Appendix 1 AUDITED FINANCIAL REPORTS FOR THE YEAR ENDED 30 JUNE 2004









MANLY COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont)
as at 30th June 2004

"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. Proposed or potential enhancements to the existing asset have been ignored. 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

Manly Council

FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2004

MANLY COUNCIL

General Purpose Financial Reports
for the year ended 30th June 2004

TABLE OF CONTENTS

	Page
Council Certificate [s 413 (2)(c)]	1
Principal Financial Statements	
Statement of Financial Performance	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	N1-N8
Note 2 - Functions	N9-N10
Note 3 - Expenses from Ordinary Activities	N11-N12
Note 4 - Revenues from Ordinary Activities	N13-N15
Note 5 - Gain or Loss on Disposal of Assets	N16
Note 6 - Cash Assets and Investment Securities	N17-N18
Note 7 - Receivables	N19
Note 8 - Inventories & Other Assets	N20
Note 9 - Property, Plant & Equipment	N21-N22
Note 10 - Liabilities	N23
Note 11 - Reconciliation to Statement of Cash Flows	N24-N25
Note 12 - Commitments for Expenditure	N26
Note 13 - Statement of Performance Measurement	N27
Note 14 - Conditions Over Grants & Contributions	N28
Note 15 - Financial Instruments	N29-N30
Note 16 - Significant Variations from original Budget	N31-N32
Note 17 - Statement of Contribution Plans	N33-N34
Note 18 - Assets & Liabilities not Recognised	N35-N36
Note 19 - Joint Ventures & Associated Entities	N37-N38
Auditors Report on the Financial Statements [s 417 (2)]	
Auditors Report on the Conduct of the Audit [s 417 (3)]	

MANLY COUNCIL

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2004

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 for the year ended 30 June 2004 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 Council's knowledge and belief, these reports

- Present fairly the Council's financial position and operating result for the year, and
- The accompanying accounts are in accordance with Council's accounting and other records

We are not aware of any matter that would render the Council's Accounts for the twelve months ending 30 June 2004 false or misleading in any way.

Signed in accordance with a resolution of Council made on 11TH October 2004.

.....

MAYOR
Dr Peter Macdonald

.....

COUNCILLOR
Councillor B. AIRD.

.....

GENERAL MANAGER
Henry Wong

.....

RESPONSIBLE ACCOUNTING OFFICER
Ross Fleming

Page 1

MANLY COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30th June 2004

Budget 2004 $'000		Notes	**Actual 2004 $'000**	Actual 2003 $'000
	EXPENSES FROM ORDINARY ACTIVITIES			
18,142	Employee Costs	3	**18,641**	18,082
10,083	Materials & Contracts		**9,675**	9,838
322	Borrowing Costs	3	**381**	329
3,544	Depreciation & Amortisation	3	**4,137**	4,070
4,197	Other Expenses	3	**4,579**	5,744
36,288	**Total Expenses from Ordinary Activities**		**37,413**	38,063
	REVENUES FROM ORDINARY ACTIVITIES			
22,078	Rates & Annual Charges	4	**22,249**	20,534
7,989	User Charges & Fees	4	**7,412**	7,424
905	Investment Revenues	4	**1,163**	1,167
2,314	Grants & Contributions - Operating	4	**2,813**	3,597
3,291	Other Revenues	4	**3,519**	2,779
100	Profit from Disposal of Assets	5	**1,279**	156
	Profit from interests in Joint Ventures & Associates	19	188	159
36,677	**Revenues from Ordinary Activities before Capital Amounts**		**38,623**	35,816
389	**SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS**		**1,210**	(2,247)
1,240	Grants & Contributions - Capital	4	**1,407**	752
1,629	**SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES**		**2,617**	(1,495)

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

MANLY COUNCIL

STATEMENT OF FINANCIAL POSITION
as at 30th June 2004

	Notes	Actual 2004 $'000	Actual 2003 $'000
CURRENT ASSETS			
Cash Assets	6	**10,092**	9,952
Investment Securities	6	**1,507**	2,005
Receivables	7	**2,133**	1,748
Inventories	8	**49**	41
Other	8	**99**	171
TOTAL CURRENT ASSETS		**13,880**	13,917
NON-CURRENT ASSETS			
Investment Securities	6	**9,253**	6,535
Receivables	7	**753**	760
Other	8	**983**	1,332
Property, Plant & Equipment	9	**195,455**	194,207
Investments accounted for using the equity method	19	1,197	1,102
TOTAL NON-CURRENT ASSETS		**207,641**	203,936
TOTAL ASSETS		**221,521**	217,853
CURRENT LIABILITIES			
Payables	10	**4,062**	4,569
Interest Bearing Liabilities	10	**1,245**	586
Provisions	10	**1,542**	1,339
TOTAL CURRENT LIABILITIES		**6,849**	6,494
NON-CURRENT LIABILITIES			
Payables	10	**3,026**	2,809
Interest Bearing Liabilities	10	**5,169**	4,570
Provisions	10	**1,900**	2,020
TOTAL NON CURRENT LIABILITIES		**10,095**	9,399
TOTAL LIABILITIES		**16,944**	15,893
NET ASSETS		**$ 204,577**	201,960
EQUITY			
Accumulated Surplus		**204,577**	201,960
TOTAL EQUITY		**$ 204,577**	201,960

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

MANLY COUNCIL

STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2004

	Note Ref	2004 $'000 Accum Surplus	2004 $'000 Asset Reval. Reserve	2004 $'000 Total	2003 $'000 Accum Surplus	2003 $'000 Asset Reval. Reserve	2003 $'000 Total
Balance at beginning of the reporting period		**201,960**	**-**	**201,960**	203,455		203,455
Change in Net Assets recognised in the Statement of Financial Performance		**2,617**		**2,617**	(1,495)		(1,495)
Balance at end of the reporting period		**204,577**	**-**	**204,577**	201,960	-	201,960

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

MANLY COUNCIL

STATEMENT OF CASH FLOWS
for the year ended 30th June 2004

Budget 2004 $'000		Notes	**Actual 2004 $'000**	Actual 2003 $'000
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Receipts			
22,078	Rates & Annual Charges		**22,093**	20,514
7,989	User Charges & Fees		**9,278**	7,881
905	Investments Income		**1,133**	1,115
3,554	Grants & Contributions		**4,372**	4,672
3,391	Other operating receipts		**4,055**	5,237
	Payments			
(18,142)	Employee Costs		**(18,559)**	(18,563)
(10,083)	Materials & Contracts		**(11,466)**	(8,625)
(322)	Borrowing Costs		**(385)**	(323)
(4,197)	Other operating payments		**(5,656)**	(7,543)
5,173	**Net Cash provided by (or used in) Operating Activities**	11	**4,865**	4,365
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Receipts			
1,795	Proceeds from sale of Property, Plant & Equipment		**2,820**	1,286
	Distribution received from associated entities	19	**93**	440
	Payments			
(8,963)	Purchase of Property, Plant & Equipment		**(5,877)**	(9,508)
	Purchase of Investment Securities		**(2,220)**	(4,024)
	Purchase of Shares in Companies		**-**	(50)
	Capital contributed to associated entities	19	**-**	(184)
(7,168)	**Net Cash provided by (or used in) Investing Activities**		**(5,184)**	(12,040)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	Receipts			
760	Proceeds from Borrowings & Advances		**700**	1,300
	Payments			
(587)	Repayments of Borrowings & Advances		**(586)**	(503)
	Repayment of Finance Lease Liabilities		**(86)**	
173	**Net Cash provided by (or used in) Financing Activities**		**28**	797
(1,822)	**Net Increase (Decrease) in cash held**		**(291)**	(6,878)
9,952	Cash at beginning of reporting period	11	**9,952**	16,830
8,130	**Cash at end of reporting period**	11	**9,661**	9,952

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

Manly Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1

SIGNIFICANT ACCOUNTING POLICIES

In accordance with the Australian Accounting Standard AAS6 Accounting/Policies: Determination, Application and Disclosure, the significant accounting policies adopted by Manly Council are set out below:

1. The Local Government Reporting Entity

Manly Council has its principal business office at 1 Belgrave Street, Manly NSW 2095. Manly Council is empowered by the New South Wales Local Government Act (LGA) 1993 and its Charter is specified in Section 8 of the Act.

A description of the nature of the Council's operations and its principal activities are provided in Note 2 (b) of this report.

The Financial Statements include the consolidated fund and other entities through which the Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions, balances and transfers between funds and entities have been eliminated.

2. Basis of Accounting

2.1 Compliance

This general purpose financial report complies with the applicable Australian Accounting Standards and professional pronouncements, the requirements of the Local Government Act and the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual. For the convenience of users the reference to the equivalent AASB Accounting Standard is also given.

2.2 Basis

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

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

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

3. Rates

The rating period and reporting period for the Council coincide and, accordingly, all rates levied for the year are recognised as revenues. 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.

4. Grants, Contributions and Donations

4.1 **General**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies

Grants, contributions and donations (in cash or in kind) 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 is incurred in accordance with the relevant terms and conditions, unreceived grant entitlements are recorded as receivables.

Unreceived contributions 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 amounts subject to those undischarged conditions are disclosed in these notes as restricted assets. Also disclosed is the amount of grants, contributions and donations recognised as revenues in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

4.2 Contributions Under Section 94 of the Environmental Planning & Assessment Act, 1991

The Council has obligations to provide facilities from contributions acquired from developers under the provisions of S94 of the Environmental Planning & Assessment Act, 1991.

Contributions under Section 94 may only be expended for the purpose for which the contributions were obtained, but the Council may, within each area of benefit, apply contributions according to the priorities established in the relevant contribution plans and accompanying works schedules.

5. Property, Plant & Equipment

5.1 Transitional Provisions

Except for land under roads, 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 been extended pursuant to AASB 1045, until 31 December 2006), have now been brought to account. The effect of recognising these non current assets has been to increase Councils equity by $160 million since 1993. In addition, the annual estimated depreciation expense is more than $3 million as compared to $850,000 prior to the non-current asset recognition.

All non-current assets purchased or constructed since 1 January 1993 have been capitalised as soon as the asset is held "ready for use".

5.2 Materiality

For assets capitalised since 1 January 1993, the following rules of materiality have been applied where the asset has an economic life which is determined to be longer than one year.

Motor Vehicles and Plant	-	Capitalise
Office Furniture and Equipment	-	Capitalise if value > $1,000
Land - council land	-	Capitalise
- open space	-	Capitalise
Buildings - construction/extensions	-	Capitalise
- renovations	-	Capitalise if value > $5000
Other Structures	-	Capitalise if value > $5000
Roads, bridges, footpaths		
- Construction/reconstruction	-	Capitalise
- Reseal/resheet/major repairs	-	Capitalise if value > $10,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies

5.3 Valuation of Assets

5.3.1 Recoverable Amounts Test

Council is exempted from the "recoverable amounts test" except in relation to recognised trading operations under the provision of paragraph 30 of AAS 10 (AASB 1010).

5.3.2 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:

Office Furniture	Capitalise if value > $1,000
Office Equipment	Capitalise if value > $1,000
Other Plant & Equipment	Capitalise if value > $1,000

Major depreciation periods are:

Office Equipment – Computer Hardware/Software	4 years
Office Furniture	10 years
Vehicles, Light Plant & Other Plant & Equipment	5 years
Garbage Vehicles & Earthmoving Equipment	6 years

5.3.3 Land

5.3.3.1 Operational Land

Land classified by Council as operational land in accordance with Part 2 of Chapter 6 of the Local Government Act 1993 was brought to account as at 30 June 1995 using land values in the Municipality of Manly, as determined by the Office of Valuer General using base date 1 July 1993 valuations.

