

2010 | 11

SYDNEY PORTS CORPORATION ANNUAL REPORT

28 September 2011


The Hon Mike Baird MP
Treasurer
Level 36 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

The Hon Greg Pearce, MLC
Minister for Finance and Services
Minister for the Illawarra
Level 36 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Messrs Baird and Pearce,

This annual report covers Sydney Ports Corporation's operations and statement of accounts for the year ended 30 June 2011, in accordance with the provisions of the *Annual Report (Statutory Bodies) Act 1984* and the applicable provisions of the *Public Finance and Audit Act 1983* and the *State Owned Corporations Act 1989*, and is submitted for presentation to Parliament.

Yours faithfully,



Mr Bryan T. Smith
Chairman



Mr Grant Gilfillan
Chief Executive Officer



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HIGHLIGHTS



- > ZERO LOST TIME INJURIES
- > 10TH CONSECUTIVE RECORD YEAR IN TOTAL CONTAINER TRADE FOR SYDNEY PORTS
- > CONTAINER TRAFFIC THROUGH PORT BOTANY EXCEEDS TWO MILLION TEUs FOR THE FIRST TIME EVER IN A FINANCIAL YEAR
- > PORT BOTANY'S THIRD CONTAINER TERMINAL SITE HANDED OVER BY THE CONTRACTOR TO SYDNEY PORTS
- > CONSTRUCTION CONTRACT FOR THE SECOND BULK LIQUIDS BERTH IS AWARDED
- > THE FIRST PHASE OF THE PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY WAS "SWITCHED ON"
- > PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY'S TRUCK MARSHALLING SITE IDENTIFIED BY SYDNEY PORTS FOR FUTURE USE BY TRUCK DRIVERS
- > PLANNING APPROVAL RECEIVED FOR THE WHITE BAY CRUISE PASSENGER TERMINAL
- > CRUISE MARKET GROWS BY 29 PER CENT
- > SYDNEY PORTS COMPLETES CONSTRUCTION AND FIT OUT OF ITS NEW OPERATIONS CENTRE AT PORT BOTANY
- > THE VESSEL TRAFFIC SERVICES SYSTEM WAS RELOCATED FROM THE HARBOUR CONTROL TOWER AT MILLERS POINT IN SYDNEY TO SYDNEY PORTS' OPERATIONS CENTRE AT PORT BOTANY

OVERVIEW

SYDNEY PORTS IS A LEADER IN WORLD-CLASS, EFFICIENT AND SUSTAINABLE PORTS AND LOGISTICS NETWORKS.

WE MANAGE THE COMMERCIAL PORTS OF SYDNEY – LOCATED IN SYDNEY HARBOUR AND BOTANY BAY – AND INVEST IN NEW INFRASTRUCTURE TO ENSURE THESE VITAL ECONOMIC ASSETS CONTINUE TO MEET THE TRADE NEEDS OF NSW.

COMBINED, OUR PORTS HANDLE MORE THAN

\$61

BILLION

WORTH OF TRADE EACH YEAR

OUR PORTS CONTRIBUTE ABOUT

\$2.5

BILLION

TO THE NSW ECONOMY

OUR PORTS GENERATE EMPLOYMENT FOR MORE THAN

 17,000

PEOPLE

THROUGHOUT THE LOGISTICS CHAIN.

OUR ROLE IS TO KEEP THE PORTS SAFE FOR SHIPPING, KIND TO THE ENVIRONMENT, SECURE FOR EVERYONE AND READY FOR THE FUTURE.

SUMMARY REVIEW OF OPERATIONS

SYDNEY PORTS PROVIDES MARINE SERVICES AND FACILITIES TO SUPPORT COMMERCIAL MARITIME TRADE IN PORT BOTANY AND SYDNEY HARBOUR. THE IMPORT AND EXPORT TRADE IS VITAL TO THE NEW SOUTH WALES ECONOMY WITH PORT BOTANY HANDLING ALMOST ONE-THIRD OF AUSTRALIA'S CONTAINERISED TRADE.

Ensuring that these ports have the capacity to grow their throughput volumes of containers, bulk liquids, cruise passengers and dry bulk trade requires professional management, a commitment to excellence and an ability to work constructively with many stakeholders.

Sydney Ports recognises that it occupies a leadership position in the supply chain of Australia's largest state economy; as the NSW economy grows, so does the trade demand on Sydney's two ports.

The challenge is to have the infrastructure to handle not just the trade demands of next year, but also for the long-term. This challenge means building new infrastructure, making

the most of existing infrastructure, coordinating and improving landside supply chains, while ensuring sustainable interaction with the community, employees, port-trade businesses and the environment.

In ensuring sufficient capacity and improvements to the logistics chain, there have been several significant milestones achieved this year, such as the completion and handover of the third container terminal for operator works at Port Botany, receiving planning approval for a new cruise passenger terminal at White Bay in Sydney Harbour and the "switching on" of the first phase of a supply chain efficiency program called the Port Botany Landside Improvement Strategy.

Sydney Ports recognises the significant responsibility it has in operating working ports in Port Botany and Sydney Harbour and continues to engage with local councils and community liaison groups, while providing support to schools and community organisations in managing the environmental and social interactions of living in a port precinct.

Achieving record trade throughput didn't come at the expense of employee safety: there were zero injury-loss hours for Sydney Ports during 2010/11.

OUR COMMITMENT

Sydney's ports have been crucial to the economic development of Australia since they became the country's first major ports more than 200 years ago. Today, they are an economic powerhouse, handling more than \$61 billion of international and domestic trade annually. Each year, Sydney's ports:

- > Contribute more than \$2.5 billion to the NSW economy
- > Support more than 17,000 jobs
- > Handle nearly one-third of Australia's total containerised trade
- > Support increasing amounts of trade
- > On average, contribute \$1 million in revenue to port related businesses for each ship visiting Sydney

THE MAIN FUNCTIONS OF SYDNEY PORTS CORPORATION ARE TO:

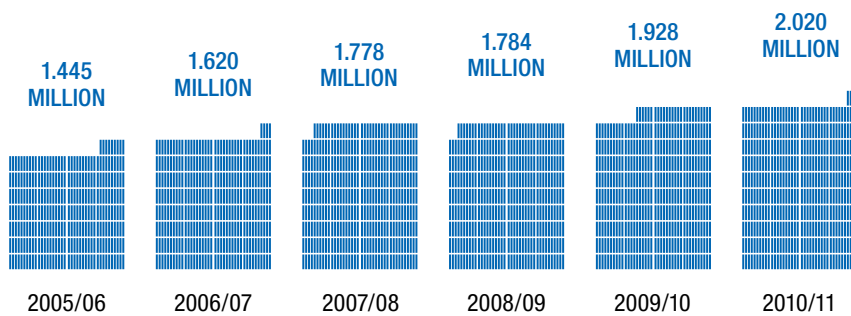
- > Manage, develop and operate port facilities and services to cater for existing and future trade needs
- > Facilitate and co-ordinate improvements in the efficiency of the port-related supply chain
- > Manage the navigational, pilotage, security and operational safety needs of commercial shipping
- > Protect the environment and have regard to the interests of our community
- > Deliver profitable business growth

TRADE HIGHLIGHTS

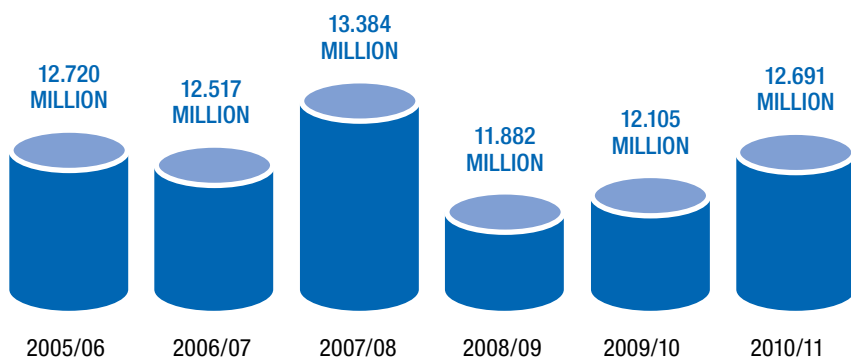
TOTAL TRADE
2005/06 TO 2010/11 (MASS TONNES)



TOTAL CONTAINER TRADE
2005/06 TO 2010/11 (TEUs)



TOTAL BULK LIQUIDS, GAS AND OIL
2005/06 TO 2010/11 (MASS TONNES)



TOTAL
CHARGEABLE
VESSEL VISITS
2010/11

PORT BOTANY

1,578

JUL 10	AUG 10	SEP 10
138	135	135
OCT 10	NOV 10	DEC 10
137	130	125
JAN 11	FEB 11	MAR 11
141	125	128
APR 11	MAY 11	JUN 11
131	130	123

SYDNEY HARBOUR

509

JUL 10	AUG 10	SEP 10
40	34	31
OCT 10	NOV 10	DEC 10
44	46	47
JAN 11	FEB 11	MAR 11
50	54	49
APR 11	MAY 11	JUN 11
46	38	30

TRADE HIGHLIGHTS
(CONTINUED)

IMPORT COMMODITIES 2010/11 (TEUs)

	FY 2010/11
Machinery and transport equipment	220,041
Miscellaneous manufactured articles	215,327
Chemical and related products, nes	131,373
Paper, paperboard, and articles of paper pulp, of paper or of paperboard	81,049
Textile yarn, fabrics, made-up articles, nes and related products	54,564
Non-metallic mineral manufactures, nes	34,055
Coffee, tea, cocoa, spices, margarine and miscellaneous edible products and preparations	43,118
Iron and steel	28,042
Beverages and tobacco	21,465
Wood, timber and cork	15,084
Other	156,335
TOTAL	1,000,453

EXPORT COMMODITIES 2010/11 (TEUs)

	FY 2010/11
Chemical and related products, nes	49,925
Cereals and core preparations	45,452
Machinery and transport equipment	41,849
Paper, paperboard, and articles of paper pulp, of paper or of paperboard	35,155
Miscellaneous manufactured articles	34,171
Non-ferrous metals	30,183
Pulp and waste paper	27,481
Iron and steel	18,537
Wood, timber and cork	20,354
Meat and meat preparations	12,061
Other	143,535
TOTAL	458,703

MONTHLY CONTAINER TRADE 2005/06 TO 2010/11 (TEUs)

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
Export	86,410	90,589	85,600	88,717	82,387	87,355	84,464	77,557	79,065	76,126	79,197	82,059	999,526
Import	85,359	90,620	87,991	91,441	91,211	84,283	88,241	73,305	76,566	86,017	82,567	82,959	1,020,560
FY10/11	171,769	181,209	173,591	180,158	173,598	171,638	172,705	150,862	155,631	162,143	161,764	165,018	2,020,086
FY 09/10	148,999	155,613	154,107	176,921	181,519	176,361	159,685	146,779	149,107	153,593	152,484	172,339	1,927,507
FY 08/09	159,698	165,266	165,333	167,102	168,411	159,315	144,261	117,557	135,083	138,605	141,317	122,069	1,784,017
FY 07/08	134,239	152,412	146,579	157,924	155,402	159,968	148,189	139,238	144,007	143,209	147,599	149,604	1,778,370
FY 06/07	122,688	135,284	141,588	143,164	144,617	147,920	135,659	132,075	128,539	125,980	135,640	126,960	1,620,114
FY 05/06	113,602	124,030	129,212	133,288	130,453	120,575	118,758	102,591	112,110	114,898	122,275	123,526	1,445,318

IN OUR CURRENT PERIOD,
WE HAVE ACHIEVED A
RECORD YEAR IN TERMS
OF CONTAINER TRADE
THROUGHPUT AND
TOTAL REVENUE.



CONTAINER TRADE BY REGION 2010/11

	IMPORT			EXPORT			TOTAL	CHANGE
	FULL	CHANGE	EMPTY	FULL	CHANGE	EMPTY		
EAST ASIA	471,196	6.9%	3,007	133,211	9.7%	281,267	888,681	11.7%
SOUTH EAST ASIA	147,654	5.6%	880	78,273	6.9%	120,866	347,673	4.0%
OCEANIA	77,951	3.4%	3,981	157,322	-0.3%	126,484	365,738	-3.2%
EUROPE	156,974	10.7%	97	14,021	9.2%	1,602	172,694	9.5%
NORTH AMERICA	92,077	-10.3%	306	18,659	8.8%	9,925	120,967	-8.5%
SOUTH ASIA	16,175	11.9%	6	21,313	-10.0%	4	37,498	-2.5%
MIDDLE EAST	11,555	-3.3%	0	13,384	32.6%	6	24,945	9.4%
PACIFIC OCEAN ISLANDS	1,285	-38.8%	7,702	13,724	-24.2%	246	22,957	-21.0%
AFRICA	11,863	15.6%	4,051	5,160	-0.8%	141	21,215	-9.6%
SOUTH AMERICA	8,777	29.0%	77	2,031	17.3%	280	11,165	24.5%
CENTRAL AMERICA	4,933	-5.8%	0	1,597	30.3%	2	6,532	-0.9%
Other Countries	13	0.0%	0	8	-33.3%	0	21	75.0%
TOTAL	1,000,453	5.2%	20,107	458,703	3.6%	540,823	2,020,086	4.8%



CHAIRMAN'S REPORT

BRYAN T. SMITH

ONE OF OUR PRIMARY RESPONSIBILITIES UNDER THE *STATE OWNED CORPORATIONS ACT 1989* IS TO SHOW A RETURN ON STATE-OWNED ASSETS. AS TRADE EXPANDS OUR PORT HAS INFRASTRUCTURE AND LAND THAT MUST ADAPT TO CHANGES IN CONSUMPTION, IMPORT AND EXPORT VOLUMES.

Such was the case during 2008/09, when the New South Wales economy slowed. In the following year economic activity picked up slightly and in our current period, we have achieved a record year in terms of container trade throughput and total revenue.

However, Sydney Ports Corporation has not simply waited for the NSW economy to grow but has led and developed a strategic direction for long term efficiencies in the landside supply chain. This is being delivered by the Port Botany Landside Improvement Strategy program which is a key interaction for all organisations in the supply chain. While we initially sought voluntary agreement on how we implement the efficiency drive, we have moved towards regulation which has ensured equity of performance in the landside interface at Port Botany. It is a significant step in that the NSW government recognised Sydney Ports' new leadership role in driving supply chain reform which was underpinned by the new Government regulations for landside performance in December 2010.

The past year saw a new government in Macquarie Street and I was happy with the handover to the new Shareholding and Portfolio Ministers, not only from my own professional perspective which focuses on corporate governance, but also from the perspective of being able to instil confidence that the Corporation has a strategy focused on the future.

I believe much of this confidence can be attributed to not only the currently strong financial performance of Sydney Ports, but the broader strategic vision we are working on. It helps a government to know that a state-owned enterprise such as Sydney Ports is looking over the horizon, and we demonstrated that capacity when we handed our 30 Year Horizon document to the new Portfolio Minister in June.

The financial performance was excellent this year, while large scale infrastructure projects went ahead, such as completing the ground works for the third container terminal at Port Botany and progressing the second Bulk Liquids Berth at Botany. Gaining planning approvals for the Enfield Intermodal Logistics Centre site and the new cruise terminal at White Bay in Sydney Harbour, were also milestones.

It's been a very good year for Sydney Ports Corporation and consequently, the people of New South Wales.

CONGRATULATIONS TO ALL STAFF WHO ARE MAKING SYDNEY PORTS A SAFER PLACE TO WORK.

Internally, this has been a good year for Sydney Ports. I am especially pleased to announce that Sydney Ports had zero lost time injuries during this year. In busy working port environments, injury is a constant risk factor for our people who provide marine and logistics services to the businesses that operate in our port precincts. I can speak for the Board in saying that I am very proud to get to the end of a year and know that none of our people suffered a lost time injury. Congratulations to all staff who are making Sydney Ports a safer place to work.



CHIEF EXECUTIVE OFFICER'S REPORT

GRANT GILFILLAN

BY A NUMBER OF MEASURES THIS MUST BE ONE OF THE BEST YEARS WE HAVE HAD AT SYDNEY PORTS FOR SOME TIME. WE HAD ZERO LOST TIME INJURIES FOR THE YEAR, I.E. EACH AND EVERY STAFF MEMBER WENT HOME EVERY DAY WITHOUT SUFFERING ANY SERIOUS HARM WHILE AT WORK. THIS IS OUR NUMBER ONE MEASURE OF SUCCESS.

In the 2010/11 financial year we generated revenue of \$255.6 million and Net Profit after Tax of \$73.5 million, while advancing several major projects that help make us better at our core mission: to operate a world-class port.

The most visible representation of our success was the completion of the third container terminal at Port Botany, on time and under budget. This \$1 billion project – started in 2008 – will enable a doubling of our container capacity once it is tenanted by Hutchison Port Holdings.

The projects accompanying the third terminal include a revived habitat for shore birds at Penrhyn Estuary, a \$3 million gymnasium at JJ Cahill Memorial High School, a public boat ramp, a scenic look out platform and a footbridge creating public access to a newly-landscaped Foreshore Road beach. This is one of the best examples of a major industrial infrastructure project “giving back” to its neighbouring community. It is certainly a project that Sydney Ports’ staff are proud of.

We also advanced to the contracting stage of a second bulk liquids berth at Port Botany, and we moved ahead with the development of our intermodal logistics centre at Enfield in Sydney’s west. This past year we began grade separation works around the port precinct which will allow truck traffic to come and go without stopping for freight trains and we gained planning approval to start building the new cruise terminal at White Bay in Sydney Harbour.

Along with new infrastructure, we have led improved efficiency through the Port Botany Landside Improvement Strategy (PBLIS), a series of reciprocal commercial penalties and incentives that change stevedore and transport operator behaviour. PBLIS came into effect on February 28, 2011 and to date average truck-turnarounds at Port Botany stevedores have reduced from greater than 50 minutes to around 30 minutes per truck. We also planned and found the land for a new truck marshalling yard and commissioned new technology to track port trucks in the port precinct.

WITH SUCH A BUSY, PRODUCTIVE AND SUCCESSFUL YEAR, THE HIGHLIGHT FOR ME WAS OUR FANTASTIC SAFETY RECORD.

Along with operational improvements, Sydney Ports produced a 30 Year Horizon document, presented to the NSW Government in June.

While our earnings exceeded budget, the result must be placed alongside our debt situation. During the year we enjoyed a “dividend holiday” from our shareholder, the NSW Government, as we took on higher debt ratios to complete our capital spending program. In recognition of these

projects the government also extended our debt ceiling by \$100 million. Our credit rating agency has maintained Sydney Ports’ credit rating at the same level as the last two years, which was lower than before we started our major capital expansion program, but we are confident of returning to our usual rating once the projects are completed.

With such a busy, productive and successful year, the highlight for me was still our fantastic safety record. We have worked hard for this, implementing a system of safety inspections in which managers check the practices and work places of their staff at least six times a year, with a blend of passive and active strategies. It is one thing to say that people are your greatest asset; to be able to deliver on this promise is an important achievement of which everyone at Sydney Ports can be proud.

BOARD OF DIRECTORS



BRYAN T. SMITH
RFD, MAICD
CHAIRMAN

Chairman, Port Botany Landside Improvement Strategy Committee

Bryan T. Smith was appointed as a Director of Sydney Ports Corporation in March 2009 and was then appointed as the Chairman in March 2010. Mr Smith was also Chairman of Sydney Pilot Service Pty Ltd, a subsidiary of Sydney Ports Corporation, from 16 December 2009 until 15 June 2010.

As a Master Mariner, Mr Smith spent his early years at sea and in operational management roles within the shipping industry. For over 18 years he worked in senior management positions in the Australian stevedoring industry, before moving to Asia with P&O Ports in 1999. Until August 2008, Mr Smith resided in the Philippines where he served as Regional Director, East Asia for P&O Ports, and then as Vice President and Managing Director, South East Asia for DP World.

Mr Smith has extensive experience as a Director and Chairman of the board for numerous ports, terminal and stevedoring companies and is a member of the Australian Institute of Company Directors. He is a Graduate of Macquarie University Graduate School of Management Advanced Management Program. He was previously a Director of the P&O Senior Executive Board in London and Chairman of Asia Terminals Inc, and is currently the senior Independent Director for Global Ports Investments PLC.

He is currently Chairman of the listed Moly Mines Limited, and of D&D Technology Group, Home Appliances Pty Ltd, and Silk Road Capital Group Ltd. Mr Braham was formerly Chairman of the listed Galileo Shopping America Trust and a Non-Executive Director of Neptune Orient Lines Australia and several other companies.

He was Regional Commissioner for New South Wales for the Australian Securities Commission (1990-95) and an Executive Director with investment bank Schroders Australia (1978-90). Previously he was a World Bank consultant in Sri Lanka and for many years a chartered accountant in public practice as a New Zealand partner of Arthur Young (now Ernst & Young). He has been President of Glaucoma Australia since 1998.



MICHAEL BRAHAM
B.Com, FCA (NZ)
DIRECTOR

Chairman, Audit and Risk Committee Member, Remuneration, HR and Governance Committee

Mr Braham was appointed a Director of Sydney Ports Corporation in February 2006 and was Presiding Director from December 2009 to March 2010.



GRANT GILFILLAN
B.App.Sc, MAICD
DIRECTOR

Grant Gilfillan joined Sydney Ports Corporation as its Chief Executive Officer in January 2008 and was appointed as a Director in April 2009.

Prior to joining Sydney Ports, Mr Gilfillan worked in Africa, the Middle East and Europe (Romania) as a Senior Vice President, Managing Director and General Manager for DP World. Prior to this he had served as Director of Operations for P&O Ports, Australia and New Zealand, and as Managing Director of CSX World Terminals in Australia.

Mr Gilfillan also sits on the Executive Committee of the International Association of Ports and Harbors (IAPH) as its Vice President for the Asia/Oceania region.

In an earlier life, Mr Gilfillan was a mining engineer and mine manager in the NSW Hunter Valley and the North-West of Western Australia.



RENE VAN DER LOOS
GAICD
DIRECTOR

Chairman, Remuneration, HR and Governance Committee

Member, Audit and Risk Committee

Miss van der Loos is a member of the Australian Institute of Company Directors and has held senior executive positions in the transport and banking sectors with Qantas, Commonwealth Bank, St George Bank and NRMA Motoring & Services.

Miss van der Loos has extensive experience in project management, strategic marketing, organisational structures and business transformation.

She is also a current Director and convener of the Remuneration and Nomination Committee for the Gateway Credit Union.



JOHN BROGDEN
MPA, MAICD
DIRECTOR

Member, Remuneration, HR and Governance Committee

Member, Audit and Risk Committee

John Brogden was appointed as a Director of Sydney Ports Corporation in March 2010.

He is the CEO of the Financial Services Council and has previously served as CEO of Manchester Unity and Independent Chairman of Abacus Australian Mutuals.

Mr Brogden is the National Patron of Lifeline – Australia's suicide counselling service. He was the Member for Pittwater in the NSW Parliament from 1996 to 2005 and Leader of the Opposition from 2002 to 2005.

He holds a Master of Public Affairs from the University of Sydney and is a Member of the Australian Institute of Company Directors.



TALAL YASSINE OAM
BA, LLB, LLM, MBA,
FAICD
DIRECTOR

Member, Audit and Risk Committee

Member, Port Botany Landside Improvement Strategy Committee

Talal Yassine was appointed as a Director of Sydney Ports Corporation in March 2010.

Mr Yassine also holds a number of Non Executive roles in other organisations, including, Co-founder and Special Counsel to Better Place (Australia), Founder and Executive Chairman of Crescent Wealth, and Director of the Whitlam Institute.

Previously, Mr Yassine held the positions of Director at Babcock & Brown Limited, Director at PricewaterhouseCoopers and a Solicitor in the Corporate Practice at Dunhill Madden Butler.

On Australia Day 2010, Mr Yassine was awarded a Medal of the Order of Australia (OAM) for his service to business and to the community through a range of education, health and multicultural organisations.

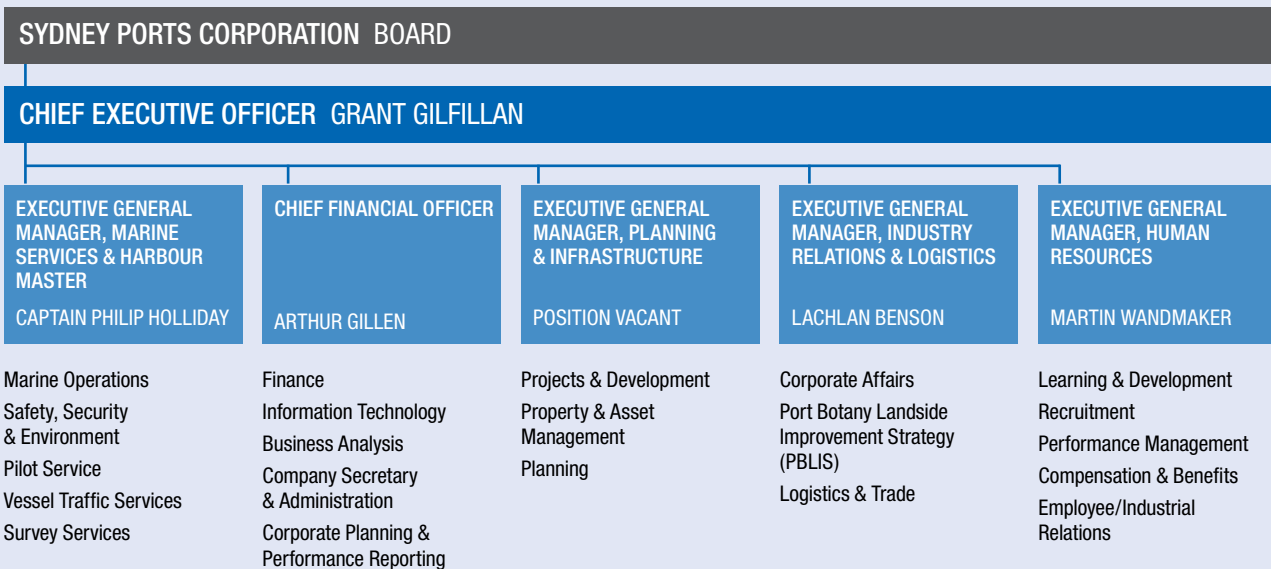


MICHAEL SULLIVAN
AAICD
STAFF DIRECTOR

Mr Sullivan was elected to the position of Staff Director by the staff of the Corporation in July 2002 and subsequently re-elected in 2005 and 2008. He joined the Maritime Services Board in 1977 and has held a variety of positions within head office until transferring to marine operations in 1991 as a port officer. Mr Sullivan's extensive operational and head office experience provides a sound basis for his contribution to the Board as Staff Director.

EXECUTIVE TEAM

AS AT 30 JUNE 2011



Annette Woods, Executive General Manager, Planning & Infrastructure resigned from Sydney Ports Corporation with her last day being 21 June 2011.



GRANT GILFILLAN
 B.App.Sc, MAICD
 CHIEF EXECUTIVE OFFICER

See page 11 for biography.



CAPTAIN PHILIP HOLLIDAY
 EXECUTIVE GENERAL MANAGER, MARINE SERVICES AND HARBOUR MASTER

Captain Philip Holliday joined Sydney Ports in May 2011 as Executive General Manager Marine Services & Harbour Master.

In this role he is responsible for all aspects of the Marine Services function including Pilotage, Marine Operations, Vessel Traffic Services, Safety, Security, Environment, Community and Hydrographic Survey.

Prior to joining Sydney Ports, Captain Holliday had worked for over 25 years in the Merchant Navy and Ports Industry. He started his seagoing career as a 16 year old cadet when he joined Ropner Shipping

Services and later moved to Souter Shipping, where he gained his Class 1 (FGN) Masters certificate. A period at University saw him gain a 1st class BSc (Hons) degree in Business Information Studies and then came a move into port operations when he joined Associated British Ports (ABP) in 1998. Having undertaken a number of roles within ABP, including that of Marine Manager for the ABP South Wales Ports, he became the Harbour Master for the ABP Port of Southampton and the Marine Advisor for the group's 21 UK ports.

Philip has taken a lead role in the UK, representing ports in areas such as developing industry guidelines for port marine safety, regulating the standards associated with vessel traffic services and ensuring compliance with the requirements of the Port Marine Safety Code.



LACHLAN BENSON
CMILT

EXECUTIVE GENERAL
MANAGER, INDUSTRY
RELATIONS & LOGISTICS

Lachlan Benson joined Sydney Ports Corporation in November 2008. His responsibilities include leading Corporate Affairs, Trade & Logistics and the Port Botany Landside Improvement Strategy.

Prior to joining Sydney Ports, he worked as Manager, Industry Relations for AWB Limited, where he was responsible for the management of supply chain issues for road, rail and ports, and managing key government and industry stakeholders. Earlier in his career Lachlan developed and implemented process improvements for ports and freight as Senior Policy Officer within the Industry Reforms Division of the NSW Ministry of Transport.

Lachlan has extensive experience working with government at a Ministerial level and has forged strong relationships within the port, freight and transport industries in Australia.



**MARTIN
WANDMAKER**
B.Bus

EXECUTIVE GENERAL
MANAGER, HUMAN
RESOURCES

Martin Wandmaker joined Sydney Ports in December 2010. Prior to being appointed to his current role, Martin consulted for 12 months in the area of strategic Human Resources to various organisations operating in the transport, logistics, and consumer products industry sectors. During the previous 11 years he was employed by DHL Express in a number of generalist Human Resources roles based in Sydney, Singapore and Bonn in Germany where he led talent management initiatives for the organisation globally.

His experience includes strategic talent management, organisation design/development, mergers and acquisitions, remuneration strategies, employee relations, performance management, leadership development, and being an astute judge of talent.

Martin is degree qualified with a Bachelor of Business from the University of Technology, Sydney with majors in Marketing and Employee Relations.



ARTHUR GILLEN
B.Com, MEc, FCPA,
FCIS, FFin, FAICD

CHIEF FINANCIAL
OFFICER

Arthur has over 25 years experience at senior executive level in both the private sector (including ASX and AIM listed companies) and the public sector as CFO, executive director, and executive general manager. His experience spans mining and construction, telecommunications and utilities, and the ICT sector, where he has worked internationally across a range of corporations and joint ventures ranging from start-ups through to large multinationals. In addition to his extensive skills as CFO, Arthur has considerable experience in strategic planning, business transformation and the design and implementation of information systems. He was appointed CFO of Sydney Ports Corporation in April 2008 and heads the Finance and IT Division which encompasses the departments of Finance, Corporate Planning, Information Technology, Business Analysis, Internal Audit, Company Secretariat and Administration. Arthur is also the Chief Risk Officer for the Corporation.

**IT IS ONE THING TO SAY
THAT PEOPLE ARE YOUR
GREATEST ASSET; TO BE
ABLE TO DELIVER ON THIS
PROMISE IS AN IMPORTANT
ACHIEVEMENT OF WHICH
EVERYONE AT SYDNEY
PORTS CAN BE PROUD.**

VISION, ROLES AND VALUES

SYDNEY PORTS CORPORATION BRINGS A SHARP COMMERCIAL FOCUS AND CUSTOMER RESPONSIVENESS TO THE INTERNATIONAL SHIPPING AND TRANSPORT NETWORKS OF NEW SOUTH WALES.

We provide leadership in planning, investing in and delivering on all aspects of port-related logistics, infrastructure and business operations.

VISION

Sydney Ports is a leader in world-class, efficient and sustainable ports and logistics networks. We deliver this vision by:

- providing leadership in planning and executing all aspects of port-related logistics, infrastructure and operating models, in ways that optimise efficiency for industry and enhance social outcomes for citizens
- developing objectives and processes which better integrate political, social and technical outcomes
- delivering projects to enhance the State of NSW's net investment in port infrastructure
- demonstrating to its stakeholders that it is continuing to meet their short and long term objectives
- seeking to increase its market share of contestable trade
- delivering operational effectiveness

ROLES

Sydney Ports' main roles are to:

- manage, develop and operate port facilities and services to cater for existing and future trade needs
- facilitate and co-ordinate improvements in the efficiency of the port-related supply chain
- manage the navigational, pilotage, security and operational safety needs of commercial shipping
- protect the environment and have regard to the interests of our community
- deliver profitable business growth

VALUES

Sydney Ports appreciates the importance of being a good corporate citizen and we value the relationships we share with our customers, government, our employees and the community.

As an employer, we respect individual worth, value the contribution of all our people and provide them with a safe working environment.

In servicing customers, Sydney Ports is always reliable, professional and courteous.

As an organisation we are progressive, we encourage alternative solutions to complex issues and we always strive to exceed expectations.

