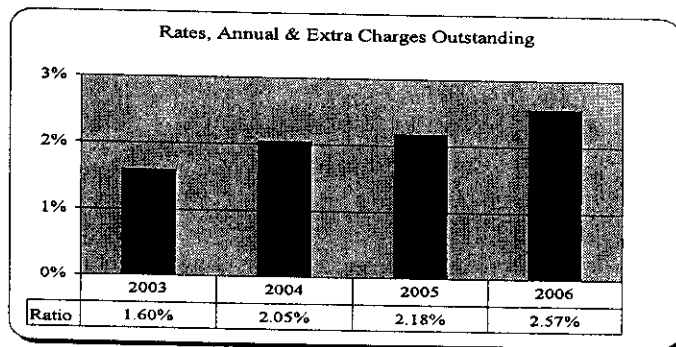
4. RECEIVABLES

4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$15.575 million and represented 56.67% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$15.896 million of which \$15.509 million (97.57%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$410,000 at the end of the year & represented 2.57% of those receivables.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$2.865 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$361,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.609 million. A cash reserve of \$500,000 was held at year end representing 19.16% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated terminations.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$4.256 million and a cash reserve was held amounting to \$900,000 representing 21.15% of this liability and was sufficient to meet anticipated repayments in the near future.

6. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,
SPENCER STEER
Chartered Accountants



N. MAH CHUT
 Partner

MOSMAN COUNCIL

Special Purpose Financial Reports and Special Schedules For the year ending 30 June 2006

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SPENCER STEER
CHARTERED ACCOUNTANTS

MOSMAN COUNCIL

SPECIAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

We have audited the *special purpose financial report* of Mosman Council for the year ended 30 June 2006, comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet of Business Activities, and accompanying Notes to the Financial Statements. The financial statements include the accounts of the declared business activities of the Council. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

The special purpose financial report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the result of their operations.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the special purpose financial report of the Council is presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 4th day of October 2006

MOSMAN COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO THE LOCAL GOVERNMENT CODE OF ACCOUNTING PRACTICE AND FINANCIAL REPORTING

The attached special purpose Financial Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

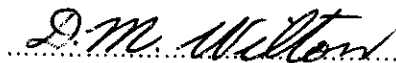
- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*"
- Department of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Department of Energy, Utilities and Sustainability "*Best Practice Management of Water Supply and Sewerage*" guidelines.

To the best of our knowledge and belief, these reports

- Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- Accord with Council's accounting and other records

We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 3 October 2006



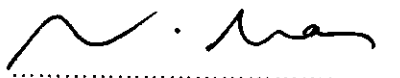
(Denise M Wilton)

MAYOR



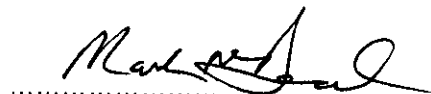
(Martin E Skipper)

DEPUTY MAYOR



(Vivian H R May, PSM)

GENERAL MANAGER



(Mark McDonald)