At 1 July 2000, Council elected to adopt these valuations and disclosed them on the cost basis in accordance with AAS 38 (AASB 1041) paragraph 10.4(a) of the Standard.

Pursuant to clause 8.2.1. of AAS 36, Council has undertaken current valuations of all land.

Current Valuation – A valuation of operational land was undertaken by council officers as at 30 June 2004 using average valuation per square metre based on land values in the municipality of Manly, as determined by the Valuer General, base date 1 July 2002. The new valuation was $69,860,676 ($13,709,000 at 30 June 1995). The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset.

5.3.3.2 Community Land

Land not classified by Council as operational land is deemed as community land and was brought to account as at 30 June 1995 using a "Municipal Site Rate" values in the Municipality of Manly, calculated by dividing the land area of all rateable land into the total rateable land value as determined by the Valuer General, base date 1 July 1993 valuations.

At 1 July 2000, Council elected to adopt these valuations and disclosed them using the cost basis in accordance with AAS 38 (AASB 1041) paragraph 10.4(a) of the Standard.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies

Pursuant to clause 8.2.1. of AAS 36, Council has undertaken current valuations of all land.

Current Valuation – A valuation of community land was undertaken by council officers as at 30 June 2004 using an average valuation per square metre based on land values in the Municipality of Manly, as determined by the Valuer General valuations base date 1 July 2002, to determine a "Municipal Site Rate" for those parcels. The new valuation was $1,448,233,579 ($56,841,000 at 30 June 1995). The new valuation has not been brought to account as council has continued to adopt the "cost basis" for recording this asset class.

5.3.3.3 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 been extended pursuant to AASB 1045, released in October 2002, until 31 December 2006.

5.3.4. Building and Land Improvements

Buildings were valued on the basis of insured replacement value having regard to the estimated life as at 30 June 1995 and brought to account in the reporting period ended 30 June 1995 and pursuant to Council's election are disclosed using the "cost basis". All acquisitions of buildings and Other Structures made after the respective dates of valuation were recorded at cost.

Major depreciation periods are:

Buildings	50 to 100 years (depending on structure)
Playground equipment	5 years
Benches, seats, etc	10 to 20 years

Asset capitalisation thresholds include:

Park Furniture & Equipment	Capitalise if value > $2,000
Buildings – construction/extensions	Capitalise
– renovations	Capitalise if value > $5,000
Other structures	Capitalise if value > $5,000

Pursuant to clause 8.2.1 of AAS 36, Council has undertaken current valuations of all buildings.

Current Valuation – An independent schedule of valuations of buildings and other structures based on written down current replacement cost as at 30 June 2003, derived from Recommended Insurance Values, was undertaken by Scott Fullarton Valuations Pty Ltd, Valuer No. 2144.

The new written down current replaceable cost valuations were:

Buildings	$15,071,500	($16,892,000 Book Value)
Other Structures	$27,814,000	($24,674,000 Book Value)

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

5.3.5. Infrastructure Assets

5.3.5.1 Transport Assets

Transportation assets were valued by Council Officers at written down current replacement cost during the reporting period end 30 June 1996. All acquisitions made after the respective dates of valuation were recorded at cost. All transportation assets have now been recorded at "deemed cost", being the carrying amount of those assets at 30 June 2001 in accordance with AASB 1041.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies

Major depreciation periods are:

Road Network Structure	100 years
Kerbs and Channel and Gutter	70 years
Footpaths	30 to 50 years

Asset Capitalisation thresholds include:

Road construction & reconstruction	$10,000

5.3.5.2 Bulk Earthworks - Greenfields Valuation

Due to the nature of the Roads Infrastructure in the Municipality of Manly, Council has not been able to accurately identify the value of earthworks associated with the original clearing and levelling of land for road, bridge and footpath construction and consequently no value for non-depreciable bulk earthworks has been recorded in Note 9 - Property, Plant & Equipment.

5.3.5.2 Stormwater Drainage Assets

Stormwater damage 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 in accordance with AASB 1041.

Major depreciation periods are:

Pollution devices	30 years
Drainage Pits	30 years
Drainage Pipes & Culverts	100 years
Concrete Channels	70 years

Asset Capitalisation thresholds include:

Drainage Infrastructure	$10,000

6. Joint Ventures

The Council's interest in joint venture entities has been recognised and accounted for using the equity method. Under this method, the share of the profits or losses in joint venture entities is recognised in the statement of financial performance and the share of movements in reserves is recognised in the statement of financial position. Details relating to joint venture entities are set out in Note 19.

7. Investments

Investments in Term Deposits and other investments are recognised at cost. Interest revenues are recognised as they accrue.

8. Employee Benefits

8.1 Salaries, Wages & Compensated Absences
Liabilities for employees' entitlements to salaries, wages and compensated absences (other than long service leave not 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 Australian Accounting Standard

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies

AASB 1028 "Employee Benefits".

Liabilities for employee 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 oncosts) 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. Council does not make payment for untaken sick leave except in accordance with Council policy regarding frozen sick leave for staff employed prior to 1 July 1993.

The total number of "equivalent full time" employees at the beginning and end of the financial year was constant at 351.

8.2 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 2003/04; 9% in 2002/03). 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 NIL% (NIL% in 2002/2003) of superannuation salary. 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. Further information in relation to Council's potential future obligations to the defined benefits categories of the Scheme are provided in Note 18.

9. Inventories (other than real estate)

Inventories held in respect of non-business undertakings (stores) have been valued at cost, after adjustment for loss of service potential.

10. Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AAS17 (AASB 1008)- "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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies

11. Monetary Amounts

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

12. Budget Information

The Statement of Financial Performance provides budget information on major income and expenditure items. Note 2(a) also provides budget information of revenues and expenditures of 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 reflect Council approved variations throughout the year.

Details of material Budget variations are set out in Note 16.

13. Comparative Information

Where necessary, comparative information has been reclassified to be consistent with the current year disclosure of equivalent information.

14. Financial Instruments

Council has adopted all of the disclosure requirements by AAS 33 (AASB 1033) – "Presentation and Disclosure of Financial Instruments" and the details required by this standard are set out in Note 15.

15. 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 as it becomes due and is recorded as part of other creditors.

16. Payables and Other Current Liabilities

Creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after initial recognition. Interest is not payable on these amounts.

17. Provisions, Contingent Liabilities and Contingent Assets

Council has recognised and disclosed all Provisions (Note 12 (a), (b) & (c)), and Contingencies and Other Assets & Liabilities Not Recognised (Note 18) as required by AASB 1044.

18. Adoption of International Accounting Standards

The transition to International Accounting Standards is being managed on an industry-wide basis at both a National and State level, and a NSW Department of Local Government and Local Government Accounting Advisory Group working party will identify the significant changes, training and reporting requirements.

Due to the issue date of the Australian versions of the International Accounting Standards, the assessment and planning phase is continuing at the date of preparation of these Reports.

Certain matters impacting the Council's recognition of assets and liabilities have already been identified, including

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies

- the requirement to recognise liabilities for annual leave, vesting sick leave and other employee benefits at the present value of the estimated future cash flows rather than at nominal value as presently required.
- the requirement to recognise assets and liabilities in relation to defined benefit superannuation schemes, the current details of which are set out in Note 18.
- the requirement to classify financial instruments in accordance with Standard AASB 139, and to recognise certain classes of financial instruments at fair value instead of cost.

Other matters will be identified during the current reporting period, including identifying changes to accounting and business procedures, processes, and systems and operational training for staff and details will be provided in the next Annual Financial Statements.

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 2 - FUNCTIONS

	REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES												
	REVENUES			EXPENSES			OPERATING RESULT			GRANTS INCLUDED IN REVENUES		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ORIGINAL BUDGET	**ACTUAL**	ACTUAL	ORIGINAL BUDGET	**ACTUAL**	ACTUAL	ORIGINAL BUDGET	**ACTUAL**	ACTUAL				
	2004 $'000	**2004 $'000**	2003 $'000	2004 $'000	**2004 $'000**	2003 $'000	2004 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
GOVERNANCE				2,072	**982**	1,019	(2,072)	**(982)**	(1,019)				
ADMINISTRATION	2,068	**3,438**	2,216	4,127	**9,604**	8,077	(2,059)	**(6,166)**	(5,861)			**30,872**	27,896
PUBLIC ORDER & SAFETY	1,362	**1,250**	1,261	2,517	**1,997**	2,378	(1,155)	**(747)**	(1,117)			**2,352**	2,327
HEALTH	46	**58**	64	370	**167**	184	(324)	**(109)**	(120)	**8**	328	**569**	614
COMMUNITY SERVICES & EDUCATION	2,850	**2,608**	2,705	3,358	**3,004**	3,260	(508)	**(396)**	(555)	**1,173**	1,548	**3,342**	2,416
HOUSING & COMMUNITY AMENITIES	6,817	**6,691**	6,443	12,132	**10,881**	10,854	(5,315)	**(4,190)**	(4,411)	**168**	133	**16,272**	16,489
WATER SUPPLIES		**-**			**-**		-	**-**	-				
SEWERAGE SERVICES		**-**			**-**		-	**-**	-				
RECREATION & CULTURE	1,414	**2,224**	1,582	6,667	**6,153**	6,647	(5,253)	**(3,929)**	(5,065)	**264**		**85,265**	86,404
FUEL & ENERGY		**-**			**-**		-	**-**	-				
MINING, MANUFACTURING & CONSTRUCTION		**-**	-	126	**-**	186	(126)	**-**	(186)			**295**	297
TRANSPORT & COMMUNICATION	3,099	**2,836**	2,441	3,986	**3,867**	4,610	(887)	**(1,031)**	(2,169)	**90**	366	**81,791**	81,309
ECONOMIC AFFAIRS	516	**440**	302	933	**758**	848	(417)	**(318)**	(546)			**763**	101
TOTALS - FUNCTIONS	18,172	**19,545**	17,014	36,288	**37,413**	38,063	(18,116)	**(17,868)**	(21,049)	**1,703**	2,375	**221,521**	217,853
GENERAL PURPOSE REVENUES	19,745	**20,485**	19,554				19,745	**20,485**	19,554	**982**	1,053		
TOTALS	37,917	**40,030**	36,568	36,288	**37,413**	38,063	1,629	**2,617**	(1,495)	**2,685**	3,428	**221,521**	217,853

The above functions conform to those used by the Australian Bureau of Statistics and provide a basis for comparison with other Councils.

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2 (b)

COMPONENTS OF FUNCTIONS / BUSINESS ACTIVITIES

The activities relating to Council functions are as follows:

Governance
Costs relating to Council's role as a component of democratic government, including elections, meetings and associated activities, area representation, and public disclosure and compliance, together with related administration costs.

Administration
Costs not otherwise attributed to functions.

Public Order & Safety
Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

Health
Administration and inspection, immunisations, food control, insect & vermin control, noxious plants, health centres, other.

Community Services & Education
Administration, family day care, child-care, youth services, other services to families and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

Housing & Community Amenities
Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

Recreation & Culture
Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens, lakes, other sport and recreation.

Mining, Manufacturing & Construction
Building control.

Transport & Communication
Roads and streets, bridges, footpaths, parking areas, bus shelters and services, water transport, works undertaken for Roads & Transport Authority, street lighting, other.

Economic Affairs
Tourism and area promotion.