AS AN EMPLOYER, WE RESPECT INDIVIDUAL WORTH, VALUE THE CONTRIBUTION OF ALL OUR PEOPLE AND PROVIDE THEM WITH A SAFE WORKING ENVIRONMENT.

CORPORATE OBJECTIVES AND RESULTS

2010/11 OBJECTIVE	MEASURE	RESULT COMMENT
FINANCIAL		
Maximise shareholder value	Credit rating	✓ In line with the Corporation's expectations, Sydney Ports maintained an "investment grade" credit rating. This rating was assessed by an independent credit rating agency in June 2011.
	Return on Investment	✓ The Return on Investment for the single qualifying major capital project approved during 2010/11 was in line with Sydney Ports' target rate of return.
Maximise capacity for dividends	Achieve budget EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	✓ Sydney Ports' actual EBITDA result for 2010/11 exceeded the target set in the Corporation's 2010/11 Statement of Corporate Intent.
STAKEHOLDERS		
Improve the efficiency of the logistics chain	Implementation of PBLIS (Port Botany Landside Improvement Strategy)	✓ Implemented with manual Operational Performance Solution.
Ensure efficient delivery of services, technology and infrastructure to meet stakeholder needs	Customer satisfaction survey	✓ The results of Sydney Ports' 2010/11 Stakeholder Satisfaction Survey were in line with the Corporation's target.
	New stevedore lease	✓ Achieved practical completion of the construction of the Port Botany Expansion Project and an Agreement for Lease was signed.
	Improve share of contestable cargo market and strengthen Sydney Ports' position as a trade hub	✓ Sydney Ports increased its market share of the contestable cargo market in 2010/11 compared to the previous year.
Manage Government and Board stakeholders effectively	Board satisfaction survey score	✓ Results of Board survey indicated satisfaction with timeliness, accuracy and completeness of information provided to the Board.
	NSW Treasury satisfaction survey score	✓ Results of survey of NSW Treasury indicated satisfaction with timeliness, accuracy and completeness of information provided to NSW Treasury.
INTERNAL PROCESSES		
Maintain Port Safety and Port Safety Operating Licence	Maintain Port Safety Operating Licence	✓ Port Safety Operating Licence annual audit indicated no major or minor non-conformances – Licence was maintained.
	Compliance with safety and risk mitigation plan	✓ During 2010/11, all activities contributing to the safety and risk mitigation plan were fully complied with.
Provide and maintain infrastructure capacity to meet business needs	Carry out 95 per cent of planned maintenance jobs	✓ By the end of 2010/11, 99 per cent of planned maintenance jobs had been carried out.
	Availability of berth facilities due to maintenance	✓ There was no overrun on planned maintenance which affected vessel movements to wharves during 2010/11 – 100 per cent berth availability was achieved.
	"30 Year Horizon" plan submitted to NSW Government	✓ Document produced and submitted to NSW Government on time.

CORPORATE OBJECTIVES AND RESULTS
(CONTINUED)

2010/11 OBJECTIVE	MEASURE	RESULT	COMMENT
INTERNAL PROCESSES (CONT)			
Provide for long term environmentally sustainable management of ports	All relevant developments compliant with "Green Port Guidelines"	✓	During 2010/11, all relevant developments used the "Green Port Guidelines" and were compliant with them.
	Implement a minimum of two initiatives to reduce Sydney Ports' "carbon footprint"	✓	Two initiatives to reduce Sydney Ports' "carbon footprint" were implemented during 2010/11.
	Number of environmental penalty notices received and landlord and tenant compliance with Development Approvals	✓	No environmental penalty notices were received in 2010/11. 97 per cent of key conditions of Development Approvals were met.
	Number of environmental incidents resulting from Sydney Ports' operations	✓	No environmental incidents occurred during 2010/11.
Provide effective business process and support systems	Delivery of agreed systems, processes and procedures within agreed timeframe and budget	✓	Key business process and support systems were delivered on time and on budget during 2010/11.
	Results of user satisfaction survey in relation to implementation of business process and support systems	✓	User satisfaction survey results were in line with targets and expectations.
PEOPLE AND CULTURE			
Maintain a culture that supports the objectives of the Corporation	Staff Opinion Survey	✓	Inaugural study completed with positive results which are able to be benchmarked externally.
	Average overall end-of year staff performance ratings	✓	Overall key performance objectives were "fully achieved" across the Corporation resulting in a score of 4 out of 5.
Improve Sydney Ports' safety culture	Number of Lost Time Incidents at Work	✓	No Lost Time Incidents at Work were reported during 2010/11.
	Number of safety inspections carried out and reported by staff	✓	Number of safety inspections carried out and reported by staff exceeded the 2010/11 target.
Improve and promote Sydney Ports' Corporate Social Responsibility initiatives	Internal stakeholders' satisfaction score with Sydney Ports' Corporate Social Responsibility program	✓	Results of an internal staff survey conducted at the end of 2010/11 indicated satisfaction with Sydney Ports' Corporate Social Responsibility program.

KEY PERFORMANCE INDICATORS

OCCUPATIONAL HEALTH & SAFETY INDICATOR

	2010/11 ACTUAL	2009/10 ACTUAL
Number of Lost Time Injuries (at work)	Nil	6

FINANCIAL INDICATORS¹

	2010/11 ACTUAL (\$M)	2009/10 ACTUAL (\$M)
Profit before income tax equivalent expense	104.9	85.1
Income tax equivalent expense	31.4	26.0
Net profit after income tax equivalent expense	73.5	59.1
Income tax equivalent paid	26.2	23.9
Dividends paid	Nil	Nil
Debt level	603.8	603.0

OPERATIONAL INDICATORS

	2010/11 ACTUAL	2009/10 ACTUAL
Total trade (million mass tonnes) ²	29.7	28.2
Total trade annual growth rate (%)	5.6	1.5
Container trade (million TEUs)	2,020	1,928
Container trade annual growth rate (%)	4.8	8.1
Number of chargeable vessel visits	2,087	1,940
Chargeable vessel gross tonnage (million gross tonnes)	68.2	61.0

HUMAN RESOURCE INDICATOR

	2010/11 ACTUAL	2009/10 ACTUAL
Staff numbers (Full-Time Equivalent)	320.9	299.5

1 Numbers quoted in this table may be affected by rounding, but without material impact.

2 "Total trade" includes trade via both Sydney Ports Corporation-owned berths and privately-owned berths.

MARINE SERVICES

MARINE SERVICES IS THE LARGEST DIVISION IN SYDNEY PORTS.
IT EMPLOYS 173 PEOPLE AND HAS RESPONSIBILITIES THAT OPERATE 24 HOURS A DAY, SEVEN DAYS A WEEK AND ALL DAYS OF THE YEAR.

Eighteen months ago Sydney Ports created the combined role of Harbour Master and Executive General Manager. This year, Sydney Ports' Marine Services was able to capitalise on this managerial change.

The efficiencies were instigated by first transferring all marine management at sites around Port Botany and Sydney Harbour to a purpose-built facility at the Sydney Ports Operations Centre (SPOC) at the head of Brotherson Dock at Port Botany.

This centralising of management and office functions reduced duplication of effort and results, and provided corresponding cost savings.

PILOTS

During the year, Sydney Pilot Service – a subsidiary company of Sydney Ports – was wound up as a separate legal entity and the vessel pilotage business group was renamed Sydney Ports Pilotage Service. Its 21 staff were employed by Sydney Ports and the pilot base was moved to the SPOC in Port Botany. This move not only brought a crucial service under the Sydney Ports' banner but it boosted the Sydney Ports' officer ranks, giving the organisation greater depth of senior personnel and experience.

Sydney Ports also conducted an Australian and international pilot vessel tender during the year, awarding the \$6 million contract for two new pilot launches.

HARBOUR CONTROL

The Harbour Control base of operations was relocated during 2010/11 from the Harbour Control Tower at Millers Point (Barangaroo)

to a \$12 million state of the art harbour control facility at the SPOC in Port Botany. The new control room uses the latest radar, sensors, close-circuit television and Automatic Identification Systems to allow controllers to monitor and regulate vessel movements in both harbours in the safest and most efficient manner. The accuracy and range of the systems means ships can be tracked further out to sea than was previously the case, while small vessels can be seen more readily in harbour waters. The new control room allows for better management of commercial ship movements.

CENTRALISING OF MANAGEMENT AND OFFICE FUNCTIONS REDUCED DUPLICATION OF EFFORT AND RESULTS, AND PROVIDED CORRESPONDING COST SAVINGS.

SURVEY

Sydney Ports bought new multi-beam survey equipment 18 months ago, which enables the survey team to survey the harbour waters faster and more accurately than in previous years. This year, following the successful introduction of this survey technology, Sydney Ports put a tender to Australian shipyards to supply a new survey launch on which the multi-beam survey equipment can be permanently mounted.

ESCORT VESSELS

During this year, Sydney Ports also introduced "escort vessels" which are smaller patrol vessels that sail ahead of commercial vessels either entering or leaving the harbours. Their introduction was made due to the increasing number of recreational and commercial vessels operating in the waters in the two harbours. The escort vessels allow Sydney Ports Marine Services officers to alert recreational craft in the event that they may not have seen an approaching ship which is restricted in its ability to manoeuvre.

SECURITY

Sydney Ports has a responsibility to maintain a secure zone in its port areas. Security is maintained by providing a physical presence on the land and water and utilising hi-tech surveillance systems which are monitored and controlled at the new SPOC control room. Additionally Sydney Ports Marine Services maintains close relationships with the NSW Police, NSW Maritime the Royal Australian Navy and the various port terminals and tenants. There were no security incidences to report.

SAFETY

Marine Services is responsible for ensuring that visiting ships, recreational craft owners and tenants of the Port conduct their operations in a way that complies with the appropriate legislation, while causing no harm or danger to the environment, other craft or personnel. Sydney Ports maintains the philosophy of education and information as the best means to maintain and improve safe operations.

EMERGENCY RESPONSE

SYDNEY PORTS' GOAL IS TO MINIMISE IMPACTS ON THE ENVIRONMENT AND THE COMMUNITY, THROUGH THE IDENTIFICATION OF RISKS, AND THE IMPLEMENTATION OF PROCEDURES AND PRACTICES, IN CONJUNCTION WITH ALL STAKEHOLDERS.

The team at Marine Services provides Sydney Harbour and Port Botany with round-the-clock risk mitigation measures.

The team – consisting of marine pilots, hydrographic surveyors, maritime security personnel, VTS officers and port officers – provide 24/7 coverage of both ports, providing for the safe passage of commercial ships and their interaction with the community and the environment.

While Sydney Ports is empowered under legislation, such as the *Marine Safety Act 1998*, the *Marine Pollution Act 1987* and the *Protection of the Environment Administration Act 1991* to initiate prosecutions, no prosecutions were undertaken during the year because the focus, where appropriate, remains on education and improvement.

Marine Services conducted 4,778 audits of vessels transferring oil, gas and chemicals at berths in Sydney and Port Botany; we conducted 987 work permit audits on vessels, and 343 terminal electronic dangerous goods audits, which ensure that stowage plans on vessels and terminals comply with the appropriate requirements.

Marine Services recorded 446 emergency response incidents during the year, which included 310 marine pollution incidents, 12 fire-fighting operations and 35 vessel assists/emergency tows.

Notable incidents included:

- Marine Services contributed emergency response teams to Newcastle Port Corporation in August 2010 after a quantity of heavy oil leaked from the vessel *Magdalene* during a de-ballasting operation. Marine Services contributed 18 personnel, three vessels, oil spill recovery equipment and five vehicles to the successful containment and recovery operation over a period of six weeks.

MARINE SERVICES PROVIDES SYDNEY HARBOUR AND PORT BOTANY WITH ROUND-THE-CLOCK RISK MITIGATION MEASURES.

- During 24 and 25 November 2010, the COSCO *Fukuyama* – steaming south from Hong Kong – requested assistance due to loose containers that were hanging off the side of the ship, following rough weather. After an assessment of the vessel, COSCO *Fukuyama* was permitted into Port Botany where it was assisted in docking at Patrick Stevedores and the loose containers removed.
- Marine Services responded to the *Chang Hang Xing Yun*, an oil tanker discharging at Shell Australia Gore Bay Terminal (in Sydney Harbour). The ship's stern tube seal was leaking and the ship was moved to White Bay to undergo repairs. A full investigation was undertaken by Marine Services prior to the vessel sailing.

Marine Services runs annual exercises to test the capabilities and expertise of Sydney Ports and other agencies. This year's exercises included:

- Exercise *Broadsword* on 6 September at Port Botany, a combined Caltex-Sydney Ports oil spill exercise;
- Exercise *Flamingo* on 13 and 14 October at Sydney Harbour and Port Kembla, a "port of refuge" exercise;
- Exercise *Crossfire* on 24 September, in Sydney Harbour, an oil spill exercise with Shell Australia;
- Exercise *Fathergoose* in May 2011, with Caltex, an oil spill exercise.

We continued our emphasis on safety, being a blend of regulation enforcement and customer self-management. It was another successful year for Sydney Ports in terms of managing safety and emergencies.

SECURITY

THE LAST FINANCIAL YEAR WAS A PERIOD OF MAINTAINING AWARENESS AND CONTINUED DILIGENCE IN REGARD TO PORT SECURITY, BOTH IN A SENSE OF INFRASTRUCTURE SECURITY AND TERRORISM THREATS.

The challenge lies in balancing the need to allow Sydney Ports' round-the-clock operations to work safely and efficiently while raising awareness about potential threats and ensuring that steps are taken to mitigate them.

Sydney Ports' Port Security Committee continued to meet throughout the year to discuss both local issues relevant to Sydney Harbour and Port Botany as well as staying abreast of national and international maritime security activities. This Committee includes representatives from port tenants, the NSW Police, Customs, Australian Quarantine Inspection Service, Attorney-General's Department, Office of Transport Security and the Defence Forces. Its goal is to create a secure environment for workers, passengers, maritime services operators and – ultimately – the broader community.

A security exercise was conducted in October 2010, with the aim of reinforcing the Maritime Security Plan arrangements and support protocols, and identifying opportunities for improvement while ensuring that escalation plans operate in practice.

In the exercise further opportunities for improvement were identified and Port Botany and Sydney Harbour remain well-prepared from a maritime security perspective.

The security operations at Sydney Ports continued to evolve, especially in relation to access systems. Sydney Ports is an issuing body for the Federal government's Maritime Security Identification Card (MSIC).

The MSIC continues to be a crucial element in ensuring the wrong people are not allowed access to ships, containers, hazardous-material stores and Sydney Ports' command and control systems.

Sydney Ports continued with regular and random security patrols of its precincts, both on land and water and during the year we introduced an upgraded close-circuit television (CCTV) system to aid in surveillance of the extensive areas of our responsibility. These CCTV feeds – along with access information, radar, patrol intelligence and infrared – are fed into a central point at Sydney Ports

Operations Centre, in a purpose-built security office.

There were no significant security incidents during the year and Sydney Ports continues to be guided by the Federal government's security threat assessments.

THE SECURITY OPERATIONS AT SYDNEY PORTS CONTINUED TO EVOLVE, ESPECIALLY IN RELATION TO ACCESS SYSTEMS.



FACILITIES & LOGISTICS

IN 2011 SYDNEY PORTS CORPORATION WORKED ON A NUMBER OF IMPORTANT PROJECTS INVOLVING FACILITIES, PROPERTIES, INFRASTRUCTURE AND LOGISTICS IN ORDER TO IMPROVE OUR CAPABILITIES AND RESOURCES REQUIRED TO MEET OUR OBJECTIVES AND TO PROVIDE A SAFE WORKPLACE ENVIRONMENT.

Glebe Island Silos Signage was successfully leased to Eye Drive Sydney (part of Eyecorp) following a successful tender. This sign is the largest outdoor sign in Australia and is in a unique position on top of the iconic Glebe Island Silos.

Baileys executed their lease for White Bay 6 in Sydney Harbour and completed construction of Stage 1 of their marine refuelling facility which opened to the public in March 2011.

The Overseas Passenger Terminal Redevelopment master plan tender was announced in June 2011. The master plan will be completed in 2012 and consider a number of alternatives based on the increasing cruise ship demand for terminal facilities.

The Marine Structures Inspection Program for this year included an extensive visual review, testing and report on the condition of all Sydney Ports wharf and ancillary structures in Sydney Harbour and Port Botany. Based on the prioritisation of the reports a program of underwater inspection and more rigorous testing was implemented with the goal of developing a long term plan for the strategic management of these structures.

LOGISTICS

The Hale street extension, which now connects Hale Street to Foreshore Drive, was opened to the public on 5 January 2011 and is estimated to take 1100 truck movements per day off Botany Road.



PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY

ON 28 FEBRUARY 2011, SYDNEY PORTS SWITCHED ON THE FIRST PHASE OF ITS PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY (PBLIS). PBLIS IS AIMED AT IMPROVING PRODUCTIVITY BETWEEN TRUCK OPERATORS AND STEVEDORES BY USING OPERATIONAL PERFORMANCE MEASURES TO IMPROVE SUPPLY CHAIN EFFICIENCIES INCLUDING DECREASING TRUCK TURNAROUND TIMES AT THE PORT.

Aligning the performance of the stevedores and truck companies had been initially sought on a voluntary basis through a number of consultative meetings of industry key stakeholders during late 2008 and early 2009. Failing industry agreement, the NSW Government decided in April 2010 to regulate an Operational Performance Management framework to increase efficiency at the port with Sydney Ports leading the change.

The regulations were made in December 2010 with the issuance of reciprocal penalties between stevedores and road carriers for slow truck turnarounds and late arrivals, among others. After a trial period of four weeks, the regulations were enforced as from 28 February 2011.

The stated goals of this first phase of PBLIS is to create transparency, consistency and efficiency in the stevedore-truck interface, which will allow the port supply chain to build to a fully 24/7 operation.

This first phase, supported by a manual Operational Performance System, has seen not only faster truck turns, but a flattening of the truck movement graph so that there are fewer truck movements in the peak period of weekday mornings and there is a corresponding increase in truck movements in the weekends and the off-peak periods of the week.

The first phase has already reduced the average truck turnaround from 50 minutes to around 30 minutes.

In subsequent phases, Sydney Ports will turn its attention to rail. During the past year, the rail-share of freight at Port Botany fell to 14 per cent from 19 per cent the previous year. This happened largely because of the closure of the intermodal terminal at Camellia, forcing cargo owners back to road movements.

IN ITS FIRST YEAR OF OPERATIONS, PBLIS HAS ALREADY BEEN AN OUTSTANDING SUCCESS.

During 2010/11, the Port Botany Rail Team – a forum of key stakeholders in the Port Botany rail supply chain system – met to discuss optimum rail path alignments with stevedores and operational performance standards, to get more containers onto rail to and from the port.

This work is still ongoing and has progressed to include development of the Sydney Ports rail strategy which covers optimising the scheduling of train arrivals to the stevedores through the Enfield to Botany rail corridor.

While the Operational Performance Management for road transport was the most public work of PBLIS during the year, the team worked on other projects including the new online database computer system that all participants in the port trade will be

able to access and draw performance information on truck movements and fulfillment of slot bookings for container collection and delivery. The main work was done on this during the financial year, with the full service system due to be online on 1 September 2011.

After extensive evaluation of a number of possible locations, an existing Sydney Ports site was selected for the truck marshalling area project. This is a park-up area on Bumborah Point Road, where trucks will be able to wait for up to an hour before their loading slots. The area is capable of handling 54 trucks waiting at any time, freeing up the roads for other traffic and ensuring early arriving trucks do not block on-time vehicles. Subject to planning approval, the truck marshalling area will become fully operational in the first quarter of 2012.

PBLIS will grow and change and improve, especially as it moves to focusing on rail. But in its first year of operations, it has already been an outstanding success.



PORT BOTANY EXPANSION

ON 17 JUNE, THE BAULDERSTONE-JAN DE NUL CONSORTIUM HANDED OVER THE THIRD CONTAINER TERMINAL AT PORT BOTANY TO ITS NEW OWNERS, SYDNEY PORTS.

The third terminal started life in 2002 when Sydney Ports created a planning team to find solutions for the future constraint on trade that would be caused by the rapidly increasing volume of containers through the existing two container terminals.

The terminal that was delivered by the construction consortium is a 63-hectare flat area, most of it reclaimed from the waters of Port Botany with 8 million cubic metres of dredged material. It forms the most important part of the \$1 billion Port Botany Expansion project.

The terminal has a quay length of 1.85 kilometres which will berth five container vessels; it will also include a new wharf for tugs and service vessels. To construct this new terminal – large by even international standards – 340,000 tonnes of basalt rock, 62,000 tonnes of gravel and 34,000 tonnes of cement were used.

The fact it was completed two weeks ahead of schedule, and on-budget, is extraordinary enough. The most impressive result, however, is that the third terminal will double the container trade capacity of Port Botany.

The third terminal will be tenanted by Hutchison Port Holdings in August 2011, and after the cranes and other stevedoring infrastructure are operational, the new terminal will be operational in early 2013.

Also completed during the year was the 135 metre road bridge that connects the new terminal to Foreshore Road. This road is part of the project to give each container terminal its own road access, allowing for more efficient truck movements into and out of the port.

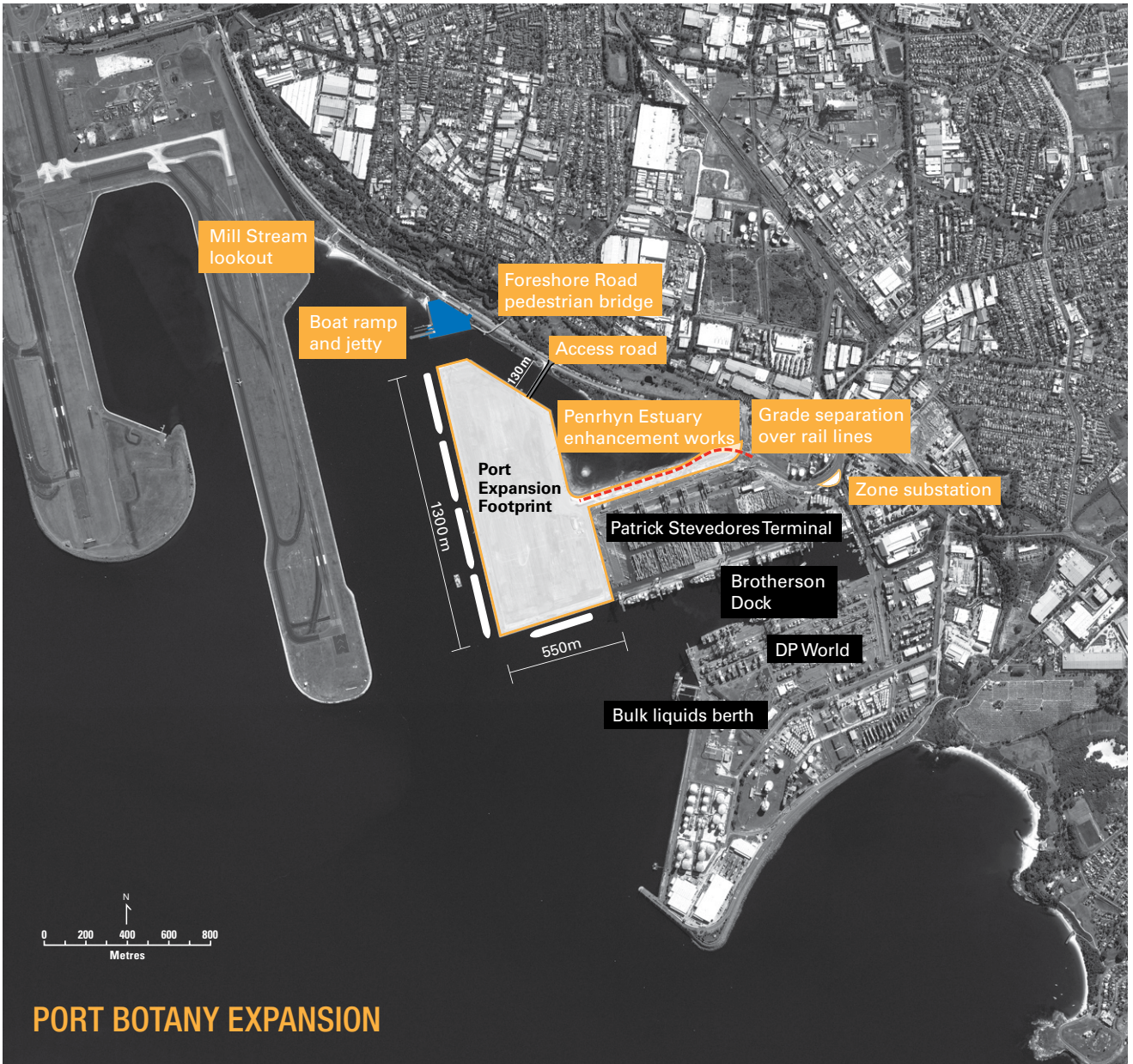
The completion of the terminal also saw finalising of the \$8 million Penrhyn Estuary enhancement, between the north end of the new terminal and Foreshore Road. The works have created saltmarsh and seagrass habitats as well as sand flat habitats for migratory shorebirds.

Included in the finished third terminal project is a four-lane boat ramp for public use, a \$3 million gymnasium for JJ Cahill Memorial High School, a footbridge connecting Foreshore Beach with Sir Joseph Banks Park and enhancement of Foreshore Beach including cycle ways/walkways and lookouts.

While the third terminal was completed two weeks before the contracted completion date of 30 June, there are many other projects underway that will ensure the doubled capacity of Port Botany will interact efficiently with the landside element of container transportation.

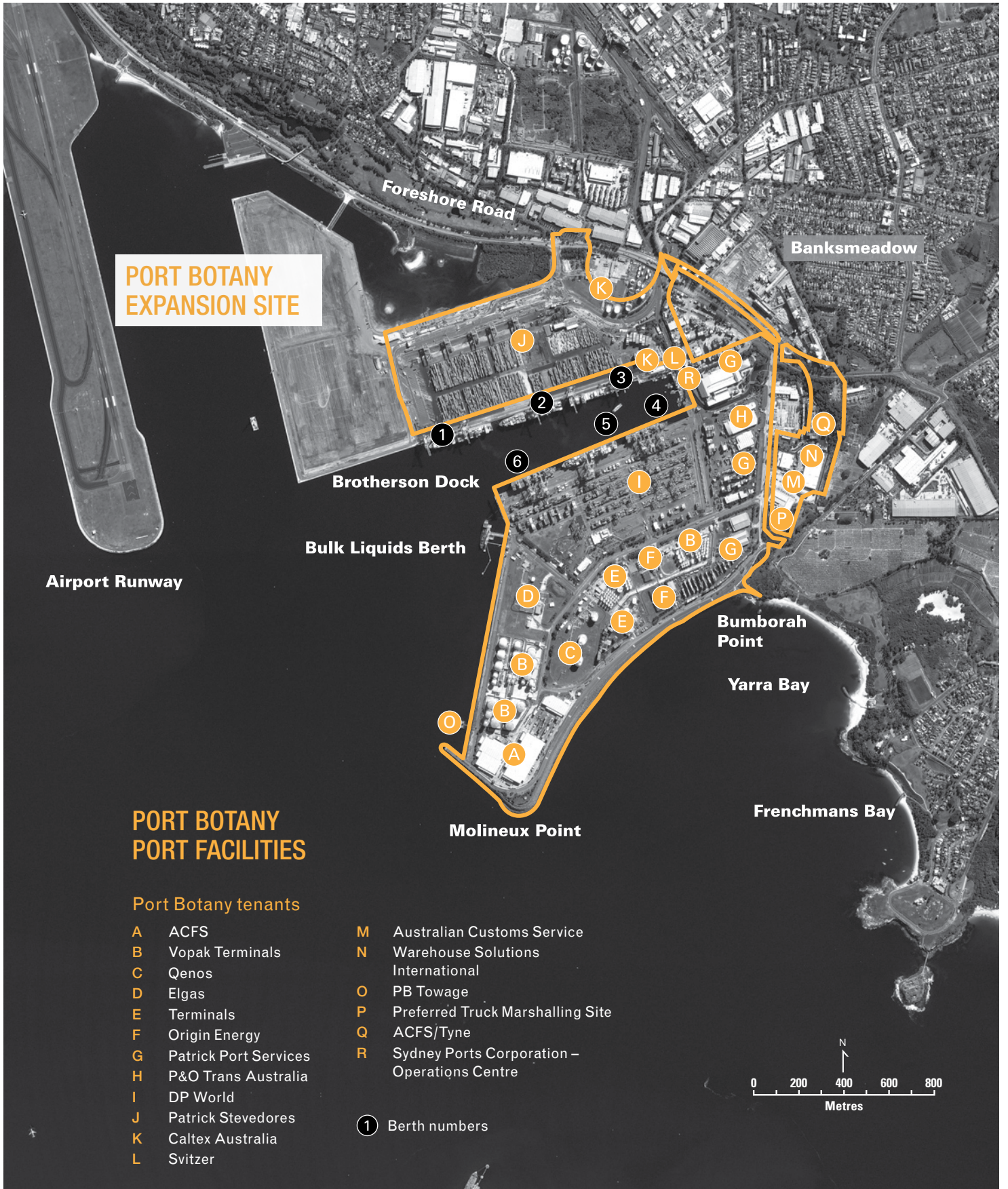
These are not expected to be finished until the new financial year, and they include grade separation works and designated power, telecommunications and sewerage to the third terminal.





PORT BOTANY EXPANSION



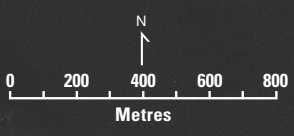


**PORT BOTANY
EXPANSION SITE**

**PORT BOTANY
PORT FACILITIES**

Port Botany tenants

- | | |
|--------------------------------|---|
| A ACFS | M Australian Customs Service |
| B Vopak Terminals | N Warehouse Solutions International |
| C Qenos | O PB Towage |
| D Elgas | P Preferred Truck Marshalling Site |
| E Terminals | Q ACFS/Tyne |
| F Origin Energy | R Sydney Ports Corporation – Operations Centre |
| G Patrick Port Services | |
| H P&O Trans Australia | |
| I DP World | |
| J Patrick Stevedores | |
| K Caltex Australia | |
| L Svitzer | |
- ① Berth numbers



BULK LIQUIDS BERTH 2 (BLB2)

LOCATED AT THE SOUTH-WESTERN END OF BROTHERSON DOCK, PORT BOTANY, IS THE BULK LIQUIDS BERTH (BLB), A FACILITY THAT IS CRITICAL TO THE IMPORTED ENERGY NEEDS OF NEW SOUTH WALES.

The existing open access bulk liquids berth is a multi-product facility, currently handling refined fuels such as aviation fuel and diesel, propane, LPG and other products such as industrial chemicals. All products are transferred from ships via pipeline to nearby storage and distribution facilities.

Current growth trends have seen the existing BLB running at close to economic capacity, with 2010/11 experiencing average berth occupancy levels in excess of 70 per cent.

The decision was made to develop a second Bulk Liquids Berth in Port Botany, called BLB2, which would operate next to the current BLB. The new bulk liquids facility, valued at approximately \$84 million, will double the capacity of Port Botany's bulk liquids operations, satisfying existing and predicted future demands in the bulk liquids trade.

The environmental assessment was completed in 2007, planning approval was gained in 2008, the design contract was awarded in 2009 and in 2010 the design was completed along with technical studies in relation to construction activities.

This year the project moved forward with John Holland Pty Ltd awarded the construction contract in May and construction commencing in June 2011. The berth construction phase is scheduled to be finalised at the end of 2012. The BLB2 is expected to be operational in mid 2013 after the berth is fitted with product pipe work and marine loading arms by the users.

While BLB2 is designed to be very similar to the current BLB, it will include features that will allow it to accommodate larger vessels, in line with forecasts for ship visits over the coming decades. The current BLB can accommodate ships of around

230 metres in length and 90,000 dead weight tonnes, while BLB2 will be suitable for ships up to 270 metres in length and 120,000 dead weight tonnes.

BLB2 has a 50-year design life and has been located to allow for a future BLB3 development in the area, which will further boost bulk-liquids capacity when the need arises. Sydney Ports is committed to providing port infrastructure with sufficient capacity so that bulk material can be transferred from ship to end user in the most efficient way. Port Botany's BLB is the only open access, multi-product berth of its type in New South Wales, and maintaining capacity in line with trade forecasts is crucial to the NSW economy.



ENFIELD INTERMODODAL LOGISTICS CENTRE (ILC)

THE INTERMODODAL LOGISTICS CENTRE (ILC) AT ENFIELD WILL PROVIDE IMPORTANT LOGISTICS SUPPORT FOR A CONTINUOUSLY EXPANDING PORT CONTAINER TRADE AND IS CRUCIAL TO SUPPORTING THE GOVERNMENT'S GOAL OF INCREASING THE RAIL MODE-SHARE.