RESPONSIBLE ACCOUNTING OFFICER

MOSMAN COUNCIL
INCOME STATEMENT OF BUSINESS ACTIVITIES
As at 30 June 2006

	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2006	2005	2006	2005	2006	2005
EXPENSES FROM ORDINARY ACTIVITIES						
Employee costs	45	50	728	708	270	285
Materials & Contracts	22	20	2	9	112	112
Borrowing Costs	NIL	NIL	NIL	NIL	NIL	NIL
Depreciation & Amortisation	29	29	NIL	NIL	31	32
Other Operating Expenses	12	10	431	256	13	17
Loss on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
NCP Imputation Payments	92	92	NIL	NIL	23	23
TOTAL OPERATING EXPENSES	200	201	1,161	973	449	469
REVENUES FROM ORDINARY ACTIVITIES						
Rates & Annual Charges	NIL	NIL	NIL	NIL	NIL	NIL
User Charges & Fees	2,348	2,331	870	719	NIL	NIL
Interest Received	NIL	NIL	NIL	NIL	NIL	NIL
Grants & Contributions – Operating	NIL	NIL	NIL	NIL	NIL	NIL
Other Operating Revenues	-165	1,032	NIL	NIL	405	378
Gain on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL OPERATING REVENUES	2,183	3,363	870	719	405	378
ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS	1,983	3,162	-291	-254	-44	-91
Grants & Contributions – Capital	NIL	NIL	NIL	NIL	NIL	NIL
Abnormal Items	NIL	NIL	NIL	NIL	NIL	NIL
RESULT FROM ORDINARY ACTIVITIES	1,983	3,162	-291	-254	-44	-91
SURPLUS (DEFICIT) BEFORE TAX	1,983	3,162	-291	-254	-44	-91
Corporate Taxation Equivalent (based on Operating result before capital)	595	949	NIL	NIL	NIL	NIL
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER TAX	1,388	2,213	-291	-254	-44	-91
Opening Retained Profits	35,583	34,609	-143	-130	1,442	1,333
Adjustments for Amounts Unpaid	N/A	N/A	N/A	N/A	N/A	N/A
*Taxation Equivalent Payments	92	92	NIL	NIL	23	23
*Debt Guarantee Fee	NIL	NIL	NIL	NIL	NIL	NIL
*Corporate Taxation Equivalent	595	949	NIL	NIL	NIL	NIL
*Dividend Payment	-2,269	-2,280	NIL	NIL	NIL	NIL
*Equity Contribution	NIL	NIL	NIL	NIL	NIL	NIL
*Council subsidy	NIL	NIL	257	241	60	177
Closing Retained Profits	35,389	35,583	-177	-143	1,481	1,442
RETURN ON CAPITAL (%)	4%	6%	N/A	N/A	N/A	N/A
SUBSIDY FROM COUNCIL	NIL	NIL	257	241	60	177

MOSMAN COUNCIL
BALANCE SHEET BY BUSINESS ACTIVITIES
As at 30 June 2006

	2006 - \$'000					
	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2006	2005	2006	2005	2006	2005
CURRENT ASSETS						
Cash on hand and at bank	NIL	NIL	NIL	NIL	NIL	NIL
Investments	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	189	203	NIL	NIL	96	83
Inventories	NIL	NIL	NIL	NIL	NIL	NIL
Other	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL CURRENT ASSETS	189	203	NIL	NIL	96	83
NON CURRENT ASSETS						
Cash Assets	NIL	NIL	NIL	NIL	NIL	NIL
Investment Securities	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	NIL	NIL	NIL	NIL	NIL	NIL
Inventories	NIL	NIL	NIL	NIL	57	59
Investment Property	29,915	30,080	NIL	NIL	NIL	NIL
Property, Plant & Equipment	5,474	5,503	NIL	NIL	1,466	1,441
TOTAL NON CURRENT ASSETS	35,389	35,583	NIL	NIL	1,523	1,500
TOTAL ASSETS	35,578	35,786	NIL	NIL	1,619	1,583
CURRENT LIABILITIES						
Payables	189	203	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	80	63	40	39
TOTAL CURRENT LIABILITIES	189	203	80	63	40	39
NON CURRENT LIABILITIES						
Payables	NIL	NIL	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	97	80	98	102
TOTAL NON-CURRENT LIABILITIES	NIL	NIL	97	80	98	102
TOTAL LIABILITIES	189	203	177	143	138	141
NET ASSETS	35,389	35,583	-177	-143	1,481	1,442
EQUITY						
Accumulated Surplus	35,389	35,583	-177	-143	1,481	1,442
Asset Revaluation Reserve	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL EQUITY	35,389	35,583	-177	-143	1,481	1,442

NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 1

SIGNIFICANT ACCOUNTING POLICIES

A statement summarising the accounting policies adopted in the preparation of the SPFR for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and Department of Local Government. For the purposes of these statements, the council is not a reporting entity.