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES

	2004 $'000	2003 $'000
(a) EMPLOYEE COSTS		
Salaries and Wages	**15,048**	14,619
Travelling	**3**	3
Employee Leave Entitlements	**1,478**	1,185
Superannuation	**1,239**	1,220
Workers' Compensation Insurance	**812**	1,030
Fringe Benefits Tax	**111**	63
Training Costs (excluding Salaries)	**101**	76
Other	**17**	
Less: Capitalised and distributed costs	**(168)**	(114)
Total Operating Employee Costs	**18,641**	18,082
Total Number of Employees	***351***	*350*
(Full time equivalent at end of reporting period)		
(b) BORROWING COSTS		
Interest on Loans	**322**	329
Charges on Finance Leases	**59**	
Total Interest Charges	**381**	329
(c) DEPRECIATION & AMORTISATION		
Plant and Equipment	**1,048**	1,129
Office Equipment	**537**	504
Furniture & Fittings	**106**	87
Land Improvements	**182**	182
Buildings	**300**	298
Other Structures	**644**	608
Infrastructure		
- roads, bridges & footpaths	**884**	837
- stormwater drainage	**216**	214
Other assets		
- library books	**220**	211
Total Depreciation & Amortisation	**4,137**	4,070

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES (cont)

	2004 **$'000**	2003 $'000
(d) OTHER EXPENSES		
Auditor's Remuneration		
- Audit Services	**24**	22
- Other Services	**7**	5
Bad and Doubtful Debts	**(75)**	321
Donations & Contributions to Local & Regional Bodies	**236**	187
Insurances	**946**	974
Insurance Settlements	**330**	1,152
Legal Expenses		
- Planning & Development	**589**	392
- Other Legal Expenses	**187**	311
Light, Power & Heating	**325**	311
Mayoral Allowance	**31**	33
Members' Fees & Allowances	**150**	148
Members' Expenses	**53**	28
Payments to other levels of Government	**608**	892
Street Lighting	**396**	331
Water Rates & Charges	**139**	205
Telephone & Communications	**290**	254
Postage	**87**	91
Bank Charges & Fees	**92**	74
Other	**164**	13
Total Other Expenses	**4,579**	5,744

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 4 - REVENUES FROM ORDINARY ACTIVITIES

	2004 $'000	2003 $'000
(a) RATES & ANNUAL CHARGES		
Ordinary Rates		
Residential	14,170	13,579
Business	3,499	3,396
	17,669	16,975
Special Rates		
Other	465	451
	465	451
Annual Charges		
Domestic Waste Management	4,115	3,108
	4,115	3,108
Total Rates & Annual Charges	22,249	20,534
(b) USER CHARGES & FEES		
User Charges		
Commercial Waste Management	1,228	1,460
Other Waste Management	53	75
Other	11	39
	1,292	1,574
Fees		
Regulatory & Statutory	1,043	1,045
Road Reinstatements	194	155
Filming	80	
Inspections	79	
Youth Council Program	81	80
Parking	1,737	1,561
Swimming Centre	772	769
Footpath Rental	499	463
Sec 611 Charges	21	194
Rent & Hire of Council Property	169	114
Admission & Child Care Service Fees	1,235	1,053
Other	210	416
	6,120	5,850
Total User Charges & Fees	7,412	7,424

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	2004	2003
	$'000	$'000
(c) INVESTMENT REVENUES		
Interest on overdue rates & charges	**61**	60
Interest on investments attributable to		
Section 94 Contributions	**47**	46
Other Investments	**28**	47
Other Investment Revenues	**1,027**	1,014
Total Investment Revenues	**1,163**	1,167
(d) OTHER REVENUES		
Commissions & Agency Fees	**2**	14
Food & Wine / Jazz Festival Revenue	**212**	168
Ex gratia payments in lieu of Rates	**8**	53
Fines	**1,327**	949
Insurance Claims	**279**	38
Lease Rental	**1,133**	1,042
Legal Fees Recovery	**80**	41
Recycling Income (Non domestic)	**10**	104
Festivals /Exhibitions Sponsorships	**74**	73
Meals on Wheels Meal Sales	**216**	189
Local Studies - History of Manly	**6**	15
Other	**172**	93
Total Other Revenues	**3,519**	2,779

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	OPERATING		CAPITAL	
	2004	2003	**2004**	2003
(e) GRANTS	**$'000**	$'000	**$'000**	$'000
General Purpose (Untied)				
Financial Assistance	**829**	853		
Pensioner Rates Subsidies (General)	**153**	200		
Specific Purpose				
Pensioner Rates Subsidies				
Domestic Waste Management	**56**	52		
Community Centres				76
Roads & Bridges	**-**	366	**90**	49
Heritage & Cultural Services	**155**	133	**109**	34
Community Care Services	**1,181**	1,336		
Environmental Grants	**112**	301		28
Total Grants & Subsidies	**2,486**	3,241	**199**	187
(f) CONTRIBUTIONS & DONATIONS				
Developer Contributions				
Drainage			**38**	38
Traffic Facilities			**57**	86
Library & Recreation			**36**	40
Open Space			**131**	137
Community Facilities			**38**	38
Other			**9**	9
RTA Contributions	**121**	**184**	**135**	
Street Lighting	**83**	**81**		
Recreation & Culture	**66**		**729**	17
PlanningNSW Park Embellishment				200
Community Facilities			**35**	
Kerb & Gutter		**27**		
Other	**57**	**64**		
Total Contributions & Donations	**327**	356	**1,208**	565
TOTAL GRANTS & CONTRIBUTIONS	**2,813**	3,597	**1,407**	752

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2004 $'000	2003 $'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	**1,267**	50
Less: Carrying amount of assets sold	**81**	
Gain (Loss) on disposal	**1,186**	50
DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	**1,553**	1,235
Less: Carrying amount of assets sold	**1,460**	1,129
Gain (Loss) on disposal	**93**	106
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	**1,279**	156

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2004 $'000		2003 $'000	
	Current	Non-Current	Current	Non-Current
CASH ASSETS				
Cash on Hand and at Bank	**187**		853	
Deposits at Call	**5,207**		5,742	
Short Term Deposits & Bills, etc	**4,698**		1,353	
NCDs, FRNs			2,004	
Total Cash Assets	**10,092**	**-**	9,952	-
INVESTMENT SECURITIES				
Fixed Coupon Bonds			2,005	
NCDs, FRNs	**1,507**	**9,253**		6,535
Total Investment Securities	**1,507**	**9,253**	2,005	6,535
TOTAL CASH ASSETS & INVESTMENT SECURITIES	**11,599**	**9,253**	11,957	6,535

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.

The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 16 November 2000, 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 4.7% and 5.2% (2003 - 4.7% and 4.89%). NCDs, FRNs and Managed Funds are all with organisations with credit ratings that comply wiith the Minister's Order and bear various rates of rates of return between 5.2% and 7.53% (2003 - 5.21% and 6.75%).

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

		2004 $'000		2003 $'000	
EXTERNAL RESTRICTIONS		Current	Non-Current	Current	Non-Current
Other					
Developer Contributions	17	**426**	**593**	335	400
Unexpended Grants	14	**169**		666	
Domestic Waste Management		**100**	**1,119**	500	506
Art Gallery Bequest			**720**		
		695	**2,432**	1,501	906
Total External Restrictions		**695**	**2,432**	1,501	906
Total Internal Restrictions		**9,703**	**6,821**	9,794	5,629
TOTAL UNRESTRICTED		**1,201**	**-**	662	-
TOTAL CASH ASSETS & INVESTMENT SECURITIES		**11,599**	**9,253**	11,957	6,535

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

DETAILS OF MOVEMENTS & UTILISATION OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	Notes	Opening Balance 30 June 2003	Movements		Closing Balance 30 June 2004	Proposed Utilisation of Restriction		
			Transfers To Restriction	Transfers From Restriction		Less than 1 Year	Between 1 and 5 years	Greater than 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
External Restrictions								
Developer Contributions	17	735	**356**	72	1,019	426	593	-
Unexpended Grants	14	666	**120**	617	169	169		-
Domestic Waste Management		1,006	213		1,219	100	500	619
Art Gallery Bequest		-	720	-	720	-		720
Total External Restrictions		**2,407**	**1,409**	**689**	**3,127**	**695**	**1,093**	**1,339**
Internal Restrictions								
Employee Leave Entitlements		841	600	-	1,441	400	1,041	-
Replacement - Plant & Vehicles		43	683	667	59	59		-
Office Equipment		2			2	2		-
Unexpended Loan Funds		580	700	321	959	959		-
Security/Performanc Deposits & Bonds		4,059	1,814	1,441	4,432	1,591	2,841	-
Insurance Reserve		275			275	275		-
Meals On Wheels		406		205	201	201		-
Depot Redevelopment		4,601	1,248	435	5,414	2,200	3,214	-
Infrastructure Capital		1,155	12	51	1,116	1,116		-
Balgowlah Area Improvements		63	42	20	85	20	65	-
Kangaroo Rock Damages Reserve		500			500	500		-
Environmental Levy		983	969	1,521	431	431		-
Ross Street Occassional Care Centre		470		470	-			-
CBD & Ocean Beach Improvements		475	423	186	712	712		-
Shelly Beach Improvements		55			55		55	-
Oceanworld Sponsorship		2			2		2	-
Unexpended Specific Purpose		56	17	17	56	56		-
Incomplete Capital or Contracted Works		100		43	57	57		-
Youth Council		442		30	412		412	-
Manly Warf Forecourt Reserve		50			50		50	-
MTC Improvements		60			60		60	-
Art Gallery/Museum Extensions		5			5		5	-
Park Embellishment - Fromelles Ave		200			200		200	-
								-
Total Internal Restrictions		**15,423**	**6,508**	**5,407**	**16,524**	**8,579**	**7,945**	**-**

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 14. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

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.

Page N18

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 7 - RECEIVABLES

	2004 $'000		2003 $'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	**480**	**310**	318	316
Interest & Extra Charges	**134**	**59**	126	60
User Charges & Fees	**535**		572	1,094
Accrued Revenues	**517**		406	
Other levels of Government	**200**		105	
Court Judgement		**400**		400
Other - ATO for GST	**316**		344	
Other	**11**			
Accrued Interest	**161**		138	
Total	**2,354**	**769**	2,009	1,870
Less: Provision for Doubtful Debts				
Rates & Annual Charges	**4**	**16**	4	16
User Charges & Fees	**217**		257	1,094
	2,133	**753**	1,748	760

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% (2003: 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	**140**		97	
Environmental Levy	**55**		31	
Environmental Grants			11	
Other Grants			94	
Total Restrictions	**195**	**-**	233	-
Unrestricted Receivables	**1,938**	**753**	1,515	760
Total Receivables	**2,133**	**753**	1,748	760

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 8 - INVENTORIES & OTHER ASSETS

	2004 $'000		2003 $'000	
	Current	Non-Current	Current	Non-Current
INVENTORIES				
Stores & Materials	**49**		41	
Total Inventories	**49**	**-**	41	-

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.