The ILC is a fit-for-purpose Business Park with rail connections, which will improve the transfer of containerised freight to and from Port Botany, and regionally throughout New South Wales.

The last financial year has seen planning and construction at the 60-hectare Enfield site, which on completion will represent an investment of over \$200 million by Sydney Ports and \$100 million by the private sector to provide a state-of-the-art facility servicing the port logistics chain.

In August 2010, Leighton Contractors Pty Ltd were appointed as the contractors to deliver the basic infrastructure to the ILC and their first task was to construct the \$16 million overhead bridge across the adjacent main line and marshalling yards, to connect the site to Wentworth Street, Greenacre and arterial routes. The bridge was completed in June 2011.

Leighton Contractors were reappointed on 28 June 2011 to complete the major infrastructure works, which will be the focus over the next two years until 2013.

In addition to the bridge the remediation of the site was completed during the year, mains power for the RailCorp network was relocated, a new electricity supply for Enfield was installed and three frog ponds with surrounding landscaped areas were constructed.

It was also a year of compliance, with two independent audits confirming the project has fully adhered to the 85 conditions of consent.

Before the year was out, negotiations to secure an anchor tenant and main operator of the ILC were successful and close to being finalised. To facilitate construction works, nine rail agreements were executed and assistance was provided to enable Leighton Contractors to become the

first construction contractor to be fully accredited as a rail infrastructure manager under the new *Rail Safety Act 2008*, an important step in the ongoing rail infrastructure program for the Enfield ILC.

When completed, Enfield ILC will manage 300,000 Twenty-foot Equivalent Units (TEUs) per year.



COOKS RIVER

THE PAST YEAR HAS BEEN ONE OF PROGRESS FOR THE LOGISTICS SIDE OF SYDNEY PORTS' OPERATIONS, IN PARTICULAR THE COOKS RIVER RAIL TERMINAL AND EMPTY CONTAINER PARK (ECP) AT ST PETERS.

An ECP is a facility where empty containers are received from importers to be cleaned, stored, surveyed for repairs and upgraded prior to release for export packing or repositioning overseas to high demand ports.

Enhancing the Cooks River Rail Terminal has been a priority of Sydney Ports' broader logistics goals since it bought the site from the State Rail Authority in late 2005. It is 11 kilometres from Port Botany and is one of only two major ECPs in New South Wales to have a rail head. As such it is seen as an integral part of the port supply chain for storage and the back-load of regional rail services.

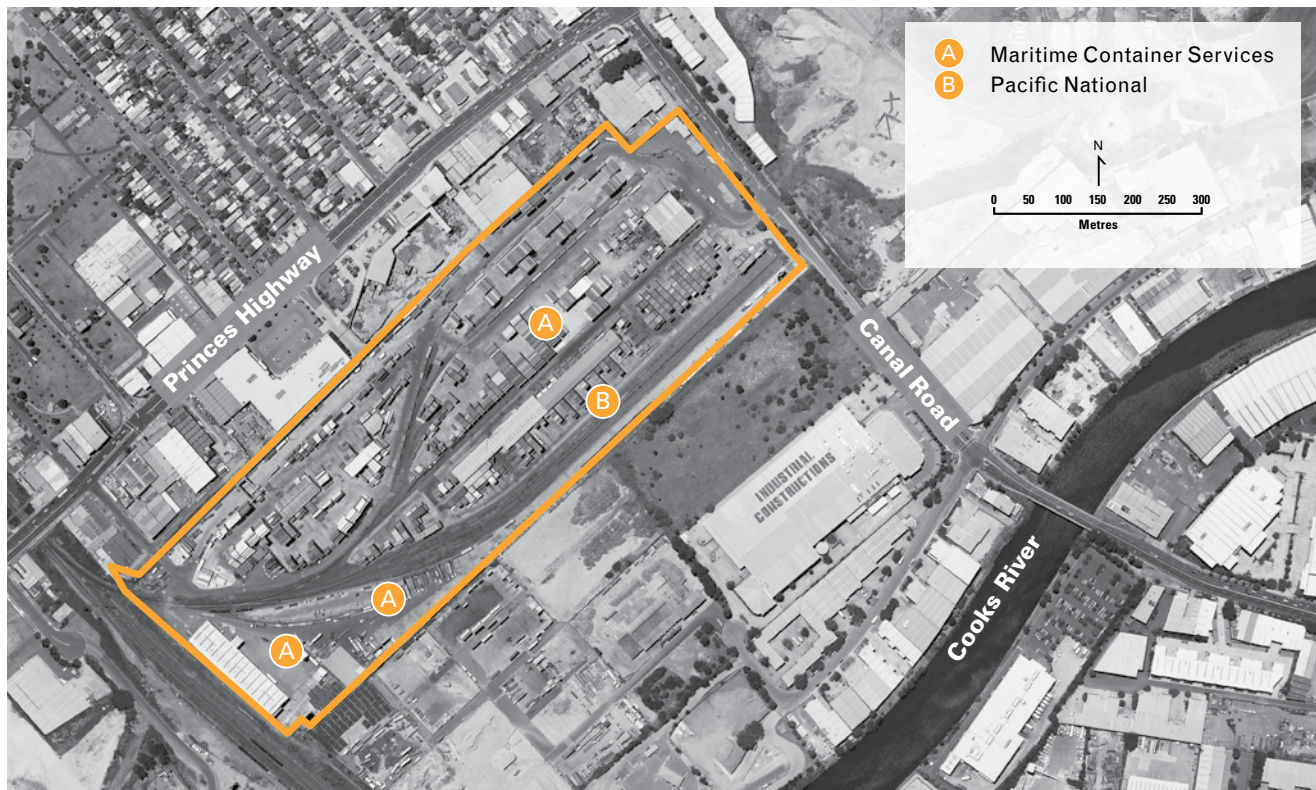
During the 2010/11 financial year, the tenant (Maritime Container Services (MCS)) secured land adjacent to the Cooks River Terminal, which it leased from the Sydney Airport Corporation. The lease expanded the maximum capacity of Cooks River from approximately 11,500 to 14,500 TEUs.

During the year, Sydney Ports also completed a redesign phase for planned site improvements to Cooks River in conjunction with the tenant (MCS). These include a drainage upgrade, re-paving of the aprons and extension of the rail sidings to allow for trains of the new industry port shuttle standard of 600 metres. With the rail

sidings extended to accept 600 metre trains, Cooks River will be able to service entire trains on its sidings and not require them to be broken down or shunted on the mainline. It will improve efficiency and capacity on the rail system.

Part of the upgrade to Cooks River also included additional refrigerated container capacity whereby temperature controlled containers can be stored on power prior to delivery to import customer or to port for export.

COOKS RIVER RAIL YARDS



CRUISE

SYDNEY PORTS HAS TWO DISTINCT CRUISE CUSTOMERS: THE DOMESTIC CRUISE VESSEL OPERATORS – INCLUDING SEASONAL DEPLOYMENTS – SPECIALISING IN 8-14 DAY CRUISES THAT USE SYDNEY AS THE “HOME PORT”; AND THE AROUND THE WORLD CRUISE VESSELS WHICH HAVE A STOPOVER IN SYDNEY.

This year saw continued strong growth in the cruise trade through Sydney Harbour.

There were 153 cruise visits to the berths at the Overseas Passenger Terminal (OPT) at Circular Quay and Barangaroo 5 (Hickson Road). This represents an increase of 29 per cent from the previous year, while a further increase to 213 visits is expected in the 2011/12 financial year.

Significant developments during the year included receiving planning approval in February for the White Bay 5 Cruise Passenger Terminal. White Bay 5 will largely service the “domestic” cruise ships and is intended to replace the temporary cruise terminal fronting Darling Harbour to make way for the new Barangaroo development.

The layout of the proposed terminal had been discussed extensively with the cruise lines, customs and quarantine agencies.

Also this year, a Cruise Passenger Terminal Steering Committee – including representation from Sydney Ports – was convened by the NSW Government to investigate the site of a new additional cruise terminal east of the Sydney Harbour Bridge. This will be required in the next decade to cater for the growing number of cruise ships which are unable to pass under the Harbour Bridge.

The Steering Committee report was released in May, finding no suitable alternative cruise ship terminal locations east of the Bridge and instead recommending alterations to the existing OPT and the installation of a mooring dolphin to allow the OPT to take larger ships.

Sydney Ports has also commenced broader “master planning” of improvements and capacity upgrades to the existing OPT at Circular Quay.

Sydney Ports provided input into the NSW Government’s review, which started in May 2011, of the Barangaroo development’s compliance with relevant planning processes.

Just before the end of our financial year, the Federal Minister for Defence, Stephen Smith, announced an independent review into whether there is scope to further increase cruise ship access to the Royal Australian Navy’s Garden Island facility without affecting naval operations.

Notwithstanding the other initiatives for cruise ships, Sydney Harbour remains Australia’s busiest cruise destination and home port.



SUSTAINABILITY

SYDNEY PORTS SEEKS TO INTEGRATE SUSTAINABILITY CONSIDERATIONS INTO ALL BUSINESS ACTIVITIES.

Our focus during 2010/11 has been to develop a greater understanding of our baseline resource use – in particular, electricity, natural gas, fuel and water usage.

Once we have completed this baseline we will develop appropriate resource efficiency key performance indicators (KPIs) that will allow the Corporation to continue to grow, while also reducing our impact on the environment.

During the year we worked closely with our Procurement team reviewing existing electricity supply contracts and pricing, and negotiating better deals directly with our suppliers, which has resulted in significant cost savings. This has had the flow-on benefits of streamlining existing procurement processes, increasing the accuracy of energy usage monitoring and enhancing understanding of our charges and energy consumption.

Understanding our energy usage has also allowed us to gauge our exposure to the Federal government's impending carbon price package and prepare for any increased costs.

By raising awareness of our resource usage amongst our staff and tenants, our aim is to engage with them so that they can assist in developing and meeting future resource efficiency KPIs.

Sustainability considerations were included in the design of the proposed Cruise Passenger Terminal at White Bay and include the use of passive lighting, energy efficient air conditioning, and low Volatile Organic Compound finishes and flooring.

Through the year, we increased our engagement with our local communities through the various community liaison groups that we facilitate. We held additional meetings with some groups to discuss proposed and ongoing construction activities at Port Botany and Sydney Harbour including the Port Botany Expansion and the Cruise Passenger Terminal at White Bay.

The Port Botany Expansion project was completed during 2010/11 and passed three annual compulsory environmental audits, exceeding all

compliance requirements and winning an unqualified endorsement for a range of environmental management initiatives. This approval demonstrates that the significant construction was achieved without any major impact on the local environment.

Following the success of the 2009/10 *NSW Ports Diesel Retrofit Program*, we once again worked with the RTA on improving air quality at Port Botany, through the free installation of an additional 29 catalytic converters on road transport vehicles, which reduce diesel emissions by up to 50 per cent.

Sydney Ports' staff and tenants also participated in Business Clean Up Australia Day in March 2011. The highly successful "Clean Up" was held at Tower Beach on the shores of Botany Bay and resulted in close to 50 bags of rubbish being collected.

As was the case in 2007/08 and 2009/10, there were no environmental notices issued against Sydney Ports in 2010/11.



SYDNEY PORTS' STAFF AND TENANTS PARTICIPATED IN BUSINESS CLEAN UP AUSTRALIA DAY IN MARCH 2011.

HERITAGE

THERE ARE A NUMBER OF ITEMS AND STRUCTURES OWNED BY SYDNEY PORTS THAT ARE OF HISTORICAL AND HERITAGE VALUE TO THE ORGANISATION, TO THE COMMUNITY AND TO THE MARITIME INDUSTRY.

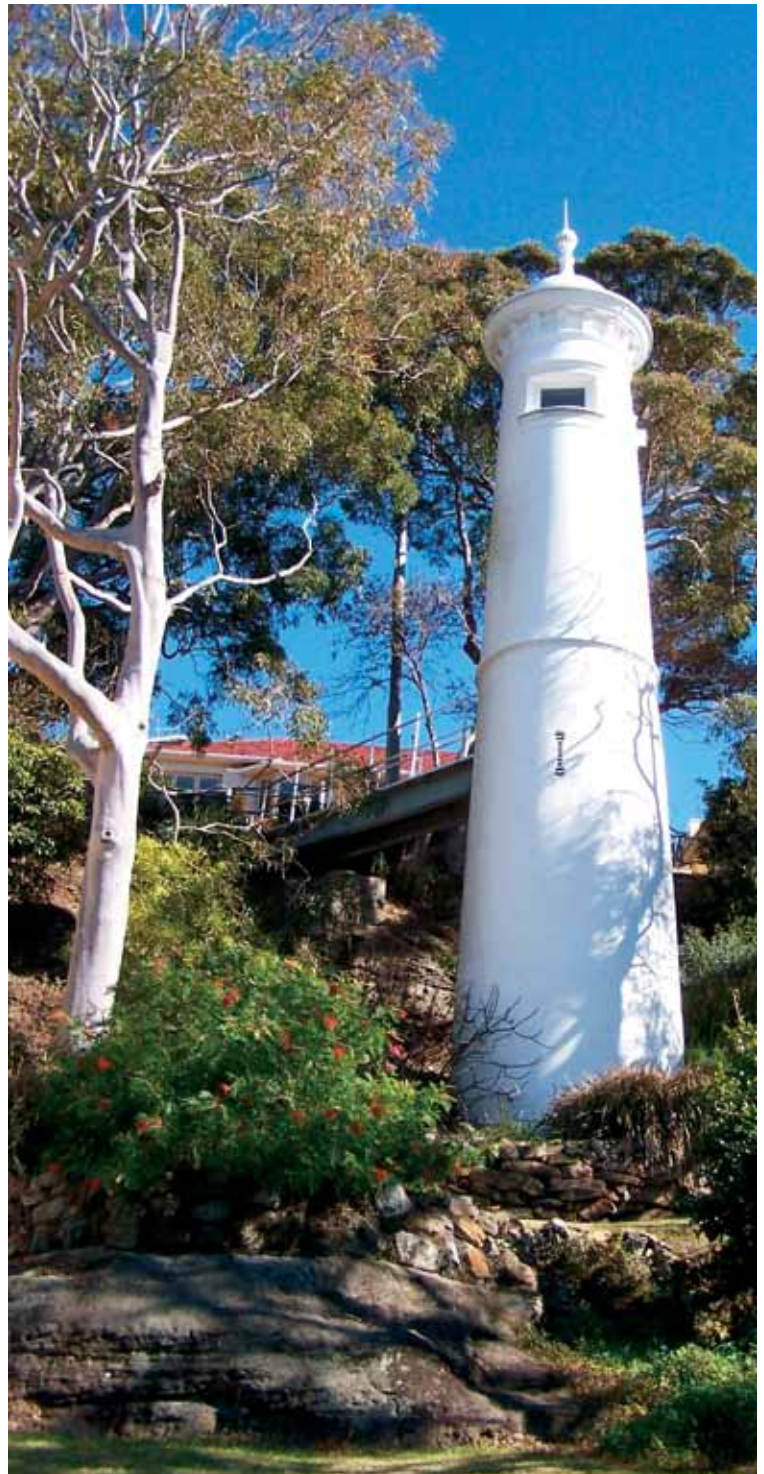
These heritage listings are identified, administered and protected by Sydney Ports under the *NSW Heritage Act 1977*.

Sydney Ports considers potential heritage impacts as part of development proposals and when conducting maintenance works on existing heritage items. Heritage significance and value was a matter of consideration for the planning process for the White Bay Wharf 5 Cruise Passenger Terminal, which included an assessment identifying rail sidings, gantry cranes and rail cranes as being of heritage value. These were incorporated in the design of White Bay Cruise Passenger Terminal and will be preserved as part of the new Terminal development.

SYDNEY PORTS REMAINS COMMITTED TO PRESERVING PORT HERITAGE AND MARITIME HISTORY.

During 2010/11 we also began a review of additional heritage items that would join the list. As part of our annual heritage review we identified three new items for potential listing: the White Bay Power Station inlet canal; the Bunnerong Canal rail bridge, and a large bronze propeller that was previously at the former Barangaroo cruise passenger terminal (Hickson Road) site and is now located at White Bay Wharf 4. They are currently being assessed for their heritage significance. If they are found to be of heritage value, they will join the other 43 listings on our Sydney Ports Section 170 Heritage and Conservation Register.

Sydney Ports remains committed to preserving port heritage and maritime history.



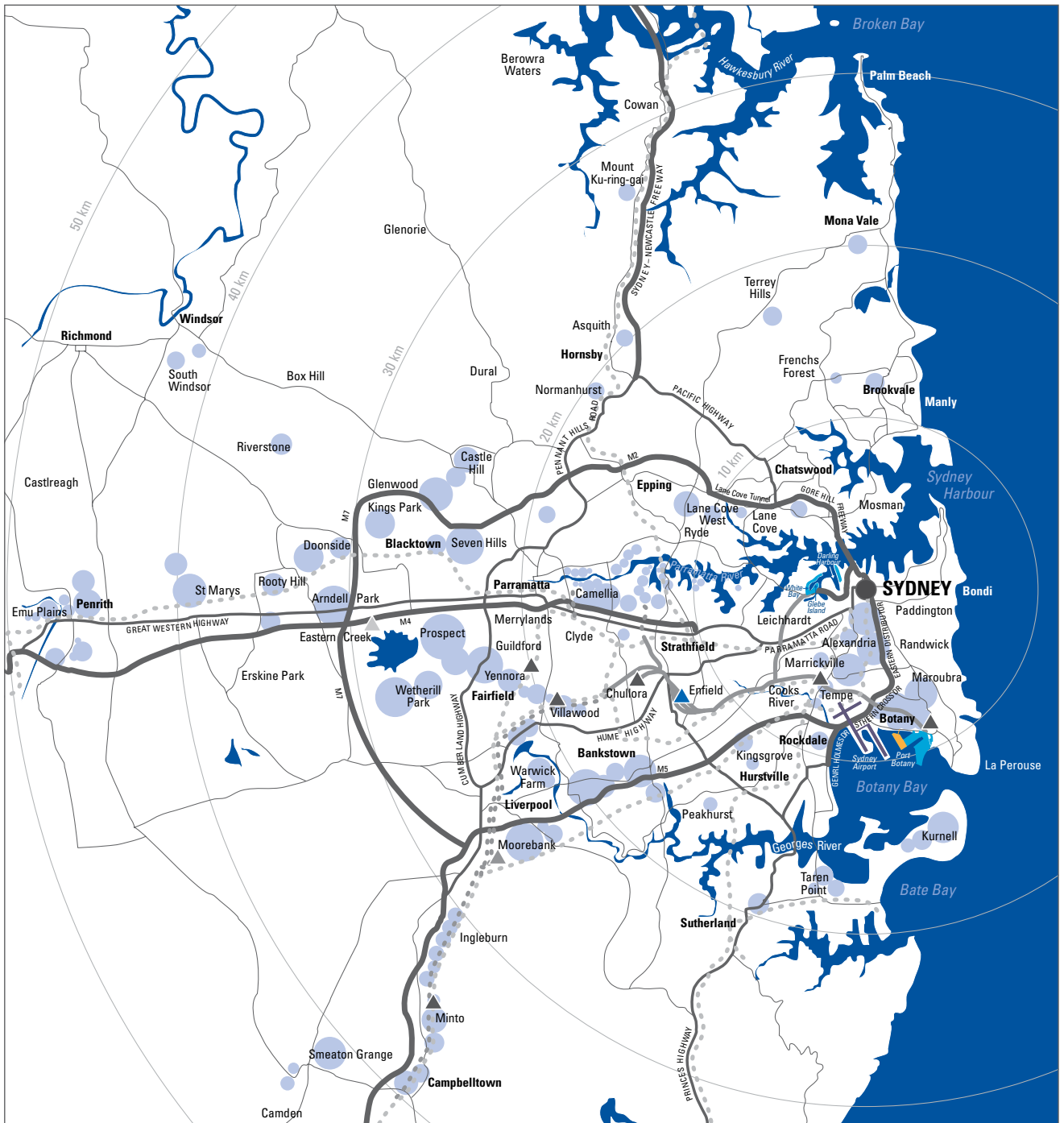
NSW ROAD AND RAIL LINKS

- Main roads
- - - Rail lines
- ▲ Regional Intermodal Terminals
- ▲ (Proposed) Kew Intermodal Terminal



METROPOLITAN ROAD AND RAIL LINKS

- Motorways
- Main roads
- Dedicated freight rail lines
- ... Shared passenger/freight rail lines
- ... (Planned) Southern Sydney Freight Line
- ▲ Intermodal terminals
- Industrial zones
- Port facilities
- Port Botany development area
- ▲ (Planned) Enfield Intermodal Logistics Centre
- ▲ (Proposed) Moorebank Intermodal Terminal
- ▲ (Proposed) Eastern Creek Intermodal Terminal

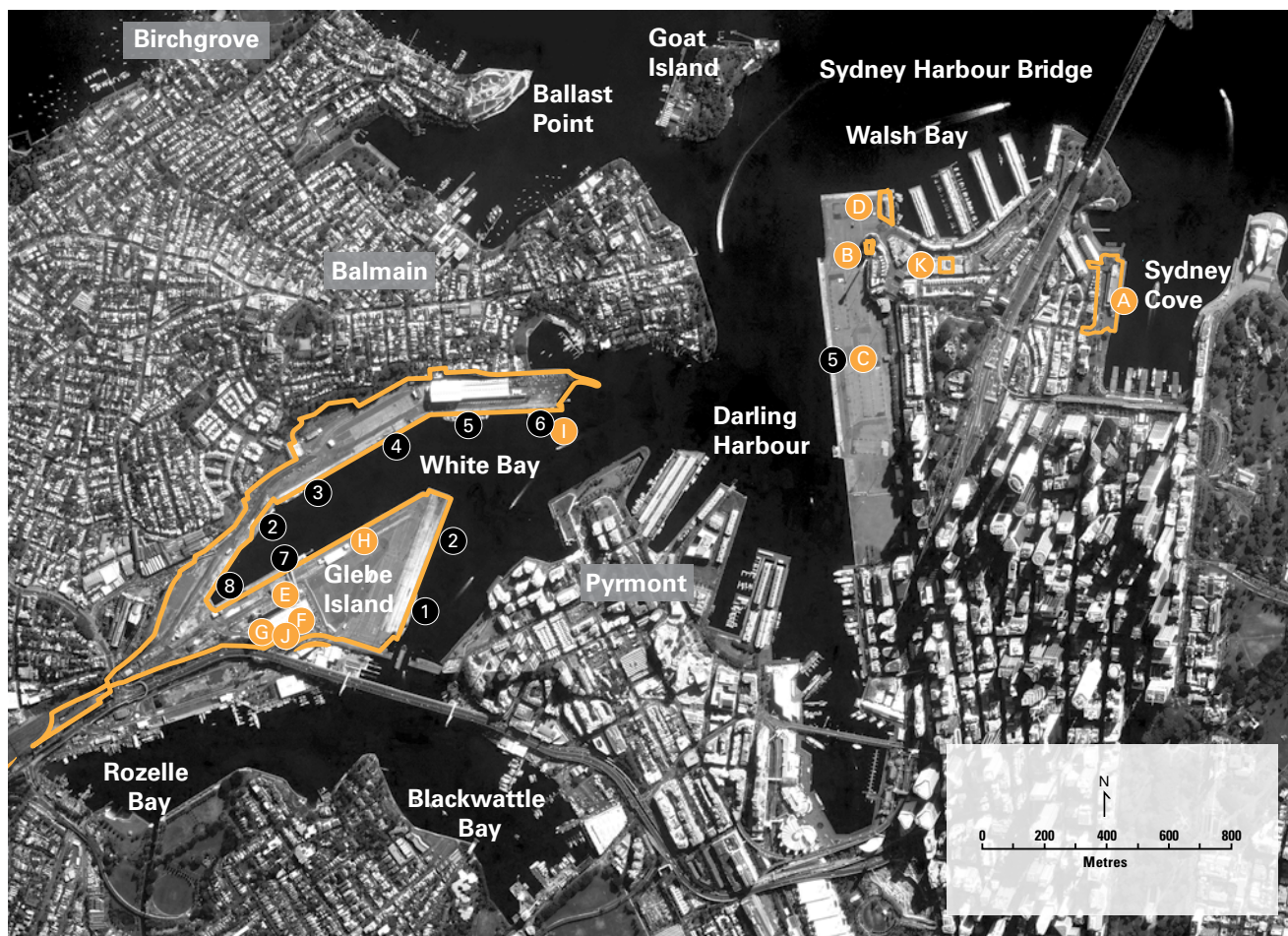


SYDNEY HARBOUR PRECINCTS AND TENANTS

SYDNEY HARBOUR PRECINCTS AND TENANTS

- A** Overseas Passenger Terminal
- B** Harbour Control Tower
- C** Barangaroo 5 Passenger Terminal
- D** Moores Wharf – Sydney Ports Corporation Marine Operations
- E** Gypsum Resources Australia
- F** Sugar Australia
- G** Cement Australia
- H** Glebe Island – Sydney Ports Corporation Marine Services
- I** Bailey's Marine Fuels
- J** Eye Drive
- K** Sydney Ports Corporation – Corporate Office

1 Berth numbers



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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BEGINNING OF AUDITED FINANCIAL STATEMENTS
 SYDNEY PORTS CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Revenue					
Revenue from operating activities	3	218,959	186,764	217,145	177,687
Other revenue	3	36,626	33,410	38,958	34,844
Total revenue		255,585	220,174	256,103	212,531
Expenses					
Employee benefits expense	4	(41,488)	(38,651)	(41,498)	(32,313)
Depreciation and amortisation expense	4	(23,935)	(19,283)	(23,888)	(18,998)
Other expenses	4	(71,493)	(62,604)	(71,258)	(59,846)
Finance costs	4	(13,810)	(14,489)	(13,810)	(14,489)
Total expenses		(150,726)	(135,027)	(150,454)	(125,646)
Profit before income tax equivalent expense		104,859	85,147	105,649	86,885
Income tax equivalent expense	5	(31,371)	(26,018)	(31,349)	(26,539)
Net profit for the year		73,488	59,129	74,300	60,346
Other comprehensive income/(expense)					
Fair value revaluation of property, plant and equipment	10(d)	73,361	42,584	73,361	42,584
Change in fair value of cash-flow hedges	15(c)	–	(7,995)	–	(7,995)
Transferred to finance costs – profit or loss	15(c)	61	–	61	–
Transferred to finance costs – construction in progress	15(c)	1,655	1,452	1,655	1,452
Superannuation actuarial losses	16(e)	(458)	(5,293)	(458)	(5,293)
Income tax equivalent expense on items of other comprehensive income	5	(22,401)	(9,274)	(22,401)	(9,274)
Other comprehensive income for the year, net of income tax equivalent expense		52,218	21,474	52,218	21,474
Total comprehensive income for the year		125,706	80,603	126,518	81,820

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
ASSETS					
Current assets					
Cash and cash equivalents	6	156,858	249,255	156,858	248,970
Trade and other receivables	7	26,562	24,912	26,562	24,071
Assets held for sale	8	4,097	–	4,097	–
Total current assets		187,517	274,167	187,517	273,041
Non-current assets					
Receivables	7	118,815	93,486	118,815	93,486
Investment in subsidiary	9	–	–	–	1,120
Property, plant and equipment	10(a)	1,640,958	1,421,661	1,640,958	1,419,490
Intangible assets	11	3,075	3,356	3,075	3,352
Deferred tax equivalent assets	5(d)	16,797	17,188	16,797	16,665
Total non-current assets		1,779,645	1,535,691	1,779,645	1,534,113
Total assets		1,967,162	1,809,858	1,967,162	1,807,154
LIABILITIES					
Current liabilities					
Trade and other payables	12	61,875	59,702	61,875	58,932
Interest-bearing loans and borrowings	14	–	3,698	–	3,698
Income tax equivalent payable		2,171	4,438	2,171	4,438
Provisions	13	13,262	12,826	13,262	11,940
Total current liabilities		77,308	80,664	77,308	79,008
Non-current liabilities					
Payables	12	3,874	2,030	3,874	2,030
Interest-bearing loans and borrowings	14	603,826	599,287	603,826	599,287
Deferred tax equivalent liabilities	5(d)	206,215	176,791	206,215	176,765
Provisions	13	5,375	5,903	5,375	5,693
Other non-current liabilities	16(a)	14,248	14,573	14,248	14,573
Total non-current liabilities		833,538	798,584	833,538	798,348
Total liabilities		910,846	879,248	910,846	877,356
Net assets		1,056,316	930,610	1,056,316	929,798
EQUITY					
Contributed equity	15	125,542	125,542	125,542	125,542
Reserves	15	472,705	420,167	472,705	420,167
Retained earnings	15	458,069	384,901	458,069	384,089
Total equity		1,056,316	930,610	1,056,316	929,798

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONTRIBUTED EQUITY \$000	ASSET REVALUATION RESERVE \$000	CASH-FLOW HEDGE RESERVE \$000	RETAINED EARNINGS \$000	TOTAL \$000
CONSOLIDATED						
Balance at 1 July 2009		125,542	400,292	(5,183)	329,356	850,007
Profit for the year after tax	15(a)	–	–	–	59,129	59,129
Other comprehensive income/ (expense)	15(a),(c)	–	29,638	(4,580)	(3,584)	21,474
Total comprehensive income/ (expense) for the year		–	29,638	(4,580)	55,545	80,603
Transactions with owners in their capacity as owners:						
Dividends provided for		–	–	–	–	–
Balance at 30 June 2010		125,542	429,930	(9,763)	384,901	930,610
Profit for the year after tax	15(a)	–	–	–	73,488	73,488
Other comprehensive income/ (expense)	15(a),(c)	–	51,337	1,201	(320)	52,218
Total comprehensive income/ (expense) for the year		–	51,337	1,201	73,168	125,706
Transactions with owners in their capacity as owners:						
Dividends provided for		–	–	–	–	–
Balance at 30 June 2011		125,542	481,267	(8,562)	458,069	1,056,316
CORPORATION						
Balance at 1 July 2009		125,542	400,292	(5,183)	327,327	847,978
Profit for the year after tax	15(a)	–	–	–	60,346	60,346
Other comprehensive income/ (expense)	15(a),(c)	–	29,638	(4,580)	(3,584)	21,474
Total comprehensive income/ (expense) for the year		–	29,638	(4,580)	56,762	81,820
Transactions with owners in their capacity as owners:						
Dividends provided for		–	–	–	–	–
Balance at 30 June 2010		125,542	429,930	(9,763)	384,089	929,798
Profit for the year after tax	15(a)	–	–	–	74,300	74,300
Other comprehensive income/ (expense)	15(a),(c)	–	51,337	1,201	(320)	52,218
Total comprehensive income/ (expense) for the year		–	51,337	1,201	73,980	126,518
Transactions with owners in their capacity as owners:						
Dividends provided for		–	–	–	–	–
Balance at 30 June 2011		125,542	481,267	(8,562)	458,069	1,056,316

The accompanying notes form an integral part of the financial statements.

SYDNEY PORTS CORPORATION
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Net cash flows from operating activities					
Receipts from customers		267,893	253,502	266,932	245,601
Payments to suppliers and employees		(134,488)	(148,843)	(132,800)	(139,231)
Interest received		9,859	16,546	9,853	16,510
Borrowing costs paid		(12,627)	(12,168)	(12,627)	(12,168)
Income tax equivalent received from/(paid to) subsidiary		–	–	–	(519)
Income tax equivalent paid		(26,220)	(23,919)	(26,665)	(23,919)
Net cash flows from operating activities	6(c)	104,417	85,118	104,693	86,274
Net cash flows used in investing activities					
Purchase of property, plant and equipment		(197,079)	(295,970)	(197,070)	(295,800)
Proceeds from sale of property, plant and equipment		265	97,191	265	97,176
Net cash flows used in investing activities		(196,814)	(198,779)	(196,805)	(198,624)
Net cash flows from financing activities					
Proceeds from borrowings		–	249,549	–	249,549
Net cash flows from financing activities		–	249,549	–	249,549
Net (decrease)/increase in cash and cash equivalents		(92,397)	135,888	(92,112)	137,199
Cash and cash equivalents at the beginning of the financial year		249,255	113,367	248,970	111,771
Cash and cash equivalents at the end of the financial year	6	156,858	249,255	156,858	248,970

The accompanying notes form an integral part of the financial statements.

NOTE 1. CORPORATE INFORMATION

The financial statements of Sydney Ports Corporation (the "Corporation") for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 28 September 2011.

Sydney Ports Corporation was incorporated by the New South Wales State Government under the *State Owned Corporations Act 1989* and is domiciled in New South Wales, Australia. The Corporation assessed its status and determined that it is a "for profit" public sector entity from 1 July 2005 for financial reporting purposes.

