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SYDNEY PORTS CORPORATION ANNUAL REPORT 12 / 11

SYDNEY PORTS
FIRST PORT, FUTURE PORT

SYDNEY PORTS
FIRST PORT, FUTURE PORT

28 September 2012

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 2012, 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

CONTAINER TRADE THROUGH PORT BOTANY EXCEEDED TWO MILLION 20 FOOT EQUIVALENT UNITS (TEUs) FOR THE SECOND CONSECUTIVE YEAR.

FACT

>2MILLION

TWENTY FOOT EQUIVALENT UNITS (TEUs) OF CONTAINER TRADE THROUGH PORT BOTANY FOR THE SECOND CONSECUTIVE YEAR.

PORT BOTANY EXPANSION PROJECT WINS PRESTIGIOUS **AUSTRALIAN CONSTRUCTION ACHIEVEMENT AWARD**.

THIRD STEVEDORING OPERATOR TAKES CONTROL OF THE NEW PORT BOTANY EXPANSION AREA.

TRUCK TURNAROUND TIMES IMPROVE BY 30 PER CENT AFTER ONE YEAR OF OPERATION OF THE PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY.

PORT BOTANY **TRUCK MARSHALLING** AREA **BEGINS** OPERATIONS.

CRUISE MARKET GROWS BY **30 PER CENT** IN EACH OF THE LAST TWO YEARS.

MASTER PLAN UNDERWAY FOR UPGRADE OF THE OVERSEAS PASSENGER TERMINAL AT CIRCULAR QUAY.

CONSTRUCTION BEGINS ON THE NEW **WHITE BAY** CRUISE PASSENGER TERMINAL.

MINISTER FOR ROADS AND PORTS ASSIGNS MANAGEMENT AND OPERATIONAL RESPONSIBILITIES FOR THE **PORTS OF YAMBA AND EDEN** TO SYDNEY PORTS.

Transhipments are included in the numbers quoted below. (Transhipped cargo is cargo that is unloaded from one vessel and re-loaded onto another vessel at the port within 14 days from the date of unloading.)

OVERVIEW

SYDNEY PORTS MANAGES THE COMMERCIAL PORTS OF SYDNEY – LOCATED IN SYDNEY HARBOUR AND BOTANY BAY.

FROM 1 DECEMBER 2011, THE PORTS OF YAMBA AND EDEN WERE ADDED TO OUR RESPONSIBILITIES.

WE 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**, CONTRIBUTE ABOUT **$2.5 BILLION** TO THE **NSW ECONOMY,** AND **GENERATE EMPLOYMENT** FOR **MORE THAN 17,000** PEOPLE THROUGHOUT THE LOGISTICS CHAIN.

OUR ROLE IS TO KEEP THE PORTS **SAFE** FOR SHIPPING, **SECURE** FOR EVERYONE AND **PROTECT** THE PORT ENVIRONMENT.

FACT

30%

GROWTH IN CRUISE MARKET IN EACH OF THE LAST TWO YEARS.

WORTH OF TRADE EACH YEAR

CONTRIBUTION TO THE NSW ECONOMY

EMPLOYMENT THROUGHOUT THE LOGISTICS CHAIN

SUMMARY REVIEW OF OPERATIONS

SYDNEY PORTS AIMS TO ADD VALUE TO ALL ASPECTS OF SYDNEY'S PORT OPERATIONS TO MEET EXISTING AND FUTURE TRADE NEEDS. WE WORK WITH STAKEHOLDERS TO ACHIEVE OUTCOMES THAT BENEFIT ALL PARTIES AND ENSURE THE SAFETY OF COMMERCIAL SHIPPING.

THE MAIN FUNCTIONS OF SYDNEY PORTS ARE TO

MANAGE AND DEVELOP PORT FACILITIES AND SERVICES TO CATER FOR EXISTING AND **FUTURE** TRADE NEEDS

FACILITATE TRADE BY PROVIDING A **COMPETITIVE ADVANTAGE** TO IMPORTERS, EXPORTERS AND THE PORT RELATED SUPPLY CHAIN

MANAGE THE NAVIGATIONAL, **SECURITY** AND OPERATIONAL **SAFETY** NEEDS OF COMMERCIAL SHIPPING

PROTECT THE **ENVIRONMENT** AND HAVE REGARD TO THE INTERESTS OF THE **COMMUNITY**

DELIVER PROFITABLE BUSINESS **GROWTH**

Again this year, container traffic through Port Botany exceeded two million Twenty Foot Equivalent Units (TEUs), almost a third of Australia's containerised trade. Cruise ship visits to Sydney grew by 30 per cent in each of the last two years.

During the year, Sydney Ports achieved significant milestones in a series of projects to improve capacity and supply chain efficiency at Port Botany and Sydney Harbour.

The Port Botany Expansion is one of the biggest infrastructure projects undertaken in Australia in 30 years, adding five new container berths to the existing six. During the year, most of the expanded area was handed over to a third stevedoring operator and the remainder leased to an existing operator. The Grade Separation Works, due for completion in late 2012, will eliminate the need for trucks to stop at rail crossings on their approach to the terminals.

The Port Botany Landside Improvement Strategy (PBLIS) aims to generate efficiencies in the landside supply chain by improving road and rail transport of containers through the port. In the first year of PBLIS' operation, truck turnaround times improved by 30 per cent. Industry representatives have worked with us to develop a comprehensive PBLIS rail strategy. A key part of this is the new Rail Operations and Coordination Centre at Port Botany which will coordinate the port rail system as part of PBLIS, when fully operational in late 2012.

Intermodal network developments, including Sydney Ports' Intermodal Logistics Centre at Enfield, will increase container rail movements and support the NSW Government's aim of doubling rail modal share by 2020.

Construction of marine structures for the second bulk liquids berth at Port Botany was also largely completed this year. Sydney Ports made a submission to the NSW Government's Bays Precinct Taskforce on future development of the Glebe Island and White Bay port precinct.

The White Bay Cruise Passenger Terminal is now under construction and a Master Plan commenced for the upgrade of the Overseas Passenger Terminal at Circular Quay. These cruise infrastructure projects will support the expected growth in passenger numbers and allow larger ships to berth.