OTHER ASSETS				
Prepayments	**99**		171	
Share in Unlisted Companies				99
Capital Work in Progress		**983**		1,233
Total Other Assets	**99**	**983**	171	1,332

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 9 - PROPERTY, PLANT & EQUIPMENT

	2003 $'000				CARRYING AMOUNT MOVEMENTS DURING YEAR $'000						2004 $'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Council Restructure	Asset Disposals	Depreciation	Write Downs (ref Note 3)	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Plant & Equipment	8,174	-	2,635	5,539	2,330	-	(1,447)	(1,048)	-	-	**8,398**	**-**	**3,024**	**5,374**
Office Equipment	4,247	-	2,796	1,451	438	-	-	(537)	-	-	**4,685**	**-**	**3,333**	**1,352**
Furniture & Fittings	1,222	-	811	411	500	-	-	(106)	-	-	**1,722**	**-**	**917**	**805**
Leased Plant & Equipment	-	-	-	-	799	-	-	-	-	-	**799**	**-**	**-**	**799**
Land														
- Operational Land	13,709	-	-	13,709	-	-	-	-	-	-	**13,709**	**-**	**-**	**13,709**
- Community Land	56,841	-	-	56,841	-	-	-	-	-	-	**56,841**	**-**	**-**	**56,841**
- non deprec land improv'ts	9,548	-	-	9,548	-	-	-	-	-	-	**9,548**	**-**	**-**	**9,548**
Land Improvements - depreciable	13,542	-	4,487	9,055	546	-	(81)	(182)	-	-	**13,945**	**-**	**4,607**	**9,338**
Buildings	26,100	-	9,254	16,846	1,062	-	-	(300)	-	-	**27,162**	**-**	**9,554**	**17,608**
Other Structures	31,622	-	6,948	24,674	-	-	-	(644)	-	-	**31,622**	**-**	**7,592**	**24,030**
Infrastructure														
- Roads, bridges, footpaths	55,346	-	13,600	41,746	942	-	(10)	(884)	-	-	**56,265**	**-**	**14,471**	**41,794**
- Stormwater drainage	14,999	-	5,379	9,620	80	-	(3)	(216)	-	-	**15,075**	**-**	**5,594**	**9,481**
Other Assets														
- Heritage Collections	3,908	-	-	3,908	7	-	-	-	-	-	**3,915**	**-**	**-**	**3,915**
- Library Books	2,584	-	1,898	686	222	-	-	(220)	-	-	**2,806**	**-**	**2,118**	**688**
- Other	173	-	-	173	-	-	-	-	-	-	**173**	**-**	**-**	**173**
Totals	242,015	-	47,808	194,207	6,926	-	(1,541)	(4,137)	-	-	**246,665**	**-**	**51,210**	**195,455**

Page N21

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 9 (cont) - RESTRICTED PROPERTY, PLANT & EQUIPMENT

	2004 $'000				2003 $'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Domestic Waste Management								
Plant & Equipment	**2,472**		**1,365**	**1,107**	2,472		1,013	1,459
Land								
- Operational	**115**			**115**	115			115
Buildings	**488**		**203**	**285**	488		197	291
Total Domestic Waste	**3,075**	**-**	**1,568**	**1,507**	3,075	-	1,210	1,865
Kimbriki Joint Venture								
Land								
- Operational	**434**			**434**	434			434
Total	**434**	**-**	**-**	**434**	434	-	-	434
TOTAL RESTRICTIONS	**3,509**	**-**	**1,568**	**1,941**	**3,509**	**-**	**1,210**	**2,299**

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 10 - LIABILITIES

	2004 $'000		2003 $'000	
	Current	Non-Current	Current	Non-Current
PAYABLES				
Goods & Services	**1,889**		2,560	
Payments received in advance	**405**		102	
Accrued Expenses	**246**		380	
Accrued Interest	**43**		47	
Deposits, Retentions & Bonds	**1,406**	**3,026**	1,250	2,809
Other	**73**		230	
Total Payables	**4,062**	**3,026**	4,569	2,809
INTEREST BEARING LIABILITIES				
Bank Overdraft	**431**			
Loans	**678**	**4,592**	586	4,570
Finance Lease Liability	**136**	**577**		
Total Interest Bearing Liabilities	**1,245**	**5,169**	586	4,570

All interest bearing liabilities are secured over the future revenues of the Council.

PROVISIONS				
Annual Leave	**1,049**	**178**	964	168
Sick Leave	**78**	**262**	51	295
Long Service Leave	**305**	**1,327**	214	1,425
ELE Oncosts	**110**	**133**	110	132
Total Provisions	**1,542**	**1,900**	1,339	2,020

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

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:

		2004	2003
		$'000	$'000
Total Cash Assets	(Note 6)	**10,092**	9,952
Less: Bank Overdraft	(Note 10)	**(431)**	-
Balances per Statement of Cash Flows		**9,661**	9,952

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

Change in Net Assets resulting from Operations	**2,617**	(1,495)
Add: Depreciation and Amortisation	**4,137**	4,070
Increase in employee benefits	**83**	
Decrease in receivables	**756**	889
Decrease in inventories	**-**	10
Decrease in other current assets	**171**	424
Increase in trade creditors	**-**	1,286
Increase in other payables	**515**	1,003
	8,279	6,187
Less: Decrease in provision for doubtful debts	**1,134**	936
Decrease in employee benefits	**-**	394
Increase in inventories	**8**	
Decrease in trade creditors	**671**	
Decrease in accrued expenses payable	**134**	177
Gain on Sale of Assets	**1,279**	156
Equity share of profit in Associates	**188**	159
Net Cash provided by (or used in) operations	**4,865**	4,365

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2004 **$'000**	2003 $'000
(c) Non-Cash Financing and Investing Activities		
- Finance Leases	**799**	
	799	-

(d) Financing Arrangements

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

Bank Overdrafts		
Total Facilities	**400**	400
Corporate Credit Cards	**10**	

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.

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 12 - COMMITMENTS FOR EXPENDITURE

	2004 $'000	2003 $'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land Improvements	**2,065**	
Buildings	**338**	292
Plant & Equipment	**220**	
	2,623	292
These expenditures are payable:		
Not later than one year	**2,623**	292
	2,623	292

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	**84**	112
Other	**1,096**	595
	1,180	707
These expenditures are payable:		
Not later than one year	**372**	292
Later than one year and not later than 5 years	**808**	415
	1,180	707

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	**197**	
Later than one year and not later than 5 years	**685**	
Minimum lease payments	**882**	-
Less: future finance charges	**(169)**	
Net Lease Liability	**713**	-
Representing lease liabilities:		
Current	**136**	-
Non-Current	**577**	-
	713	-

No Joint Ventures or Partnerships have any finance lease arrangements.

(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:		
Total Future Minimum Lease Payments		
Not later than one year		20
Later than one year and not later than 5 years		4
	-	24

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	Amounts	2004 Indicators	2003	2002	2001
Current Ratio					
Current Assets	$13,880	2.03:1	2.14:1	3.59:1	5.51:1
Current Liabilities	$6,849				
Unrestricted Current Ratio					
Unrestricted Current Assets*	$12,990	1.90:1	1.88:1	3.09:1	4.58:1
Current Liabilities not relating to Restricted Assets	$6,849				
* as defined in the Code					
Debt Service Ratio					
Net Debt Service Cost	$1,053	2.86%	2.50%	1.63%	1.59%
Operating Revenue	$36,792				
* as defined in the Code					
Rate & Annual Charges Coverage Ratio					
Rates & Annual Charges Revenues	$22,249	55.58%	56.15%	50.02%	52.66%
Total Revenues	$40,030				
Rates & Annual Charges Outstanding Percentage					
Rates & Annual Charges Outstanding	$963	4.17%	3.75%	3.53%	5.27%
Rates & Annual Charges Collectible	$23,110				

Page N27

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 14 - 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:

	2004 $'000		2003 $'000	
	Grants	Contrib	Grants	Contrib
Unexpended at the close of the previous reporting period				
Section 94/64 Developer Contributions		**735**		1,181
Roads Infrastructure	**26**		69	
Heritage & Cultural Services	**108**		74	
Environmental	**137**		1,054	
Community Care Services	**339**		435	
Other	**56**		47	
Subtotal	**666**	**735**	1,679	1,181
Less: expended during the current period from revenues recognised in previous reporting periods				
Section 94/64 Developer Contributions		**71**		840
Roads Infrastructure	**23**		547	
Heritage & Cultural Services	**114**		953	
Environmental	**145**		1,506	
Community Care Services	**279**		1,296	
Other	**56**		145	
Subtotal	**617**	**71**	4,447	840
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
Section 94/64 Developer Contributions		**355**		394
Roads Infrastructure	**5**		470	
Heritage & Cultural Services	**53**		953	
Environmental	**56**		590	
Community Care Services	**6**		1,235	
Other			186	
Subtotal	**120**	**355**	3,434	394
Unexpended at the close of this reporting period and held as restricted assets				
Section 94/64 Developer Contributions		**1,019**		735
Roads Infrastructure	**8**		**26**	
Heritage & Cultural Services	**48**		**108**	
Environmental	**48**		**137**	
Community Care Services	**65**		**339**	
Other			**56**	
Subtotal	**169**	**1,019**	666	735
Net increase (decrease) in restricted assets in the current reporting period.	**-497**	**284**	**-1,013**	**-446**

Page N28

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 15 - FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

2004	Floating Interest Rate	Fixed interest maturing in ≤ 1 year	> 1 year ≥ 5 years	> 5 years	Non-interest bearing	Total
Financial Assets	'000	'000	'000	'000	'000	'000
Cash Assets	**5,394**	**4,698**			**-**	**10,092**
Investment Securities	**-**	**-**	**10,760**		**-**	**10,760**
Receivables						
Rates & Annual Charges		**610**	**353**			**963**
User Charges & Fees					**318**	**318**
Other levels of Govt.					**200**	**200**
Accrued Interest					**161**	**161**
GST					**316**	**316**
Total	**5,394**	**5,308**	**11,113**	**-**	**995**	**22,810**
Weighted Average Interest Rate	*6.04%*	*6.14%*	*6.56%*			
Financial Liabilities						
Payables						
Goods & Services					**1,889**	**1,889**
Payments in advance					**405**	**405**
Interest					**43**	**43**
Deposits, Retentions, Bonds		**1,406**	**3,026**		**-**	**4,432**
Other					**73**	**73**
Interest Bearing Liabilities	**431**		**918**	**4,352**	**-**	**5,701**
Finance Lease Liabilities			**713**		**-**	**713**
Total	**431**	**1,406**	**4,657**	**4,352**	**2,410**	**13,256**
Weighted Average Interest Rate		*1.90%*	*3.80%*	*6.48%*		
2003						
Financial Assets						
Cash Assets	8,599	1,353			-	9,952
Investment Securities	6,535	-	2,005		-	8,540
Receivables						
Rates & Annual Charges		440	360			800
User Charges & Fees					315	315
Other levels of Govt.					105	105
Accrued Interest					138	138
GST					344	344
Other Assets					99	99
Total	15,134	1,793	2,365	-	1,001	20,293
Weighted Average Interest Rate	*5.64%*	*4.33%*	*6.65%*			
Financial Liabilities						
Payables						
Goods & Services					2,560	2,560
Payments in advance					102	102
Interest					47	47
Deposits, Retentions, Bonds		1,250	2,809		-	4,059
Other					230	230
Interest Bearing Liabilities	-		530	4,626	-	5,156
Total	-	1,250	3,339	4,626	2,939	12,154
Weighted Average Interest Rate		*1.90%*	*1.90%*	*6.50%*		

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 15 (CONT) - FINANCIAL INSTRUMENTS
Reconciliation of Financial Assets & Liabilities

		2004	2003
		$'000	$'000
Net financial assets from previous page			
	Financial Assets	**22,810**	20,293
	Financial Liabilities	**13,256**	12,154
		9,554	8,139
Non-financial assets and liabilities			
	Accrued Revenues	**928**	806
	Inventories	**49**	41
	Property, Plant & Equipment	**195,455**	194,207
	Interest in Associated Bodies	**1,197**	1,102
	Other Assets	**1,082**	1,404
	Accrued Expenses	**-246**	-380
	Provisions	**-3,442**	-3,359
	Other liabilities		
		195,023	193,821
Net Assets per Statement of Financial Position		**204,577**	201,960

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.