The Corporation had one controlled entity during the year ended 30 June 2011, being the wholly owned subsidiary, Sydney Pilot Service Pty Ltd (the "subsidiary").

The Corporation operates in a single business and geographical segment – the management of port facilities for the shipping community including the provision of navigational and operational safety needs of commercial shipping in the geographical location of New South Wales, Australia with its principal office at 20 Windmill Street, Walsh Bay NSW 2000.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Transfer of operations of the controlled entity

In May 2010 the Board of Directors of Sydney Ports Corporation authorised and approved the transfer of the vessel pilotage business from Sydney Pilot Service Pty Ltd to Sydney Ports Corporation effective after receipt of written approval from the voting shareholding Ministers of Sydney Ports Corporation. In August 2010 the voting shareholding Ministers of Sydney Ports Corporation gave approval to the transfer and the subsequent winding up of Sydney Pilot Service Pty Ltd.

All employees of Sydney Pilot Service Pty Ltd were transferred to Sydney Ports Corporation on 1 July 2010. The vessel pilotage business of Sydney Pilot Service Pty Ltd was transferred to Sydney Ports Corporation on 1 September 2010. The consideration was equivalent to the carrying values of the transferred assets and liabilities at 31 August 2010.

On 13 December 2010 the Board of Directors of Sydney Pilot Service Pty Ltd passed a special resolution that the company be wound up voluntarily and that David Clement Pratt and Ian Robert England be appointed liquidators for the purpose of winding up the affairs and distributing the assets of Sydney Pilot Service Pty Ltd.

On 30 June 2011 Sydney Pilot Service Pty Ltd ceased to be a legal entity and was deregistered with the Australian Securities and Investments Commission (ASIC).

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with:

- (i) Australian Accounting Standards and Australian Accounting Interpretations;
- (ii) the *Public Finance and Audit Act 1983*;
- (iii) the *Public Finance and Audit Regulation 2010*;
- (iv) the *State Owned Corporations Act 1989*; and
- (v) NSW Treasurer's Directions*.

* NSW Treasurer's Directions are available from the NSW Treasury website (www.treasury.nsw.gov.au).

The financial statements have been prepared on an accrual accounting basis using historical cost accounting conventions unless stated otherwise. Assets and liabilities stated at fair value include property, plant and equipment, assets held for sale, cash and cash equivalents and defined benefits provisions.

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sydney Ports Corporation, being the parent entity, and its wholly owned subsidiary, Sydney Pilot Service Pty Ltd.

Controlled entities are all those entities over which the Corporation has the power to govern the financial and operating policies so as to obtain benefits from its activities. All inter-entity balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated in preparing the consolidated financial statements. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with policies applied by the parent entity.

Investment in the subsidiary entity is accounted for at cost in the separate financial statements of the parent entity.

At 30 June 2011, the consolidated balances in the Statement of Financial Position represent balances of the parent entity only due to the transfer of the vessel pilotage business from Sydney Pilot Service Pty Ltd to Sydney Ports Corporation.

(d) Compliance with IFRS

The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(e) New accounting standards and interpretations

As of 1 July 2010, the Corporation has adopted AASB 2009-5 *Further Amendments to Australian Accounting Standards* arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 and 139) which was effective from 1 January 2010.

The adoption of the amendments resulted in changes in accounting policies but did not have any material impact on the financial position or performance of the Corporation:

- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations.
- AASB 107 *Statement of Cash Flows*: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- AASB 136 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Corporation as any annual impairment test is performed before aggregation.

Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board (AASB), that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2011. They are outlined in the table below.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR CONSOLIDATED ENTITY*
AASB 9	<i>Financial Instruments</i>	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the International Accounting Standards Board's project to replace International Accounting Standard "IAS" 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>). These requirements improve and simplify the approach for classification and measurement of financial assets compared with AASB 139.	1 January 2013	1 July 2013
AASB 2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9</i> (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12)	These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial instruments. These amendments shall be applied when AASB 9 is applied.	1 January 2013	1 July 2013
AASB 124 (Revised)	<i>Related Party Disclosures</i> (December 2009)	The revised AASB 124 simplifies the definition of related party, clarifying its intended meaning and eliminating inconsistencies from the definition. A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR CONSOLIDATED ENTITY*
AASB 2009-12	<i>Amendments to Australian Accounting Standards (AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052)</i>	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.	1 January 2011	1 July 2011
AASB 2009-14	<i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i>	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Committee 14 “IFRIC 14”). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	1 July 2011
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	1 July 2013
AASB 1054	<i>Australian Additional Disclosures</i>	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and the Financial Reporting Standards Board. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	1 July 2011
AASB 2010-2	<i>Amendments to Australian Standards arising from Reduced Disclosure Requirements</i>	Only applicable to Tier 2 entities. This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities (identified in accordance with AASB 1053) preparing general purpose financial statements.	1 July 2013	1 July 2013

AASB 2010-4	<i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13)</i>	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.	1 January 2011	1 July 2011
AASB 2010-5	<i>Amendments to Australian Accounting Standards (AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023, and 1038 and Interpretations 112, 115, 127, 132 and 1042)</i>	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011
AASB 2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (AASB 1 and AASB 7)</i>	These amendments increase the disclosure requirements for transactions involving transfers of financial assets.	1 July 2011	1 July 2011
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9, December 2010. (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, and 1038 and Interpretations 2, 5, 10, 12, 19 and 127)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> ■ The change attributable to changes in credit risk are presented in other comprehensive income. ■ The remaining change is presented in profit or loss. <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2013	1 July 2013
AASB 2011-1	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (AASB 1, 5, 101, 107, 108, 121, 128, 132, 134, Interpretation 2, 112, 113)</i>	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR CONSOLIDATED ENTITY*
AASB 2011-2	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Regime</i> (AASB 101, AASB 1054)	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying AASB 1053.	1 July 2013	1 July 2013
**	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013
**	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013

* designates the beginning of the applicable annual reporting period unless otherwise stated.

** designates the AASB has not issued this standard, which was finalised by the IASB in May 2011.

The impact of these new Accounting Standards and Interpretations in future periods on the financial statements are still being assessed and are not known at the date of the financial statements.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and funds on deposit in the NSW Treasury Corporation's (TCorp) Hour-Glass Cash Facility Trust.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

The value of the funds on deposit in the TCorp Hour-Glass Cash Facility Trust can increase or decrease depending on market conditions and is marked to market through profit or loss in the statement of comprehensive income.

(g) Trade and other receivables

Trade receivables are on 28 day terms while other receivables range from 7 to 14 day terms. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Financial difficulties of the debtors and default of payments are considered objective evidence of impairment. Bad debts are written off as incurred against the provision for impairment.

(h) Derivative financial instruments and hedging

The consolidated entity uses derivative financial instruments such as interest rate fixed forward contracts, futures contracts and interest rate swaps to manage its debt portfolio and to hedge risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value on the date on which the derivative contract is entered into and subsequently remeasured to fair value at reporting date.

Embedded derivatives are separated from the host contract and accounted for separately if:

- The economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

TCorp manages derivative contracts on behalf of the consolidated entity and, at each reporting date, provides details of the fair value of these instruments. Derivatives managed by TCorp for the consolidated entity are for debt management purposes only and their use is controlled by the consolidated entity's Board policies.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives (except for those that qualify as cash-flow hedges) are taken directly to profit or loss for the year.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- Cash-flow hedges when they hedge the exposure to variability in cash flows that are attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction and that could affect profit or loss.

Cash-flow hedges that meet the strict criteria for hedge accounting are accounted for as follows:

- The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.
- Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs) when the forecast transaction occurs.
- The consolidated entity tests each of the designated cash-flow hedges for effectiveness on a 6-monthly basis both retrospectively and prospectively. If the testing falls within the 80:125 range (100 being fully effective), the hedge is considered highly effective and continues to be designated as a cash-flow hedge.
- At each reporting date, the consolidated entity measures ineffectiveness. For interest rate cash-flow hedges, any ineffective portion is taken to other expenses in the statement of comprehensive income.
- If the forecast underlying transaction is no longer expected to occur, amounts recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the consolidated entity no longer controls the contractual rights that comprise the financial instrument. This is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(i) Property, plant and equipment

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to the asset and any restoration costs associated with the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****(i) Property, plant and equipment (continued)**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

All repair and maintenance costs are recognised in profit or loss in the statement of comprehensive income as incurred.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in profit or loss in the statement of comprehensive income.

Land and buildings held to provide a port facility to facilitate trade and commerce are accounted for as property, plant and equipment infrastructure assets under AASB 116, notwithstanding that the land and buildings may be leased to external parties. Land and buildings that are not integral or associated with port activities and leased with the principal objective of earning rentals or for capital appreciation, or both, are accounted for as investment properties under AASB 140.

(i) Valuation of property, plant and equipment

Property, plant and equipment is valued at fair value in accordance with Australian Accounting Standards and the NSW Treasury Policy Paper on Valuation of Physical Non-Current Assets. Property, plant and equipment is measured on an existing use basis where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the replacement cost of the asset's remaining future economic benefits. Where an asset is specialised, or the market buying price and market selling price differ materially because the asset is usually bought and sold in different markets, or the asset would only be sold as part of the sale of the cash-generating operation of which the asset is a part, fair value is measured at market buying price. The best indicator of an asset's market buying price is the replacement cost of the asset's remaining future economic benefits. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

(ii) Valuation of land

Land is valued at fair value having regard to its highest and best use. However, where there are natural, legal and socio-political restrictions on the use of land such that there is no feasible alternative use in the near future, such land is valued at market value for its existing use, because that is its highest and best use.

(iii) Valuation of specialised plant and infrastructure

Specialised plant and infrastructure is measured at market buying price, the best indicator of which is the replacement cost of the asset's remaining future economic benefits. Infrastructure assets include roadways and bridges, wharves, jetties and breakwaters.

(iv) Valuation of buildings

Non-specialised buildings, which include commercial and general purpose buildings for which there is a secondary market, are valued at fair value. Specialised buildings are designed for a specific, limited purpose. Where there are no feasible alternative uses for such buildings, they are valued at market buying price, the best indicator of which is the replacement cost of the remaining economic benefits. Heritage buildings are valued at fair value. Fair value is represented by market value for existing use, because there are few or no feasible alternative uses for such buildings.

(v) Revaluation of property, plant and equipment

Revaluations are made with sufficient regularity to ensure that the carrying amount of property, plant and equipment does not materially differ from fair value at the reporting date. Where the Corporation revalues non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and accumulated depreciation are separately restated.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement for an asset previously recognised as a loss in profit or loss, the increment is recognised as a gain in profit or loss. Revaluation decrements are recognised immediately in profit or loss, except that they are debited directly to the asset revaluation reserve to the extent that a credit exists in the asset revaluation reserve in respect of the asset. Assets acquired or constructed since the last revaluation are valued at cost.

Any revaluation reserve amount in respect of an item of property, plant and equipment is transferred directly to retained earnings on disposal.

The most recent revaluation of property, plant and equipment by the Corporation was completed at 30 June 2011 and was based on independent assessments.

The revaluation included the following guidelines:

- Assets acquired within 12 months of the revaluation date were assumed to have current values and were excluded from the revaluation process.
- Where one asset in a class was revalued, all assets in that class were revalued.
- Property, plant and equipment (excluding land) was valued based on the estimated depreciated replacement cost of the most appropriate modern equivalent replacement facility having a similar service potential to the existing asset.
- Land was valued on an existing-use basis, subject to any restrictions or enhancements since acquisition.

(vi) Impairment

The consolidated entity assesses at each reporting date whether there is any indication that a cash generating unit, or an asset within a cash generating unit, may be impaired. If such an indication exists, the consolidated entity estimates the recoverable amount. An impairment loss is recognised where the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in profit or loss except for assets under revaluation as the impairment loss will first be recognised through each asset's revaluation reserve prior to recognition in profit or loss.

(j) Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. The consolidated entity's intangible assets relate to software and easements.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Easements relate to the consolidated entity's interest in land. Easements are recognised using the historic cost method rather than fair value as it is assumed there is no active market for easements.

In-house software development costs are capitalised, while other costs (including research costs) are expensed in the statement of comprehensive income in the year in which the expenditure is incurred. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. The consolidated entity's software intangible assets have finite lives and are amortised on a straight-line basis.

(k) Depreciation and amortisation of assets

Depreciation and amortisation have been calculated on depreciable assets, using rates estimated to write off the assets over their remaining useful lives on a straight-line basis. Land assets have been treated as non-depreciable. The useful lives of assets were reassessed during the year with no material changes required. The expected depreciable lives of new depreciable assets at 30 June 2011 and 2010 are:

■ Buildings	10 to 50 years
■ Roadways and bridges	20 to 100 years
■ Wharves, jetties and breakwaters	10 to 100 years
■ Plant	2 to 50 years
■ Intangibles – software	3 to 4 years

(l) Capitalisation of assets

Assets in excess of \$1,000 are capitalised where they are expected to provide future economic benefits for more than one reporting period. Only those assets completed and ready for service are taken to the property, plant and equipment or intangible assets accounts. The remaining capital expenditures are carried forward as construction in progress and are included in property, plant and equipment in the statement of financial position.

(m) Recoverable amount of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either the asset's fair value less costs to sell is higher than its carrying amount, or the asset's value in use can be estimated to be close to its fair value less costs to sell and fair value less costs to sell can be determined. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Channel dredging cost

The consolidated entity has incurred costs to dredge Botany Bay thereby creating a channel for ships to enter the wharf area constructed as part of its Port Botany expansion project.

The consolidated entity is applying the accounting treatment agreed with NSW Treasury, relevant Port Corporations and NSW Maritime in 2008. Under the accounting treatment costs incurred for capital dredging (harbour deepening) of channels are recognised as a prepaid licence fee with the licensor being NSW Maritime (a NSW Government Authority). The prepayment is amortised over the period of the licence.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****(o) Assets held for sale**

Assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the consolidated entity's accounting policies. Thereafter, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell; not depreciated; reclassified from non-current to current; and separately presented in the statement of financial position. An impairment loss is recognised in profit or loss for any initial and subsequent write down from the carrying amount measured immediately before reclassification or re-measurement to fair value less costs to sell.

A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

(p) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 28 days of recognition.

(q) Interest-bearing loans

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

(r) Borrowing costs

Borrowing costs are expensed as incurred within finance costs in the statement of comprehensive income unless they relate to qualifying assets, in which case they are capitalised as part of the cost of those assets. Qualifying assets are assets that take a substantial period of time to be ready for their intended use.

Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the relevant projects giving rise to the qualifying assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is net of any interest earned on those borrowings.

(s) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and can be measured reliably. The expense relating to any provision is recognised in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(t) Employee benefits**(i) Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefits obligations

The consolidated entity contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to nominated funds. The Corporation contributes to defined benefit plans and defined contribution plans. The subsidiary company contributed to defined contribution plans only.

A liability or asset for the defined benefit superannuation plans is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligations at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the

defined benefit obligations is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they occur.

Past service costs are recognised immediately in profit or loss unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time during the vesting period. In this case, the past service costs are amortised to profit or loss on a straight-line basis over the vesting period.

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

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The consolidated entity recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to their present value.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Operating leases

Where the consolidated entity is the lessee, operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Where the consolidated entity is the lessor, leases in which the consolidated entity retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease rental receipts are recognised as revenue in the statement of comprehensive income on a straight-line basis over the lease term.

(ii) Finance leases

The consolidated entity had no finance lease arrangements in 2011 and 2010.

(iii) Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature, form or the timing of payments.

In the event that lease incentives are received or given to enter into operating leases, such incentives are recognised as a liability or asset. The aggregate benefits of incentives are recognised as a reduction of rental expense or income on a straight-line basis.

(v) Contributed equity

Ordinary shares are classified as equity.

The *State Owned Corporations Act 1989* requires the consolidated entity to have two voting shareholding Ministers. Each shareholder must, at all times, have an equal number of shares in the consolidated entity. At 30 June 2011, the shares were held by the Treasurer (The Hon. M. Baird, MP) and the Minister for Finance and Services, Minister for the Illawarra (The Hon. G. Pearce, MLC).

(w) Revenue recognition

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

(i) Port revenue

Port revenue from pilotage and navigation services, wharfage, site occupation charges, mooring fees and other services are recognised on delivery of the service to the customer.

(ii) Rental revenue

Rental revenue is accounted for on a straight-line basis over the lease term.

(iii) Interest revenue

Interest revenue is recognised on an accrual basis using the effective interest method.

(iv) Increase in retirement benefits

Any net increase in superannuation asset surpluses during the year is recognised in other comprehensive income.

(v) Sale of assets

Revenue from the sale of assets is recognised as revenue when the consolidated entity transfers the significant risks and rewards of ownership of the assets.

(vi) Assets received free of charge

Assets received at no cost are recognised as revenue at the fair value of the asset on the date of receipt.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****(x) Income tax equivalent and other taxes**

Income tax equivalent is required to be paid to the NSW Government in accordance with section 20T of the *State Owned Corporations Act 1989*. The payments are equivalent to the amounts that would be payable under the normal income tax law of the Commonwealth. The National Tax Equivalent Regime was established on 1 July 2001, with the Australian Taxation Office administering the tax equivalent scheme across Australia.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the relevant period's taxable income. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax equivalents relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity.

Tax consolidation

The consolidated entity entered the tax consolidation regime on 1 July 2003. As a consequence, the Corporation, as the head entity in the consolidated tax group, recognises current tax payable for the tax group. Amounts receivable or payable under a tax sharing agreement between the tax consolidated entities, are recognised as tax related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax equivalent expense.

Other taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority, are classified as operating cash flows. Contingencies are disclosed net of GST.

Commitments and accrual items that are shown in the statement of financial position are inclusive of GST where applicable.

(y) Dividend

The consolidated entity reviews its financial performance for the accounting period and recommends to its shareholders an appropriate dividend payment in light of the current financial position and longer-term financial commitments. Under NSW Treasury's Financial Distribution Policy for Government Businesses, the consolidated entity prepares a Statement of Corporate Intent which is an agreement between the relevant Ministers and the Board. This agreement includes dividend targets for the year ahead and is signed before the end of the financial year to which it relates. This creates a valid expectation that a dividend will be paid. Consequently the dividend for the financial year, if any, is set aside as a provision in the statement of financial position.

(z) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

(aa) Significant accounting judgements, estimates and assumptions

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

The nature of these assumptions and conditions are found in the relevant notes to the financial statements.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

(i) Impairment of non-financial assets

The consolidated entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

(ii) Valuation of property, plant and equipment

The gross fair value measurement of property, plant and equipment is determined by independent specialist valuers and the remaining useful lives of each asset are determined by the consolidated entity's qualified engineers.

(iii) Superannuation

Various actuarial assumptions are required to quantify the net position of the defined benefit funds. The determination of superannuation obligations is dependent on an annual actuarial assessment in accordance with the accounting policy.

(iv) Taxation

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimate of future cash flows. These depend on estimates of future revenues, operating costs, capital expenditure and dividends.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. REVENUE

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Revenue from operating activities					
Port revenue		164,224	137,477	162,385	128,247
Rental revenue		54,735	49,287	54,760	49,440
		218,959	186,764	217,145	177,687
Other revenue					
Interest from Barangaroo Delivery Authority		–	8,103	–	8,103
Interest from bank and other		9,869	6,521	9,864	6,485
Increase in retirement benefits	16(d)	750	509	750	509
Revaluation increments – property, plant and equipment	10(d)	3,822	–	3,822	–
Land tax recoverable from tenants		9,643	9,200	9,643	9,200
Construction costs recoverable from Barangaroo Delivery Authority		2,753	51	2,753	51
Other recoveries		7,002	6,521	7,023	6,684
<i>In specie</i> dividend distribution	25	–	–	865	–
Other revenue		2,787	2,505	4,238	3,812
		36,626	33,410	38,958	34,844
Total revenue		255,585	220,174	256,103	212,531

NOTE 4. EXPENSES

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Employee benefits expense					
Salaries and wages		34,312	32,322	34,302	27,373
Annual leave	13	2,858	2,577	2,865	2,093
Long service leave	13	1,367	1,188	1,371	1,053
Retirement benefits – defined benefit	16(d)	52	54	52	54
Retirement benefits – accumulation		2,899	2,510	2,908	1,740
		41,488	38,651	41,498	32,313
Depreciation and amortisation expense					
Depreciation	10(d)	22,668	18,583	22,621	18,300
Amortisation of intangible assets	11	1,223	700	1,223	698
Amortisation of prepaid licence fee		44	–	44	–
		23,935	19,283	23,888	18,998
Other expenses					
Service contractors		26,718	21,673	26,630	20,793
Indirect taxes		15,914	15,490	15,908	15,096
Utilities and communications		4,184	3,876	4,182	3,869
Insurance		3,093	2,774	2,992	2,105
Legal costs		993	1,834	993	1,834
Materials		2,106	1,944	2,087	1,436
Minimum lease payments – operating leases		3,129	2,719	3,129	2,707
Revaluation decrements – property, plant and equipment	10(d)	4,085	554	4,085	554
Directors' remuneration	22	330	311	330	291
Auditor's remuneration		202	202	198	176
Impairment of trade receivables, net of recovery	7(a)	231	62	231	62
Consultants' fees	20	206	197	206	197
Net (gain)/loss on sale of property, plant and equipment		(21)	86	(21)	86
Channel fees		3,665	3,203	3,665	3,203
Onerous contract expense		–	1,928	–	1,928
Other operations and services		6,658	5,751	6,643	5,509
		71,493	62,604	71,258	59,846
Finance costs					
Finance costs		13,810	14,489	13,810	14,489
Total expenses		150,726	135,027	150,454	125,646

NOTE 5. INCOME TAX EQUIVALENT EXPENSE

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
(a) Income tax equivalent expense				
Major components of income tax equivalent expense for the periods ended 30 June 2011 and 30 June 2010 are:				
Charged to profit or loss				
Current income tax				
Current income tax equivalent expense	24,368	22,803	24,325	23,401
Adjustments in respect of current income tax equivalent expense of previous years	(411)	(92)	(411)	(92)
Deferred income tax				
Relating to origination and reversal of temporary differences	7,414	3,307	7,435	3,230
Income tax equivalent expense charged to profit or loss in the statement of comprehensive income	31,371	26,018	31,349	26,539
(b) Amounts charged or credited directly to equity				
Deferred income tax				
Defined benefit superannuation	(138)	(1,588)	(138)	(1,588)
Net gain on revaluation of land and buildings	22,024	12,825	22,024	12,825
Financial instruments	515	(1,963)	515	(1,963)
Income tax equivalent expense charged directly to items in other comprehensive income in the statement of comprehensive income	22,401	9,274	22,401	9,274
(c) Numerical reconciliation between aggregate tax expense recognised in profit or loss in the statement of comprehensive income and tax expense calculated per the statutory income tax rate				
A reconciliation of income tax equivalent expense applicable to accounting profit before income tax equivalent expense at the statutory income tax equivalent rate to income tax equivalent expense at the consolidated entity's effective income tax equivalent rate for the periods ended 30 June 2011 and 30 June 2010 is as follows:				
Accounting profit before income tax equivalent expense	104,859	85,147	105,649	86,885
At the statutory income tax equivalent rate of 30% (2010: 30%)	31,457	25,545	31,695	26,066
Adjustment in respect of current income tax equivalent expense of previous years	(411)	(92)	(411)	(92)
Derecognition/recognition of temporary differences	227	165	227	165
Non assessable distribution from subsidiary	–	–	(260)	–
Non deductible expenditure	19	15	19	15
Investment allowance	–	(133)	–	(133)
Property, plant and equipment	79	518	79	518
At effective income tax equivalent rate of 30% (2010: 31%)	31,371	26,018	31,349	26,539
Income tax equivalent expense reported in profit or loss in the statement of comprehensive income	31,371	26,018	31,349	26,539

NOTE 5. INCOME TAX EQUIVALENT EXPENSE (CONTINUED)

	STATEMENT OF FINANCIAL POSITION		PROFIT OR LOSS	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
(d) Recognised deferred tax assets and liabilities				
Deferred income tax equivalent at 30 June relates to the following:				
Consolidated				
(i) Deferred income tax equivalent liabilities				
Depreciation	(204,035)	(175,676)	6,414	5,036
Income receivable	(824)	(676)	148	(122)
Other	(1,356)	(439)	917	1
Gross deferred income tax equivalent liabilities	(206,215)	(176,791)		
(ii) Deferred income tax equivalent assets				
Depreciation	–	79	–	(5)
Provisions for employee entitlements	3,889	3,706	(183)	13
Financial instruments	3,669	4,184	–	–
Accrued expenditure	4,934	4,800	(134)	(1,790)
Defined benefits superannuation	4,275	4,372	235	156
Other	30	47	17	18
Gross deferred income tax equivalent assets	16,797	17,188		
Deferred income tax equivalent charge			7,414	3,307
Corporation				
(iii) Deferred income tax equivalent liabilities				
Depreciation	(204,035)	(175,676)	6,414	5,036
Income receivable	(824)	(650)	143	(148)
Other	(1,356)	(439)	917	8
Gross deferred income tax equivalent liabilities	(206,215)	(176,765)		
(iv) Deferred income tax equivalent assets				
Provisions for employee entitlements	3,889	3,377	(187)	(21)
Financial instruments	3,669	4,184	–	–
Accrued expenditure	4,934	4,695	(101)	(1,820)
Defined benefits superannuation	4,275	4,372	235	156
Other	30	37	14	19
Gross deferred income tax equivalent assets	16,797	16,665		
Deferred income tax equivalent charge			7,435	3,230

The Corporation has Australian capital tax losses for which no deferred tax asset is recognised on the statement of financial position of \$337,097 (2010: \$337,097) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant statutory tests.

Tax consolidation

Sydney Ports Corporation and its subsidiary, Sydney Pilot Service Pty Ltd are a tax consolidated group. The head company of the tax consolidated group is Sydney Ports Corporation.

Sydney Ports Corporation and Sydney Pilot Service Pty Ltd have entered into a tax sharing agreement in order to allocate income tax equivalent expense to the subsidiary company on a modified standalone basis. In addition, the agreement provides for the allocation of income tax equivalent liabilities between the entities should the head company default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The operations of Sydney Pilot Service Pty Ltd were discontinued on 31 August 2010 and the company was deregistered on 30 June 2011. Sydney Pilot Service Pty Ltd ceased to be a member of the tax consolidated group at 30 June 2011.

NOTE 6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Cash at bank and in hand	5,160	2,689	5,160	2,484
TCorp Hour-Glass Cash Facility Trust	151,698	246,566	151,698	246,486
Cash and cash equivalents at 30 June	156,858	249,255	156,858	248,970

(a) Reconciliation to the statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents includes cash at bank and in hand and funds on deposit in the TCorp Hour-Glass Cash Facility Trust. Cash and cash equivalents at 30 June 2011 and 2010, as shown in the statement of cash flows, are reconciled to these items in the statement of financial position.

(b) TCorp Hour-Glass Cash Facility Trust

The consolidated entity has placed funds on deposit in the TCorp Hour-Glass Cash Facility Trust. These funds are represented by a number of units in the managed facility. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines. These funds are generally able to be redeemed with up to 24 hours prior notice. The value of the funds on deposit represents the share of the value of the underlying assets of the facility and is stated at fair value. The value of the funds held can increase or decrease depending on market conditions and is marked to market through the statement of comprehensive income.

(c) Reconciliation from the net profit after income tax equivalent expense to the net cash flows from operating activities:

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Net profit after income tax equivalent expense	73,488	59,129	74,300	60,346
Adjustments for:				
Depreciation	22,668	18,583	22,621	18,300
Amortisation of intangible assets	1,223	700	1,223	698
Amortisation of prepaid licence fee	44	–	44	–
Amortisation of discount on interest-bearing loans and borrowings	676	658	676	658
Dividend from subsidiary	–	–	(865)	–
Net (gain)/loss on sale of interest-bearing loans and borrowings	128	374	128	374
Net revaluation decrements – property, plant and equipment	263	554	263	554
Net (gain)/loss on sale of property, plant and equipment	(21)	86	(21)	86
Transfer from cash-flow hedge reserve	61	–	61	–
Property, plant and equipment written off	96	447	96	447
Property, plant and equipment written on	–	(4)	–	(4)
	98,626	80,527	98,526	81,459
Changes in assets and liabilities applicable to operating activities				
(Increase)/decrease in trade and other receivables	(460)	9,650	269	9,971
(Increase)/decrease in deferred tax equivalent assets	(124)	(1,608)	(98)	(1,666)
(Decrease)/increase in deferred tax equivalent liabilities	7,538	4,915	7,536	4,896
(Decrease)/increase in income tax equivalent payable	(2,267)	(1,207)	(2,468)	(1,207)
(Decrease)/increase in trade and other payables	1,978	(7,711)	1,790	(7,845)
(Decrease)/increase in provisions	(92)	1,072	(79)	1,186
(Decrease)/increase in other liabilities	(782)	(520)	(783)	(520)
Net cash flows from operating activities	104,417	85,118	104,693	86,274

NOTE 7. TRADE AND OTHER RECEIVABLES

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current					
Trade receivables		11,471	11,148	11,471	10,354
Other receivables		10,005	10,555	10,005	10,516
		21,476	21,703	21,476	20,870
Allowance for impairment loss (a)		(262)	(65)	(262)	(65)
		21,214	21,638	21,214	20,805
Prepayments		1,109	873	1,109	843
Prepaid licence fee	2(n)	1,210	–	1,210	–
Related party receivable (b)	21(d)(i)	–	–	–	108
Lease incentive receivable		63	35	63	35
Accrued income		2,966	2,366	2,966	2,280
		26,562	24,912	26,562	24,071
Non-current					
Prepaid licence fee	2(n)	118,505	93,194	118,505	93,194
Lease incentive receivable		310	292	310	292
		118,815	93,486	118,815	93,486

(a) Allowance for impairment loss

Trade receivables are on 28 day terms and are interest-bearing if not paid within these terms. Other receivables are non-interest bearing and range from 7 to 14 day terms.

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. Impairment charges of \$259,351 (2010: \$62,395) have been recognised by the consolidated entity and by the Corporation during the year. These amounts have been included in other expenses at note 4.

Movements in the allowance for impairment loss were as follows:

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Balance at 1 July	65	4	65	4
Current year charge	259	62	259	62
Recovery of impaired amount	(28)	–	(28)	–
Amounts written off	(34)	(1)	(34)	(1)
Balance at 30 June	262	65	262	65

At 30 June, the ageing analysis of trade and other receivables is as follows:

		TOTAL \$000	NOT DUE \$000	0–30 DAYS		31–60 DAYS		60+ DAYS	
				PDNI*	CI**	PDNI*	CI**	PDNI*	CI**
				\$000	\$000	\$000	\$000	\$000	\$000
2011	Consolidated	21,476	18,648	930	–	972	–	664	262
	Corporation	21,476	18,648	930	–	972	–	664	262
2010	Consolidated	21,703	16,982	2,612	–	1,844	–	200	65
	Corporation	20,870	16,294	2,487	–	1,827	–	197	65

* Past due not impaired ("PDNI")

** Considered impaired ("CI")

Trade and other receivables past due but not considered impaired are: consolidated entity \$2.566 million (2010: \$4.656 million); Corporation \$2.566 million (2010: \$4.511 million). Payment terms on these amounts have not been re-negotiated and direct contact has been made with the relevant debtors to ensure that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Related party receivable

For terms and conditions of the related party receivable refer to note 21.

(c) Fair value and credit risk

Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security.

NOTE 8. ASSETS HELD FOR SALE

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Assets held for sale				
Land and buildings	4,097	–	4,097	–

Land and buildings at the Harbour Control Tower site are classified as assets held for sale following the commitment of the Corporation's management, on 12 April 2011, to a plan to sell the assets. Efforts to sell the assets have commenced, and the sale is expected in the next reporting period.