In all these port developments, Sydney Ports continued to work with local community organisations and councils. We have now completed a number of significant community and environmental enhancements in the port precinct.

TRADE HIGHLIGHTS

TOTAL CONTAINER TRADE (TEUs)

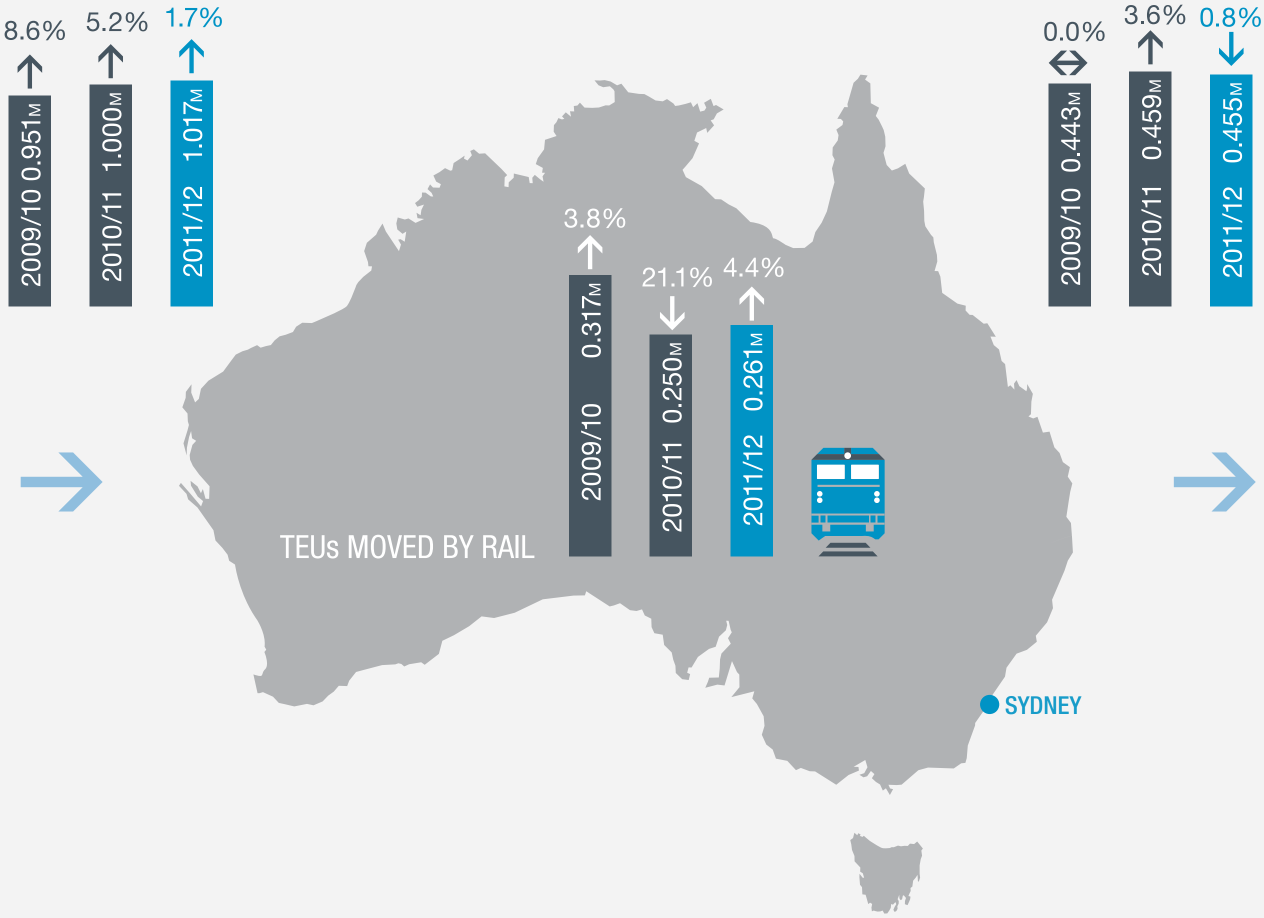
8.1%	2009/10 1.928M	↑
4.8%	2010/11 2.020M	↑
0.8%	2011/12 2.036M	↑

TOTAL TRADE (MASS TONNES)

1.5%	2009/10 28.2M	↑
5.6%	2010/11 29.7M	↑
3.1%	2011/12 30.7M	↑

TOTAL FULL CONTAINER IMPORTS (TEUs)

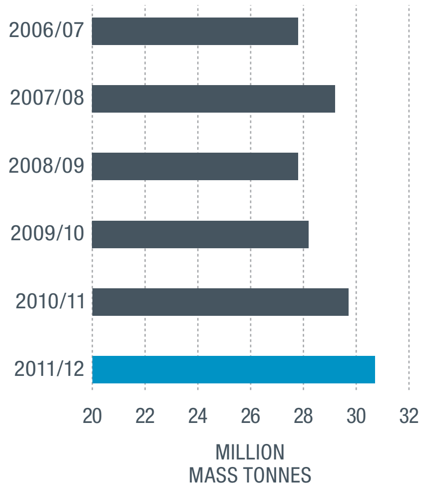
TOTAL FULL CONTAINER EXPORTS (TEUs)



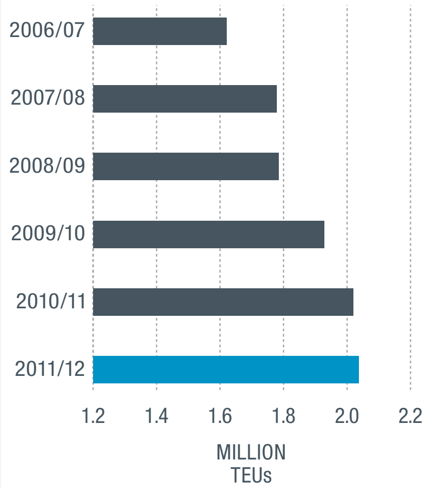
Transhipments are included in the numbers quoted above. (Transhipped cargo is cargo that is unloaded from one vessel and re-loaded onto another vessel at the port within 14 days from the date of unloading.)