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.

Manly Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 16 – SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 16th June 2003. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Governments decisions including new grant programs, changing economic activity, and by decisions made by the Council.

This Note sets out the details of material variations between the original Budget and Actual results for the Statement of Financial Performance. Material favourable (F) and unfavourable (U) variances represent amounts of 10% or more of the budgeted amount.

Statement of Financial Performance

1 Expenses

1.1 Employee Costs
Variation of $499,000 (U) (2.8%) over budget of $18,142,000 not considered material.

1.2 Materials & Contracts
Variation of $668,000 (F) (6.6%) under budget of $10,083,000 not considered material.

1.3 Borrowing Costs
Variation of $59,000 (U) (18.3%) over budget of $322,000 is a result of payment of interest on Trust Fund deposits ($19,500) and bringing to account Finance Lease liabilities ($24,000)

1.4 Depreciation
Variation of $585,000 (U) (16.5%) over budget of $3,544,000 is a result in change in budgeting treatment of depreciation.

1.5 Other Expenses
Variation of $343,000 (U) (8.2%) over budget of $4,197,000. Major components of this variation were: Insurance settlements Kangaroo Rock $330,000; legal costs $130,000

2 Revenues

2.1 Rates & Annual Charges
Variation of $171,000 (F) (0.8%) over budget of $22,078,000 not considered material.

2.2 User Charges & Fees
Variation of $614,000 (U) (7.9%) under budget of $7,751,000 resulted from a decrease in revenue from trade waste income $429,000; S611 charges Telstra & Optus $173,700.

2.3 Investment Revenues
Investment revenues of $1,126,000 include restricted revenues totalling $47,000 in respect of interest on Section 94 contributions and $37,000 in respect to consolidated entities. Council's budget excludes interest on restricted cash investments.

Unrestricted investment revenues variation of $165,000 (F) (20.0.0%) over budget of $825,000 resulted from higher than estimated returns on investments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 16 - Significant Variations from Original Budget (cont)

2.4 Grants & Contributions – Operating
Variation of $442,000 (F) (17.3%) over budget of $2,552,000 due to a combination of new grant programs and timing of claims for existing on going grants and contributions.

2.5 Other Revenues
Variation of $93,000 (F) (2.8%) over budget of $3,291,000 not considered material.

2.6 Profit from Disposal of assets
This item represents the difference between the sale of assets, or trade-in price of motor vehicles and plant items, and their book value.

Variation of $1,178,000 (F) (1,179.0%) over budget of $100,000 increase due to disposal of surplus property at 42 Ethel St, Seaforth..

2.7 Profit from interest in Joint Venture Entities
Variation of $88,000 (F) (88.0%) over budget of $100,000 in Joint Venture Entities is beyond control of Council.

3.0 Grants & Contributions-Capital
Variation of $417,000 (F) (33.6%) over budget of $1,240,000, includes a bequest to Manly Art Gallery of $729,000.

In many instances, the actual amount of grants received depends on decisions made by State and Federal governments after the Budget was adopted.

Whilst Section 94 Developer Contributions received during the year are recognised in Capital Grants & Contributions in the Statement of Financial Performance, Council's Budget recognises the external restriction imposed on those Contributions.

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE $'000	CONTRIBUTIONS RECEIVED DURING YEAR CASH $'000	CONTRIBUTIONS RECEIVED DURING YEAR NON-CASH $'000	INTEREST EARNED DURING YEAR $'000	EXPENDED DURING YEAR $'000	EXPENDED IN ADVANCE $'000	HELD AS RESTRICTED ASSET $'000	WORKS PROVIDED TO DATE $'000
Drainage	48	38		3	6		83	193
Roads	46	36		6	56		32	178
Traffic Facilities	207	57		13			277	340
Parking	83			4			87	2,177
Open Space	162	131		14			307	777
Community facilities	134	38		4	10		166	443
Other	55	9		3			67	3
Subtotal S94 under plans	735	309		47	72		1,019	4,111
Total Contributions	735	309		47	72		1,019	4,111

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

CONTRIBUTION PLAN - 001

PURPOSE	OPENING BALANCE $'000	CONTRIBUTIONS RECEIVED DURING YEAR CASH $'000	CONTRIBUTIONS RECEIVED DURING YEAR NON-CASH $'000	INTEREST EARNED DURING YEAR $'000	EXPENDED DURING YEAR $'000	EXPENDED IN ADVANCE $'000	HELD AS RESTRICTED ASSET $'000	WORKS PROVIDED TO DATE $'000
Drainage	48	29		3	6		74	53
Library & Recreation	41	27		2	56		14	60
Traffic Facilities	33	32		3	0		68	101
Open Space	153	99		12			264	129
Community facilities	61	29		3	10		83	56
Other	22	7		1			30	0
Total	358	223		24	72		533	399

CONTRIBUTION PLAN - 002

PURPOSE	OPENING BALANCE $'000	CONTRIBUTIONS RECEIVED DURING YEAR CASH $'000	CONTRIBUTIONS RECEIVED DURING YEAR NON-CASH $'000	INTEREST EARNED DURING YEAR $'000	EXPENDED DURING YEAR $'000	EXPENDED IN ADVANCE $'000	HELD AS RESTRICTED ASSET $'000	WORKS PROVIDED TO DATE $'000
Drainage	0	9					9	140
Library & Recreation	5	9		4			18	118
Traffic Facilities	174	25		10			209	239
Open Space	9	32		2			43	648
Community facilities	73	9		1			83	387
Other	33	2		2			37	3
Total	294	86		19			399	1,535

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2004

Note 17 - STATEMENT OF CONTRIBUTION PLANS (cont)

CONTRIBUTION PLAN - 003

PURPOSE	OPENING BALANCE $'000	CONTRIBUTIONS RECEIVED DURING YEAR CASH $'000	CONTRIBUTIONS RECEIVED DURING YEAR NON-CASH $'000	INTEREST EARNED DURING YEAR $'000	EXPENDED DURING YEAR $'000	EXPENDED IN ADVANCE $'000	HELD AS RESTRICTED ASSET $'000	WORKS PROVIDED TO DATE $'000
Parking	83			4			87	2,177
Total	83			4			87	2,177

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

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.

1. POTENTIAL INSURANCE LOSSES

1.1 HIH Insurance

During the period 1995 - 1997 portion of Council's public risk insurance cover was insured or re-insured with a member of the HIH Insurance group of companies.

At reporting date, Council has a contingent liability in respect to the collapse of the HIH Insurance Group of which Council has paid the majority of the claims relating to the Kangaroo Street incident in 2001/2002.

All outstanding claims were settled during the year totalling $329,914. This amount excludes solicitors and legal costs in defending the claims. Council has set aside funds which it expects will be sufficient to finalise these claims.

Council was successful in defending a further matter in the Court of Appeal (Malouf) with costs being awarded to Council.

1.2 Statewide Mutual

Council is a member of StateWide Mutual, a mutual scheme providing liability insurance to local government. Council is liable to contribute its proportionate share of any shortfall arising through the scheme.

Council has been advised by StateWide Mutual that because Council did not participate in the Scheme until October 1999, it has no liability in respect of either StateWide's operational deficit, or of the HIH bad debt provision, both of which relate to claims occurred during the period from 1994 to 1998.

1.3 StateCover Mutual Limited

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

2. SUPERANNUATION

2.1 Local Government Superannuation Retirement and Defined Benefits Scheme

As at the balance date a number of council staff were making contributions to a defined superannuation scheme referred to as the Local Government Superannuation Retirement and Defined Benefits Scheme. That scheme was one of five superannuation schemes provided by State Super which were incorporated, without change, into the Local Government Superannuation Scheme from 1 July 1997. It is referred to in the trust deed as Division D.

A defined benefit scheme may generally be described as one where the amount of benefits payable are, in part, defined by a members final salary. This scheme, which is heavily subsidised by the member's employer, was closed to new members on 1 July 1985. The Local Government Superannuation Scheme is a $2 billion fully funded Scheme and members are offered a range of

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 18 – Contingencies & Assets & Liabilities not Recognised in the Statement of Financial Position (cont)

benefits payable. The benefit payable on retirement is directly related to a member's final salary and the level of their contributions. This benefit is drawn from a pool that contains the accumulated contributions of both the member and employer plus investment earnings.

The value of accrued benefits in respect of all defined benefit plans in which Council participates has been determined on the basis of the present value of expected payments which arise from its membership in the superannuation scheme at the date of actuarial review. The actuarial review was performed as at 30 June 2004.

The following table sets out the estimated assets and liabilities of Manly Council for the above defined benefits schemes as at 30 June 2004:

Superannuation Scheme	Employer Liability	Employer Assets	2004 Surplus/(Deficit)
Local Government Superannuation Retirement and Defined Benefits Scheme	$ 5,027,805	$ 5,569,030	$541,225

2.2 State Authorities Superannuation Scheme

Council also has one member of staff who is a member of the following defined benefit superannuation schemes:

- State Superannuation Scheme (SSS);
- State Authorities Superannuation Scheme (SASS);
- State Authorities Non-Contributory Superannuation Scheme (SANCS).

These schemes are now closed to employees working in local government

The following table sets out the estimated assets and liabilities of Manly Council for the above defined benefits schemes as at 30 June 2004:

Superannuation Scheme	Employer Liability	Employer Assets	2003 Surplus/(Deficit)
SASS	$92,671	$82,517	($10,154)
SANCS	$21,876	$21,747	($129)
SSS	$0	$10	$10

3. PARKING INFRINGEMENTS

Council's Charter includes enforcement of regulations under the Local Government Act and other legislation. The State Government Infringement Processing Bureau acts on behalf of Councils in the collection and payment to Council of fines. Fines outstanding for more than 12 months are referred to the State Debt Collection Authority for collection. Income from fines is accounted for when the monies are received from the Infringement Processing Bureau (ie on a cash basis). Due to the accounting treatment of payment of fines, and the uncertainty surrounding collection, Council has an asset not recognised at 30 June representing infringement notices issued but not collected.

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

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.

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

Council participates in the following cooperative organisations, the activities of which are not controlled by any one member:

Shorlink Library Network
Shorlink provides the automation of public library services on behalf of Manly, Mosman, Lane Cove, North Sydney and Willoughby Councils.

Premsure Insurance Pool
Premsure is an insurance pool consisting of Manly, Randwick, South Sydney, Waverly, Wollongong and Woollahra Councils.