NOTE 9. INVESTMENT IN SUBSIDIARY

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Investment in Sydney Pilot Service Pty Ltd – at cost	–	–	–	1,120

The Corporation established a wholly owned subsidiary, Sydney Pilot Service Pty Ltd, on 26 October 2002 domiciled in New South Wales, Australia, to carry out pilotage services in Sydney Harbour and Botany Bay. An injection of capital was made at that time of \$1.120 million in order to purchase assets and fund working capital of the subsidiary. Refer to note 2(a) for information about the discontinued operation of Sydney Pilots Service Pty Ltd.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT**(a) Carrying amounts of property, plant and equipment at fair value**

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
At fair value				
Land and buildings (gross carrying amount)	843,421	693,577	843,421	693,577
Accumulated depreciation	(57,044)	(55,433)	(57,044)	(55,433)
At fair value	786,377	638,144	786,377	638,144
Roadways and bridges (gross carrying amount)	55,372	32,511	55,372	32,511
Accumulated depreciation	(26,417)	(22,042)	(26,417)	(22,042)
At fair value	28,955	10,469	28,955	10,469
Wharves, jetties and breakwaters (gross carrying amount)	1,141,925	732,188	1,141,925	732,188
Accumulated depreciation	(489,823)	(468,040)	(489,823)	(468,040)
At fair value	652,102	264,148	652,102	264,148
Plant (gross carrying amount)	77,241	54,599	77,241	50,909
Accumulated depreciation	(29,162)	(27,216)	(29,162)	(25,506)
At fair value	48,079	27,383	48,079	25,403
Construction in progress	125,445	481,517	125,445	481,326
Total property, plant and equipment at fair value (net carrying amount)	1,640,958	1,421,661	1,640,958	1,419,490

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Revaluation of property, plant and equipment

The Land and Property Management Authority provided gross values for land at 30 June 2011.

A quantity and construction cost consultant, MDA Australia Pty Ltd, provided gross values for buildings, roadways and bridges and wharves, jetties and breakwaters at 30 June 2011.

The Corporation's qualified engineers assessed the remaining useful lives of each asset.

Based on these assessments, all assets are recorded at fair value. The assets that were not revalued due to materiality are also shown at fair value as the written-down value approximates fair value. At reporting date there was no indication that a cash generating unit, or an asset within a cash generating unit, may be impaired.

(c) Carrying amounts if property, plant and equipment were measured at cost less accumulated depreciation

If property, plant and equipment were measured using the cost model, the carrying amounts would be as follows:

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
At cost				
Land and buildings (gross carrying amount)	376,528	276,456	376,528	276,456
Accumulated depreciation	(9,997)	(8,818)	(9,997)	(8,818)
	366,531	267,638	366,531	267,638
Roadways and bridges (gross carrying amount)	27,753	12,581	27,753	12,581
Accumulated depreciation	(6,626)	(6,082)	(6,626)	(6,082)
	21,127	6,499	21,127	6,499
Wharves, jetties and breakwaters (gross carrying amount)	536,047	147,222	536,047	147,222
Accumulated depreciation	(57,465)	(53,951)	(57,465)	(53,951)
	478,582	93,271	478,582	93,271
Plant (gross carrying amount)	77,236	54,593	77,236	50,903
Accumulated depreciation	(29,142)	(27,007)	(29,142)	(25,297)
	48,094	27,586	48,094	25,606
Construction in progress	125,445	481,517	125,445	481,326
Total property, plant and equipment (at cost)	1,039,779	876,511	1,039,779	874,340

(d)(i) Movement in property, plant and equipment – Consolidated

	NOTE	LAND AND BUILDINGS \$000	ROADWAYS AND BRIDGES \$000	WHARVES, JETTIES AND BREAKWATERS \$000	PLANT \$000	TOTAL \$000
Balance at 1 July 2010		638,144	10,469	264,148	27,383	940,144
Revaluation increments recognised in other comprehensive income	2(i)(v)	55,787	4,181	13,393	–	73,361
Revaluation increments recognised in profit or loss	2(i)(v),3	3,337	485	–	–	3,822
Revaluation decrements recognised in profit or loss	2(i)(v),4	(4,085)	–	–	–	(4,085)
Transfers from construction in progress		100,161	15,172	388,825	25,238	529,396
Additions		–	–	–	13	13
		793,344	30,307	666,366	52,634	1,542,651
Depreciation charge	4	(2,870)	(1,352)	(14,264)	(4,182)	(22,668)
Transfer to intangible assets	11	–	–	–	(21)	(21)
Transfers to assets held for sale	8	(4,097)	–	–	–	(4,097)
Disposals		–	–	–	(256)	(256)
Write-offs		–	–	–	(96)	(96)
Balance at 30 June 2011		786,377	28,955	652,102	48,079	1,515,513

(d)(ii) Movement in property, plant and equipment – Corporation

	NOTE	LAND AND BUILDINGS \$000	ROADWAYS AND BRIDGES \$000	WHARVES, JETTIES AND BREAKWATERS \$000	PLANT \$000	TOTAL \$000
Balance at 1 July 2010		638,144	10,469	264,148	25,403	938,164
Revaluation increments recognised in other comprehensive income	2(i)(v)	55,787	4,181	13,393	–	73,361
Revaluation increments recognised in profit or loss	2(i)(v),3	3,337	485	–	–	3,822
Revaluation decrements recognised in profit or loss	2(i)(v),4	(4,085)	–	–	–	(4,085)
Transfers from construction in progress		100,161	15,172	388,825	25,219	529,377
Transfers from subsidiary	24	–	–	–	1,952	1,952
Additions		–	–	–	13	13
		793,344	30,307	666,366	52,587	1,542,604
Depreciation charge	4	(2,870)	(1,352)	(14,264)	(4,135)	(22,621)
Transfer to intangible assets	11	–	–	–	(21)	(21)
Transfers to assets held for sale	8	(4,097)	–	–	–	(4,097)
Disposals		–	–	–	(256)	(256)
Write-offs		–	–	–	(96)	(96)
Balance at 30 June 2011		786,377	28,955	652,102	48,079	1,515,513

(d)(iii) Movement in construction in progress

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Balance at 1 July		481,517	280,554	481,326	280,554
Additions		200,810	307,298	200,816	307,093
Transfers from subsidiary	24	–	–	166	–
		682,327	587,852	682,308	587,647
Transfers to property, plant and equipment		(529,396)	(10,757)	(529,377)	(10,743)
Transfers to intangible assets	11	(921)	(2,384)	(921)	(2,384)
Transfer to prepaid licence fee	2(n),7	(26,565)	(93,194)	(26,565)	(93,194)
Balance at 30 June		125,445	481,517	125,445	481,326

Additions during the year for the consolidated entity and the Corporation include capitalised borrowing costs of \$28.473 million (2010: \$27.348 million).

NOTE 11. INTANGIBLE ASSETS

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Carrying amounts (at fair value)				
Software	7,276	6,330	7,276	6,323
Accumulated amortisation	(4,431)	(3,204)	(4,431)	(3,201)
	2,845	3,126	2,845	3,122
Easements	230	230	230	230
Total intangible assets at fair value (net carrying amount)	3,075	3,356	3,075	3,352

Movement in intangible assets

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Balance at 1 July		3,356	1,442	3,352	1,436
Additions		–	230	–	230
Transfers from construction in progress	10	921	2,384	921	2,384
Transfer from property, plant and equipment	10	21	–	21	–
Transfer from subsidiary	24	–	–	4	–
		4,298	4,056	4,298	4,050
Amortisation charge	4	(1,223)	(700)	(1,223)	(698)
Balance at 30 June		3,075	3,356	3,075	3,352

NOTE 12. TRADE AND OTHER PAYABLES

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current				
Trade payables	1,608	723	1,608	717
Port cargo access charge (b)	658	770	658	770
Accrued employee benefits	2,408	3,045	2,408	2,569
Accrued borrowing costs	14,001	20,514	14,001	20,514
Other payables and accruals	37,288	29,211	37,288	28,724
Tax related payable to subsidiary	–	–	–	199
Lease incentive liability	271	254	271	254
Income received in advance	5,641	5,185	5,641	5,185
	61,875	59,702	61,875	58,932
Non-current				
Lease incentive liability	3,874	2,030	3,874	2,030
	3,874	2,030	3,874	2,030

(a) Fair value

Due to the short term nature of the current payables, their carrying value is assumed to approximate their fair value.

(b) Port cargo access charge

This relates to the port cargo access charge collected on behalf of the Department of Transport (previously Transport NSW) not yet remitted at the statement of financial position date.

(c) Related party payable

For terms and conditions of the related party payable refer to note 21.

(d) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 17.

NOTE 13. PROVISIONS

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current				
Employee benefits	11,925	11,675	11,925	10,789
Provision for onerous contract	1,337	1,151	1,337	1,151
	13,262	12,826	13,262	11,940
Non-current				
Employee benefits	1,038	679	1,038	469
Provision for onerous contract	3,921	4,855	3,921	4,855
Provision for make good	416	369	416	369
	5,375	5,903	5,375	5,693

Employee benefits

Employee benefits relate to annual leave, long service leave, termination and other employee benefits. Refer to note 2(t) for the relevant accounting policy and discussion of the significant estimations and assumptions applied in the measurement of this provision.

Provision for onerous contract

The provision for onerous contract arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it at the statement of financial position date.

Provision for make good

A provision was raised during the year ended 30 June 2010 in respect of the consolidated entity's obligation to remove leasehold improvements from its leased office premises.

Movement in provisions – Consolidated

	BALANCE 30 JUNE 2010 \$000	CURRENT CHARGE/ (WRITEBACK) TO PROFIT OR LOSS \$000	PAYMENTS MADE \$000	CURRENT CHARGE TO CONSTRUCTION IN PROGRESS \$000	BALANCE 30 JUNE 2011 \$000
Current					
Employee benefits					
Annual leave	3,849	2,858	(2,817)	105	3,995
Long service leave	7,826	1,008	(1,026)	49	7,857
Other	–	86	(13)	–	73
Provision for onerous contract	1,151	593	(407)	–	1,337
	12,826	4,545	(4,263)	154	13,262
Non-current					
Employee benefits					
Long service leave	679	359	–	–	1,038
Provision for onerous contract	4,855	(934)	–	–	3,921
Provision for make good	369	47	–	–	416
	5,903	(528)	–	–	5,375

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. PROVISIONS (CONTINUED)

Movement in provisions – Corporation

	BALANCE 30 JUNE 2010 \$000	TRANSFER FROM SUBSIDIARY \$000	CURRENT CHARGE/ (WRITEBACK) TO PROFIT OR LOSS \$000	PAYMENTS MADE \$000	CURRENT CHARGE TO CONSTRUCTION IN PROGRESS \$000	BALANCE 30 JUNE 2011 \$000
Current						
Employee benefits						
Annual leave	3,302	538	2,865	(2,815)	105	3,995
Long service leave	7,487	335	1,012	(1,026)	49	7,857
Other	–	–	86	(13)	–	73
Provision for onerous contract	1,151	–	593	(407)	–	1,337
	11,940	873	4,556	(4,261)	154	13,262
Non-current						
Employee benefits						
Long service leave	469	210	359	–	–	1,038
Provision for onerous contract	4,855	–	(934)	–	–	3,921
Provision for make good	369	–	47	–	–	416
	5,693	210	(528)	–	–	5,375

NOTE 14. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2011 \$000
Current				
NSW TCorp borrowings	–	3,698	–	3,698
Non-current				
NSW TCorp borrowings	603,826	599,287	603,826	599,287

(a) Repayments

Borrowings consist of NSW TCorp fixed rate loans. NSW TCorp loans are based upon payments of coupon interest only and repayment or rollover of principal at maturity. The maturity dates of the loans are between 1 August 2013 and 15 April 2039. All borrowings are secured by NSW Government Guarantee. No assets have been pledged as security for interest-bearing loans and borrowings.

(b) Fair value

Details regarding fair value, interest rate and liquidity risks are disclosed in note 17.

(c) Financial facilities available

The Corporation had the following financing facilities in place at 30 June 2011:

- A total loan facility of \$1 billion with NSW TCorp approved on 1 March 2011 of which \$614.246 million (2010: \$614.248 million) has been drawn down.
- A bank guarantee facility for \$6.200 million with the Commonwealth Bank of Australia.
- A credit card facility for \$0.060 million with the Commonwealth Bank of Australia.
- A purchasing card facility of \$0.500 million with the Commonwealth Bank of Australia.

NOTE 15. EQUITY

	NOTE	CONSOLIDATED		CORPORATION	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Contributed equity		125,542	125,542	125,542	125,542
Reserves	15(c)	472,705	420,167	472,705	420,167
Retained earnings	15(a)	458,069	384,901	458,069	384,089
		1,056,316	930,610	1,056,316	929,798

(a) Movements in retained earnings

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Balance at 1 July	384,901	329,356	384,089	327,327
Net profit for the year	73,488	59,129	74,300	60,346
	458,389	388,485	458,389	387,673
Transfer from asset revaluation reserve on assets written off	–	121	–	121
Superannuation actuarial losses	(458)	(5,293)	(458)	(5,293)
Income tax equivalent expense on items of other comprehensive income	138	1,588	138	1,588
Other comprehensive expense	(320)	(3,584)	(320)	(3,584)
Balance at 30 June	458,069	384,901	458,069	384,089

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements, to the extent that they offset one another, in the fair value of property, plant and equipment.

Cash-flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash-flow hedge that is determined to be an effective hedge. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs) when the forecast transaction occurs.

(c) Movements in asset revaluation reserve and cash-flow hedge reserve

CONSOLIDATED AND CORPORATION	NOTE	ASSET	CASH-FLOW	TOTAL
		REVALUATION RESERVE \$000	HEDGE RESERVE \$000	
Balance at 30 June 2009		400,292	(5,183)	395,109
Fair value revaluation of property, plant and equipment		42,584	–	42,584
Transfer from assets revaluation reserve on assets written off	2(i)(v)	(121)	–	(121)
Change in fair value of cash-flow hedges		–	(7,995)	(7,995)
Transferred to finance costs – construction in progress		–	1,452	1,452
Income tax equivalent expense on items of other comprehensive income	5	(12,825)	1,963	(10,862)
Other comprehensive income		29,638	(4,580)	25,058
Balance at 30 June 2010		429,930	(9,763)	420,167
Fair value revaluation of property, plant and equipment		73,361	–	73,361
Transfer to finance costs – profit or loss		–	61	61
Transferred to finance costs – construction in progress		–	1,655	1,655
Income tax equivalent expense on items of other comprehensive income	5	(22,024)	(515)	(22,539)
Other comprehensive income		51,337	1,201	52,538
Balance at 30 June 2011		481,267	(8,562)	472,705

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT SUPERANNUATION SCHEMES

The Corporation has three defined benefit superannuation schemes covering certain employees, all of which require contributions to be made to separately administered funds.

The Pooled Fund (the "Fund") holds in trust the investments of the following closed NSW public sector superannuation schemes, in which the Corporation participates:

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the schemes are closed to new members.

(a) Reconciliation of the assets and liabilities recognised in the statement of financial position

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
At 30 June 2011				
Present value of partially funded defined benefit obligation	18,701	3,586	64,555	86,842
Fair value of Fund assets	(17,343)	(3,394)	(51,857)	(72,594)
Net (asset)/liability recognised in the statement of financial position	1,358	192	12,698	14,248

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
At 30 June 2010				
Present value of partially funded defined benefit obligation	17,711	3,672	62,950	84,333
Fair value of Fund assets	(17,127)	(3,528)	(49,105)	(69,760)
Net (asset)/liability recognised in the statement of financial position	584	144	13,845	14,573

There are no unrecognised past service costs, unrecognised (gains)/losses and adjustments for the limit on net assets in 2011 and 2010.

Amounts in the statement of financial position – Consolidated and Corporation

	2011 \$000	2010 \$000
Other non-current liabilities	14,248	14,573
Net liability	14,248	14,573

(b) Reconciliation of the present value of the defined benefit obligation

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2011				
Opening present value of partially funded defined benefit obligation	17,711	3,672	62,950	84,333
Current service costs	475	160	286	921
Interest costs	859	176	3,201	4,236
Contributions by Fund participants	256	–	435	691
Actuarial (gains)/losses	787	(3)	(222)	562
Benefits paid	(1,387)	(419)	(2,095)	(3,901)
Closing present value of partially funded defined benefit obligation	18,701	3,586	64,555	86,842

(b) Reconciliation of the present value of the defined benefit obligation (continued)

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2010				
Opening present value of partially funded defined benefit obligation	16,003	3,388	55,893	75,284
Current service costs	437	157	365	959
Interest costs	843	178	3,070	4,091
Contributions by Fund participants	234	–	410	644
Actuarial (gains)/losses	1,198	164	5,526	6,888
Benefits paid	(1,004)	(215)	(2,314)	(3,533)
Closing present value of partially funded defined benefit obligation	17,711	3,672	62,950	84,333

(c) Reconciliation of the fair value of Fund assets

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2011				
Opening fair value of Fund assets	17,127	3,528	49,105	69,760
Expected return on Fund assets	1,378	281	4,134	5,793
Actuarial gains/(losses)	(76)	4	175	103
Employer contributions	45	–	103	148
Contributions by Fund participants	256	–	435	691
Benefits paid	(1,387)	(419)	(2,095)	(3,901)
Closing fair value of Fund assets	17,343	3,394	51,857	72,594

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2010				
Opening fair value of Fund assets	15,966	3,438	46,081	65,485
Expected return on Fund assets	1,293	278	3,878	5,449
Actuarial gains/(losses)	612	27	956	1,595
Employer contributions	26	–	94	120
Contributions by Fund participants	234	–	410	644
Benefits paid	(1,004)	(215)	(2,314)	(3,533)
Closing fair value of Fund assets	17,127	3,528	49,105	69,760

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT SUPERANNUATION SCHEMES (CONTINUED)

(d) Total (income)/expense recognised in profit or loss in the statement of comprehensive income

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2011				
Current service costs	475	160	286	921
Interest costs	859	176	3,201	4,236
Expected return on Fund assets (net of expenses)	(1,378)	(281)	(4,134)	(5,793)
Transfers to construction in progress	(21)	(3)	(38)	(62)
Expense/(income) recognised	(65)	52	(685)	(698)

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2010				
Current service costs	437	157	365	959
Interest costs	843	178	3,070	4,091
Expected return on Fund assets (net of expenses)	(1,293)	(278)	(3,878)	(5,449)
Transfers to construction in progress	(18)	(3)	(35)	(56)
Expense/(income) recognised	(31)	54	(478)	(455)

The superannuation expense recognised in profit or loss in the statement of comprehensive income is included in the line item "Employee benefits expense" (2011: \$0.052 million; 2010: \$0.054 million). The superannuation gain recognised in profit or loss in the statement of comprehensive income is included in the line item "Other revenue" (2011: \$0.750 million; 2010: \$0.509 million). Superannuation actuarial losses and adjustments for limits on net assets of \$0.458 million (2010: \$5.293 million) are separately identified in the statement of comprehensive income under other comprehensive income/(expense).

(e) Amounts recognised in other comprehensive income in the statement of comprehensive income

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2011				
Superannuation actuarial (gains)/losses	863	(8)	(397)	458
Adjustment for limit on net assets	–	–	–	–
Total recognised in other comprehensive income	863	(8)	(397)	458

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2010				
Superannuation actuarial (gains)/losses	585	137	4,571	5,293
Adjustment for limit on net assets	–	–	–	–
Total recognised in other comprehensive income	585	137	4,571	5,293

The cumulative amount of superannuation actuarial (gains)/losses and adjustments for limit on net assets recognised in profit or loss in the statement of comprehensive income since 1 July 2004 is a \$20.826 million loss (2010: \$20.368 million loss).

(f) Fund assets

The percentage invested in each asset class at the statement of financial position date is:

	30 JUNE 2011	30 JUNE 2010
Australian equities	33.4%	31.0%
Overseas equities	29.5%	26.8%
Australian fixed interest securities	5.7%	6.1%
Overseas fixed interest securities	3.1%	4.3%
Property	9.9%	9.5%
Cash	5.1%	9.6%
Other	13.3%	12.7%

(g) Fair value of Fund assets

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

(h) Actual return on Fund assets

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2011				
Actual return on Fund assets	1,426	284	4,104	5,814
Year ended 30 June 2010				
Actual return on Fund assets	(1,477)	(305)	(4,178)	(5,960)

(i) Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

(j) Valuation method and principal actuarial assumptions at the statement of financial position date

(i) Valuation method

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

(ii) Economic assumptions

	30 JUNE 2011	30 JUNE 2010
Discount rate	5.28% pa	5.17% pa
Expected rate of return on assets	8.6% pa	8.6% pa
Salary increase rate (excluding promotional increases)	3.5% pa	3.5% pa
Rate of CPI increase	2.5% pa	2.5% pa

(iii) Demographic assumptions

The demographic assumptions at 30 June 2011 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

(k) Funding arrangements for employer contributions

(i) Surplus/deficit

The following is a summary of the 30 June 2011 and 2010 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2011				
Accrued benefits	17,076	3,334	46,137	66,547
Net market value of Fund assets	(17,343)	(3,394)	(51,857)	(72,594)
Net (surplus)/deficit	(267)	(60)	(5,720)	(6,047)
Year ended 30 June 2010				
Accrued benefits	16,362	3,377	43,977	63,716
Net market value of Fund assets	(17,127)	(3,528)	(49,105)	(69,760)
Net (surplus)/deficit	(765)	(151)	(5,128)	(6,044)

(ii) Funding method

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

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

Contribution rates are set after discussions between the Corporation, NSW Treasury and the SAS Trustee Corporation.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT SUPERANNUATION SCHEMES (CONTINUED)

(iii) Economic assumptions

The economic assumptions adopted for the actuarial review of the Fund were:

WEIGHTED-AVERAGE ASSUMPTIONS	30 JUNE 2011	30 JUNE 2010
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

(l) Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

(m) Expected employer contributions

No employer contributions are expected to be paid to any of the schemes in the next reporting period.

(n) Historical information

	SASS \$000	SANCS \$000	SSS \$000	TOTAL \$000
Year ended 30 June 2011				
Present value of defined benefit obligation	18,701	3,586	64,555	86,842
Fair value of Fund assets	(17,343)	(3,394)	(51,857)	(72,594)
(Surplus)/deficit in Fund	1,358	192	12,698	14,248
Experience adjustments – Fund liabilities	787	(3)	(222)	562
Experience adjustments – Fund assets	76	(4)	(175)	(103)
Year ended 30 June 2010				
Present value of defined benefit obligation	17,711	3,672	62,950	84,333
Fair value of Fund assets	(17,127)	(3,528)	(49,105)	(69,760)
(Surplus)/deficit in Fund	584	144	13,845	14,573
Experience adjustments – Fund liabilities	1,198	164	5,526	6,888
Experience adjustments – Fund assets	(612)	(27)	(956)	(1,595)
Year ended 30 June 2009				
Present value of defined benefit obligation	16,003	3,388	55,893	75,284
Fair value of Fund assets	(15,966)	(3,438)	(46,081)	(65,485)
(Surplus)/deficit in Fund	37	(50)	9,812	9,799
Experience adjustments – Fund liabilities	707	24	7,080	7,811
Experience adjustments – Fund assets	2,180	684	9,220	12,084
Year ended 30 June 2008				
Present value of defined benefit obligation	14,454	3,134	48,029	65,617
Fair value of Fund assets	(17,234)	(3,937)	(53,498)	(74,669)
(Surplus)/deficit in Fund	(2,780)	(803)	(5,469)	(9,052)
Experience adjustments – Fund liabilities	(1,630)	203	2,320	893
Experience adjustments – Fund assets	2,819	612	7,475	10,906
Year ended 30 June 2007				
Present value of defined benefit obligation	16,245	3,161	44,220	63,626
Fair value of Fund assets	(20,125)	(4,773)	(58,043)	(82,941)
(Surplus)/deficit in Fund	(3,880)	(1,612)	(13,823)	(19,315)
Experience adjustments – Fund liabilities	424	(118)	(2,106)	(1,800)
Experience adjustments – Fund assets	(1,377)	(291)	(3,851)	(5,519)

NOTE 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash, funds on deposit in the TCorp Hour-Glass Cash Facility Trust, receivables, payables and loans. These financial instruments arise directly from the consolidated entity's operations or are required to finance the consolidated entity's operations.

The consolidated entity's main risks arising from financial instruments are outlined below together with the consolidated entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout the financial statements.

The consolidated entity manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the consolidated entity's risk and treasury management policies. The objective of these policies is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The Corporation's Board is responsible for the establishment and oversight of risk management activities and reviews and agrees policies for managing each of these risks. The risk and treasury management policies are established to identify and analyse the risks faced by the consolidated entity, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Board on a continuous basis.

(a) Financial instrument categories

	NOTE	CATEGORY	CONSOLIDATED		CORPORATION	
			2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial assets						
Cash and cash equivalents	6	N/A*	156,858	249,255	156,858	248,970
Trade and other receivables		Loans and receivables measured at amortised cost	20,560	21,107	20,560	20,346
Lease incentive receivable	7	N/A	373	327	373	327
			177,791	270,689	177,791	269,643
Financial liabilities						
Trade and other payables	12	Financial liabilities measured at amortised cost	51,839	51,108	51,839	50,294
Lease incentive liability	12	N/A	4,145	2,284	4,145	2,284
Interest-bearing loans and borrowings	14	Financial liabilities measured at amortised cost	603,826	602,985	603,826	602,985
			659,810	656,377	659,810	655,563

* Not applicable (N/A)

Trade and other receivables exclude statutory receivables and prepayments. Trade and other payables exclude statutory payables and unearned income. Therefore the amounts disclosed above will not reconcile with the statement of financial position.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The consolidated entity's exposures to market risk are primarily through interest rate risk on the consolidated entity's loans and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Cash Facility Trust. The consolidated entity has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variables is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variables has been determined after taking into account the economic environment in which the consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis was performed on the same basis for 2010. The analysis assumes that all other variables remain constant.

i) Interest rate risk

Exposure to interest rate risk arises primarily through the consolidated entity's interest-bearing loans. This risk is minimised by entering into fixed rate loans with TCorp. The consolidated entity does not account for any fixed rate loans at fair value through profit or loss or as available-for-sale. Therefore, for these loans, a change in interest rates would not affect profit or loss or equity.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk (continued)

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The consolidated entity's exposure to interest rate risk is set out below.

CONSOLIDATED

	+1% (100 BASIS POINTS)			-1% (100 BASIS POINTS)	
	CARRYING AMOUNT \$000	POST TAX IMPACT ON PROFIT \$000	EQUITY \$000	POST TAX IMPACT ON PROFIT \$000	EQUITY \$000
At 30 June 2011					
<i>Financial assets</i>					
Cash and cash equivalents	156,858	1,098	–	(1,098)	–
Trade and other receivables	1,013	7	–	(7)	–
	157,871	1,105	–	(1,105)	–
<i>Financial liabilities</i>					
Interest-bearing loans and borrowings	603,826	–	–	–	–
Net exposure	(445,955)	1,105	–	(1,105)	–
At 30 June 2010					
<i>Financial assets</i>					
Cash and cash equivalents	249,252	1,745	–	(1,745)	–
Trade and other receivables	1,307	9	–	(9)	–
	250,559	1,754	–	(1,754)	–
<i>Financial liabilities</i>					
Interest-bearing loans and borrowings	602,985	–	–	–	–
Net exposure	(352,426)	1,754	–	(1,754)	–

CORPORATION

	+1% (100 BASIS POINTS)			-1% (100 BASIS POINTS)	
	CARRYING AMOUNT \$000	POST TAX IMPACT ON PROFIT \$000	EQUITY \$000	POST TAX IMPACT ON PROFIT \$000	EQUITY \$000
At 30 June 2011					
<i>Financial assets</i>					
Cash and cash equivalents	156,858	1,098	–	(1,098)	–
Trade and other receivables	1,013	7	–	(7)	–
	157,871	1,105	–	(1,105)	–
<i>Financial liabilities</i>					
Interest-bearing loans and borrowings	603,826	–	–	–	–
Net exposure	(445,955)	1,105	–	(1,105)	–
At 30 June 2010					
<i>Financial assets</i>					
Cash and cash equivalents	248,968	1,743	–	(1,743)	–
Trade and other receivables	1,307	9	–	(9)	–
	250,275	1,752	–	(1,752)	–
<i>Financial liabilities</i>					
Interest-bearing loans and borrowings	602,985	–	–	–	–
Net exposure	(352,710)	1,752	–	(1,752)	–

ii) Other price risk – TCorp Hour-Glass Cash Facility Trust

Exposure to “other price risk” primarily arises through the investment in the TCorp Hour-Glass Cash Facility Trust, which is held for strategic rather than trading purposes. The consolidated entity has no direct equity investments. The consolidated entity holds units in the following TCorp Hour-Glass facilities:

FACILITY	INVESTMENT SECTORS	INVESTMENT HORIZON	2011 \$000	2010 \$000
Consolidated				
TCorp Hour-Glass Cash Facility Trust	Cash, money market instruments	Up to 1.5 years	151,698	246,566
Corporation				
TCorp Hour-Glass Cash Facility Trust	Cash, money market instruments	Up to 1.5 years	151,698	246,486

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

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

TCorp provides sensitivity analysis information for the facility, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The facility is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit. A reasonably possible change is based on the percentage change in unit price, as advised by TCorp, multiplied by the redemption value at 30 June each year for each facility.

	CHANGE IN UNIT PRICE	POST TAX IMPACT ON PROFIT HIGHER/(LOWER)	2011 \$000	2010 \$000
Consolidated				
TCorp Hour-Glass Cash Facility Trust	+/-1%		1,062	1,726
Corporation				
TCorp Hour-Glass Cash Facility Trust	+/-1%		1,062	1,725

(c) Credit risk

Credit risk arises when there is the possibility of the consolidated entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the consolidated entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents and trade and other receivables. The consolidated entity has not granted any financial guarantees.

Credit risk associated with the consolidated entity's financial assets, other than trade and other receivables, is managed through the selection of creditworthy counterparties and recognised financial intermediaries as a means of mitigating against the risk of financial losses from defaults. In addition, only highly liquid marketable securities are used for investment purposes.

The consolidated entity trades only with recognised creditworthy third parties. Trade customers who wish to transact on credit terms are subject to credit verification procedures which may result in obtaining bank guarantees. In addition, receivable balances are monitored on an ongoing basis to minimise the exposure to bad debts.

The consolidated entity is not materially exposed to a concentration of credit risk to a single trade debtor. The largest single trade debtor included in receivables totals \$1.177 million (2010: \$1.532 million) and is 0.66% of total consolidated financial assets (2010: 0.57%).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that the consolidated entity will be unable to meet its payment obligations when they fall due. The consolidated entity continuously manages liquidity risk through monitoring future cash flows and maturities planning to ensure an adequate holding of high quality liquid assets. The aim of liquidity risk management is to ensure that the consolidated entity has sufficient funds available to meet its obligations both on a day to day basis and in the longer term. That is, its aim is to ensure that new funding and refinancing can be obtained when required and without undue concentration at times when financial markets might be strained. Provided that these aims are met, the policy also aims to minimise net finance costs.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and a current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced at reporting date. Amounts owing to suppliers (which are unsecured) are settled in accordance with trade terms. If trade terms are not specified, payment is made within 28 days of recognition.

The following table summarises the maturity profile of the consolidated entity's financial liabilities, together with the interest rate exposure.

The maturity profile is based on the remaining contractual maturity period at the reporting date. The nominal amounts are the contractual undiscounted cash flows (including both interest and principal cash flows) of each class of financial liabilities and therefore will not reconcile to the statement of financial position.

Consolidated

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	NOMINAL AMOUNT \$000	INTEREST RATE EXPOSURE			CONTRACTUAL MATURITY DATES		
			FIXED INTEREST RATE \$000	VARIABLE INTEREST RATE \$000	NON- INTEREST BEARING \$000	< 1 YEAR \$000	1-5 YEARS \$000	> 5 YEARS \$000
At 30 June 2011								
<i>Financial liabilities</i>								
Trade and other payables	N/A	51,839	–	–	51,839	51,839	–	–
Lease incentive liability	N/A	6,207	–	–	6,207	2,334	1,624	2,249
Interest-bearing loans and borrowings	6.36%	943,826	943,826	–	–	35,111	207,316	701,399
		1,001,872	943,826	–	58,046	89,284	208,940	703,648
At 30 June 2010								
<i>Financial liabilities</i>								
Trade and other payables	N/A	51,108	–	–	51,108	51,108	–	–
Lease incentive liability	N/A	6,502	–	–	6,502	977	4,002	1,523
Interest-bearing loans and borrowings	6.36%	973,839	973,839	–	–	38,616	187,564	747,659
		1,031,449	973,839	–	57,610	90,701	191,566	749,182

Corporation

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	NOMINAL AMOUNT \$000	INTEREST RATE EXPOSURE			CONTRACTUAL MATURITY DATES		
			FIXED INTEREST RATE \$000	VARIABLE INTEREST RATE \$000	NON- INTEREST BEARING \$000	< 1 YEAR \$000	1-5 YEARS \$000	> 5 YEARS \$000
At 30 June 2011								
Financial liabilities								
Trade and other payables	N/A	51,839	–	–	51,839	51,839	–	–
Lease incentive liability	N/A	6,207	–	–	6,207	2,334	1,624	2,249
Interest-bearing loans and borrowings	6.36%	943,826	943,826	–	–	35,111	207,316	701,399
		1,001,872	943,826	–	58,046	89,284	208,940	703,648
At 30 June 2010								
Financial liabilities								
Trade and other payables	N/A	50,294	–	–	50,294	50,294	–	–
Lease incentive liability	N/A	6,502	–	–	6,502	977	4,002	1,523
Interest-bearing loans and borrowings	6.36%	973,839	973,839	–	–	38,616	187,564	747,659
		1,030,635	973,839	–	56,796	89,887	191,566	749,182

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass Cash Facility Trust, which is measured at fair value. The value of the TCorp Hour-Glass Cash Facility Trust is based on the consolidated entity's share of the market value of the underlying assets of the facility.