Note: All graphs and tables in this section include trade data from the Ports of Yamba and Eden for the period 1 December 2011 to 30 June 2012 only.

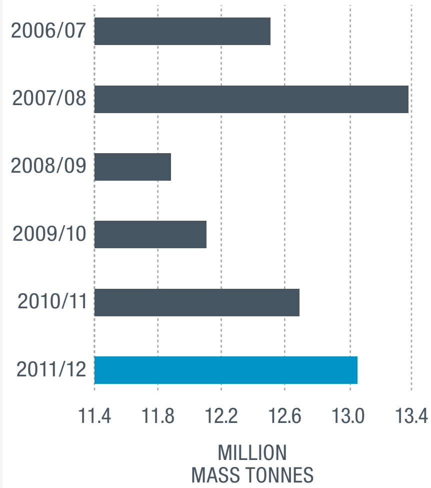
TOTAL TRADE 2006/07 TO 2011/12[1]



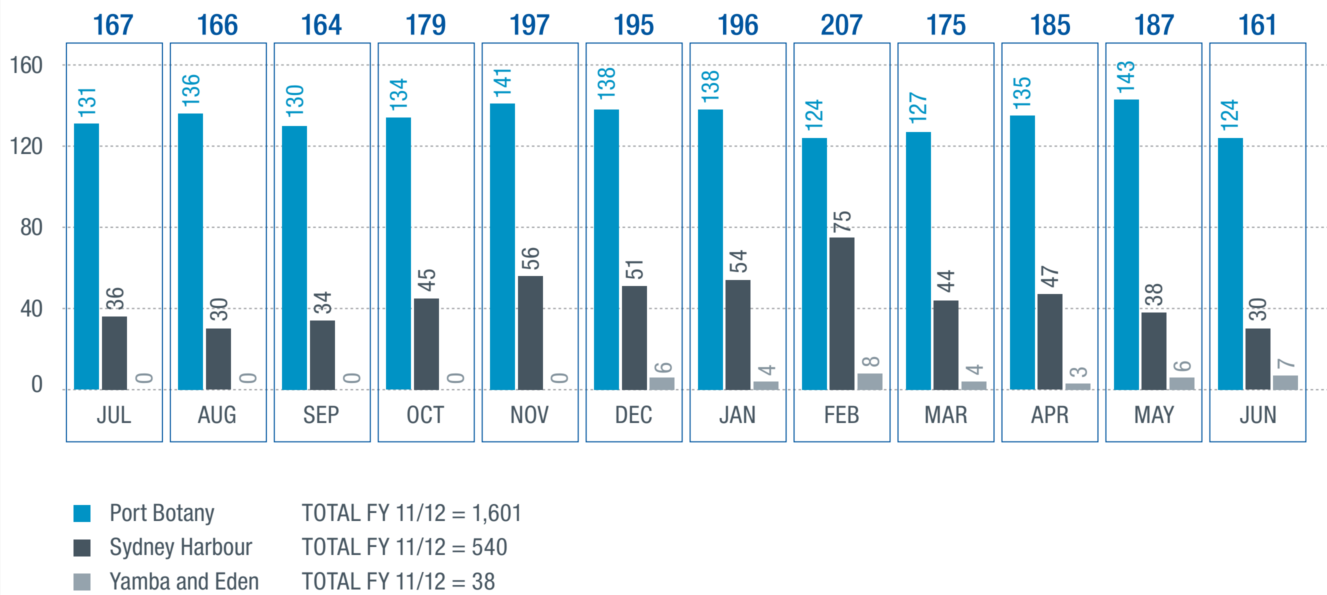
TOTAL CONTAINER TRADE 2006/07 TO 2011/12[1]



TOTAL BULK LIQUIDS, GAS AND OIL 2006/07 TO 2011/12[2]



CHARGEABLE VESSEL VISITS 2011/12



1 Graphs above include transhipments. (Transhipped cargo is cargo that is unloaded from one vessel and re-loaded onto another vessel at the port within 14 days from the date of unloading.)

2 Includes bulk liquids, gas and oil trade via privately-owned berths, in addition to trade via berths owned by Sydney Ports.

IMPORT COMMODITIES 2011/12 (TEUs)

	FY 2011/12
Machinery and Transport Equipment	232,715
Miscellaneous Manufactured Articles	223,680
Chemicals	135,590
Paper and Paper Products	70,085
Textile Fabrics and Yarns	45,123
Non-metallic Minerals	33,162
Food Preparations	48,218
Iron and Steel	31,309
Beverages and Tobacco	23,552
Timber	18,653
Other	154,966
TOTAL	**1,017,053**

EXPORT COMMODITIES 2011/12 (TEUs)

	FY 2011/12
Chemicals	42,590
Cereals	47,844
Machinery and Transport Equipment	42,193
Paper and Paper Products	28,395
Miscellaneous Manufactured Articles	34,165
Non-ferrous Metals	29,473
Waste Paper	29,697
Iron and Steel	14,122
Timber	19,152
Meat	14,317
Other	153,428
TOTAL	**455,376**

MONTHLY CONTAINER TRADE 2006/07 TO 2011/12 (TEUs)

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
Export	77,089	89,266	88,323	85,315	89,854	90,225	89,257	79,930	77,089	77,652	88,544	76,170	**1,008,714**
Import	79,566	97,078	92,893	93,318	92,983	84,326	86,833	69,678	82,431	82,313	88,801	77,229	**1,027,449**
FY 11/12	156,655	186,344	181,216	178,633	182,837	174,551	176,090	149,608	159,520	159,965	177,345	153,399	**2,036,163**
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**