Shorlink Library Network	**2004**	2003
Council's respective interests are:		
- interest in outputs of the joint operation	**15%**	15%
- ownership interest in the joint operation	**17%**	15%
- the proportion of voting power in the joint operation	**20%**	20%
Movements in Investment in Joint Operation	**$'000**	$'000
Opening Balance	**105**	155
Share in Operating Result	**(26)**	(50)
Adjustment to Equity Share	**(4)**	
Share in Equity of Joint Operation	**75**	105

Premsure Insurance Pool	**2004**	2003
Council's respective interests are:		
- interest in outputs of the joint operation	**12%**	12%
- ownership interest in the joint operation	**0%**	0%
- the proportion of voting power in the joint operation	**17%**	17%
Movements in Investment in Joint Operation	**$'000**	$'000
Opening Balance	**(3)**	(237)
New Capital Contributions		184
Share in Operating Result	**3**	50
Share in Equity of Joint Operation	**0**	(3)

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

Statement of Financial Position	**$'000**	$'000
Current Assets	**44**	52
Non-Current Assets	**36**	65
Share of Assets employed in Joint Ventures	**80**	117
Current Liabilities	**2**	11
Non-Current Liabilities	**3**	4
Share of Liabilities incurred in Joint Ventures	**5**	15
NET INTEREST IN JOINT VENTURES	**75**	102

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

Note 19 (cont) - JOINT VENTURES & ASSOCIATED ENTITES

(c) - Entities "controlled" by another member

Council participates in the following cooperative organisations, the activities of which are "controlled" by another member:

Kimbriki Recycling & waste Disposal Centre

Established for the management and disposal of rubbish and the recycling of waste materials. Council's, interest in output and the equity of this operation as at the end of the year is dependant on the useage of the facility by the other members of the organisation, Warringah, Mosman and Pittwater Councils.

Kimbriki Recycling & Waste Disposal Centre	**2004**	2003
Council's respective interests are:		
- interest in outputs of the joint operation	**11%**	11%
- ownership interest in the joint operation	**10%**	10%
- the proportion of voting power in the joint operation	**17%**	17%
Movements in Investment in Joint Operation	**$'000**	$'000
Opening Balance	**1,000**	1,291
Amount recognised on adoption of AAS14		
New Capital Contributions		
Share in Operating Result	**220**	159
Distributions Received	**(93)**	(450)
Adjustment to Equity Share	**(5)**	
Share in Equity of Joint Operation	**1,122**	1,000

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.

Statement of Financial Position	**$'000**	$'000
Current Assets	**1,217**	1,080
Non-Current Assets	**68**	77
Share of Assets employed in Joint Ventures	**1,285**	1,157
Current Liabilities	**163**	157
Non-Current Liabilities	**0**	0
Share of Liabilities incurred in Joint Ventures	**163**	157
NET INTEREST IN JOINT VENTURE	**1,122**	1,000

Summary of All Joint Ventures	**2004**	2003
	$'000	$'000
Net Surplus (deficit) of Joint Ventures	**188**	159
Share of Assets employed in Joint Ventures	**1,365**	1,274
Share of Liabilities incurred in Joint Ventures	**(168)**	(172)
NET INTEREST IN JOINT VENTURES	**1,197**	1,102

SPENCER STEER
CHARTERED ACCOUNTANTS

MANLY COUNCIL

GENERAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

We have audited the ***general purpose financial report*** of Manly Council for the year ended 30 June 2004, comprising the Statement by Council, Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Accounts. 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 Statement of Financial Performance, Statement of Cash Flows 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 18th day of October 2004

Level 9, 60-70 Elizabeth Street Sydney NSW 2000 Telephone **02 9221 8933** Facsimile 02 9221 9011 Email: info@spencersteer.com.au
Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

SPENCER STEER
CHARTERED ACCOUNTANTS

18 October 2004

The Mayor
Manly Council
PO Box 82
MANLY NSW 2095

Mayor,

Audit Report - Year Ended 30 June 2004

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2004 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 Accounting Standard AAS27 and the Local Government Code of Accounting Practice and Financial Reporting.

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 Surplus of $2.617 million as compared with a Deficit of $1.495 million in the previous year.

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

	2004	% of Total	2003	% of Total	Increase (Decrease)
	$000		$000		$000
Ordinary Expenses					
Employees Costs	18,641	50%	18,082	48%	559
Depreciation	4,137	11%	4,070	11%	67
Other	14,635	39%	15,911	42%	(1,276)
	37,413	100%	**38,063**	100%	**(650)**
Ordinary Revenues before Capital					
Rates & Annual Charges	22,249	58%	20,534	57%	1,715
Grants & Contributions	2,813	7%	3,597	10%	(784)
Other	13,561	35%	11,685	33%	1,876
	38,623	100%	**35,816**	100%	**2,807**
Surplus(Deficit) from Ordinary Activities before Capital items	**$ 1,210**		**$ (2,247)**		**$ 3,457**
Capital Revenues	1,407		752		655
Surplus(Deficit) for the year	**$ 2,617**		**$ (1,495)**		**$ 4,112**

The table above shows an overall improvement over the previous year of $4.112 million and in summary, consisted of;

- rates levied increased by $708,000 (4.06%) to $18.134 million.
- domestic waste management charges increased by $1.007 million (32.40%) to $4.115 million.
- increased income from fines ($378,000) and profits from the sale of assets ($1.123 million) were the main reasons for the increase in other revenues of $1.876 million.
- savings in other operating costs of $1.276 million consisted mainly in the reduction in doubtful debts ($396,000) and reduced insurance settlements which in Y2003 amounted to $1.152 million as compared to $330,000 in Y2004.
- employee costs rose by $559,000 or 3%.
- the increase in capital revenues can be attributed to a bequest to the Art Gallery amounting to $720,000

1.2 Funding Result

The operating result does not take into account revenues and expenditures of a capital nature. In reviewing the overall financial performance of Council it is useful to consider the total source of revenues and where they were applied during the year.

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The table below illustrates the funding result for the year;

	2004	2003
Funds were provided by:-	$000	$000
Operating Result (as above)	**2,617**	**(1,495)**
Add back non funding items:-		
- Depreciation	4,137	4,070
- Book Value of Assets Sold	1,541	1,129
- (Surplus)Deficit in Joint Ventures	(188)	(159)
	8,107	3,545
New Loan Borrowings	700	1,300
Deferred Payment Creditors	799	0
Net Transfers from Externally Restricted Assets	844	1,000
Net Transfers from Internal Reserves	247	4,415
Distributions from Joint Ventures	93	450
Net Changes in Current/Non Current Assets & Liabilities	656	0
	11,446	10,710
Funds were applied to:-		
Purchase and Construction of Assets	(6,926)	(8,508)
Purchase of Investment Securities	(2,718)	(2,068)
Principal repaid on Loans	(586)	(503)
Principal Repaid on Deferred Creditors	(86)	0
Capital Contributions to Joint Ventures	0	(184)
Net Changes in Current/Non Current Assets & Liabilities	0	(656)
	(10,316)	(11,919)
Increase(Decrease) in Available Working Capital	**$ 1,130**	**$ (1,209)**

2. FINANCIAL POSITION

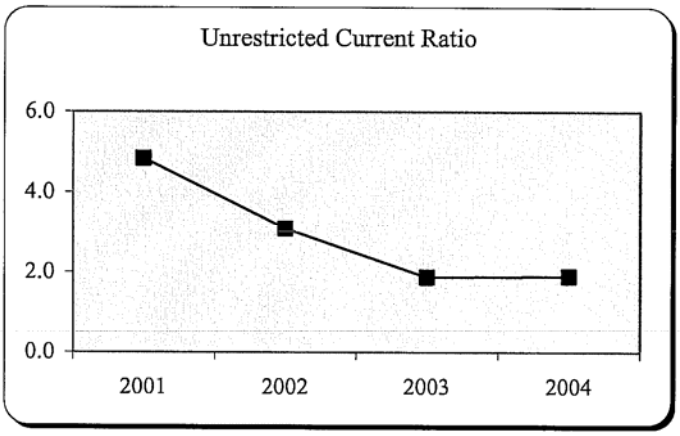
2.1 Current Ratios

The ***Current Ratio*** is a good indicator of the ability of a business to meet its debts and obligations as they fall due. Current assets exceeded current liabilities by $7.031 million representing a factor of 2.03 to 1.

The ***Unrestricted Current Ratio*** is a more specific financial indicator for local government. It eliminates net externally restricted assets that must be set aside by law and it in fact represents the general funds of Council.

The ***Unrestricted Current Ratio*** at the close of the year was **1.90 to 1**.

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The investment of funds that are not externally restricted and maturing beyond 12 months after the close of the reporting year is the reason for this ratio slipping below 2 to 1 for the past two years. These investments maturing beyond 12 months amounted to $6.821 million and $5.629 million at the end of the financial years 2004 and 2003 respectively.

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 $200,000 as detailed below;

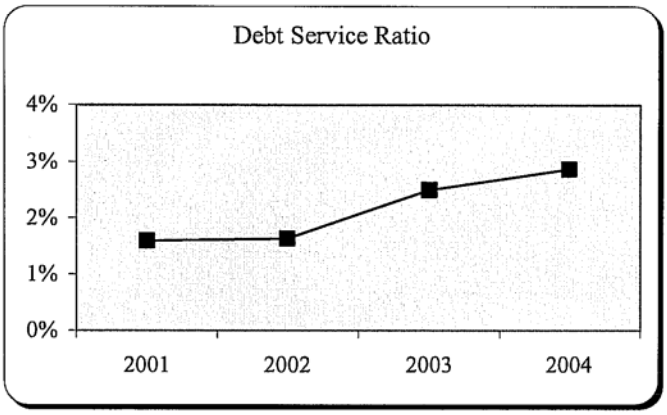
	2004	**2003**	**Change**
	$000	$000	$000
Net Current Assets (Working Capital) as per Accounts	**7,031**	**7,423**	(392)
Add(Less): Budgetted to Pay(Receive) in the next 12 months			
- Borrowings	814	586	228
- Employees Leave Entitlements	1,542	1,339	203
Adjusted Working Capital	9,387	9,348	39
Less: Externally Restricted Assets	(890)	(1,734)	844
Less: Internally Restricted Assets	(8,297)	(8,544)	247
Available Working Capital as at 30 June	**$ 200**	**$ (930)**	**$ 1,130**

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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. Council has fully funded security bonds and deposits it holds and has set aside over 40% of its liability towards employees' leave entitlements. Taking this into consideration and the nature and level of other internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2004 was adequate.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt was **2.86%**.



2.4 Summary

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

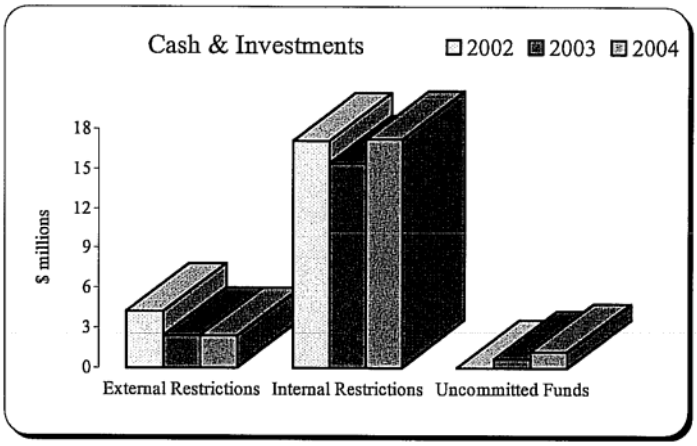
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to $20.852 million as compared with $18.492 million and $21.346 million at the close of financial years 2003 and 2002 respectively.

The following table summarizes the purposes for which cash and investments were held;

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Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 of $1.019 million, domestic waste management charges of $1.219 million, specific purpose grants of $169,000 and Art Galley funds of $720,000.

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 $16.524 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to $1.201 million, which are available to provide liquidity for day to day operations.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets decreased by $291,000 to $9.661 million at the close of the year. In addition to operating activities which contributed net cash of $4.865 million were the proceeds from the sale of assets ($2.820 million), distributions from joint venture operations ($93,000) and the proceeds from new loans ($700,000). Cash outflows other than operating activities were used to repay loans and finance leases ($672,000), purchase and construct assets ($5.877 million) and the investment of funds long term ($2.220 million).