The statements have been prepared in accordance with the requirements of the following applicable Accounting Standards and other mandatory professional reporting requirements:

- AAS1 Profit and Loss or other Operating Statements
- AAS2 Inventories
- AAS4 Depreciation
- AAS5 Materiality
- AAS8 Events Occurring after Balance Date
- SAC1 Definition of a Reporting Entity

No other applicable Accounting Standards or mandatory professional reporting requirements have been applied.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been input for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the *"Application of National Competition Policy to Local Government"*. The *"Pricing & Costing for Council Businesses A Guide to Competitive Neutrality"* issued by the Department of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, council has declared that the following are to be considered as business activities:

Category 1

Name	Brief Description of Activity
Commercial Property Management	Property Rental Portfolio

Category 2

Name	Brief Description of Activity
Development Approvals	Local Development Management
Core Group(Private Works)	Private Works

(i) Taxation Equivalent Payments

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs. However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR. For the purposes of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

	Notional Rate Applied %
Corporate Tax Rate	30
Land Tax	1.4
Stamp Duty	N/A
Payroll Tax	N/A
Other Taxes or Charges	N/A

Income Tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (Operating Result before Capital Amounts) as would be applied by a private sector competitor - that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive Operating Result before Capital Amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations. The overall effect of subsidies is contained within the Operating Statement by Business Activities.

(iii) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities. Consequently, any form of dividend payment is purely notional.

DECLARED BUSINESS ACTIVITIES

Commercial Property Management

Takes into account Council's Commercial Property Portfolio and includes properties such as Mosman Square and Library Walk shops, Boronia House & Library Walk flats & Balmoral Bathers Pavilion.

Employee costs are broken down between Corporate Services administration staff and property managers.

Depreciation costs are those attributable to Council properties from Council's assets register.

All leave entitlements for this category have been fully expensed and paid to Mosman Council during the year.

The relevant Taxation Equivalent payment for this category is land tax.

Development Approvals

Takes into account the development approvals process within Council.

Employee costs are representative of those staff directly involved in the service. Other operating expenses includes rental, utility costs and a percentage of other operating expenses from Note 4 in the General Purpose Financial Reports.

No Depreciation expenses are attributable as the service is deemed to rent the office area concerned from Council.

Core Group (Private Works) Activities

Represents Council's core outdoor staff and the various contracts undertaken by the group during the financial year.

Depreciation expenses are attributable to Council's Depot & various plant items.

The relevant Taxation Equivalent payment for this category is land tax.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2006

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	985					985	
ADMINISTRATION		985			-		985
Corporate Support	4,437		128			4,309	
Engineering & Works	316		87			229	
Other Support Services	375		9			366	
PUBLIC ORDER & SAFETY		5,128			224		4,904
Statutory Contribution - Fire Service Levy	738					738	
Fire Protection - Other						-	
Animal Control	45		15			30	
Beach Control	62		35	34		(7)	
Enforcement of Local Govt Regulations	230		79			151	
Emergency Services	59					59	
Other	27		79			(52)	
HEALTH		1,161			242		919
Administration & Inspection	300					300	
Immunisations	14		10			4	
Food Control	25		22			3	
Insect/Vermin Control						-	
Noxious Plants	5					5	
Health Centres	8					8	
Other	26		6			20	
COMMUNITY SERVICES & EDUCATION		378			38		340
Administration	307					307	
Family Day Care	159		178			(19)	
Child Care	609		488			121	
Youth Services	284		26			258	
Other Families & Children						-	
Aged & Disabled	565		488			77	
Migrant Services						-	
Aboriginal Services						-	
Other Community Services	61					61	
Education						-	
HOUSING & COMMUNITY AMENITIES		1,985			1,180		805
Housing						-	
Town Planning	1,615		1,060			555	
Domestic Waste Management	3,258		3,369			(111)	
Other Waste Management	379		407			(28)	
Street Cleaning	884					884	
Other Sanitation & Garbage	492					492	
Urban Stormwater Drainage	636		31	45		560	
Environmental Protection	1,087		5	224		858	
Public Cemeteries						-	
Public Conveniences	263					263	
Other Community Amenities	73			509		(436)	
		8,687			5,650		3,037