CONTAINER TRADE BY REGION 2011/12

	IMPORT			EXPORT			TOTAL	
	FULL	CHANGE	EMPTY	FULL	CHANGE	EMPTY		CHANGE
East Asia	470,628	-0.1%	1,836	147,558	10.8%	284,812	904,834	1.8%
South East Asia	148,854	0.8%	356	81,606	4.3%	128,079	358,895	3.2%
Oceania	77,318	-0.8%	3,663	139,307	-11.5%	129,110	349,398	-4.5%
Europe	162,159	3.3%	69	10,091	-28.0%	2,021	174,340	1.0%
North America	104,329	13.3%	1,266	19,999	7.2%	8,698	134,292	11.0%
South Asia	16,317	0.9%	2	19,682	-7.7%	15	36,016	-4.0%
Middle East	12,828	11.0%	111	17,242	28.8%	8	30,189	21.0%
Pacific Ocean Islands	813	-36.7%	1,547	11,232	-18.2%	123	13,715	-40.3%
Africa	9,179	-22.6%	1,294	5,115	-0.9%	156	15,744	-25.8%
South America	8,454	-3.7%	177	1,640	-19.3%	210	10,481	-6.1%
Central America	6,147	24.6%	75	1,887	18.2%	106	8,215	25.8%
Other Countries	27	107.7%	0	17	112.5%	0	44	109.5%
TOTAL	**1,017,053**	**1.7%**	**10,396**	**455,376**	**-0.7%**	**553,338**	**2,036,163**	**0.8%**

Transhipments are included in the numbers quoted above. (Transhipped cargo is cargo that is unloaded from one vessel and re-loaded onto another vessel at the port within 14 days from the date of unloading.)

CHAIRMAN'S REPORT

BRYAN T. SMITH

SYDNEY PORTS HAS CONTINUED TO ACHIEVE A GOOD RETURN ON STATE-OWNED ASSETS THIS YEAR AND THE BOARD RECOGNISED THE SEPTEMBER 2011 GOVERNMENT ANNOUNCEMENT OF THE LONG-TERM LEASE OF PORT BOTANY AS A REFLECTION OF THAT SUCCESS.

AS FOR SUPPLY CHAIN EFFICIENCIES, THE PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY (PBLIS) IS PROVING TO BE A GREAT SUCCESS.

The Board, Executive and staff, are working closely with NSW Treasury on the transaction and also to ensure that Sydney Ports continues to function as an effective State Owned Corporation.

The award-winning Port Botany Expansion project is strategically important to Sydney and will significantly increase the Port's potential container volumes, with the construction of the third container terminal.

As for supply chain efficiencies, the Port Botany Landside Improvement Strategy (PBLIS) is proving to be a great success. Overseas shipping operators have commented favourably to me on the dramatic improvement PBLIS has made on container receival and delivery efficiencies, particularly truck turnaround times. Port users are looking forward to further coordinated road and rail supply chain improvements from the PBLIS reforms.

Investment in a second Bulk Liquids Berth at Port Botany and development of a 60 hectare Intermodal Logistics Centre at Enfield will further enhance efficient trade through NSW.

The cruise ship sector has experienced rapid growth in recent years and has become an important part of Sydney Ports' long term growth strategy. We are now meeting the challenge of ensuring we can service that growth through investment in new port infrastructure in Sydney.

In December 2011, the Minister for Roads and Ports assigned management and operational responsibilities for the Ports of Yamba and Eden to Sydney Ports. Both ports have been integrated into our business and Sydney Ports is looking forward to providing them further support.

In these developments, Sydney Ports has concentrated on workplace safety, minimising impacts on the environment and working closely with the community.

I would like to take this opportunity to acknowledge the service of outgoing Directors as they came to the limits of their terms. The changeover in Board membership this year has been seamless and successful.

On behalf of the Board, I would like to thank the Executive and staff for their efforts during the year as they have tackled a full work program.

The Board is approaching the long-term lease of Port Botany positively to ensure that the people of NSW are well served by the new port lessee.

CHIEF EXECUTIVE OFFICER'S REPORT

GRANT GILFILLAN

SYDNEY PORTS' FINANCIAL PERFORMANCE THIS YEAR WAS SOLID WITH REVENUE TWO PER CENT HIGHER THAN EXPECTED AND COSTS 14 PER CENT UNDER BUDGET. THIS WAS DESPITE CONTAINER TRADE VOLUME BEING WELL BELOW FORECASTS AND JUST ABOVE THE PREVIOUS YEAR'S LEVEL.

Once again, our safety performance was commendable, although three lost-time injuries (LTIs) this year was in contrast to zero LTIs last year. While none of the injuries were serious, they all occurred in a concentrated period between October and December 2011. Safety inspections continue to assist us in maintaining safety as an action activity.

Since September 2011, our focus has shifted to assisting the NSW Government in the long-term lease of Port Botany. I am immensely proud of the way Sydney Ports' staff members have taken on the additional workload of preparing for the lease. This is a testament to their professionalism and commitment to Sydney Ports.

A significant achievement during the year was agreement with the Government for a more realistic level of cruise pricing to ensure sustainable funding of cruise infrastructure development. We had agreed to freeze berthing fees in 1992, and reduced them in 1996, as the cruise industry asked for financial incentives to help them grow Sydney as a destination. Now, with booming cruise arrivals in Sydney, we need the revenue to finance the development of new facilities to meet that demand.

The Federal Government's "Hawke Review" in February 2012 concluded that cruise ships were incompatible with the Navy's operations at Garden Island. However, with growing numbers of large ships unable to fit under the Harbour Bridge, Sydney Ports will continue to lobby government for additional cruise berths east of the bridge.

Overall, Sydney Ports achieved significant milestones in port infrastructure projects during 2011/12. In August 2011, a third operator, Sydney International Container Terminals Pty. Limited, took possession of 45 hectares of the expanded Port Botany terminal area. This enabled them to plan for site works due to begin late 2012. The new terminal was officially named Hayes Dock, in memory of the late John Hayes who was instrumental in the establishment of container terminals at Port Botany.

Construction of Port Botany's second Bulk Liquids Berth is now well advanced and substantial progress was made on the Penrhyn Road Grade Separation Works to improve road access within the Port.

The Port Botany Landside Improvement Strategy continues to demonstrate high value through improved road and rail transport efficiencies. The Truck Marshalling Area, opened in June 2012, will drive further efficiencies. The new Port Botany Rail Operations and Coordination Centre will coordinate train services through the Port area when fully operational in late 2012.

OVERALL, SYDNEY PORTS ACHIEVED SIGNIFICANT MILESTONES IN PORT INFRASTRUCTURE PROJECTS DURING 2011/12.