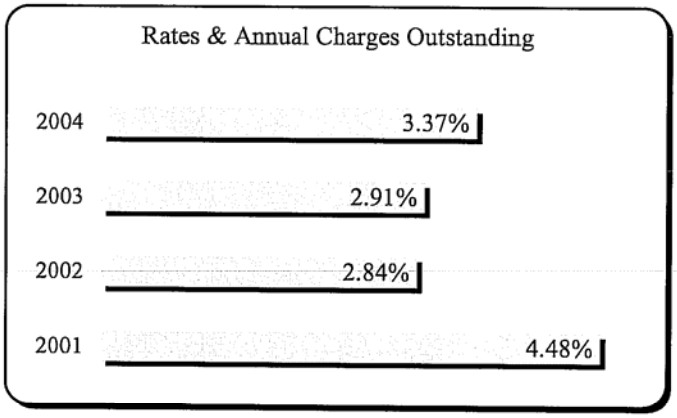
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled $22.249 million and represented 55.58% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was $22.863 million of which $22.093 million (96.63%) was collected. Arrears stood at $770,000 at the end of the year and represented 3.37% of those receivables.

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4.2 Other Receivables

Receivables (other than Rates & Annual Charges) totalled $2.333 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to $217,000.

5. PAYABLES

Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to $3.442 million. A cash reserve of $1.441 million was held at year end representing 41.87% of Council's obligation to their employees and, was in our opinion, more than adequate to enable Council to meet unbudgeted and unanticipated retirements.

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

MANLY COUNCIL

Special Purpose Financial Reports

for the year ended 30th June 2004

TABLE OF CONTENTS

	Page
SPECIAL PURPOSE FINANCIAL REPORTS	
Council Certificate	P1
Statement of Financial Performance	
Other Business Activities	P2
Statement of Financial Position	
Other Business Activities	P3
Notes to, and forming part of, the Special Purpose Financial Statements	
Note 1 - Significant Accounting Policies	P4 - P6
Note 1 Table - National Competition Policy Payments	P7
Auditors Report	

MANLY COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2004

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

The attached Special Purpose Financial Statements for the year ended 30 June 2004 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"*.

To the best of Council's 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
- The accompanying accounts are in accordance with Council's accounting and other records

We are not aware of any matter that would render the Council's Accounts for the twelve months ending 30 June 2004 false or misleading in any way.

Signed in accordance with a resolution of Council made on 11th October 2004.

MAYOR
Dr Peter Macdonald

COUNCILLOR
Councillor B. AIRD

GENERAL MANAGER
Henry Wong

PRINCIPAL ACCOUNTING OFFICER
Ross Fleming

Page P1

Special Purpose Financial Reports

MANLY COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE BY BUSINESS ACTIVITIES
for the year ended 30th June 2004

		BUSINESS ACTIVITIES									
		Domestic Waste Management '000		Commercial Waste '000		Parking Station '000		Swim Centre '000		Children's Services '000	
	Notes	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
EXPENSES FROM ORDINARY ACTIVITIES											
Employee Costs	A3	**1,462**	1,294	**439**	529	**109**	141	**627**	503	**1,475**	1,319
Materials & Contracts	A3	**1,568**	1,315	**886**	870	**1,674**	1,582	**266**	271	**654**	439
Depreciation & Amortisation	A3	**368**	344			**56**	27	**45**	43	**20**	20
Other Operating Expenses	A3	**1,002**	191	**252**	107	**120**	189	**47**	64	**23**	197
Loss on Disposal of Assets	A5					**12**					
NCP Imputation Payments	2	**77**	67	**23**	28	**6**	7	**33**	26	**78**	66
TOTAL		**4,477**	3,211	**1,600**	1,534	**1,977**	1,946	**1,018**	907	**2,250**	2,041
REVENUE FROM ORDINARY ACTIVITIES											
Rates & Annual Charges	A4	**4,115**	3,108								
User Charges & Fees	A4	**64**	75	**1,229**	1,460	**1,430**	1,201	**772**	769	**1,120**	983
Grants & Contributions - Operating	A4	**56**	137		7					**454**	494
Other Operating Revenues	A4	**10**	104		39			**86**	81		
Gain on Disposal of Assets	A5	**6**	222							**2**	
TOTAL		**4,251**	3,646	**1,229**	1,506	**1,430**	1,201	**858**	850	**1,576**	1,477
ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS		**(226)**	435	**(371)**	(28)	**(547)**	(745)	**(160)**	(57)	**(674)**	(564)
SURPLUS (DEFICIT) BEFORE TAX		**(226)**	435	**(371)**	(28)	**(547)**	(745)	**(160)**	(57)	**(674)**	(564)
Corporate Taxation Equivalent	2	**-**	131	**-**	-	**-**	-	**-**	-	**-**	-
SURPLUS (DEFICIT) FOR YEAR		**(226)**	304	**(371)**	(28)	**(547)**	(745)	**(160)**	(57)	**(674)**	(564)
Add: Accumulated Profits brought forward		**2,657**	2,175	**(8)**	6	**117**	107	**167**	129	**(65)**	433
NCP Imputation Payments retained	1	**77**	198	**23**	28	**6**	10	**33**	26	**78**	66
Less: Equity Contribution	2	**111**	(20)	**363**	(14)	**405**	745	**94**	69	**611**	
ACCUMULATED SURPLUS		**2,619**	2,657	**7**	(8)	**(19)**	117	**134**	167	**(50)**	(65)
RATE OF RETURN ON CAPITAL	2	**NIL**	23.32%	**NIL**	NIL	**NIL**	NIL	**NIL**	NIL	**NIL**	NIL
NOTIONAL SUBSIDY FROM COUNCIL	2	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A

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

Special Purpose Financial Reports

MANLY COUNCIL

STATEMENT OF FINANCIAL POSITION by BUSINESS ACTIVITIES
for the year ended 30th June 2004

		BUSINESS ACTIVITIES									
		Domestic Waste Management '000		Commercial Waste '000		Parking Station '000		Swim Centre '000		Children's Services '000	
	Notes	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
CURRENT ASSETS											
Cash Assets	A6	1,219	1,006							47	63
Receivables	A7	140	97	112	125	29	34				
TOTAL CURRENT ASSETS		1,359	1,103	112	125	29	34			47	63
NON-CURRENT ASSETS											
Property, Plant & Equipment	A9	1,507	1,865			683	120	215	258	70	60
TOTAL NON-CURRENT ASSETS		1,507	1,865			683	120	215	258	70	60
TOTAL ASSETS		2,866	2,968	112	125	712	154	215	258	117	123
CURRENT LIABILITIES											
Payables	A10					136					
Provisions	A10	97	94	41	40	10	15	33	30	84	75
TOTAL CURRENT LIABILITIES		97	94	41	40	146	15	33	30	84	75
NON-CURRENT LIABILITIES											
Payables	A10					577					
Provisions	A10	150	217	64	93	8	22	48	61	83	113
TOTAL NON CURRENT LIABILITIES		150	217	64	93	585	22	48	61	83	113
TOTAL LIABILITIES		247	311	105	133	731	37	81	91	167	188
NET ASSETS	$	2,619	2,657	7	(8)	(19)	117	134	167	(50)	(65)
EQUITY											
Accumulated Surplus		2,619	2,657	7	(8)	(19)	117	134	167	(50)	(65)
TOTAL EQUITY	$	2,619	2,657	7	(8)	(19)	117	134	167	(50)	(65)

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

Page P3

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. **The Special Purpose Financial Reports**

These financial statements are a Special Purpose Financial Report prepared for use by the Council and the Department of Local Government. They have been prepared to report the results of Business Units determined by Council in accordance with the requirements of National Competition Policy guidelines.

In preparing these reports, each Business Unit has been viewed as a separate unit, and accordingly transactions between different Business Units, and between Business Units and other Council operations, have not been eliminated.

2. **Basis of Accounting**

2.1 Compliance

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement *"Application of National Competition Policy to Local Government"* and the Department of Local Government's July 1997 guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards and professional pronouncements, and is based on information consistent with that forming the basis of Council's Annual Financial Statements for the year.

2.2 Basis

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

3. **National Competition Policy**

In accordance with the framework set out in the June 1996 NSW Government Policy Statement *"Application of National Competition Policy to Local Government"* and other guidelines and documentation in relation to this matter, Council has declared that the following are to be considered as Business Units:

Domestic Waste Management

Comprising the collection of domestic waste from Council's residents. As the total annual operating revenue exceeds $2 million, it is categorised as a "Category 1" Business Unit.

Commercial Waste Management

Comprising the collection of commercial rated properties in Council's municipality. The annual operating revenue is less than $2 million, it is categorised as a "Category 2" Business Unit.

Parking Stations

Comprising Whistler Street, Manly National ,Manly Pacific and Peninsula Parking Stations in Manly. The total of annual operating revenue is less than $2 million, it is categorised as a "Category 2" business unit.

Swim Centre

Comprising the operations at Andrew Boy Charlton Manly Swim Centre. As the total annual operating revenue is less than $2 million, it is categorised as a "Category 2" business unit

Children's Services

Comprising the nine separate services operating out of the following venues: Kangaroo Street Childcare, Ivanhoe Park Pre-School, the Roundhouse Childcare Centre and Harbourview Childrens Care Centre. As the total annual operating revenue is less than $2 million, it is categorised as a "Category 2" business unit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies (cont)

The Department of Local Government's July 1997 guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*" 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, rate of return on investments in Business Units and dividends paid.

3.1 Taxation Equivalent Payments
Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Reports disclose the effect of imputing these taxes to the declared Business Units at the several rates that would have applied to equivalent private sector operations.

Details of the rates of each tax or duty applicable to each different business unit are set out in Note 2. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

3.2 Council Rates, Charges & Fees
Council rates have been *imputed* in relation to all non-rateable land, and *applied* in relation to all rateable land, owned or exclusively used by all Business Units. Annual and User Charges, and Regulatory and Other Fees, have been *applied* in relation to all services supplied to Business Units by Council or other Business Units.

3.3 Loan & Debt Guarantee Fees
The debt guarantee fee is designed to ensure that Council's Business Units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has determined the average differential between actual and commercial borrowing rates for each Business Unit.

3.4 Corporate Taxation Equivalent
In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Operating Statement of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax Effect Accounting)" has not been applied.

3.5 Dividends Paid
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. Dividend payments to Council are also restricted to those activities which do not levy special rates or charges (water, sewer, domestic waste management).

Council operates the following restricted activities - Domestic Waste Management (DWM). The Local Government Act 1993 requires that all operating surpluses or deficits of these funds are credited/debited to the equity of those funds.

3.6 Return on Investments (Rate of Return)
The Policy statement states that Category 1 businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field." In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewerage services has been set at an amount sufficient to cover costs and replace assets needed to maintain services. For competitive markets, the rate of return has been set equal to or better than the return on Commonwealth 10 year bonds, which was 5.24 % at 30 June 2004.

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plant & Equipment at the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note 1 - Significant Accounting Policies (cont)

3.7 Notional Subsidy from Council

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 obligations. The overall effect of subsidies is contained in the operating statement by the Business activities.

In accordance with the code of Accounting Practise, this amount has been calculated as the dollar difference between the required and the actual rates of return.

4. Special Rate Funds

The Local Government Act 1993 (as amended) requires that moneys raised by way of Special Rates (or for Domestic Waste Management) be used only for those purposes, and accordingly *imputed* amounts have been retained in those funds, and added back to Accumulated Surplus.

For Business Units not involving Special Rate Funds, *imputed* amounts have been transferred to Council's General Fund and are available to Council for utilisation for other purposes.