Except where specified below, the amortised cost of financial instruments recognised in the statement of financial position approximates the fair value because of the short-term nature of many of the financial instruments. The following table details the financial instruments where the fair value differs from the carrying amount:

	2011		2010	
	CARRYING AMOUNT \$000	FAIR VALUE \$000	CARRYING AMOUNT \$000	FAIR VALUE \$000
Consolidated				
Financial liabilities				
NSW TCorp borrowings	603,826	618,477	602,985	623,434
Corporation				
Financial liabilities				
NSW TCorp borrowings	603,826	618,477	602,985	623,434

The fair values have been calculated by discounting the expected future cash flows at prevailing market rates varying from 5.03% to 5.99% (2010: 4.67% to 5.79%).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value recognised in the statement of financial position

The consolidated entity uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Derived from quoted prices in active markets for identical assets/ liabilities.
- Level 2 – Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 – Derived from valuation techniques that include inputs for the asset/ liability not based on observable market data (unobservable input).

The fair values of the financial instruments as well as the method used to estimate the fair value are summarised in the table below.

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	2011 TOTAL \$000
Consolidated				
<i>Financial assets at fair value</i>				
TCorp Hour-Glass Cash Facility Trust	–	151,698	–	151,698

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	2010 TOTAL \$000
Consolidated				
<i>Financial assets at fair value</i>				
TCorp Hour-Glass Cash Facility Trust	–	246,566	–	246,566

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	2011 TOTAL \$000
Corporation				
<i>Financial assets at fair value</i>				
TCorp Hour-Glass Cash Facility Trust	–	151,698	–	151,698

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	2010 TOTAL \$000
Corporation				
<i>Financial assets at fair value</i>				
TCorp Hour-Glass Cash Facility Trust	–	246,486	–	246,486

No financial liabilities were measured at fair value in the statement of financial position at 30 June 2011 and 30 June 2010.

There were no transfers between Level 1 and 2 during the year.

(g) Capital management

The consolidated entity manages its capital to ensure it will be able to continue as a going concern, while maximising the return to stakeholders through optimisation of the debt and equity balance.

There are no externally imposed capital requirements.

The Board reviews and agrees policies for managing the capital structure when considering each major project investment and following consultation with NSW Treasury. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders.

The consolidated entity monitors capital on the basis of the gearing ratio, debt cover (years) and interest cover (times).

The ratios based on operations at 30 June 2011 and 2010 were as follows:

(g) Capital management (continued)

Gearing ratio

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Total debt	603,826	602,985	603,826	602,985
Total debt and total equity	1,660,142	1,533,595	1,660,142	1,532,783
Gearing ratio	36.4%	39.3%	36.4%	39.3%

Debt cover

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Total debt	603,826	602,985	603,826	602,985
Less cash and cash equivalents	156,858	249,255	156,858	248,970
Net debt	446,968	353,730	446,968	354,015
EBITDA*	130,245	104,798	130,993	106,287
Debt cover (years)	3.4	3.4	3.4	3.3

Interest cover

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
EBITDA*	130,245	104,798	130,993	106,287
Finance costs [^]	42,283	41,837	42,283	41,837
Interest cover (times)	3.1	2.5	3.1	2.5

* EBITDA represents earnings before interest, tax, depreciation and amortisation. Interest excluded from EBITDA is defined as finance costs below, interest from bank and other of \$9.869 million (2010: \$6.521 million) for the consolidated entity and \$9.864 million (2010: \$6.485 million) for the Corporation and interest from Barangaroo Delivery Authority of \$nil (2010: \$8.103 million) for the consolidated entity and the Corporation. EBITDA also excludes construction costs recoverable from Barangaroo Delivery Authority of \$2.753 million (2010: \$0.051 million) for the consolidated entity and the Corporation and revaluation increments and decrements for property, plant and equipment recognised in profit or loss of \$3.822 million (2010: \$nil) and \$4.085 million (2010: \$0.554 million) respectively for the consolidated entity and the Corporation.

[^] Finance costs used to calculate interest cover comprise finance costs recognised in profit or loss of \$13.810 million (2010: \$14.489 million) and borrowing costs capitalised to construction in progress of \$28.473 million (2010: \$27.348 million) for the consolidated entity and the Corporation.

NOTE 18. COMMITMENTS

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2011 but not otherwise brought to account have been assessed at \$227.869 million including GST (2010: \$122.024 million including GST). The \$227.869 million includes input tax credits of \$20.716 million (2010: \$11.093 million) that are expected to be recoverable from the Australian Taxation Office.

Commitments contracted at 30 June, for both the consolidated entity and the Corporation, are as follows:

	LAND AND BUILDINGS \$000	ROADWAYS AND BRIDGES \$000	WHARVES, JETTIES AND BREAKWATERS \$000	PLANT \$000	TOTAL \$000
	30 June 2011				
Not later than one year	38,474	56,505	25,325	19,240	139,544
Later than one and not later than five years	32,426	18,479	20,949	16,471	88,325
Later than five years	–	–	–	–	–
Total including GST	70,900	74,984	46,274	35,711	227,869

	LAND AND BUILDINGS \$000	ROADWAYS AND BRIDGES \$000	WHARVES, JETTIES AND BREAKWATERS \$000	PLANT \$000	TOTAL \$000
	30 June 2010				
Not later than one year	38,075	5,097	39,119	14,732	97,023
Later than one and not later than five years	17,934	746	5,739	582	25,001
Later than five years	–	–	–	–	–
Total including GST	56,009	5,843	44,858	15,314	122,024

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

Operating lease commitments – as lessee

The future minimum lease payments under non-cancellable operating leases as at the statement of financial position date not recognised in the financial statements are payable as follows:

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Payable				
Not later than one year	4,642	1,560	4,642	1,560
Later than one and not later than five years	18,749	19,121	18,749	19,121
Later than five years	8,352	12,212	8,352	12,212
Total including GST	31,743	32,893	31,743	32,893

The above total includes GST input tax credits of \$2.850 million (2010: \$2.967 million) that are expected to be recoverable from the Australian Taxation Office. The expenditure commitment relates to rental of office premises, motor vehicles, computers and office equipment, and also includes expenditure commitments on a lease contract that has become onerous. These leases have remaining terms of between one and eight years. The lease of office premises has a renewal option included in the contract.

Operating lease commitments – as lessor

The future minimum lease receivable under non-cancellable operating leases as at the statement of financial position date not recognised in the financial statements are receivable as follows:

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Receivable				
Not later than one year	47,366	46,646	47,366	46,646
Later than one and not later than five years	169,222	173,165	169,222	173,165
Later than five years	373,803	382,934	373,803	382,934
Total including GST	590,391	602,745	590,391	602,745

The above total includes GST output tax of \$53.672 million (2010: \$54.947 million) that is expected to be paid to the Australian Taxation Office. These lease receivables relate to property leases with remaining terms of between one and thirty years.

Leasing arrangements

All receivable leases are entered into at commercial rates and terms. Regular market valuations and tendering processes are carried out to ensure commercial arrangements are maintained.

NOTE 19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The consolidated entity has no contingent assets and contingent liabilities at 30 June 2011 and 2010.

NOTE 20. CONSULTANCY FEES

Total fees paid and payable to consultants relating to economic analysis and strategic planning services during the year were \$0.206 million (2010: \$0.197 million).

NOTE 21. RELATED PARTY DISCLOSURE

(a) Subsidiary

The consolidated financial statements include the financial statements of its controlled entity. The financial years for the controlled entity are the same as those for the parent entity. Refer to note 24 and note 25.

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST		INVESTMENT	
		2011 %	2010 %	2011 \$000	2010 \$000
Sydney Pilot Service Pty Ltd	Australia	100	100	–	1,120

(b) Ultimate parent

The New South Wales Government is the ultimate parent of the consolidated entity.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 22.

(d) Transactions with related parties

(i) Transactions with subsidiary

The following table provides outstanding balances and the total amount of transactions which have been entered into with Sydney Pilot Service Pty Ltd for the relevant financial year.

RELATED PARTY	SALES TO RELATED PARTY \$000	PURCHASES FROM RELATED PARTY \$000	RELATED PARTY RECEIVABLE \$000	RELATED PARTY PAYABLE \$000	RELATED PARTY TAX RECEIVABLE \$000	RELATED PARTY TAX PAYABLE \$000
Sydney Ports Corporation						
2011	1,672	–	–	–	–	–
2010	2,518	–	108	–	–	199
Sydney Pilot Service Pty Ltd						
2011	–	1,672	–	–	–	–
2010	–	2,518	–	108	199	–

All employees of Sydney Pilot Service Pty Ltd were transferred to Sydney Ports Corporation on 1 July 2010. Sydney Pilot Service Pty Ltd reimbursed payroll costs incurred by Sydney Ports Corporation in relation to these employees until transfer of the pilotage business on 1 September 2010. Refer to note 2(a) and 24.

During the financial year, the subsidiary paid a dividend to the Corporation of \$0.866 million. Refer to note 2(a) and note 25.

TERMS AND CONDITIONS OF TRANSACTIONS WITH THE RELATED PARTY

Sales to and purchases from the related party are made at arm's length at normal market prices and on normal commercial terms. Expenditure paid by the Corporation on behalf of the subsidiary company was recovered at cost. Management, accounting, human resources, information technology and other services were provided to the subsidiary company for a management fee based on cost recovery.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

For the years ended 30 June 2011 and 2010, the consolidated entity has not raised any allowance for impairment relating to amounts owed by the related party as all amounts are settled in full monthly.

(ii) Transactions with Director related entities

Mr Grant Gilfillan is currently a Director of Sydney Ports Corporation. During the year Sydney Ports Corporation paid membership subscriptions, seminar and conference payments to Ports Australia of \$92,121 (2010: \$8,673) and the International Association of Ports and Harbours of \$9,210 (2010: \$20,575), both entities of which Mr Gilfillan was also a Director. There are no outstanding balances at 30 June 2011 and 2010.

Mr Talal Yassine is currently a Director of Sydney Ports Corporation. In the current financial year, Sydney Ports Corporation paid a sponsorship contribution to the Gulf Australia Business Council of \$5,500 (2010: \$nil), an organisation which Mr Yassine is also a Director. There are no outstanding balances at 30 June 2011 and 2010.

Mr John Brogden is currently a Director of Sydney Ports Corporation and is also a Director of Lifeline Australia Ltd. During the year Sydney Ports Corporation paid \$4,200 (2010: \$nil) in attending two fundraising lunch events relating to this entity. There are no outstanding balances at 30 June 2011 and 2010.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. KEY MANAGEMENT PERSONNEL

The consolidated entity defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of the entity, including any Directors.

Compensation for key management personnel

	CONSOLIDATED		CORPORATION	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
BENEFIT				
Short term employee benefits	2,021	2,197	2,021	2,129
Post employment benefits	182	209	182	205
Other long term benefits	130	–	130	–
Termination benefits	30	135	30	135
Total	2,363	2,541	2,363	2,469

Directors' remuneration includes emoluments and other benefits paid, or due and payable, to Directors but does not include amounts paid as salary to full-time Directors. Directors' remuneration for the Corporation for the year was \$0.330 million (2010: \$0.291 million). Directors' remuneration for the subsidiary company for the year was \$nil (2010: \$0.020 million).

During the year no loans were made to Directors. Transactions between the consolidated entity and Director related entities are disclosed in note 21.

NOTE 23. EVENTS AFTER THE REPORTING PERIOD

The New South Wales Government on 6 September 2011 announced that it plans to proceed to market with the long-term lease of Port Botany. The announcement stated that it was anticipated that the Port Botany facility will be refinanced under a 99-year lease with a view to complete the transaction in the first half of 2013. The announcement also indicated a pre-transaction scoping study would be undertaken and it would include an assessment of the best way to deal with the Sydney Ports Corporation's residual Sydney Harbour facilities.

The Corporation has determined that at the date of this report the proposed plan to lease the Port Botany facility does not meet the provisions of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* and therefore does not impact the 30 June 2011 financial statements. However the Corporation will reassess the potential impacts of this standard on the financial statements of the Corporation for the year ended 30 June 2012.

NOTE 24. ASSETS AND LIABILITIES TRANSFERRED FROM SUBSIDIARY

All employees of Sydney Pilot Service Pty Ltd were transferred to Sydney Ports Corporation on 1 July 2010. Provision for employee benefits including annual leave and long service leave of \$1.083 million were also transferred to Sydney Ports Corporation at that date.

The vessel pilotage business of Sydney Pilot Service Pty Ltd was transferred to Sydney Ports Corporation on 1 September 2010.

As at 31 August 2010, the balance sheet of Sydney Pilot Service Pty Ltd was as follows:

	31 AUGUST 2010 \$000
Assets	
Cash and cash equivalents	525
Trade and other receivables	1,025
Property, plant and equipment	2,118
Intangible assets	4
Deferred tax equivalent assets	549
Total assets	4,221
Liabilities	
Trade and other payables	2,205
Deferred tax equivalent liabilities	31
Total liabilities	2,236
Net assets	1,985
Equity	
Contributed equity	1,120
Retained earnings	865
Total equity	1,985

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25. DISTRIBUTION RESULTING FROM LIQUIDATION OF SUBSIDIARY

On 7 March 2011 the liquidators of Sydney Pilot Service Pty Ltd resolved that a distribution be made to its shareholders and that this distribution be made by way of an in specie distribution of \$1,985,619.

The distribution represents a return of Sydney Pilot Service Pty Ltd's share capital of \$1,120,000 and a dividend from retained earnings of \$865,619. Refer to note 2(a) and note 24.

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

In the opinion of the Directors of Sydney Ports Corporation:

1. Pursuant to section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, the accompanying financial statements and notes:
 - (a) exhibit a true and fair view of the financial position of the Corporation and the consolidated entity at 30 June 2011 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date.
 - (b) comply with applicable Australian Accounting Standards and Australian Accounting Interpretations, other mandatory and statutory reporting requirements including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the *State Owned Corporations Act 1989*.
2. There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
3. Pursuant to Clause 7 of the *Public Finance and Audit Regulation 2010*, we are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.



Chairman
B. T. Smith
Date: 28 September 2011



Director
M. J. Braham
Date: 28 September 2011



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Sydney Ports Corporation and controlled entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Ports Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity, as at 30 June 2011, and of their financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- complies with International Financial Reporting Standards as disclosed in Note 2(d).

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

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *State Owned Corporations Act 1989*, the PF&A Act, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In Note 2(d), the Directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

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

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

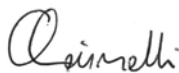
My opinion does *not* provide assurance:

- about the future viability of the Corporation or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



C J Giumelli
Director, Financial Audit Services

5 October 2011
SYDNEY

STATEMENT OF LAND HOLDINGS

AS AT 30 JUNE 2011

Land is disclosed in the financial statements under the asset grouping "Land and buildings" within "Property, plant and equipment" and "Assets held for sale". In the following summary, land has been separated from buildings and other non-current assets to show land value in terms of the statement of financial position valuations.

	CONSOLIDATED	CORPORATION
	2011	2011
	\$000	\$000
Land and buildings		
Land	727,420	727,420
Buildings	63,054	63,054
Total land and buildings	790,474	790,474
Other		
Roadways and bridges	28,955	28,955
Wharves, jetties and breakwaters	652,102	652,102
Plant	48,079	48,079
Construction in progress	125,445	125,445
Total other	854,581	854,581
Total property, plant and equipment and assets held for sale (as per the statement of financial position)	1,645,055	1,645,055

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$000	2010 \$000
Revenue	3	2,018	10,160
Expenses			
Employee benefits expense	4	(1,383)	(7,642)
Depreciation and amortisation expense	4	(47)	(285)
Other expenses	4	(513)	(3,971)
Total expenses	4	(1,943)	(11,898)
Profit/(loss) before income tax equivalent benefit/(expense)		75	(1,738)
Income tax equivalent benefit/(expense)	5	(22)	521
Net profit/(loss) for the year		53	(1,217)
Other comprehensive income			
Other comprehensive income		–	–
Income tax equivalent expense on items of other comprehensive income		–	–
Other comprehensive income for the year, net of income tax equivalent expense		–	–
Total comprehensive income for the year		53	(1,217)

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	2011 \$000	2010 \$000
ASSETS			
Current assets			
Cash and cash equivalents	6	–	285
Trade and other receivables	7	–	1,151
Property, plant and equipment	8	–	2,171
Intangible assets	9	–	4
Deferred tax equivalent assets	5	–	523
Total current assets		–	4,134
Total assets		–	4,134
LIABILITIES			
Current liabilities			
Trade and other payables	10	–	1,080
Provisions	11	–	1,096
Deferred tax equivalent liabilities	5	–	26
Total current liabilities		–	2,202
Total liabilities		–	2,202
Net assets		–	1,932
EQUITY			
Contributed equity	12	–	1,120
Retained earnings	12	–	812
Total equity		–	1,932

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
	NOTE	CONTRIBUTED EQUITY \$000	RETAINED EARNINGS \$000	TOTAL \$000
Balance at 1 July 2009		1,120	2,029	3,149
Loss for the year after tax		–	(1,217)	(1,217)
Other comprehensive income		–	–	–
Total comprehensive income for the year		1,120	812	1,932
Transactions with owners in their capacity as owners:				
Dividends provided for		–	–	–
Balance at 30 June 2010		1,120	812	1,932
Profit for the year after tax		–	53	53
Other comprehensive income		–	–	–
Total comprehensive income for the year		1,120	865	1,985
Transactions with owners in their capacity as owners:				
<i>In specie</i> dividend distribution	21	–	(865)	(865)
Return of capital to Sydney Ports Corporation	21	(1,120)	–	(1,120)
Balance at 30 June 2011		–	–	–

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$000	2010 \$000
Net cash flows used in operating activities			
Receipts from customers		3,472	11,057
Payments to suppliers and employees		(3,891)	(12,768)
Interest received		6	36
Income tax equivalent received from parent entity		444	519
Transfer of cash to parent entity		(307)	–
Net cash flows used in operating activities	6(c)	(276)	(1,156)
Net cash flows used in investing activities			
Purchase of property, plant and equipment		(9)	(170)
Proceeds from sale of property, plant and equipment		–	15
Net cash flows used in investing activities		(9)	(155)
Net cash flows used in financing activities			
Net decrease in cash and cash equivalents		(285)	(1,311)
Cash and cash equivalents at the beginning of the financial year		285	1,596
Cash and cash equivalents at the end of the financial year	6	–	285

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

The financial statements of Sydney Pilot Service Pty Ltd for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors of Sydney Ports Corporation on 28 September 2011 pursuant to section 43A(3) of the *Public Finance and Audit Act 1983*.

Sydney Pilot Service Pty Ltd commenced operations on 26 October 2002 as a wholly owned subsidiary of Sydney Ports Corporation and was domiciled in New South Wales, Australia. Sydney Pilot Service Pty Ltd assessed its status and determined that it was a "for profit" public sector entity from 1 July 2005 for financial reporting purposes.

Sydney Pilot Service Pty Ltd operated in a single business and geographical segment – providing pilotage services in the ports of Sydney Harbour and Botany Bay in the single geographical location of New South Wales, Australia with its principal office at 20 Windmill Street, Walsh Bay NSW 2000. The Directors in office during the financial year were G. Gilfillan and A. Gillen.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Transfer of operations and liquidation

The financial statements have not been prepared on a going concern basis and have been prepared on the basis that Sydney Pilot Service Pty Ltd transferred its operations to Sydney Ports Corporation on 1 September 2010.

In May 2010 the Board of Directors of Sydney Ports Corporation authorised and approved the transfer of the vessel pilotage business from Sydney Pilot Service Pty Ltd to Sydney Ports Corporation effective after receipt of written approval from the voting shareholding Ministers of Sydney Ports Corporation, the parent entity. In August 2010 the voting shareholding Ministers of Sydney Ports Corporation gave approval to the transfer and the subsequent winding up of Sydney Pilot Service Pty Ltd.

All employees of Sydney Pilot Service Pty Ltd were transferred to Sydney Ports Corporation on 1 July 2010.

The vessel pilotage business of Sydney Pilot Service Pty Ltd was transferred to Sydney Ports Corporation on 1 September 2010. The consideration was equivalent to the carrying values of the transferred assets and liabilities as at 31 August 2010. Refer to note 20.

On 13 December 2010 the Board of Directors of Sydney Pilot Service Pty Ltd passed a special resolution that the company be wound up voluntarily and that David Clement Pratt and Ian Robert England be appointed liquidators for the purpose of winding up the affairs and distributing the assets of Sydney Pilot Service Pty Ltd.

On 30 June 2011 Sydney Pilot Service Pty Ltd ceased to be a legal entity and deregistered with the Australian Securities and Investments Commission (ASIC).

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with:

- (i) Australian Accounting Standards and Australian Accounting Interpretations;
- (ii) the *Public Finance and Audit Act 1983*;
- (iii) the *Public Finance and Audit Regulation 2010*;
- (iv) the *State Owned Corporations Act 1989*; and
- (v) NSW Treasurer's Directions*.

* NSW Treasurer's Directions are available from the NSW Treasury website (www.treasury.nsw.gov.au).

The financial statements have been prepared on an accrual accounting basis using historical cost accounting conventions unless stated otherwise. Assets and liabilities stated at fair value include property, plant and equipment, cash and cash equivalents.

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Sydney Pilot Service Pty Ltd, because of the scale of its operations, was a small proprietary company under the *Corporations Act 2001* and was not required under this Act to prepare general purpose financial statements. As Sydney Pilot Service Pty Ltd was controlled by a State Owned Corporation it must comply with the *State Owned Corporations Act 1989*, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*. Accordingly, the *Public Finance and Audit Act 1983* requires Sydney Pilot Service Pty Ltd to prepare general purpose financial statements for the financial year ending when the entity ceased to exist i.e. 30 June 2011.

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

(c) Compliance with IFRS

The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(d) New accounting standards and interpretations

Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board (AASB), that have recently been issued or amended but are not yet effective have not been adopted by Sydney Pilot Service Pty Ltd for the annual reporting period ending 30 June 2011.

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and funds on deposit in the NSW Treasury Corporation's (TCorp) Hour-Glass Cash Facility Trust.

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

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The value of the funds on deposit in TCorp's Hour-Glass Cash Facility Trust can increase or decrease depending on market conditions and is marked to market through profit or loss in the statement of comprehensive income.

(f) Trade and other receivables

Trade receivables are on 21 day terms while other receivables are on 7 day terms. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that Sydney Pilot Service Pty Ltd will not be able to collect all amounts due. Financial difficulties of the debtors and default of payments are considered objective evidence of impairment. Bad debts are written off as incurred against the provision for impairment.

(g) Property, plant and equipment

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to the asset and any restoration costs associated with the asset. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Sydney Pilot Service Pty Ltd, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in arm's length transaction.

All repair and maintenance costs are recognised in profit or loss in the statement of comprehensive income as incurred.

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in profit or loss in the statement of comprehensive income.

(h) Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. All of Sydney Pilot Service Pty Ltd's intangible assets relate to software. In house software development costs are capitalised, while other costs (including research costs) are expensed in the statement of comprehensive income in the year in which the expenditure is incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Sydney Pilot Service Pty Ltd's intangible assets have finite lives and are amortised on a straight-line basis.

(i) Depreciation and amortisation of assets

Depreciation and amortisation has been calculated on depreciable assets, using rates estimated to write off the assets over their remaining useful lives on a straight-line basis. The useful lives of assets were reassessed during the year with no material changes required. The expected depreciable lives of new depreciable assets at 30 June 2011 and 2010 are:

- Plant 2 to 15 years
- Intangibles – software 4 years

(j) Capitalisation of assets

Assets in excess of \$1,000 are capitalised where they are expected to provide future economic benefits for more than one reporting period. Only those assets completed and ready for service are taken to the property, plant and equipment or intangible asset accounts. The remaining capital expenditures are carried forward as construction in progress and are included in property, plant and equipment or intangible assets in the statement of financial position.

(k) Recoverable amount of assets

At each reporting date, Sydney Pilot Service Pty Ltd assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, Sydney Pilot Service Pty Ltd makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either the asset's fair value less costs to sell is higher than its carrying amount, or the asset's value in use can be estimated to be close to its fair value less costs to sell and fair value less costs to sell can be determined. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to Sydney Pilot Service Pty Ltd prior to the end of the financial year that are unpaid and arise when Sydney Pilot Service Pty Ltd becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 28 days of recognition.

(m) Provisions

Provisions are recognised when Sydney Pilot Service Pty Ltd has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where Sydney Pilot Service Pty Ltd expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and can be measured reliably. The expense relating to any provision is recognised in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Sydney Pilot Service Pty Ltd recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

(o) Contributed equity

Ordinary shares are classified as equity.

(p) Revenue recognition

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

(i) Rendering of services

Revenue from pilotage is recognised on delivery of the service to the customer.

(ii) Interest revenue

Interest revenue is recognised on an accrual basis using the effective interest method.

(iii) Sale of assets

Revenue from the sale of assets is recognised as revenue when Sydney Pilot Service Pty Ltd transfers the significant risks and rewards of ownership of the assets.

(iv) Assets received free of charge

Assets received at no cost are recognised as revenue at the fair value of the asset on the date of receipt.

(q) Income tax equivalent and other taxes

Income tax equivalent is required to be paid to the NSW Government in accordance with section 20T of the *State Owned Corporations Act 1989*. The payments are equivalent to the amounts that would be payable under the normal income tax law of the Commonwealth. The National Tax Equivalent Regime was established on 1 July 2001, with the Australian Taxation Office administering the tax equivalent scheme across Australia.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the relevant period's taxable income. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax equivalents relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity.

Tax Consolidation

Sydney Pilot Service Pty Ltd and its parent, Sydney Ports Corporation, entered the tax consolidation regime at 1 July 2003. As a consequence, Sydney Ports Corporation, as the head tax entity in the consolidated group, recognises current tax payable for the group. Amounts receivable or payable under an accounting sharing agreement between the tax consolidated entities, are recognised as tax-related amounts receivable or payable. Expenses and revenues arising under the tax-sharing agreement are recognised as a component of income tax equivalent expense.

Other taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority, are classified as operating cash flows. Contingencies are disclosed net of GST.

Commitments and accrual items that are shown in the statement of financial position are inclusive of GST where applicable.

(r) Dividend

Sydney Pilot Service Pty Ltd reviews its financial performance for the accounting period and recommends to its shareholder, if applicable, an appropriate dividend payment in light of the current financial position and longer-term financial commitments.

(s) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

(t) Significant accounting judgements, estimates and assumptions

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

The nature of these assumptions and conditions are found in the relevant notes to the financial statements.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

Impairment of non-financial assets

Sydney Pilot Service Pty Ltd assesses impairment of all assets at each reporting date by evaluating conditions specific to Sydney Pilot Service Pty Ltd and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Taxation

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimate of future cash flows. These depend on estimates of future revenues, operating costs, capital expenditure and dividends.

NOTE 3. REVENUE

	2011 \$000	2010 \$000
Revenue from operating activities		
Pilotage	1,956	9,818
	1,956	9,818
Other revenue		
Interest	5	36
Recoveries	35	185
Other	22	121
	62	342
Total revenue	2,018	10,160

NOTE 4. EXPENSES

	NOTE	2011 \$000	2010 \$000
Employee benefits expense			
Personal service expense		1,383	6,254
Annual leave		–	483
Long service leave		–	134
Retirement benefits		–	771
		1,383	7,642
Depreciation and amortisation expense			
Depreciation	8	47	283
Amortisation	9	–	2
		47	285
Other expenses			
Materials		76	856
Insurance		61	684
Service contractors		52	880
Indirect taxes		76	478
Minimum lease payments – operating leases		32	190
Utilities and communications		2	7
Auditor's remuneration		4	26
Directors' remuneration	18	–	20
Other operations and services		114	830
Loss on transfer of business		96	–
		513	3,971
Total expenses		1,943	11,898

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. INCOME TAX EQUIVALENT EXPENSE

	2011 \$000	2010 \$000
(a) Income tax equivalent expense		
Major components of income tax equivalent expense for the periods ended 30 June 2011 and 30 June 2010 are:		
Charged to profit and loss		
<i>Current income tax</i>		
Current income tax equivalent expense/(benefit)	43	(598)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(21)	77
Income tax equivalent expense/(benefit) charged to profit or loss in the statement of comprehensive income	22	(521)
(b) Amounts charged or credited directly to equity		
<i>Current income tax</i>	–	–
<i>Deferred income tax</i>	–	–
Income tax equivalent expense charged directly to equity in the statement of comprehensive income	–	–
(c) Numerical reconciliation between aggregate tax expense recognised in profit or loss in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation of income tax equivalent expense applicable to accounting profit/(loss) before income tax equivalent expense at the statutory income tax equivalent rate to income tax equivalent expense at Sydney Pilot Service Pty Ltd's effective income tax equivalent rate for the periods ended 30 June 2011 and 30 June 2010 is as follows:		
Accounting profit/(loss) before income tax equivalent expense	75	(1,738)
At the statutory income tax equivalent rate of 30% (2010: 30%)	22	(521)
At effective income tax equivalent rate of 30% (2010: 30%)	22	(521)
Income tax equivalent expense/(benefit) reported in profit or loss in the statement of comprehensive income	22	(521)

	STATEMENT OF FINANCIAL POSITION		PROFIT AND LOSS	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
(d) Recognised deferred tax assets and liabilities				
Deferred income tax equivalent at 30 June relates to the following:				
(i) Deferred income tax equivalent liabilities				
Income receivable	(31)	(26)	5	26
Other	–	–	–	(7)
Transfer to Sydney Ports Corporation	31	–	–	–
Gross deferred income tax equivalent liabilities	–	(26)		
(ii) Deferred income tax equivalent assets				
Depreciation	79	79	–	(5)
Provisions for employee entitlements	325	329	4	34
Accrued expenditure	138	105	(33)	30
Other	7	10	3	(1)
Transfer to Sydney Ports Corporation	(549)	–	–	–
Gross deferred income tax equivalent assets	–	523		
Deferred income tax equivalent charge			(21)	77

Sydney Pilots Service Pty Ltd and its parent, Sydney Ports Corporation, are a tax consolidated group. The head company of the tax consolidated group is Sydney Ports Corporation.

Sydney Ports Corporation and Sydney Pilot Service Pty Ltd have entered into a tax sharing agreement in order to allocate income tax equivalent expense to the subsidiary company on a modified standalone basis. In addition, the agreement provides for the allocation of income tax equivalent liabilities between the entities should the head company default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The operations of Sydney Pilot Service Pty Ltd were discontinued on 31 August 2010 and the company was deregistered on 30 June 2011. Sydney Pilot Service Pty Ltd ceased to be a member of the tax consolidated group at 30 June 2011.

NOTE 6. CASH AND CASH EQUIVALENTS

	2011 \$000	2010 \$000
Cash at bank and in hand	–	205
TCorp Hour-Glass Cash Facility Trust	–	80
Cash and cash equivalents at 30 June	–	285

(a) Reconciliation to the statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and funds on deposit in the TCorp Hour-Glass Cash Facility Trust. Cash and cash equivalents at 30 June 2011 and 2010, as shown in the statement of cash flows, are reconciled to this item in the statement of financial position.

(b) TCorp Hour-Glass Cash Facility Trust

Sydney Pilot Service Pty Ltd has placed funds on deposit in the TCorp's Hour-Glass Cash Facility Trust. These funds are represented by a number of units in the managed facility. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines. These funds are generally able to be redeemed with up to 24 hours prior notice. The value of the funds on deposit represents the share of the value of the underlying assets of the facility and is stated at fair value. The value of the funds held can increase or decrease depending on market conditions and is marked to market through the statement of comprehensive income.