Ongoing work on the Intermodal Logistics Centre at Enfield and expansion of the Cooks River Rail Depot and Empty Container Park by the major tenant will increase container rail transport volumes.

Work to secure Glebe Island and White Bay for future port use is progressing and the new cruise passenger terminal at White Bay 5 is on track for completion in early 2013.

The new Vessel Traffic Service system was successfully commissioned, following last year's relocation from the Barangaroo Harbour Control Tower to the Sydney Ports Operations Centre at Port Botany. Construction is well advanced in the United Kingdom on two new pilot cutters for port use, with sea trials on the first vessel to commence in late 2012.

BOARD OF DIRECTORS

BRYAN T. SMITH
RFD, MAICD

Chairman
Chairman, Major Projects Committee
Chairman, Nominations 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 former 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.

GRANT GILFILLAN
B.App.Sc, MAICD

Chief Executive Officer and Director

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

Before 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.

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

Director
Member, Audit and Risk Committee
Member, Remuneration and Human Resources Committee
Member, Nominations Committee

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

Mr Yassine holds other non-executive Director roles, including Director of Australia Post and Director of the Whitlam Institute. He is also Co-founder and Special Counsel to Better Place (Australia) and Founder and Executive Chairman of Crescent Wealth.

Previously, Mr Yassine has held the positions of Director at Babcock and 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.

ROBERT DUNN
BA Hons

Director

Chairman, Audit and Risk Committee

Member, Remuneration and Human Resources Committee

Robert Dunn was appointed as a Director of Sydney Ports Corporation in April 2012.

Mr Dunn is the Chief Executive Officer of Opportunity International Australia, a not-for-profit organisation that provides people living in poverty with the opportunity to transform their lives through microfinance and community development programs. He is also the Chairman of Opportunity International Australia's Indian subsidiary, Dia Vikas Capital.

Mr Dunn is a member of the Institute of Chartered Accountants in Australia and a director of Baptist Community Services – NSW and ACT, a major provider of aged care and community services.

He was formerly the Finance Director with Patrick Corporation for 14 years. He has also worked for Dart Corporation and Price Waterhouse, with postings in London and New York respectively.

PENNY BINGHAM-HALL
BA (Ind. Des), FAICD, SA (Fin)

Director

Chairman, Remuneration and Human Resources Committee

Member, Nominations Committee

Member, Major Projects Committee

Penny Bingham-Hall was appointed as a Director of Sydney Ports Corporation in April 2012.

Ms Bingham-Hall has been a non-executive Director of BlueScope Steel since March 2011 and Australia Post since May 2011. She has spent more than 20 years in a variety of executive roles with Leighton Holdings prior to retiring from the company at the end of 2009.

Ms Bingham-Hall is also a Director of SCEGGS Darlinghurst school and was the inaugural Chairman of Advocacy Services Australia (the fiduciary company for the Tourism and Transport Forum and Infrastructure Partnerships Australia) until the end of 2011. She has also previously held non-executive directorships with other industry and community organisations, including the VisAsia Council of the Art Gallery of NSW, The Global Foundation and the Australian Council for Infrastructure Development.

MICHAEL SULLIVAN
AAICD

Staff Director

Michael Sullivan was elected to the position of Staff Director by the staff of the Corporation in July 2002 and subsequently re-elected in 2005, 2008 and 2011. 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 as Staff Director to the Board.

JOHN BROGDEN
MPA, MAICD

Director

Member, Audit and Risk Committee

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

Mr Brogden is the CEO of the Financial Services Council and the Chairman of Landcom. He is a Director of NIA Pty Ltd 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.

Mr Brodgen resigned as a Director of Sydney Ports Corporation on 30 June 2012.

Rene van der Loos and Michael Braham were Directors of Sydney Ports Corporation until 14 February 2012 when their terms concluded.

David Gallop was appointed as a Director of Sydney Ports Corporation on 1 July 2012 and resigned from this position effective 10 October 2012.

EXECUTIVE TEAM

AS AT 30 JUNE 2012

SYDNEY PORTS CORPORATION BOARD

CHIEF EXECUTIVE OFFICER
GRANT GILFILLAN

GRANT GILFILLAN
B.App.Sc, MAICD

Chief Executive Officer

See page 10 for biography.

CAPTAIN PHILIP HOLLIDAY
BSc (Hons)

Executive General Manager, Marine Services and Harbour Master

Captain Philip Holliday joined Sydney Ports in May 2011 as Executive General Manager Marine Services and 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 industries. 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 BSc with First Class Honours 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.

Captain Holliday 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.

LAWRENCE HO
BEc (Acctng), CPA, MBA

Chief Financial Officer

Lawrence Ho joined Sydney Ports Corporation as its Chief Financial Officer in October 2011 and heads the Finance Division with responsibility for Finance, Corporate Planning, Business Analysis, Internal Audit, Company Secretariat and Administration. He is also the Chief Risk Officer for the Corporation.

Mr Ho has over 18 years of senior management experience in the logistics and transport industry both in Australia and Asia, having worked for one of the world's largest shipping and terminal operators. His extensive overseas experience included three start-up terminal developments in China, the last of which is China's largest single container terminal. Mr Ho also has considerable experience in leading IT infrastructure and design, project negotiations, shareholding restructuring and representation.

Mr Ho has a Bachelor of Economics (Accounting), Certificate in Operation Management, Post Graduate Certificate in Management (Intermodal System Management) and a Master of Business Administration.

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

Marine Operations
Safety, Security & Environment
Pilot Service
Vessel Traffic Services
Survey Services

CHIEF FINANCIAL OFFICER
LAWRENCE HO

Finance
Business Analysis
Company Secretary & Administration
Corporate Planning & Performance Reporting

EXECUTIVE GENERAL MANAGER, PLANNING & INFRASTRUCTURE
ALEX NEDELJKOVIC

Projects & Development
Property & Asset Management
Planning

EXECUTIVE GENERAL MANAGER, INDUSTRY RELATIONS & LOGISTICS
LACHLAN BENSON

Corporate Affairs
Port Botany Landside Improvement Strategy (PBLIS)
Logistics & Trade

EXECUTIVE GENERAL MANAGER, HUMAN RESOURCES
MARTIN WANDMAKER

Learning & Development
Recruitment
Performance Management
Compensation & Benefits
Employee/Industrial Relations

ALEX NEDELJKOVIC
BE, MIE, FAICD

Executive General Manager, Planning and Infrastructure

Alex Nedeljkovic joined Sydney Ports Corporation in September 2011, as Executive General Manager, Planning and Infrastructure.