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
WATER SUPPLIES						-	
SEWERAGE SERVICES		-			-	-	-
RECREATION & CULTURE		-			-		-
Public Libraries	1,745		176	19		1,550	
Museums						-	
Art Galleries	324		135			189	
Community Centres	136		98			38	
Public Halls						-	
Other Cultural Services	444		132			312	
Swimming Pools	232		158			74	
Sporting Grounds	651		101			550	
Parks & Gardens, Lakes	908		112	8		788	
Other Sport & Recreation	10					10	
		4,450			939		3,511
FUEL & ENERGY		-			-		-
Gas Supplies						-	
MINING, MANUFACTURING & CONSTRUCTION		-			-		-
Building Control	699		179			520	
Abattoirs						-	
Quarries & Pits						-	
Other						-	
		699			179		520
TRANSPORT & COMMUNICATION							
Urban Roads: Local	2,125		1,003	394		728	
Urban Roads: Regional						-	
Sealed Rural Roads: Local						-	
Sealed Rural Roads: Regional						-	
Unsealed Rural Roads: Local						-	
Unsealed Rural Roads: Regional						-	
Bridges - Urban Roads: Local						-	
Bridges - Urban Roads: Regional						-	
Bridges - Sealed Rural Roads: Local						-	
Bridges - Sealed Rural Roads: Regional						-	
Bridges - Unsealed Rural Roads: Local						-	
Bridges - Unsealed Rural Roads: Regional						-	
Footpaths	259		64			195	
Aerodromes						-	
Parking Areas	663		1,675	67		(1,079)	
Bus Shelters & Services	11					11	
Water Transport	4					4	
RTA Works - State Roads						-	
Street Lighting	355		62			293	
Other	435					435	
		3,852			3,265		587

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas						-	
Caravan Parks						-	
Tourism & Area Promotion	144		1			143	
Industrial Development Promotion						-	
Saleyards & Markets						-	
Real Estate Development						-	
Commercial Nurseries						-	
Other Business Undertakings	181		2,424			(2,243)	
		325			2,425		(2,100)
TOTALS - FUNCTIONS		27,650			14,142		13,508
General Purpose Revenues			13,284			13,284	
Equity accounted Income (loss)			59			59	
		-			13,343		13,343
NET OPERATING RESULT FOR YEAR							(165)

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2006

\$'000

Classification of Debt	Principal Outstanding at beginning of year		New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year	
	Current	Non-Current		From Revenue	Sinking Funds			Current	Non-Current
LOANS (by source)									
Commonwealth Government			-						-
Treasury Corporation			-						-
Other State Government			-						-
Public Subscription			-						-
Financial Institutions	890	5,891	6,781	897			390	982	5,252
Other			-						-
Total Loans	-	-	6,781	897	-	-	390	982	5,252
OTHER LONG TERM DEBT									
Ratepayers' Advances			-						-
Government Advances			-						-
Finance Leases			-						-
Deferred Payment	130	1,040	1,170	323			24	323	1,487
Other			-						-
Total Other Long Term Debt	130	1,040	1,170	323	-	-	24	323	1,487
TOTAL LONG TERM DEBT	130	1,040	7,951	1,220	-	-	414	1,305	6,739
									8,044

This Schedule excludes Internal Loans and refinancing of existing borrowings.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 2 (2) STATEMENT OF INTERNAL LOANS for the year ended 30th June 2006

\$'000

SUMMARY OF INTERNAL LOANS

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General			
Water			
Sewerage			
Domestic Waste Management			
Gas			
Other			
Totals	-	-	-

The above summary of internal loans represents the total of Council's internal loans categorised according to the purpose of the borrower.
Details of individual internal loans are set out below.