(c) Reconciliation of the net profit/(loss) after income tax equivalent expense/(benefit) to the net cash flows used in operating activities:

	2011 \$000	2010 \$000
Net profit/(loss) after income tax equivalents expense/(benefit)	53	(1,217)
Adjustments for:		
Depreciation	47	283
Amortisation of intangible assets	–	2
	100	(932)
Changes in assets and liabilities applicable to operating activities		
(Increase)/decrease in trade and other receivables	(399)	(150)
(Increase)/decrease in deferred tax equivalent assets	(26)	58
(Decrease)/increase in deferred tax equivalent liabilities	5	19
(Decrease)/increase in trade and other payables	57	(37)
(Decrease)/increase in provisions	(13)	(114)
Net cash flows used in operating activities	(276)	(1,156)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. TRADE AND OTHER RECEIVABLES

	2011 \$000	2010 \$000
Current		
Trade receivables	–	794
Other receivables	–	41
	–	835
Allowance for impairment loss (a)	–	-
	–	835
Prepayments	–	30
Accrued income	–	87
Tax related receivable from parent (b)	–	199
	–	1,151

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are on 21 day terms.

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment loss has been recognised by Sydney Pilot Service Pty Ltd during the year (2010: \$nil).

At 30 June, the ageing analysis of trade and other receivables is as follows:

	TOTAL \$000	NOT DUE \$000	0-30 DAYS PDNI* \$000	31-60 DAYS PDNI* \$000	60+ DAYS PDNI* \$000
2011	–	–	–	–	–
2010	835	691	124	17	3

* Past due not impaired (PDNI).

Trade receivables past due but not considered impaired are \$nil (2010: \$0.144 million).

Other 30 June 2010 balances within trade and other receivables do not contain impaired assets and are not past due.

(b) Related party receivables

For terms and conditions of the related party receivables refer to note 17.

(c) Fair value and credit risk

Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral was not held as security.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	2011 \$000	2010 \$000
Current		
Property, plant and equipment	–	2,171

Carrying amounts of property, plant and equipment at fair value

	2011 \$000	2010 \$000
Carrying amounts		
Plant (gross carrying amount)	–	3,690
Accumulated depreciation	–	(1,710)
At fair value	–	1,980
Construction in progress	–	191
Total property, plant and equipment at fair value (net carrying amount)	–	2,171

Movement in property, plant and equipment:

	NOTE	2011 \$000	2010 \$000
Plant			
Balance at 1 July		1,980	2,264
Transfers from construction in progress		19	14
		1,999	2,278
Depreciation charge	4	(47)	(283)
Disposals		–	(15)
Transfers to Sydney Ports Corporation	20	(1,952)	–
Balance at 30 June		–	1,980

Movement in construction in progress:

	NOTE	2011 \$000	2010 \$000
Balance at 1 July		191	–
(Write-back)/Acquisitions		(6)	205
		185	205
Transfers to property, plant and equipment		(19)	(14)
Transfers to Sydney Ports Corporation	20	(166)	–
Balance at 30 June		–	191

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. INTANGIBLE ASSETS

	2011 \$000	2010 \$000
Current		
Intangible assets – software	–	4

	2011 \$000	2010 \$000
Carrying amounts		
Software	–	7
Accumulated amortisation	–	(3)
Total	–	4

Movement in intangible assets

	NOTE	2011 \$000	2010 \$000
Balance at 1 July		4	6
Amortisation charge	4	–	(2)
Transfers to Sydney Ports Corporation	20	(4)	–
Balance at 30 June		–	4

NOTE 10. TRADE AND OTHER PAYABLES

	2011 \$000	2010 \$000
Current		
Trade payables	–	6
Accrued employee benefits	–	475
Other payables and accruals	–	491
Related party payables (b)	–	108
	–	1,080

(a) Fair value

Due to the short term nature of trade and other payables, their carrying value is assumed to approximate their fair value.

(b) Related party payables

For terms and conditions of the related party payable refer to note 17.

(c) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 13.

NOTE 11. PROVISIONS

	2011 \$000	2010 \$000
Current		
Employee benefits	–	1,096
	–	1,096

Employee benefits relate to annual leave and long service leave. Refer to note 2(n) for the relevant accounting policy and discussion of the significant estimations and assumptions applied in the measurement of this provision.

Movement in provisions

	BALANCE 30 JUNE 2010 \$000	CURRENT CHARGE TO PROFIT OR LOSS \$000	PAYMENTS MADE \$000	TRANSFERS TO SYDNEY PORTS CORPORATION \$000	BALANCE 30 JUNE 2011 \$000
Current					
Employee benefits					
Annual leave	546	(8)	–	(538)	–
Long service leave	550	(5)	–	(545)	–
	1,096	(13)	–	(1,083)	–

NOTE 12. EQUITY

	2011 \$000	2010 \$000
Contributed equity	–	1,120
Retained earnings	–	812
	–	1,932

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Sydney Pilot Service Pty Ltd's principal financial instruments at 30 June 2010 comprise cash, funds on deposit in the TCorp's Hour-Glass Cash Facility Trust, receivables and payables. These financial instruments arise directly from Sydney Pilot Service Pty Ltd's operations or are required to finance Sydney Pilot Service Pty Ltd's operations. There are no financial instruments at 30 June 2011 balance date.

Sydney Pilot Service Pty Ltd's main risks arising from financial instruments are outlined below, together with Sydney Pilot Service Pty Ltd's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout the financial statements.

Sydney Pilot Service Pty Ltd managed its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the consolidated entity's risk and treasury management policies. The objective of these policies was to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The Board was responsible for the establishment and oversight of risk management activities.

(a) Financial instrument categories

	NOTE	CATEGORY	2011 \$000	2010 \$000
Financial assets				
Cash and cash equivalents	6	N/A*	–	285
Trade and other receivables		Loans and receivables measured at amortised cost	–	872
			–	1,157
Financial liabilities				
Trade and other payables		Financial liabilities measured at amortised cost	–	925
			–	925

* Not applicable (N/A).

Trade and other receivables exclude statutory receivables and prepayments. Trade and other payables exclude statutory payables and unearned income. Therefore the amounts disclosed above will not reconcile with the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Sydney Pilot Service Pty Ltd's exposures to market risk are primarily through interest rate risk and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Cash Facility Trust. Sydney Pilot Service Pty Ltd has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Sydney Pilot Service Pty Ltd operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis assumes that all other variables remain constant.

(i) Interest rate risk

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Sydney Pilot Service Pty Ltd's exposure to interest rate risk is set out below.

	CARRYING AMOUNT \$000	+1% (100 BASIS POINTS) POST TAX IMPACT ON PROFIT \$000	EQUITY \$000	-1% (100 BASIS POINTS) POST TAX IMPACT ON PROFIT \$000	EQUITY \$000
As at 30 June 2011	-	-	-	-	-
As at 30 June 2010					
Financial assets					
Cash and cash equivalents	284	2	-	(2)	-
	284	2	-	(2)	-
Financial liabilities	-	-	-	-	-
Net exposure	284	2	-	(2)	-

(ii) Other price risk – TCorp Hour-Glass Cash Facility Trust

Exposure to "other price risk" primarily arises through the investment in the TCorp Hour-Glass Cash Facility Trust, which is held for strategic rather than trading purposes. Sydney Pilot Service Pty Ltd has no direct equity investments. Sydney Pilot Service Pty Ltd holds units in the following TCorp Hour-Glass facility:

FACILITY	INVESTMENT SECTORS	INVESTMENT HORIZON	2011 \$000	2010 \$000
TCorp Hour-Glass Cash Facility Trust	Cash, money market instruments	Up to 1.5 years	-	80

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

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

TCorp provides sensitivity percentages for the facility, derived from historically based volatility information calculated over a ten year period, quoted at two standard deviations (i.e. 95% probability). The facility is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit. A reasonably possible change is based on the percentage change in unit price, as advised by TCorp, multiplied by the redemption value at 30 June each year for each facility.

	CHANGE IN UNIT PRICE	POST TAX IMPACT ON PROFIT HIGHER/(LOWER)	
		2011 \$000	2010 \$000
TCorp Hour-Glass Cash Facility Trust	+/-1%	-	1

(c) Credit risk

Credit risk arises when there is the possibility of Sydney Pilot Service Pty Ltd's debtors defaulting on their contractual obligations, resulting in a financial loss to Sydney Pilot Service Pty Ltd. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of Sydney Pilot Service Pty Ltd, which comprise cash and cash equivalents and trade and other receivables. Sydney Pilot Service Pty Ltd has not granted any financial guarantees.

Credit risk associated with Sydney Pilot Service Pty Ltd's financial assets, other than trade and other receivables, was managed through the selection of creditworthy counterparties and recognised financial intermediaries as a means of mitigating against the risk of financial losses from defaults. In addition, only highly liquid marketable securities are used for investment purposes.

Sydney Pilot Service Pty Ltd trades only with recognised creditworthy third parties. Trade customers who wish to transact on credit terms are subject to credit verification procedures which may result in obtaining bank guarantees. In addition, receivable balances are monitored on an ongoing basis to minimise the exposure to bad debts.

Sydney Pilot Service Pty Ltd is not materially exposed to a concentration of credit risk to a single trade debtor. The largest single debtor included in receivables totalled \$0.124 million in 2010 (11% of total financial assets in 2010). Revenues from transactions with four external customers amounting to 10 per cent or more represented approximately 47% of Sydney Pilot Service Pty Ltd's total revenues in 2010.

(d) Liquidity risk

Liquidity risk is the risk that Sydney Pilot Service Pty Ltd will be unable to meet its payment obligations when they fall due. Sydney Pilot Service Pty Ltd manages liquidity risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The aim of liquidity risk management is to ensure that Sydney Pilot Service Pty Ltd has sufficient funds available to meet its obligations both on a day to day basis and in the longer term. That is, its aim is to ensure that new funding and refinancing can be obtained when required and without undue concentration at times when financial markets might be strained. Provided that these aims are met, the policy also aims to minimise net finance costs.

Sydney Pilot Service Pty Ltd's exposure to liquidity risk is deemed insignificant based on prior periods' data and a current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced at reporting date. Amounts owing to suppliers (which are unsecured) are settled in accordance with trade terms. If trade terms are not specified, payment is made within 28 days of recognition.

The following table summarises the maturity profile of the Sydney Pilot Service Pty Ltd's financial liabilities, together with the interest rate exposure.

The maturity profile is based on the remaining contractual maturity period at the reporting date. The nominal amounts are the contractual undiscounted cash flows (includes both interest and principal cash flows) of each class of financial liabilities and therefore will not reconcile to the statement of financial position.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	NOMINAL AMOUNT \$000	INTEREST RATE EXPOSURE			CONTRACTUAL MATURITY DATES		
			FIXED INTEREST RATE \$000	VARIABLE INTEREST RATE \$000	NON- INTEREST BEARING \$000	< 1 YEAR \$000	1-5 YEARS \$000	> 5 YEARS \$000
As at 30 June 2011								
<i>Financial liabilities</i>		-	-	-	-	-	-	-
As at 30 June 2010								
<i>Financial liabilities</i>								
Trade and other payables	N/A	(925)	-	-	(925)	(925)	-	-

(e) Fair value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass Cash Facility Trust, which is measured at fair value. The value of the TCorp Hour-Glass Cash Facility Trust is based on Sydney Pilot Service Pty Ltd's share of the market value of the underlying assets of the facility.

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of the financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value recognised in the statement of financial position

Sydney Pilot Service Pty Ltd uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Derived from quoted prices in active markets for identical assets/liabilities.
- Level 2 – Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 – Derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable input).

The fair values of the financial instruments as well as the method used to estimate the fair value at 30 June 2010 are summarised in the table below.

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	2010 TOTAL \$000
Financial assets at fair value				
TCorp Hour-Glass Cash Facility Trust	–	80	–	80

No financial liabilities were measured at fair value in the statement of financial position at 30 June 2011.

There were no transfers between level 1 and 2 during the year.

Capital management

Sydney Pilot Service Pty Ltd manages its capital to ensure it will be able to continue as a going concern, while maximising the return to stakeholders through optimisation of the debt and equity balance.

There were no externally imposed capital requirements.

NOTE 14. COMMITMENTS

Sydney Pilot Service Pty Ltd has no operating or capital expenditure commitments at 30 June 2011 and 2010.

NOTE 15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Sydney Pilot Service Pty Ltd has no contingent assets and no contingent liabilities at 30 June 2011 and 2010.

NOTE 16. CONSULTANCY FEES

No fees were paid or payable to consultants during the year ended 30 June 2011 and 2010.

NOTE 17. RELATED PARTY DISCLOSURE

The following table provides outstanding balances and the total amount of transactions which have been entered into with Sydney Ports Corporation for the relevant financial year.

RELATED PARTY	SALES TO RELATED PARTY \$000	PURCHASES FROM RELATED PARTY \$000	RELATED PARTY RECEIVABLE \$000	RELATED PARTY PAYABLE \$000	RELATED PARTY TAX RECEIVABLE \$000	RELATED PARTY TAX PAYABLE \$000
Sydney Ports Corporation						
2011	1,672	–	–	–	–	–
2010	2,518	–	108	–	–	199
Sydney Pilot Service Pty Ltd						
2011	–	1,672	–	–	–	–
2010	–	2,518	–	108	199	–

All employees of Sydney Pilot Service Pty Ltd were transferred to Sydney Ports Corporation on 1 July 2010. Sydney Pilot Service Pty Ltd reimbursed payroll costs incurred by Sydney Ports Corporation in relation to these employees until transfer of the pilotage business on 1 September 2010. Refer to note 2(a) and 20.

Terms and conditions of transactions with the related party

Sales to and purchases from the related party are made at arm's length at normal market prices and on normal commercial terms. Expenditure paid by the parent entity on behalf of Sydney Pilot Service Pty Ltd was recovered at cost. Management, accounting, human resources, information technology and other services were provided to Sydney Pilot Service Pty Ltd by the parent entity for a management fee based on cost recovery.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable.

For the years ended 30 June 2011 and 2010, Sydney Pilot Service Pty Ltd has not raised any allowance for impairment relating to amounts owed by the related party as all amounts are settled in full monthly.

NOTE 18. KEY MANAGEMENT PERSONNEL

Sydney Pilot Service Pty Ltd defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of Sydney Pilot Service Pty Ltd, including any Directors.

Compensation of key management personnel

BENEFIT	2011 \$000	2010 \$000
Short term employee benefits	–	68
Post employment benefits	–	4
Total	–	72

Directors' remuneration includes emoluments and other benefits paid, or due and payable, to Directors but does not include amounts paid as salary to full-time Directors. Directors' remuneration for the year was \$nil (2010: \$0.020 million).

During the year no loans were made to Directors and no transactions occurred between Sydney Pilot Service Pty Ltd and Director related entities.

NOTE 19. EVENTS AFTER THE REPORTING PERIOD

Sydney Pilot Service Pty Ltd has not identified any events or transactions after the statement of financial position date that are material to require adjustments or disclosures in the financial statements.

NOTE 20. ASSETS AND LIABILITIES TRANSFERRED TO PARENT

All employees of Sydney Pilot Service Pty Ltd were transferred to Sydney Ports Corporation on 1 July 2010. Provision for employee benefits including annual leave and long service leave of \$1.083 million were also transferred to Sydney Ports Corporation at that date.

The vessel pilotage business of Sydney Pilot Service Pty Ltd was transferred to Sydney Ports Corporation on 1 September 2010.

As at 31 August 2010, the balance sheet of Sydney Pilot Service Pty Ltd was as follows:

	31 AUGUST 2010 \$000
Assets	
Cash and cash equivalents	525
Trade and other receivables	1,025
Property, plant and equipment	2,118
Intangible assets	4
Deferred tax equivalent assets	549
Total assets	4,221
Liabilities	
Trade and other payables	2,205
Deferred tax equivalent liabilities	31
Total liabilities	2,236
Net assets	1,985
Equity	
Contributed equity	1,120
Retained earnings	865
Total equity	1,985

NOTE 21. DISTRIBUTION TO SHAREHOLDERS RESULTING FROM LIQUIDATION

On 7 March 2011 the liquidators of Sydney Pilot Service Pty Ltd resolved that a distribution be made to its shareholders and that this distribution be made by way of an *in specie* distribution of \$1,985,619.

The distribution represents a return of Sydney Pilot Service Pty Ltd's share capital of \$1,120,000 and a dividend from retained earnings of \$865,619. Refer to note 2(a).

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

In the opinion of the Directors of Sydney Ports Corporation (the parent entity of Sydney Pilot Service Pty Ltd):

1. Pursuant to section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, the accompanying financial statements and notes:
 - a) exhibit a true and fair view of the financial position of Sydney Pilot Service Pty Ltd at 30 June 2011 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date.
 - b) comply with applicable Australian Accounting Standards and Australian Accounting Interpretations, other mandatory and statutory reporting requirements including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the *State Owned Corporations Act 1989*.
2. Pursuant to Clause 7 of the *Public Finance and Audit Regulation 2010*, we are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors of Sydney Ports Corporation (the parent entity of Sydney Pilot Service Pty Ltd) pursuant to section 43A(3) of the *Public Finance and Audit Act 1983*.



Chairman
Sydney Ports Corporation
B. T. Smith
Date: 28 September 2011



Director
Sydney Ports Corporation
M. J. Braham
Date: 28 September 2011



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Sydney Pilot Service Pty Ltd

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Pilot Service Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 2(c).

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

The Sydney Ports Corporation Directors' Responsibility for the Financial Statements

The Directors of Sydney Ports Corporation are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In Note 2(c), the Directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

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

My opinion does *not* provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



C J Giumelli
Director, Financial Audit Services

6 October 2011
SYDNEY

STATUTORY DISCLOSURES

2010/11

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CHARTER, AIMS AND OBJECTIVES

Sydney Ports' principal objectives are set out in Section 9 of the *Ports and Maritime Administration Act 1995*, and are:

- (a) to be a successful business and, to this end:
 - i. to operate at least as efficiently as any comparable business;
 - ii. to maximise the net worth of the State's investment in the Port Corporation;
 - iii. to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate those interests when able to do so;
- (b) to promote and facilitate trade through its port facilities; and
- (c) to ensure that its port safety functions are carried out properly.
- (d) to promote and facilitate a competitive commercial environment in port operations; and
- (e) to improve productivity and efficiency in its ports and the port-related supply chain.

Sydney Ports' principal functions are set out in Section 10 of the *Ports and Maritime Administration Act 1995*, and are to:

- (a) establish, manage and operate port facilities and services in its ports;
- (b) exercise the port safety functions for which it is licensed in accordance with its operating licence; and
- (c) facilitate and co-ordinate improvements in the efficiency of the port-related supply chain.

GUARANTEE OF SERVICE – PORT SAFETY OPERATING LICENCE

Under section 12 (2) of the *Ports and Maritime Administration Act 1995*, the NSW Government has granted Sydney Ports Corporation a Port Safety Operating Licence (PSOL) to carry out the port safety functions required in its area of operations – Sydney Harbour and Botany Bay. This includes maintenance of channel and berth depths, dangerous goods handling, emergency response, navigation aids operation, pilotage and exemptions from pilotage and port communications.

The current PSOL was issued by the Minister for Ports and Waterways on 21 December 2006 and covers the five-year period 1 January 2007 to 31 December 2011. All the performance standards of the PSOL were complied with during 2010/11 with no non-conformances recorded during an independent accreditation audit of the PSOL Quality Management System conducted in August 2010.

RELEVANT LEGISLATION

Sydney Ports Corporation is a statutory State-owned Corporation established under the *State Owned Corporations Act 1989* and *Ports and Maritime Administration Act 1995*, and operates in accordance with those Acts.

Other significant legislation and regulation affecting the Corporation includes:

- *Marine Safety Act 1998*;
- *Occupational Health and Safety Regulation 2001 – Schedule 3*;
- *Protection of the Environment Operations Act 1997*;
- *Marine Pollution Act 1987* and associated regulation;
- *Maritime Services Act 1935*;
- Management of Waters and Waterside Lands Regulations – NSW
- Port Authority – Land Traffic Control Regulations – NSW;
- *Environmental Planning and Assessment Act 1979* (through Part 5 of the Act and the State Environmental Planning Policy (Major Development) 2005);
- *Navigation Act 1901* (Commonwealth);
- *Maritime Transport and Offshore Facilities Security Act 2003* (Commonwealth).

Sydney Ports Corporation is also subject to a wide variety of other legislation that provides rights to and imposes obligations on State Owned Corporations. These rights and obligations affect Sydney Ports Corporation's governance processes and its commercial and operational activities.

LEGAL CHANGES AND SUBORDINATE LEGISLATION

Other than as set out below; there have been no material legal changes or changes to subordinate legislation or significant judicial decisions that have had any effect on the operations of Sydney Ports Corporation.

The introduction of the following regulation and standards:

- *Ports and Maritime Administration Amendment (Port Botany Landside Improvement Strategy) Regulation 2010* (which inserted a new Part 2B into the *Ports and Maritime Administration Regulation*); and
- The Port Botany Landside Operations Mandatory Standards under Part 2B of the *Ports and Maritime Administration Regulation*,

has established operational performance standards at Port Botany which improve efficiency at Port Botany's landside interface by encouraging the port supply chain's stakeholders to be accountable to each other for their performance. Sydney Ports has certain rights and duties, both in its own right and as the delegate of the Minister for Ports, to administer and enforce the regulation and standards.

ECONOMIC OR OTHER FACTORS AFFECTING ACHIEVEMENT OF OPERATIONAL OBJECTIVES

No economic or other factors affected the achievement by Sydney Ports of its operational objectives for 2010/11.

2010/11 PERFORMANCE RELATIVE TO THE STATEMENT OF CORPORATE INTENT

Sydney Ports Corporation's performance for the year was favourable in comparison to the key financial targets set in its 2010/11 Statement of Corporate Intent. This was due largely to the combined effect of (i) higher than expected container trade throughput and, (ii) under-expenditure compared to budget in a number of areas, mainly arising from timing differences related to Sydney Ports' Port Botany Landside Improvement Strategy Program.

Sydney Ports' debt position, financial leverage, cash flow adequacy and liquidity ratios as at 30 June 2011 were favourable compared to targets, due mainly to the fact that capital expenditure during the year was lower than had been budgeted for. This was due largely to timing differences compared to budget related to capital expenditure on the Port Botany Expansion Project, the Enfield Intermodal Logistics Centre and the Second Bulk Liquids Berth.

EXEMPTIONS FOR THE REPORTING PERIOD PROVISIONS

Section 41B(1)(c)(va) of the *Public Finance and Audit Act 1983* and Clause 19 of the *Annual Reports (Statutory Bodies) Regulation 2010* require a statutory body to include in its annual report statements of all exemptions, omissions, modifications and variations from reporting provisions which have been granted by the Treasurer which apply to the statutory body.

As a statutory body in competition, the Corporation is exempt from some areas of the *Annual Reports (Statutory Bodies) Act 1984* (ARSBA), the *Annual Reports (Statutory Bodies) Regulation 2010* (ARSBR), the *Public Finance and Audit Regulation 2010* (PF&AR), the *Public Finance and Audit Act 1983* (PF&AA) and *Public Finance and Audit (General) Regulation 1995* (PF&AGR).

The following matters are exempt but require reporting in a summarised form:

REQUIREMENTS	LEGISLATIVE SOURCE OF REQUIREMENTS
Summary Review of Operations	Clause 7 Section 7(1)(a)(iv) ARSBA and Schedule 1 ARSBR
Management and Activities	Schedule 1 ARSBR
Consultants	Schedule 1 ARSBR
Consumer Response	Schedule 1 ARSBR
Disclosure of Controlled Entities	Schedule 1 ARSBR
Risk Management and Insurance Activities	Schedule 1 ARSBR

The following matters are exempt:

EXEMPTIONS	LEGISLATIVE SOURCE OF REQUIREMENTS
Budgets – Outline and Details	Section 7(1)(a)(iii) ARSBA and Clause 7 ARSBR
Research and Development	Schedule 1 ARSBR
Human Resources	Schedule 1 ARSBR
Land Disposal	Schedule 1 ARSBR
Payment of accounts	Schedule 1 ARSBR and Clause 13 PF&AR
Time for Payment of Accounts	Schedule 1 ARSBR and Clause 13 PF&AR
Investment Management Performance	Clause 12 ARSBR
Liability Management Performance	Clause 13 ARSBR

These exemptions, omissions, modifications and variations have been approved by the NSW Treasury and are based on among other things commercial sensitivities.

There have otherwise been no exemptions, omissions, modifications or variations for the reporting period.

RESPONSE TO SIGNIFICANT ISSUES RAISED BY THE AUDITOR GENERAL

The Auditor General has raised a number of issues in the prior year's audits which the Auditor General has deemed significant. These issues are outlined below:

(1) Investment Properties

The Corporation corrected its recognition and accounting treatment of certain properties reported as at 30 June 2009. Properties previously recognised as investment properties are now recognised as property, plant and equipment. This was reported as a correction of a prior period error in the 30 June 2010 financial statements. Full details of this change are provided in the 30 June 2010 financial statements.

(2) Passenger Terminal at White Bay

In accordance with the NSW Government Planning Committee decision of July 2006, Sydney Ports transferred its East Darling Harbour site assets (Barangaroo site) to Sydney Harbour Foreshore Authority (SHFA) in December 2007. Under the terms of the transfer of the Barangaroo site assets to SHFA, SHFA also acquired Sydney Ports' existing Passenger Cruise Terminal located at Barangaroo. Following the establishment of Barangaroo Delivery Authority (BDA), the entitlements and obligations relating to the existing Passenger Cruise Terminal were transferred to BDA. In the event the Passenger Cruise terminal at Barangaroo is required by BDA for redevelopment, Sydney Ports is required to relocate from the existing Passenger Cruise Terminal.

RESPONSE TO SIGNIFICANT ISSUES RAISED BY THE AUDITOR GENERAL (CONTINUED)**(2) Passenger Terminal at White Bay (continued)**

In December 2008, the Minister of Planning announced that the Passenger Terminal at East Darling Harbour would be permanently removed to accommodate the Barangaroo development. In December 2009, the NSW Government announced that the permanent future site of the domestic cruise terminal west of the Harbour Bridge would be at White Bay. Under the terms of the transfer of the Barangaroo site, BDA will be required to reimburse Sydney Ports for the cost of relocation and construction of any new Passenger Cruise Terminal (subject to certain conditions). Sydney Ports is not able to reliably measure any possible future reimbursements in respect of the new passenger terminal as the size, cost and timing cannot be reliably determined as at the date of this report. Consequently, no asset has been included in the financial report.

(3) Lease Rental for Corporate Office

In August 2009, the Corporation relocated its corporate office, which was supported by a comparative cost benefit analysis. The analysis assumed the Corporation would be able to sublease the entire premises it was vacating at commercial rates for the remainder of the lease term which expires on 31 October 2015. Unfortunately, this has not eventuated largely as a result of the global financial crisis and the softening of the Sydney CBD commercial property market. However the Corporation has subleased or surrendered the majority of the lease area in question and continues to actively market the subleasing of the remaining vacant area of the premises.

(4) Recoverable Amount Test for Assets

The Corporation assessed in the prior year the recoverable amount for its assets under AASB 136 *Impairment of Assets* and determined that there was no need to impair the carrying value of its assets of \$1.4 billion as at 30 June 2010. Whilst the Audit Office has accepted this, the Audit Office has recommended that the Corporation review its assessment model, in particular the number of cash generating units existing in the Corporation. The Corporation has communicated to the Audit Office that it will continue to annually review its assessment model and number of cash generating units and will continue to ensure the Corporation fully complies with AASB 136 *Impairment of Assets* at all times on these matters.

FREEDOM OF INFORMATION

Sydney Ports Corporation is required to report annually on its administration of the applications it receives under the *Government Information (Public Access) Act 2009* (the Act). The Act replaced the *Freedom of Information Act 1989* which was repealed on 1 July 2010.

The following tables detail statistics required to be reported under the Act for the period 1 July 2010 to 30 June 2011.

Sydney Ports Corporation conducted a review during the year of its program for the release of government information under section 7 of the Act to identify the kinds of government information held by Sydney Ports Corporation that should in the public interest be made publicly available and that can be made publicly available without imposing unreasonable additional costs. Sydney Ports Company Secretary & Administration function conducted a review, in conjunction with the relevant business divisions during the year, of the information made publicly available by Sydney Ports and in particular information made available on Sydney Ports website. As a result of this review Sydney Ports Publications Guide has been updated and is made publicly available on Sydney Ports' website.

During the reporting period, Sydney Ports Corporation received six access applications, including two withdrawn applications.

During the reporting period, Sydney Ports Corporation refused access to one application, wholly or in part, because the application was for disclosure of information for which there is a conclusive presumption of overriding public interest against disclosure.

The following tables disclose information as required by Schedule 2 of the *Government Information (Public Access) Regulation 2010*.

Number of Applications by Type of Applicant and Outcome

	ACCESS GRANTED IN FULL	ACCESS GRANTED IN PART	ACCESS REFUSED IN FULL	INFORMATION NOT HELD	INFORMATION ALREADY AVAILABLE	REFUSE TO DEAL WITH AN APPLICATION	REFUSE TO CONFIRM/DENY WHETHER INFORMATION IS HELD	APPLICATION WITHDRAWN
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	1
Private sector business		1	0	0	0	0	0	0
Not for profit organisations or community groups	1	1	0	0	0	0	0	0
Members of the public (application by legal representative)	0	1	0	0	0	0	0	1
Members of the Public (other)	0	0	0	0	0	0	0	0

Number of Applications by type of application and outcome

	ACCESS GRANTED IN FULL	ACCESS GRANTED IN PART	ACCESS REFUSED IN FULL	INFORMATION NOT HELD	INFORMATION ALREADY AVAILABLE	REFUSE TO DEAL WITH AN APPLICATION	REFUSE TO CONFIRM/DENY WHETHER INFORMATION IS HELD	APPLICATION WITHDRAWN
Personal Information applications*	0	1	0	0	0	0	0	0
Access applications (other than personal information applications)	1	2	0	0	0	0	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	1

* A "personal information application" is an access application for personal information (as defined in Clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Invalid Applications

REASON FOR INVALIDITY	NO. OF APPLICATIONS
Applications does not comply with formal requirements (s 41 of the Act)	1
Application is for excluded information of the agency (s 43 of the Act)	0
Application contravenes a restraint order (s 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	1

Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to the Act

	NO. OF TIMES CONSIDERATION USED*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application).

FREEDOM OF INFORMATION (CONTINUED)

Other Public Interest Considerations Against Disclosure: matters listed in table to section 14 of the Act

	NO. OF OCCASIONS WHEN APPLICATION NOT SUCCESSFUL (IN PART)
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under Interstate Freedom of Information legislation	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application).

Timeliness

	NO. OF APPLICATIONS
Decided within the statutory timeframe (20 days plus any extensions)	4
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	4

Number of Applications reviewed under Part 5 of the Act (by type of review and outcome)

	DECISION VARIED	DECISION UPHELD	TOTAL
Internal review	0	1	1
Review by Information Commissioner*	0	0	0
Internal review following recommendation under s 93 of the Act	0	0	0
Review by ADT	0	0	0
Total	0	1	1

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Applications for Review under Part 5 of the Act (by type of applicant)

	NO. OF APPLICATIONS FOR REVIEW
Applications by access applicants	1
Applications by persons whom information the subject of access application relates (see s 54 of the Act)	0

CORPORATE GOVERNANCE

Good corporate governance creates and sustains an ethical and legal environment which recognises the interests of all stakeholders in a Corporation. The Board of Sydney Ports is responsible for overall corporate governance of the Corporation and has adopted corporate governance practices and procedures that are appropriate to manage Sydney Ports in the best interests of the Shareholding Ministers and other stakeholders.

The Board has adopted the NSW Treasury *Guidelines for Boards of Government Businesses* (Guidelines) and this corporate governance section outlines Sydney Ports' governance practices during 2010/11. Sydney Ports complies with each of the recommendations.

THE ROLE OF THE BOARD

The Board is responsible for overseeing the business and commercial affairs of Sydney Ports including:

- approving the strategy;
- approving the business and financial objectives;
- monitoring business and financial performance;
- reviewing performance and remuneration of executive management;
- reviewing the risk management and internal control framework;
- recommending to the Portfolio Minister the appointment and removal of the Chief Executive Officer; and
- reviewing any reporting to Shareholding Ministers.

The Chief Executive Officer is responsible for the day to day management of the operation of Sydney Ports in accordance with the general policies and specific directions of the Board. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's role and responsibilities to each key stakeholder are set out in the Sydney Ports' Board Charter which is available on the Corporate Governance section of the Sydney Ports website.

CODE OF CONDUCT

Sydney Ports' Code of Conduct outlines the general business ethics and acceptable standards of professional behaviour we expect of all our Directors, employees and contractors. The Code of Conduct, which is given to all new staff as part of their induction, makes everyone at Sydney Ports accountable for their own decisions and conduct. The Code of Conduct covers general behaviour expectations, fraud and corruption responsibilities, including policies on acceptance of gifts and benefits and ethics and conflicts of interest requirements. Staff are encouraged to report any suspected breaches and, if they do so, will be protected as detailed in Sydney Ports' Protected Disclosures Policy.