In leading the Planning and Infrastructure Division, he is responsible for delivering and managing the Corporation's fixed infrastructure assets, including strategic and statutory planning, property management, asset management, project management, survey, development management, and maintenance. The Division's major projects include the Port Botany Expansion, Bulk Liquids Berth 2, and the Intermodal Logistics Centre at Enfield.

Mr Nedeljkovic has over 35 years of experience in managing and directing: private and public sector business organisations; major and minor projects, including complex multi-disciplinary projects with joint private sector/government sector participation; land development, engineering, construction, infrastructure, and property projects.

LACHLAN BENSON
BA (European Studies, Hons), CMILT

Executive General Manager, Industry Relations and Logistics

Lachlan Benson joined Sydney Ports Corporation in November 2008. His responsibilities include leading the Corporate Affairs Team as well as Trade and Logistics where he oversees the Port Botany Landside Improvement Strategy.

Prior to joining Sydney Ports, Mr Benson 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, Mr Benson developed and implemented process improvements for ports and freight as Senior Policy Officer within the Industry Reforms Division of the NSW Ministry of Transport.

Mr Benson 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
BBus (Marketing and Employee Relations)

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 and development, mergers and acquisitions, remuneration strategies, employee relations, performance management, leadership development, and being an astute judge of talent.

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

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.

AS AN EMPLOYER, WE

RESPECT INDIVIDUAL WORTH

VALUE THE CONTRIBUTION OF ALL OUR PEOPLE

PROVIDE A SAFE WORKING ENVIRONMENT

We provide leadership in planning, investing and delivering 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 NSWs 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.

CUSTOMER SERVICE CHARTER

FOLLOWING THE CONCLUSION OF THE 2011 STAKEHOLDER SURVEY, ONE OF THE RECOMMENDATIONS PUT FORWARD WAS TO DEVELOP STRATEGIES TO INCREASE THE QUALITY OF CUSTOMER SERVICE, BY USING A CUSTOMER SERVICE CHARTER.

Using input from key customer facing staff, a Guiding Principle was developed for a Sydney Ports Customer Service Charter. The Guiding Principle is supported by Four Pillars of customer service chosen by a staff working group.

The Customer Service Charter will become the measure of our success and will hold us accountable to the way we interact with our customers.

Sydney Ports' Customer Service Charter is in the process of being implemented. The 2012 Stakeholder Survey was structured to reflect and measure against the Four Pillars for Customer Service.

SYDNEY PORTS CUSTOMER SERVICE CHARTER

SYDNEY PORTS

GUIDING PRINCIPLE

"We aim to provide our customers with a professional service that consistently aims to add value and take their business needs into full consideration."

FOUR PILLARS

- **STANDARDS**: We will behave with integrity and be above board in our business dealings and relationships.
- **ENGAGEMENT**: We are committed to proactive forms of engagement with our customers.
- **CONSISTENCY**: We will be consistent in our approach and processes.
- **TIMELINESS**: We will respond to enquiries and issues in a timely and effective manner.

KEY PERFORMANCE INDICATORS

WORK HEALTH & SAFETY INDICATOR

	2011/12 ACTUAL	2010/11 ACTUAL
Number of Lost-Time Injuries (at work)	3	Nil

FINANCIAL INDICATORS[1]

	2011/12 ACTUAL ($M)	2010/11 ACTUAL ($M)
Profit before income tax equivalent expense	75.5	104.9
Income tax equivalent expense	23.1	31.4
Net profit after income tax equivalent expense	52.4	73.5
Income tax equivalent paid	12.5	26.2
Dividends paid	Nil	Nil
Debt	604.6	603.8

OPERATIONAL INDICATORS

	2011/12 ACTUAL	2010/11 ACTUAL
Total trade (million mass tonnes)[2]	30.7	29.7
Total trade annual growth rate (%)	3.1	5.6
Container trade (million TEUs)	2.036	2.020
Container trade annual growth rate (%)	0.8	4.8
Number of chargeable vessel visits	2,179	2,087
Chargeable vessel gross tonnage (million gross tonnes)	73.9	68.2

HUMAN RESOURCE INDICATOR

	2011/12 ACTUAL	2010/11 ACTUAL
Staff numbers (Full-Time Equivalent)	330.6	320.9

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

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

MARINE SERVICES

MARINE SERVICES MAINTAINED A HIGH STANDARD OF OPERATIONS THIS YEAR, SUPPORTING AN INCREASE IN THE SIZE AND NUMBER OF COMMERCIAL VESSELS OPERATING OVER THE TWO PORTS.

In 2011/12, 30.1 million mass tonnes of cargo arrived in Port Botany and Sydney Harbour, continuing a trend of steady increases over past years. During the year, 2,659 cargo and passenger vessels arrived.

With a workforce of 160, Marine Services managed an average of over 12 pilot transfers every day this year, conducted over 5,700 vessel inspections as well as undertaking port surveys and security work.

Last year, Harbour Control operations moved from the Control Tower at Barangaroo to the Sydney Ports Operations Centre (SPOC) at Port Botany. The SPOC control room uses the latest technology to monitor shipping. The new Sydney Ports Vessel Traffic Service (VTS) system was commissioned and signed off in August 2011.

The VTS system combines information from radars, closed circuit television, ships own automatic identification systems and VHF radio to monitor vessel movements. VTS also draws information from Sydney Ports' Sydney's Integrated Ports System (ShIPS). ShIPS is an internet-based system which coordinates vessel movement schedules, bookings and port service providers.

The VTS system has improved Sydney Ports' ability to support the safe passage of commercial ships, quickly identify and respond to port incidents and protect the environment.

We are now able to be more proactive in monitoring and advising vessels over 30 metres in length. In February 2012, the VTS system was officially recognised as meeting the International Association of Marine Aids to Navigation and Lighthouse Authorities standard.