All such amounts have been eliminated in the course of preparation of the Council's Annual Financial Statements.

5. Other Accounting Policies and Notes

Other accounting policies relating to the determination of revenues and expenses, and assets and liabilities, not specifically referred to above are reported in Note 1 to the Council's Annual Financial Statements, and should be read in conjunction with this Note. Note references in the Operating Statement of Business Activities and the Statement of Financial Position of Business Activities that are prefixed "A" refer to the Notes to the Annual Financial Statements.

6. Rounding

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

Special Purpose Financial Reports

MANLY COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

NOTE 1 Table - NATIONAL COMPETITION POLICY NOTIONAL PAYMENTS
for the year ended 30th June 2004

	BUSINESS ACTIVITIES									
	Domestic Waste Management		Commercial Waste		Parking Station		Swim Centre		Children's Services	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Category	**1**	**1**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
TAXATION EQUIVALENT PAYMENTS	*Rate*	*Rate*	*Rate*	*Rate*	*Rate*	*Rate*	*Rate*	*Rate*	*Rate*	*Rate*
Land Tax										
Stamp Duty										
Payroll Tax	**Applies**	Applies	**Applies**	Applies	**Applies**	Applies	**Applies**	Applies	**Applies**	Applies
Fringe Benefits Tax	**Applies**	Applies	**Applies**	Applies	**Applies**	Applies	**Applies**	Applies	**Applies**	Applies
Bank Account Debits Tax										
COUNCIL RATES, CHARGES & FEES	See Note 1, Item 3.2									
LOAN & DEBT GUARANTEE FEES										
CORPORATE TAXATION EQUIVALENT	**30%**	30%	**30%**	30%	**30%**	30%	**30%**	30%	**30%**	30%
DIVIDENDS PAID	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
RATE OF RETURN ON CAPITAL										
Required Rate of Return	**5.87%**	5.01%	**5.87%**	5.01%	**5.87%**	5.01%	**5.87%**	5.01%	**5.87%**	5.01%
Actual Rate of Return	**NIL**	23.32%	**NIL**	NIL	**NIL**	NIL	**NIL**	NIL	**NIL**	NIL

Page P7

SPENCER STEER
CHARTERED ACCOUNTANTS

MANLY COUNCIL

SPECIAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

We have audited the ***special purpose financial report*** of Manly Council for the year ended 30 June 2004, comprising the Statement by Council, Statement of Financial Performance of Business Activities, Statement of Financial Position by Business Activities and accompanying Notes to the Accounts. 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 those Australian Accounting Standards adopted 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 18th day of October 2004

Level 9, 60-70 Elizabeth Street Sydney NSW 2000 Telephone **02 9221 8933** Facsimile 02 9221 9011 Email: info@spencersteer.com.au
Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

MANLY COUNCIL

Special Schedules

for the year ended 30th June 2004

TABLE OF CONTENTS

	Page
SPECIAL SCHEDULES ***(not Audited)***	
Special Schedule 1 - Net Cost of Services	S1-S3
Special Schedule 2(1) - Statement of Long Term Debt (All Purpose)	S4
Special Schedule 7 - Condition of Public Works	S5-S7

MANLY COUNCIL

SPECIAL SCHEDULE NO 1
NET COST OF SERVICES
for the year ended 30th June 2004

$'000

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
GOVERNANCE	982					982	
		982			-		982
ADMINISTRATION							
Corporate Support	6,945		3,067	309		3,569	
Engineering & Works	2,659		62			2,597	
Other Support Services						-	
		9,604			3,438		6,166
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service Levy	508					508	
Fire Protection - Other	4					4	
Animal Control			17			(17)	
Beach Control	632		54			578	
Enforcement of Local Govt Regulations	759		1,128			(369)	
Emergency Services	46					46	
Other	48		51			(3)	
		1,997			1,250		747
HEALTH							
Administration & Inspection	155		50			105	
Immunisations	12		8			4	
Food Control						-	
Insect/Vermin Control						-	
Noxious Plants						-	
Health Centres						-	
Other						-	
		167			58		109
COMMUNITY SERVICES & EDUCATION							
Administration						-	
Family Day Care	455		293			162	
Child Care	1,161		848			313	
Youth Services	422		337			85	
Other Families & Children	217		226			(9)	
Aged & Disabled	321		392	8		(79)	
Migrant Services						-	
Aboriginal Services						-	
Other Community Services						-	
Education	428		504			(76)	
		3,004			2,608		396
HOUSING & COMMUNITY AMENITIES							
Housing	99		49			50	
Town Planning	2,976		937			2,039	
Domestic Waste Management	2,964		4,349			(1,385)	
Other Waste Management						-	
Street Cleaning	1,307					1,307	
Other Sanitation & Garbage	1,342		1,228			114	
Urban Stormwater Drainage	571					571	
Environmental Protection	912		76			836	
Public Cemeteries	26		52			(26)	
Public Conveniences	684					684	
Other Community Amenities						-	
		10,881			6,691		4,190

Page S1

MANLY COUNCIL

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

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
WATER SUPPLIES						-	
		-			-		-
SEWERAGE SERVICES						-	
		-			-		-
RECREATION & CULTURE							
Public Libraries	1,781		172	28		1,581	
Museums						-	
Art Galleries	571		135	729		(293)	
Community Centres	79		11			68	
Public Halls	233		73			160	
Other Cultural Services						-	
Swimming Pools	1,012		858			154	
Sporting Grounds	786		39			747	
Parks & Gardens, Lakes	1,504		35	19		1,450	
Other Sport & Recreation	187		45	80		62	
		6,153			2,224		3,929
FUEL & ENERGY							
Gas Supplies						-	
		-			-		-
MINING, MANUFACTURING & CONSTRUCTION							
Building Control						-	
Abattoirs						-	
Quarries & Pits						-	
Other						-	
		-			-		-
TRANSPORT & COMMUNICATION							
Urban Roads: Local	744		616	234		(106)	
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	555					555	
Aerodromes						-	
Parking Areas	2,069		1,903			166	
Bus Shelters & Services						-	
Water Transport						-	
RTA Works - State Roads						-	
Street Lighting	499		83			416	
Other						-	
		3,867			2,836		1,031

MANLY COUNCIL

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

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas						-	
Caravan Parks						-	
Tourism & Area Promotion	758		440			318	
Industrial Development Promotion						-	
Saleyards & Markets						-	
Real Estate Development						-	
Commercial Nurseries						-	
Other Business Undertakings						-	
		758			440		318
TOTALS - FUNCTIONS		**37,413**			**19,545**		**17,868**
						-	
General Purpose Revenues			20,297			20,297	
Joint Ventures/Associated Entities			188			188	
Correction of Fundamental Error						-	
		-			**20,485**		**20,485**
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE EXTRAORDINARY ITEMS							2,617
Extraordinary Items & Council Restructure							
SURPLUS (DEFICIT) FROM ALL ACTIVITIES							2,617

Page S3

MANLY COUNCIL

SPECIAL SCHEDULE NO 2 (1)
STATEMENT OF LONG TERM DEBT (ALL PURPOSE)
for the year ended 30th June 2004

$'000

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption From Revenue	Debt Redemption Sinking Funds	Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-Current	Total						Current	Non-Current	Total
LOANS (by source)											
Financial Institutions	586	4,570	5,156	700	586			322	678	4,592	5,270
Total Loans	**586**	**4,570**	**5,156**	**700**	**586**	**-**	**-**	**322**	**678**	**4,592**	**5,270**
OTHER LONG TERM DEBT											
Finance Leases	-	-	-	799	86			59	136	577	713
Total Other Long Term Debt	**-**	**-**	**-**	**799**	**86**	**-**	**-**	**59**	**136**	**577**	**713**
TOTAL LONG TERM DEBT	**586**	**4,570**	**5,156**	**1,499**	**672**	**-**	**-**	**381**	**814**	**5,169**	**5,983**

This Schedule excludes Internal Loans and refinancing of existing borrowings.

Page S4

MANLY COUNCIL

SPECIAL SCHEDULE NO 7
CONDITION OF PUBLIC WORKS
as at 30th June 2004

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
	References	*Note 9*	*Note 3*		*Note 9*				*Local Govt. Act 1993, Section 428 (2d)*		
Public Buildings	Council Offices	1	35	3,497		2,349	1,148	3		100	457
	Works Depot	1-2	21	1,557		849	708	5	2,225	27	24
	Community Centres	1	5	541		105	436	3		20	7
	Senior Citizens Centre	2	9	455		410	45	4		5	558
	Scout/Guide Halls	1-2	3	202		124	78	4		3	4
	Houses	1-3	5	228		85	143	4		10	5
	Multi Storey Car Park	1	53	5,363		1,841	3,522	4		60	7
	Recreation Ground	1-2	36	3,007		876	2,131	4	33	90	144
	Surf Pavillions	1	22	2,203		655	1,548	4		45	41
	Youth Centre	2	11	566		431	135	4		15	23
	Ancillary Buildings	1-2	19	1,342		482	860	4		170	110
	Library	1	32	3,200		291	2,909	2		35	65
	Childcare Centres	1	11	1,886		231	1,655	3		20	43
	Art Gallery	1	12	1,174		259	915	4	81	8	61
	Pub Amenities/Toilets	1-2	26	1,940		565	1,375	4	651	80	149
	Subtotal		300	27,161	-	9,553	17,608		2,990	688	1,698
Public Roads	Sealed Roads	1	387	34,828		4,808	30,020	4	2,180	700	708
	Signs	10	119	1,254		1,113	141	4		70	100
	Bridges	1-3	6	531		100	431	2		1	0
	Footpaths	2-3	155	6,861		3,313	3,548	3		100	644
	Land Improvements	1.5-33	25	3,586		964	2,622	3		200	225
	Kerb & Gutter	1-5	108	7,652		3,697	3,955	4	17	20	110
	Road Furniture	5-10	84	1,553		476	1,077	4	92	40	38
	Subtotal		884	56,265	-	14,471	41,794		2,289	1,131	1,825

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

Page S5

MANLY COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont)
as at 30th June 2004

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
References		*Note 9*	*Note 3*		*Note 9*				*Local Govt. Act 1993, Section 428 (2d)*		
Public Reserves	Sports Fields	2-5	62	2,690		1,016	1,674	4	220	180	399
	Swimming Pools	1-2	32	2,076		1,334	742	4	68	100	122
	Park Furniture	10	96	1,055		707	348	3		40	13
	Irrigation	5	39	781		331	450	4	180	30	16
	Playground Equipment	20	60	537		403	134	3		50	149
	Other	1-6	219	2,870		2,178	692	3			
	Land Improvements	1-6	297	10,423		2,974	7,449	3		1,250	1,194
	Structures	1	149	9,047		4,752	4,295	4	75	50	2
	Roads	1	1	105		42	63	3		1	
	Subtotal		955	29,584	-	13,737	15,847		543	1,701	1,895
Drainage Works	Pollution Devices	3	31	925		154	771	3		15	12
	Structures	1	0	24		1	23	1		1	0
	Conduits	1	120	11,783		4,340	7,443	4	1,900	250	87
	Inlet & Junction Pits	3	62	1,956		1,064	892	4	300	100	4
	Head Walls	3	2	59		34	25	3		3	
	Storm Water Converters	1	1	328		1	327				
	Subtotal		216	15,075	-	5,594	9,481		2,200	369	103
Total Classes - All Assets			2,355	128,085	-	43,355	84,730		8,022	3,889	5,521

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

Page S6