The Code is available to all staff on the Sydney Ports intranet. The Code also interacts with other more detailed policies concerning Reporting Fraud and Corruption, Disciplinary Policy, Protected Disclosures Policy and Sponsorship, Gifts and Memberships Policy.

The Board receives a summary of any breaches and resulting actions on an annual basis, however any significant breaches must be immediately reported to the CEO.

A copy of the Code of Conduct is available on the Corporate Governance section, as well as the Policies and Procedures section of the Sydney Ports website.

BOARD COMMITTEES

To assist the Board in discharging its functions and to allow a more detailed analysis of the specialised areas of finance, risk, audit, human resources, governance, remuneration and special projects, the following committees have been established:

- Audit & Risk Committee;
- Remuneration, Human Resources and Governance Committee; and
- Port Botany Landside Improvement Strategy Committee.

Each Committee has a clear Charter setting out the Committee's roles, responsibilities and delegated authority from the Board. The Charter of the Board and all Board Committee Charters are reviewed on a regular basis and revised as required. During the year, the Audit & Risk Committee and Remuneration Human Resources and Governance charters were revised.

Audit & Risk Committee

The Chairman of the Audit & Risk Committee is Michael Braham. Mr Braham is an independent Non-executive Director, who is not the Chairman of the Board. Other members of the Committee are John Brogden, Rene van der Loos and Talal Yassine, who are each independent, Non-executive Directors.

Each of the members of the Committee is financially literate and has knowledge of the business. Mr Braham has qualifications and experience in accounting. The Board considers the mix of skills and experience on the Audit Committee appropriate to meet the responsibilities of its Charter.

The Committee is responsible for oversight and review of:

- financial control and reporting;
- risk management;
- debt structure and debt instruments;
- accounting policies;
- the evaluation of all major capital expenditure proposals;
- business ethics, policies and practices;
- internal controls;
- compliance with taxation and other applicable laws and regulations;
- integrity and performance of the internal audit function, including appointing the Internal Auditor;
- external auditor's audits, management letter and management's responses; and
- corporate governance.

The Committee met six times during 2010/11.

A copy of the Audit & Risk Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

Remuneration, Human Resources & Governance Committee

The Chairman of the Remuneration Human Resources & Governance Committee is Rene van der Loos. Miss van der Loos is an independent Non-executive Director, who is not the Chairman of the Board. Other members of the Committee are Michael Braham and John Brogden, who are each independent, Non-executive Directors.

The Remuneration, Human Resources & Governance Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:

- recommendations regarding Board composition, taking into account the future skills needs of the Board;
- co-ordinating the performance review of the Board;
- overall remuneration strategy and remuneration policies for the Chief Executive Officer and Executive Management, including review of remuneration trends across the marketplace;
- performance of the Chief Executive Officer and Executive Management; and
- employment terms and conditions of the Chief Executive Officer and Executive Management.

During the year the Remuneration Human Resources & Governance Committee met four times and reviewed executive salaries and performance arrangements, including the Chief Executive Officer and assisted in the recruitment of key executives, together with all key remuneration and performance policies for the Corporation. In addition the Committee reviewed and evaluated the performance of the Chief Executive Officer and the Executive Management team against agreed performance goals during the year.

BOARD COMMITTEES (CONTINUED)

Remuneration, Human Resources & Governance Committee (continued)

A copy of the Remuneration Human Resources & Governance Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

Port Botany Landside Improvement Strategy Committee

The Port Botany Landside Improvement Strategy Committee is responsible for monitoring the implementation of the Port Botany Landside Improvement Strategy (PBLIS) project.

The Chairman of the Port Botany Landside Improvement Strategy Committee is Bryan T. Smith. Mr Smith is an independent Non-executive Director. The other member of the Committee is Talal Yassine, who is an independent, non-executive Director.

The Port Botany Landside Improvement Strategy Committee met once during the year and reviewed progress of the PBLIS project, the PBLIS business plan, costs and resources.

A copy of the Port Botany Landside Improvement Strategy Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

RISK MANAGEMENT

Sydney Ports has adopted an Enterprise Risk Management system to ensure risks are identified and managed in a considered and timely manner. This system encompasses all the activities Sydney Ports is responsible for under the *Ports & Maritime Administration Act, 1995* in addition to corporate-wide strategic risks.

The Enterprise Risk Management system is consistent with the Australian/New Zealand Standard of Risk Management (AS/NZS 4360:2004 and subsequently AS/NZS/ISO 31000:2009) and is underpinned by a risk management policy and a risk management procedure.

Sydney Ports has implemented online Enterprise Risk Management software to assist with embedding a risk management culture within the business. This software (*Enterprise Risk Assessor*, from Methodware) is used to facilitate the update of Sydney Ports' strategic and operational risk registers. It is also used for reporting purposes.

Strategic risks are identified through a formalised risk assessment process which is:

- Co-ordinated by the Chief Risk Officer (the Chief Risk Officer for the Corporation is the Chief Financial Officer);
- Managed by the Executive Management Team; and
- Overseen, in the first instance, by the Audit & Risk Committee and subsequently by the Board.

The strategic risk profile is reviewed monthly by the Executive Management Team and quarterly by the Audit & Risk Committee on a formal basis to:

- Assess the effectiveness of risk mitigation strategies;
- Ensure that any new or emerging risks are identified and captured; and
- Ensure that any previously identified strategic risks and mitigating actions are monitored.

As part of the annual formal review during the year, a report was provided from management to the Audit & Risk Committee (and reported to the Board) outlining all the key activities undertaken by the Audit & Risk Committee, including risk oversight.

Operational risks are reviewed through a formalised risk assessment process that is conducted within Divisions and co-ordinated by the Departmental Risk Management Representatives and assessed by the Chief Risk Officer prior to being reported to the Executive Management Team and the Board.

The operational risk profile is reviewed monthly by the Executive Management Team to ensure that any new or emerging operational risks are identified and captured and that any previously identified risks and mitigating actions are monitored.

INSURANCE ACTIVITIES

In conjunction with the Risk Management System, Sydney Ports maintains an annual Insurance Programme renewed on 30 June each year, utilising the services of its insurance broker for an annual assessment of risk exposure, coverage level and for sourcing underwriters to renew policies.

The provision of brokerage services for the Corporation was the subject of a competitive tender process during 2010/11 resulting in Jardine Lloyd Thompson Pty Ltd being appointed for a term of three years from April 2011, for an annual assessment of risk exposure and coverage level and for sourcing underwriters to renew policies.

In 2009/10 Sydney Ports undertook a comprehensive gap analysis of its insurance risks and participated in an insurance strategy review in conjunction with Jardine Lloyd Thompson Pty Ltd. The recommendations arising from the review were considered and, where appropriate, implemented throughout 2010/11.

The key policies within the insurance programme provide comprehensive coverage across all the corporation's operations including Industrial Special Risks, Public Liability, Marine Hull Commercial and Protection, Workers Compensation, Trade Credit, and financial loss policies such as professional indemnity.

BOARD COMPOSITION

Under the *State Owned Corporations Act (NSW) 1989* Sydney Ports Board is required to have a minimum of three (3) Directors and a maximum of seven (7) Directors. One of these Directors is required to be a staff Director, elected by the staff of Sydney Ports. Directors are appointed by the Governor, on the recommendation of the Voting Shareholders.

The Voting Shareholders appoint the Chairman, who is currently Bryan T. Smith. Mr Smith is an independent Director and his role is clearly separated from the role of the Chief Executive Officer, Grant Gilfillan. Mr Smith is currently on the board of one (1) other organisation, which is not a government board. The Chairman is responsible for leading the Board and facilitating its effective functioning.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer, Grant Gilfillan, was appointed in January 2008 and was re-appointed for a second term in March 2011. As set out in the *State Owned Corporations Act (NSW) 1989*, the Chief Executive Officer was appointed by the Governor on the recommendation of the Portfolio Minister, following a recommendation from the Board. The Board's recommendation of Grant Gilfillan came after an extensive recruitment process.

The Chief Executive Officer is responsible for the day to day management of the operation of Sydney Ports in accordance with the general policies and specific directions of the Board.

BOARD INDEPENDENCE

All Directors are expected to exercise independent judgment when making Board decisions. It is the approach and attitude of each Non-executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all other relevant factors, which will include an assessment against the independence recommendations in the guidelines which cover whether the Director:

- Is employed, or has been employed in a senior management position by the business, and there has not been a period of at least three years between ceasing that employment and serving on the Board;
- Has within the last three years been a principal of a material professional adviser or consultant to the business, or an employee materially associated with the service provided;
- Is a material* supplier or customer of the business, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- Has a material* contractual relationship with the business other than as a Director of the business.

* Material means greater than 5% of the Corporation's gross revenues.

The independence of each Director is reviewed on an annual basis to ensure circumstances that may affect the independent status of a Director have not changed.

Michael Sullivan is the staff elected Director, and due to his employment by Sydney Ports is not considered independent. All other Directors are considered independent.

ACCESS TO INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right of access to all Sydney Ports' information and employees. Further, the Board and each individual Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified adviser, at the Sydney Port's expense, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

CONFLICTS OF INTEREST

Sydney Ports maintains a conflicts register which registers any interests of Directors which may potentially conflict with their duties as a Director of Sydney Ports, including other board positions. Directors are required to update this register on an ongoing basis as circumstances change.

In addition, Directors are required to advise NSW Treasury of any interests or changes in interest. Directors advise Treasury of any potential conflicts on appointment and the Company Secretary provides Treasury with any updates to these details.

In relation to specific Board decisions, the Board complies with Clause 2, Schedule 10 of the *State Owned Corporations Act (NSW) 1989*. A Director cannot take part in discussions or vote on a matter in which that Director has a material personal interest, unless the Board resolves that the interest does not disqualify the Director. There have been no related-party transactions between Sydney Ports and any Director during the year other than those disclosed in the Financial Statements (see page 79).

OTHER BOARD MEMBERSHIPS

The guidelines recommend that Directors should not hold directorships of more than three Government boards. None of Sydney Ports' Directors have exceeded this limit. Directors inform the Chairman prior to accepting any new appointments.

BOARD MEETINGS AND THEIR CONDUCT

The Board of Directors of Sydney Ports meets on a monthly basis and more regularly as circumstances require. During 2010/11, the Board met 11 times. The Independent Non-executive Directors on the Board meet on a regular basis to discuss any matters that should be discussed without executive management and non-independent directors present.

The Company Secretary is responsible for providing administrative and corporate governance support to the Board of Directors. This includes ensuring that the Board receives papers for Board and Committee meetings in advance of each meeting and attendance at Board and Committee meetings to take minutes. The Company Secretary is appointed and removed by resolution of the Board. Sally Palmer, (Solicitor, Dip Law, ACIS, MAICD) is the Company Secretary of Sydney Ports Corporation.

The attendance by Directors at Board and Committee meetings during the year is as follows:

ATTENDANCE AT BOARD MEETINGS

	REGULAR BOARD MEETINGS		TERM OF APPOINTMENT
	A	B	
B. T. Smith	11	11	20 Mar 2009 – 24 Mar 2013
M. Braham	11	10	15 Feb 2009 – 14 Feb 2012
J. Brogden	11	10	1 Apr 2010 – 31 Mar 2013
G. Gilfillan	11	10	20 Mar 2009 – 19 Mar 2012
R. van der Loos	11	11	15 Feb 2009 – 14 Feb 2012
M. Sullivan	11	10	18 Feb 2009 – 30 Sep 2011
T. Yassine	11	7	1 Mar 2010 – 28 Feb 2013

A = Number of meetings eligible to attend during year.

B = Number of meetings attended.

ATTENDANCE AT COMMITTEE MEETINGS

Directors who are not members of Committees are invited to attend Committee meetings and are entitled to receive papers of Committee meetings on request. Attendance below only includes attendance of appointed Committee members and does not reflect attendance at meetings by Directors who are not Committee members.

	AUDIT & RISK COMMITTEE		REMUNERATION, HR & GOVERNANCE COMMITTEE		PORT BOTANY LANDSIDE IMPROVEMENT COMMITTEE	
	A	B	A	B	A	B
B. T. Smith	–	–	–	–	1	1
M. Braham	6	6	4	4	–	–
J. Brogden	6	6	4	4	–	–
G. Gilfillan	–	–	–	–	–	–
R. van der Loos	6	6	4	4	–	–
M. Sullivan	–	–	–	–	–	–
T. Yassine	6	3	–	–	1	0

A = Number of meetings eligible to attend during year.
 B = Number of meetings attended.

DIRECTOR REMUNERATION, APPOINTMENT AND EDUCATION

When appointed, Directors are provided with a letter of appointment from the Voting Shareholders specifying their term of appointment and remuneration. In addition, Sydney Ports provides new Directors with a more specific appointment letter setting out expectation of Directors and including a pack of information to assist them in understanding Sydney Ports' business and the requirements of the role. Information provided includes:

- Previous Board minutes;
- Copies of relevant legislation;
- Code of Conduct;
- Most recent annual report;
- Board profiles and contact details;
- Board and Committee charters; and
- Statement of Corporate Intent and Corporate Plan.

New Directors are also provided with a Deed of Access and Indemnity in the form approved by NSW Treasury.

The remuneration for Directors of Sydney Ports is determined by the Voting Shareholders.

In addition, new Directors are provided with access to an induction program which includes a series of meetings with the Chairman, Chief Executive Officer and key executives to gain an understanding of Sydney Ports':

- strategy, objectives and business;
- industry in which it operates;
- corporate governance practices;
- current financial and business performance;
- key executives;
- remuneration strategy; and
- risk management framework.

All other Directors are encouraged to continue their education. The Board approved and followed a continuing education program for 2010/11 covering practical director skills courses, site visits and briefing on issues relevant to Sydney Ports' operations. During the year, the Directors' continuing education program included:

- an Enterprise Risk Management workshop;
- a Corporate Governance Workshop – Duties of Directors and Officers; and
- visits to several of Sydney Ports sites.

In addition, Sydney Ports funds Directors' membership of the Australian Institute of Company Directors and attendance at specific courses or conferences if appropriate.

BOARD PERFORMANCE

The Board believes it is important to evaluate its own performance and that of each Director on a regular basis. To facilitate this, the Chairman provides regular informal feedback to individual Directors. During 2009/10 NSW Treasury conducted an extensive review of State-owned Corporation boards. The NSW Treasury report was released in the second half of 2010 and provided feedback on the performance of the Sydney Ports Board and its governance practices.

In 2011 the Board engaged an external consultant to conduct a performance evaluation of the Board, its Committees and individual Directors, to assess progress since the implementation of the outcomes and recommendations of the Treasury Board Review. This involved a thorough process of individual interviews, survey completion and Board workshops. The recommendations from this review are currently being assessed and implemented.

EEO REPORT

Sydney Ports Corporation is an equal employment opportunity (EEO) employer, encouraging an environment free from harassment, discrimination and vilification.

Our Equal Opportunity policy defines our commitment to fair and equitable business practices and is complimented by our Discrimination, Harassment and Workplace Violence policy which clarifies what constitutes unacceptable behaviour and the expected consequences if such behaviour occurs in the Corporation. Our Grievance policy ensures the confidential, timely and effective resolution of any workplace grievance or dispute.

Our processes and procedures supporting these three policies are regularly updated and clearly communicated to all employees. There was one such grievance raised in the reporting period which was promptly investigated and resolved. Sydney Ports is a State Owned Corporation which measures itself against EEO benchmarks as outlined by the NSW Government's Workforce Profile Unit.

The Workforce Profile collects information on age, gender, EEO group membership and employment information such as hours worked, leave, remuneration and mobility. Data collection is anonymous but employees have the right to request their data be withheld from the collection. Approximately 30% of employees of Sydney Ports have requested that their data be withheld.

Where there is insufficient information supplied or the numbers too low, a "N/A" is displayed.

% OF TOTAL STAFF AT 30 JUNE (EXCLUDING CASUAL STAFF)				
EEO GROUP	BENCHMARK/ TARGET	2009	2010	2011
Women	50%	32%	31%	26.8%
Aboriginal people and Torres Strait Islanders	2.6% by 2015	1.1%	1.0%	0.9%
People whose first language was not English	19%	22%	21%	21%
People with a disability	No benchmark	1%	N/A	0.7%
People with a disability requiring work-related adjustment	1.1% (2011) 1.3% (2012) 1.5% (2013)	N/A	N/A	N/A

DISTRIBUTION INDEX (EXCLUDING CASUAL STAFF)				
EEO GROUP	BENCHMARK/ TARGET*	2009	2009 2010	2010 2011
Women	100	82	81	85
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language was not English	100	96	94	99
People with a disability	100	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	0

* A distribution index of 100 indicates that the centre of distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. An index more than 100 indicates that the EEO group is less concentrated at the lower salary levels.

Sydney Ports has commenced the implementation of an indigenous employment strategy aimed at increasing the participation levels of Aboriginal and Torres Strait Islanders in our business. An assessment is currently underway on the current employment levels of these groups in the Corporation and an analysis of the potential barriers to entry for these groups to join Sydney Ports. Once the current situation has been determined, targets will then be agreed and recruitment strategies deployed in order to achieve these targets.

EXECUTIVE POSITIONS

Executives with remuneration equal to or exceeding SES level 1

At the end of the current reporting period, there were 5 Executives (5 at 30 June 2011) with remuneration equal to or exceeding the equivalent of SES level 1 of which all were male as at 30 June 2011. (The gender ratio of male to female Executive Management is 5:0).

NUMBER OF SYDNEY PORTS CORPORATION'S EXECUTIVE MANAGEMENT AT SES LEVEL		
SES LEVEL	30 JUNE 2011	30 JUNE 2010
L8	1	1
L7	3*	1
L6	0	3
L5	1	0
GENDER RATIO, MALE TO FEMALE	30 JUNE 2011	30 JUNE 2010
	5:0**	4:1

* Four on SES level 7 up until 21 June 2011.

* Three on SES level 7 as at 30 June 2011 following resignation on 21 June 2011 of an Executive.

** 5:1 male to female ratio up until 21 June 2011.

OCCUPATIONAL HEALTH AND SAFETY (OH&S)

Statement setting out OHS performance – 2010/11

There were no improvement notices issued or prosecutions against Sydney Ports relating to any breach of the *NSW Occupational Health and Safety Act 2000*.

Sydney Ports continued its commitment to providing a safe and healthy work environment for staff, contractors and visitors, by achieving a reduction in the number and severity of injuries, in an environment where the number of incidents reported increased. No lost time injuries for the year was a significant achievement.

The OH&S performance for 2010/11 was:

Sydney Ports (includes Sydney Pilot Service) OHS KPIs for 2010/2011

2010/2011	TARGET	ACTUAL
Number of Lost Time Injuries (LTI) ^{Note 1}	≤ 3	0
LTI Frequency Rate (LTIFR) ^{Note 2}	≤ 4	0
Number of Medical Treatment Injuries (MTI) ^{Note 3}	≤ 8	4
Number of First Aid Injuries (FAI) ^{Note 4}	≤ 15	4

Note 1: A Lost Time Injury ('LTI') is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more. The LTI objective is always to achieve zero. The LTI Target of ≤ 3 is a business plan performance indicator.

Note 2: Lost Time Injury Frequency Rate (LTIFR) is calculated as the number of LTIs divided by the total number of hours worked by all workers, for each one million hours worked.

Note 3: Medical Treatment Injury (MTI) is defined as an injury or illness at work where the employee received treatment by a medical practitioner. It does not include FAI or LTI.

Note 4: First Aid Injury (FAI) is defined as an injury or illness at work where the employee received treatment from a qualified first aid person. It does not include MTI or LTI.

REPORTING PERIOD	2007-08		2008-09		2009-10		2010/11
	SYDNEY PORTS	SYDNEY PILOT SERVICE	SYDNEY PORTS	SYDNEY PILOT SERVICE	SYDNEY PORTS	SYDNEY PILOT SERVICE	SYDNEY PORTS
Number of Lost Time Injuries	1	3	2	0	3	3	0
LTIFR	2.6	^{Note 6}	4.5	^{Note 6}	8.5	^{Note 6}	0

Note 6: LTIFR was not calculated for Sydney Pilot Service because of the small number of employees and low hours, causing extreme volatility in results and an unsuitable statistic. Sydney Pilots merged with Sydney Ports on 1 July 2010.

A strategy to involve managers and employee representatives in safety was implemented by an organisation wide requirement to complete six "Safety Inspections" within the financial year. Implementation was facilitated by a procedure, meetings and monthly feedback on performance monitoring data. Full participation with a high ratio of corrective actions to hazards identified was achieved.

Employee safety consultation processes continue to remain effective through regular meetings.

Improvement of Sydney Ports' OHS Management System documentation is progressing in accordance with a plan developed from an internal review, based on:

- NSW Government Working Together – Public Sector Workplace Health and Safety and Injury Management Strategy 2010-2012;
- AS/NZS 4801:2001 OHS Management Systems – Specifications with guidance for use; and
- New National model Work Health and Safety legislation, which will come into effect in NSW on 1 January 2012.

Procurement of a new computer software system will improve efficiency with safety processes including inspections, corrective action, risk management and incident management. Implementation in 2011/12 will facilitate involvement in safety management through all levels of the organisation.

MULTICULTURAL POLICIES AND SERVICES

Sydney Ports supports the principles of multiculturalism. We recognise that our employees and the community are drawn from different linguistic, religious, racial and ethnic backgrounds.

To demonstrate our commitment to cultural diversity, Sydney Ports operates a recruitment, selection and promotion strategy based solely on merit. This year, we recruited from a broad range of ethnic and cultural backgrounds with 22% of our new employees being of a non-English speaking heritage.

Sydney Ports has commenced the introduction of an Aboriginal Employment Strategy. This strategy will focus on ensuring that local Aboriginal Communities are aware of employment vacancies at Sydney Ports with a particular focus on Marine Traineeships.

We also offer all staff attractive employment conditions, including flexible hours of work. These arrangements accommodate cultural and religious differences by providing a day's leave per calendar year to cover National Aboriginal Day or religious holidays.

Sydney Ports provides an Employee Assistance Program, which includes interpreter services to ensure that the program's benefits are accessible to all employees and their immediate families.

OVERSEAS TRAVEL BY SYDNEY PORTS CORPORATION EMPLOYEES 1 JULY 2010 TO 30 JUNE 2011

NAME	DATE	DESTINATION	PURPOSE
Richard Lorraine	2-9 July 2010	Paris, France	In accordance with contract requirements, to witness all design/simulation tests and factory acceptance testing for Vessel Traffic Services (VTS) system development.
Graham Edgley George Leggett Jim Dargaville	18 July – 1 August 2010	Newcastle Upon Tyne, UK Ålesund, Norway New York, USA	To inspect pilot cutter designs recommended by the Pilot Vessel Assessment Panel as a result of Expressions of Interest for replacement of two existing pilot cutters.
Lachlan Benson Jason McGregor	10-20 August 2010	Singapore, Malaysia, Hong Kong, Taiwan, Shanghai, Korea and Japan	To meet and engage directly with the principles of Sydney Ports key customers; the shipping lines and stevedores that operate through Sydney Ports.
Lachlan Benson Jason McGregor	13-25 September 2010	Dubai, Denmark, Rotterdam, Hamburg, Geneva and Marseille	To meet and engage directly with the principles of Sydney Ports key customers; the shipping lines and stevedores that operate through Sydney Ports.
Grant Gilfillan Lachlan Benson Annette Woods Shane Hobday Tony Navaratne	8-11 February 2011	Auckland, New Zealand	To attend the International Association of Ports and Harbours (IAPH) Asia/Oceania Regional Meeting and Port Forum.
Marika Calfas	13-22 February 2011	Vietnam, Malaysia and Thailand	To attend and present at the Port Planning and Design Asia Conference and visit key Asian Ports.
Grant Gilfillan	17-20 May 2011 23-27 May 2011	Hong Kong Busan, Korea	To attend and present at the International Association of Ports and Harbours 27th World Ports Conference in Busan, Korea between 23-27 May 2011 and visit Hong Kong to meet with Hutchison Port Holdings Ltd and shipping line customers between 17-20 May.
Bryan T. Smith	17-20 May 2011	Hong Kong	The purpose of the visit is to meet with executives of Hutchison Port Holdings and key shipping lines.
Shane Hobday	22-27 May 2011	Busan, Korea	To attend and present at the International Association of Ports and Harbours 27th World Ports Conference.
Colin Kesteven	19-25 June 2011	Ilawa, Poland	To attend the Advanced Manned Model course in Ilawa, Poland and assess the facility with respect to Sydney Ports Corporation's advanced pilot training requirements under the <i>NSW Maritime Pilotage Code (2011)</i> enacted under the <i>Marine Safety (General) Amendment (Pilotage) Regulation 2011</i> .
Paul Ansell Matthew Stannard	28 May – 5 June 2011	Port Revel, France	To attend an advanced Manned Model Pilot Training Course.

FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATIONS 2010/11

ORGANISATION'S NAME	AMOUNT \$
Dragons Abreast Australia Ltd	2,000
Giant Steps Sydney Limited	1,500
Westpac Life Saver Rescue Helicopter Service	500
The Sydney Children's Hospital	500
Premier's Disaster Relief Appeal	1,628
The Cancer Council of NSW	940
	7,068

CONSULTANCY FEES

Total fees paid and payable to consultants relating to the provision of strategic planning services during 2010/11 were \$0.206 million (\$0.197 million in 2009/10).

CONSUMER RESPONSE

Sydney Ports receives feedback and complaints through two primary contact points, General Enquiries (email/ phone) and through Harbour Control, which operates 24/7. Community Information Lines have also been established for each of our major projects and these are also manned 24/7.

We are currently undertaking a review of our consumer response process to build on our current practice of managing feedback and complaints.

Sydney Ports continues to respond to issues and requests in a timely and efficient manner so that appropriate actions are followed up with the relevant parties, ensuring best possible outcomes for all.

PUBLICATIONS

During the year, in addition to the annual report, Sydney Ports published the following publications:

Hardcopy publications

- *Trade Report 2009/10* outlines the trade performance for the 2009/10 financial year
- *Logistics Review 2009/10* provides detailed information on a range of initiatives that support land based logistics operations to benefit port users, stakeholders and the community
- *Sustainability Report 2009/10* provides an update on the commitments Sydney Ports made in 2008/09. It highlights the sustainable practices and commitments Sydney Ports will focus on in 2010/11.

Electronic publications

- *Statement of Corporate Intent 2010/11* provides an outline of Sydney Ports' vision, values, strategic direction and targets for 2010/11
- *Performance Report* for the half year ended for 31 December 2010 reports on Sydney Ports' financial performance compared to key budget targets established in its 2010/11 *Statement of Corporate Intent*
- *Schedule of Port Charges* effective 1 July 2010
- *Schedule of Pilot Charges* effective 1 July 2010
- *Dangerous Goods Management Guideline* provides information on the management of dangerous goods within Sydney's ports. This publication is updated regularly.

- *eCurrent* is Sydney Ports' monthly electronic newsletter which is distributed to industry stakeholders subscribers via email.

The Sydney Ports website www.sydneyports.com.au was updated regularly to provide information for our stakeholders and the public.

ANNUAL REPORT COST

The total external cost incurred in the production of 200 copies of the Sydney Ports Corporation 2010/11 Annual Report, including the Sydney Pilot Service's Financial Report, was \$60,000. The report is available at www.sydneyports.com.au/corporation/publications.

WASTE REDUCTION AND PURCHASING POLICY (WRAPP)

As a State-owned corporation, Sydney Ports is required to comply with the NSW Government's Waste Reduction and Purchasing Policy (WRAPP), where waste reduction and purchasing is cost effective and in line with sound business practices.

Sydney Ports has developed a WRAPP plan in accordance with Premier's Memoranda 99-9 and 97-30. WRAPP Progress Reports are submitted to the NSW Department of Environment and Climate Change on a bi-annual basis, addressing a number of key result areas including:

- (a) Reducing the generation of waste;
- (b) Resource recovery; and
- (c) Use of recycled materials.

In the 12 months to June 2011, action has been taken in the following areas:

(a) Reducing the generation of waste

Sydney Ports has a number of strategies in place to reduce the generation of printed materials:

Publications for public stakeholders are made available in electronic format on the Corporation's website. Where printed publications are required, they are produced on recyclable material wherever possible.

Sydney Ports' intranet and computer-based systems for staff were enhanced during the 2010/11 financial year:

- Sydney Ports' intranet provides access links to a greater range of policies, procedures and other information for Sydney Ports' staff.
- The Employee Self Service (ESS) system was upgraded to improve online access to employees' personal details, pay and online leave applications.
- A web based induction process has been introduced by Human Resources in the 2010/11 financial year for new employees, replacing the previous paper based version.

- A staff survey was conducted on-line, as a paperless activity.

Together these measures have enabled Sydney Ports to reduce A4 copy paper usage per employee, compared to the previous WRAPP reporting period in 2008/09.

(b) Resource recovery

Materials owned or purchased by Sydney Ports are recovered for re-use or recycling where possible.

In Sydney Ports' offices, paper waste is collected and recycled. The quantity of paper/ cardboard recycled during the 2010/11 financial year was 11.5 tonnes. Used toner cartridges are collected by third parties for recycling from office areas where copiers are located.

Construction projects and maintenance activities by nature generate large amounts of waste. Sydney Ports' contractors are therefore required to minimise waste generated and identify areas where recycling and reuse of materials can be undertaken.

At the Port Botany Expansion site, wastes generated are either reused or recycled. For example, all waste concrete generated at the site has been reused either in the reclamation of the Port Botany Expansion, or as road base along the Foreshore Road. Recycled wastes include cardboard, office paper, and liquid and grease trap waste.

Through its various maintenance activities, Sydney Ports continues to recycle concrete, steel, timber, asphalt and vegetation wastes.

At the Intermodal Logistics Centre at Enfield, 226 tonnes of steel was collected and recycled. Construction material used in the new bridge at the site included concrete with recycled content.

(c) The use of recycled material

It is Sydney Ports' policy to purchase low-waste products and products with recycled content where it is consistent with sound commercial practice and such products meet technical and operating standards.

White A4 paper with recycled content purchased during 2010/11 totalled 3,593 reams, representing 86% of all A4 copy paper purchased.

Other notable products with a recycled content purchased during 2010/11 include flyers (50%), books and pads (58%), lever arch files (39%) and ballpoint retractable pens (45%).

Publications for internal and external use are prepared on recycled stock wherever possible.

LAND DISPOSAL

Sydney Ports did not dispose of any land assets for the reporting period 1 July, 2010 to 30 June, 2011.

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GLOSSARY

AIS	Automatic Identification System
BLB	Bulk Liquids Berth (at Port Botany)
CCTV	Closed Circuit Television
CEO	Chief Executive Officer
CPI	Consumer Price Index
DA	Development Application
DWT	Deadweight Tonnage
EA	Environmental Assessment
ECP	Empty Container Park
EEO	Equal Employment Opportunity
FOI	Freedom of Information
GFC	Global Financial Crisis
ILC	Intermodal Logistics Centre (at Enfield)
IMT	Intermodal Terminal
Intermodal	A terminal for interchange of containers on/off trucks/trains
IPART	Independent Pricing and Regulatory Tribunal
IT	Information Technology
LTIFR	Lost Time Injury Frequency Rate
M	million/millions
MSIC	Maritime Security Identification Card
NESB	Non English Speaking Background
NSW	New South Wales (eastern state of Australia)
OH&S	Occupational Health & Safety
OPM	Operational Performance Management
PBLIS	Port Botany Landside Improvement Strategy
PBRT	Port Botany Rail Team
PSOL	Port Safety Operating Licence
RTA	Roads and Traffic Authority
ShIPS	Sydney's Integrated Port System
SPS	Sydney Pilot Service Pty Ltd
Sydney Harbour	The commercial port areas of Glebe Island and White Bay, Darling Harbour and the Overseas Passenger Terminal at Circular Quay
T3	Third container terminal (at Port Botany)
TEU /TEUs	Twenty-foot Equivalent Unit
VHF	Very High Frequency
VTS	Vessel Traffic Services



RECYCLED CONTENT



ELEMENTAL CHLORINE FREE



ENVIRONMENTAL MANAGEMENT SYSTEMS



FOREST MANAGEMENT



CERTIFIED CO2 NEUTRAL



Consistent with Sydney Ports' commitment to sustainability, this report is printed on an FSC Mixed Sources Certified paper, which ensures all virgin pulp is derived from well-managed forests and controlled sources. The paper is 55% recycled and is certified carbon neutral by an independent third party. It contains elemental chlorine free (ECF) bleached pulp and is manufactured by an ISO 14001 certified mill. The printer of this report has Forest Stewardship Council (FSC), Chain of Custody Certification.

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