THE *QUEEN MARY 2*, THE LARGEST VESSEL EVER TO BERTH AT THE OVERSEAS PASSENGER TERMINAL, ARRIVED ON 7 MARCH 2012.

In late 2011, Sydney Ports placed an order for a new hydrographic survey vessel. The vessel is due for delivery in July 2012. In addition, a new multi-purpose vessel, the *Manns Point,* was delivered in February 2012. This vessel is primarily used to deploy and recover booms used during fuel loading and in emergency operations.

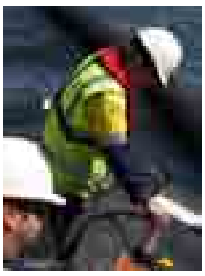
On 1 December 2011, the Ports of Yamba and Eden became part of Sydney Ports' management and operational responsibilities. Both ports have now been integrated into our financial, communications and IT networks and the ShIPS system.

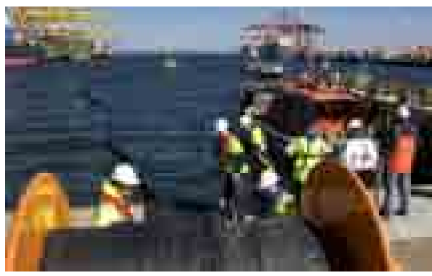
In February 2012, the process for gaining a Certificate of Local Knowledge for commercial mariners navigating on Sydney Harbour and Port Botany was simplified and updated. A system of re-examination for the 462 certificate holders now requires individuals to demonstrate up-to-date knowledge every five years by successfully completing a randomly generated test.

The *Queen Mary 2*, the largest vessel ever to berth at the Overseas Passenger Terminal, arrived on 7 March 2012. In the lead-up to the visit, Marine Services surveyed the Harbour approach; positioned an additional heavy-duty mooring anchor in Campbell's Cove and conducted numerous berthing simulation exercises.

During 2011/12, Marine Services personnel undertook 447 emergency responses to incidents including vessel collisions, emergency towage and marine pollution events.

There were also a number of recreational vessel collisions, breakdowns and accidents during the year. As Sydney is a busy working harbour, Sydney Ports launched the "Steer Clear" campaign with leaflets being issued to coincide with the Sydney Harbour Regatta. Our message to recreational "boaties" is simple – please enjoy the Harbour responsibly, whilst staying away from the larger vessels using the commercial shipping channels.



EMERGENCY RESPONSE

SYDNEY PORTS PROVIDES AROUND-THE-CLOCK MONITORING OF BOTANY BAY AND SYDNEY HARBOUR TO ENSURE THE SAFE MOVEMENT OF CARGO AND PASSENGER VESSELS AND AN EFFECTIVE RESPONSE TO INCIDENTS.

FACT

10

FIRE-FIGHTING OPERATIONS MARINE SERVICES RESPONDED TO.

During 2011/12, there were no major safety or environmental incidents in either port.

In October and November 2011 however, Sydney Ports provided substantial assistance when the container ship *Rena* ran aground off the North Island of New Zealand. Six of our emergency response staff spent 10 days each helping to clean up the heavy fuel oil spill from the incident.

During the year, Marine Services responded to 447 marine incidents including 320 marine pollution events, 10 fire-fighting operations and 29 vessel assists or emergency towages.

Accidents and spillages that occurred on water and land were handled quickly and efficiently, due to the robust processes Sydney Ports has in place to manage these events.

Sydney Ports maintains two dedicated fire-fighting tugs; one in Botany Bay and one in Sydney Harbour, in addition to numerous smaller vessels that can be used in confined or shallow draught waters. Marine Services attended vessel fires throughout the year, following up with penetrative booming to prevent any pollution entering our waters.

In July 2011, we were notified of an emergency on an aircraft returning to Sydney. Under a mutual support arrangement with Sydney Airport, our tug stood by ready to assist, should it have been required.

In February 2012, Sydney Ports assisted NSW Fire and Rescue in fighting a bush fire at a difficult to access site at Yeoland Point, Middle Harbour. This inter-agency assistance was again called upon in April 2012 for a vessel fire at Woolloomooloo Bay Marina.

In 2011/12, Marines Services conducted 4,761 audits of vessels transferring oil, gas and chemicals at berths in Botany Bay and Sydney Harbour. Marine Services also conducted 1,015 work permit audits on vessels, maintaining our commitment to ensure a safe and environmentally sustainable harbour. With a third of the work audited, only 0.3 per cent of the inspections revealed non conformances with the dangerous goods regulations or breaches of safety procedures. These findings were rectified immediately by the operators.

Marine Services conducted 1,187 dangerous goods electronic audits during the year. These audits ensure that dangerous goods in containers on vessels and terminals are transported and on-freighted within strict international regulations.

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

- Exercise Crossbow: on 20 September 2011 at Botany Bay, a combined State agencies oil spill response exercise
- Exercise Sealion: on 21 October 2011 at Gore Cove, a combined Shell-Sydney Ports oil spill exercise
- Exercise Rover: on 19 March 2012 at Port Botany, a combined Caltex-Sydney Ports oil spill exercise.

From 5-7 June 2012, the first national oil spill emergency response exercise in seven years was conducted in Western Port Bay, Victoria. Sydney Ports had a team participating in the exercise, demonstrating a mobile wildlife cleaning facility as well as providing the Deputy Incident Controller for the exercise.

Marine Services also supported the Australian Customs Service and the Royal Australian Navy in preparing their respective boarding teams for domestic and international operations.

SECURITY

WITH ITS AROUND-THE-CLOCK OPERATIONS, SYDNEY PORTS NEEDS TO ENSURE THAT WORK IS CARRIED OUT SAFELY WHILE MONITORING AND MAINTAINING THE SECURITY OF ITS STATE SIGNIFICANT INFRASTRUCTURE AGAINST ACTS OF TERRORISM.

There were no major security issues at any Sydney Ports facility in 2011/12.