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Maturity Date	Rate of Interest	Amount Originally Raised	Paid During Year - Princ and Interest	Principal Outstanding End of Year
Totals							-	-	-

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2006

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
Public Buildings	References	Note 9	Note 4		Note 9				Local Govt. Act 1993, Section 428 (2d)		
	Council Offices	1%	52	4,782		638	4,144	4	114	197	119
	Works Depot	1%	9	982		103	879	4	23	39	11
	Houses	1%	16	1,263		142	1,121	4	292	300	64
	Bus Shelters	5%	8	154		82	72	2	-	-	-
	Library	1%	37	3,494		365	3,129	4	103	106	106
	Childcare Centres	1%	5	530		105	425	4	10	35	35
	Art Gallery	1%	39	3,355		319	3,036	4	117	124	105
	Amenities/Toilets	2%	13	637		128	509	4	208	162	155
	Other	1%	196	17,295		2,340	14,955	4	44	158	90
	Subtotal		375	32,492	-	4,222	28,270		911	1,121	685
Public Roads	Sealed Roads										
	Sealed Roads										
	Structure	1%	1,344	134,998		41,604	93,394	4	5,000	1,000	628
	Unsealed Roads										
	Bridges										
	Footpaths	1%	144	14,534		2,056	12,478	5	3,000	500	330
	Cycleways	1%	-	107		-	107	1	-	5	-
	Kerb & Gutter	1%	128	12,824		1,712	11,112	4	50	60	59
Public Roads	Road Furniture	1%	5	144		34	110	3	-	60	61
	Subtotal		1,621	162,607	-	45,406	117,201		8,050	1,625	1,078

This Schedule is to be read in conjunction with the explanatory notes following.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2006

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
Water	References	Note 9	Note 4		Note 9				Local Govt. Act 1993, Section 428 (2d)		
	Treatment Plants										
	Water Connections										
	Bores										
	Reservoirs										
	Dams										
	Hydrants										
Sewerage	Stop Valves										
	Pipelines										
	Pump Stations										
	Subtotal		-	-	-	-	-		-	-	-
	Pump Stations										
	Pipelines										
	Manholes										
Drainage Works	Air Vent Stacks										
	Treatment Works										
	Connections										
	Subtotal		-	-	-	-	-		-	-	-
	Retarding Basins										
	Gully Pits		315	31,500		16,910	14,590	4	11,500	50	41
	HW Inlets		17	1,700		998	702	3		50	41
	HW Outlets		74	7,400		2,538	4,862	3		50	41
	Junction Pits		25	2,500		1,634	866	3		50	41
	SW Devices		49	5,270		221	5,049	2	-	83	75
	Subtotal		480	48,370	-	22,301	26,069		11,500	283	239
Total Classes - All Assets			2,476	243,469	-	71,929	171,540		20,461	3,029	2,002

This Schedule is to be read in conjunction with the explanatory notes following.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2006

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

ASSET CONDITION

The following condition codes have been used in this Schedule.

- | | |
|---|---|
| 1 | Newly constructed |
| 2 | Over 5 years old but fully maintained in "as new" condition |
| 3 | Good condition |
| 4 | Average condition |
| 5 | Partly worn - beyond 50% of economic life. |
| 6 | Worn but serviceable |
| 7 | Poor - replacement required |

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS as at 30th June 2006

	2006	2007	2008	2009	2010	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Budget						
Income from continuing operations	27,485	27,949	27,668	27,690	27,713	27,737
Expenses from continuing operations	27,650	28,441	28,296	28,299	27,863	27,800
Operating result from continuing operatic	(165)	(492)	(628)	(609)	(150)	(63)
Capital Budget						
New Works	-	903	572	95	-	-
Replacement of existing assets	4,105	3,832	2,646	2,620	2,587	2,587
	4,105	4,735	3,218	2,715	2,587	2,587
Funded by						
- Loans	350	500	-	-	-	-
- Asset Sales	375	450	-	450	450	450
- Reserves	617	1,460	572	127	-	-
- Grants/Contributions	1,081	400	400	400	400	400
- Recurrent revenue	1,682	1,925	2,246	1,738	1,737	1,737
- Other						
	4,105	4,735	3,218	2,715	2,587	2,587