The Federal Office of Transport Security (OTS) requires that Maritime Security Plans for port facilities are reviewed every five years. Sydney Ports maintains plans for Port Botany, Sydney Harbour, the Bulk Liquids Berth, the Overseas Passenger Terminal, Barangaroo 5 and the Glebe Island/White Bay common user facilities. During the year, the plans for Port Botany, the Bulk Liquids Berth, the Overseas Passenger Terminal and Barangaroo 5 were reviewed and approved.

Last year, Sydney Ports upgraded its closed circuit television systems to aid in surveillance of all facilities. This is now combined with radar and infrared surveillance, as well as regular and random land and water security patrols.

Following the transfer of the Ports of Yamba and Eden to Sydney Ports on 1 December 2011, the Corporation reviewed the Maritime Security Plans for both ports. Their risk assessment processes were then aligned with the Sydney Ports system. Both revised plans were approved by the OTS in April 2012.

A security exercise conducted in Port Botany in December 2011 identified some opportunities for improvement – primarily better notification procedures for neighbouring facilities in the Port. This has now been incorporated into our security procedures.

Through its Port Security Committee, Sydney Ports continued to communicate and consult with stakeholders on security issues relevant to Port Botany and Sydney Harbour. The Committee includes representatives of port tenants, NSW Police, Australian Customs Service, Australian Quarantine Inspection Service, Attorney-General's Department, the OTS and the defence forces. It aims to create a secure environment for workers, passengers, marine service providers and the broader community. As well as remaining vigilant on local security issues, the Committee is attentive to national and international maritime security activities and threat assessments.

On 1 December 2011, new conditions were applied to holders of the Maritime Security Identification Card (MSIC). The card is crucial in ensuring that only people who have been subject to a background check are allowed access to ships and related landside terminals. The changes mean that all MSIC holders are now subject to criminal history checks every two years rather than every five years.

FACT

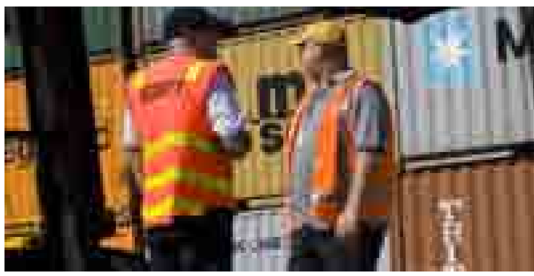
NONE

THERE WERE NO MAJOR SECURITY ISSUES AT ANY SYDNEY PORTS FACILITY IN 2011/12.

The range of crimes checked for has also been widened.

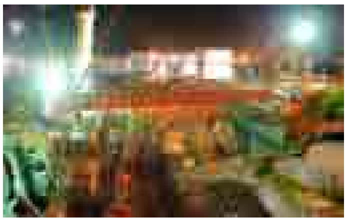
Sydney Ports is an approved issuing body for the MSIC not only in Sydney, but also for ports in Newcastle, Melbourne, Tasmania and South Australia.

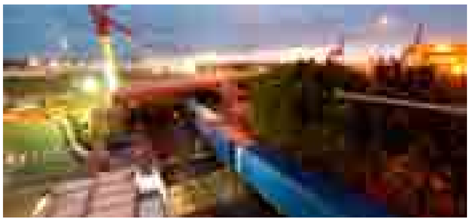
Sydney Ports' security focus continues to be on vigilance, on ensuring that staff are fully aware of our processes and on the sharing of information between stakeholders.



FACILITIES AND LOGISTICS

DURING THE YEAR, SYDNEY PORTS WORKED WITH PORT USERS, STAKEHOLDER GROUPS, INDUSTRY BODIES AND ALL LEVELS OF GOVERNMENT ON A SERIES OF PROJECTS TO IMPROVE CAPACITY AND THROUGHPUT AT PORT BOTANY AND SYDNEY HARBOUR.





FACT

30%

IMPROVEMENT IN TRUCK TURNAROUND TIMES.

Last year saw completion of the 63-hectare Port Botany Expansion, with 45 hectares handed over in August 2011 to the third stevedoring operator, Sydney International Container Terminals Pty. Limited. This enabled them to plan for site works due to begin late 2012. In May 2012, the remaining 18 hectares, known as "The Knuckle", was leased to existing terminal operator Patrick Stevedores. When operational the expansion will significantly increase the capacity of Port Botany.

The Grade Separation Works, commenced in October 2010, involves construction of an elevated road network in Penrhyn Road, Port Botany. Due for completion in late 2012, the project will eliminate the need for trucks to wait at rail crossings.

The Port Botany Landside Improvement Strategy (PBLIS) has seen truck turnaround times improve by 30 per cent, reducing queuing at terminal gates. Our new Truck Marshalling Area, with the capacity for up to 50 early-arriving trucks, opened in June 2012.

The PBLIS Rail Operations and Coordination Centre was also established this year to coordinate train services through Port Botany and improve rail efficiency.

Construction of the second Bulk Liquids Berth marine structures was largely completed during the year. When operational in 2013, the new facility will allow two bulk liquids vessels to berth in Port Botany at the same time.

Significant construction milestones were achieved during the year in the development of the Intermodal Logistics Centre (ILC) at Enfield. The ILC is integral to Sydney Ports' strategy for increasing container rail transport.

Work commenced this year on an expansion of the Cooks River Rail Depot and Empty Container Park at St Peters. The Cooks River facility supplies empty containers to regional NSW and will have increased capacity for rail transport of containers when it is completed. During the year, Sydney Ports held forums at Narrabri and Dubbo to help exporters move their products more efficiently to Port Botany and on to overseas customers.

Glebe Island and White Bay provide the last remaining deep water berths with backup land in Sydney Harbour. Expanded use of this port area is required to meet long term forecast bulk material demands that Port Botany is unable to handle. During the year, Sydney Ports made a submission to the NSW Government's Bays Precinct Taskforce on future development of this port precinct.

A Master Plan for the upgrade of the Overseas Passenger Terminal at Circular Quay was commenced this year. The project aims to improve the terminal's ability to berth larger ships and manage the expected increase in passenger numbers. Over the next three years, Sydney Ports is investing $87 million in cruise related improvements in Sydney Harbour. Included is the new cruise passenger terminal under construction at White Bay 5, replacing the temporary terminal at Barangaroo.

PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY (PBLIS)

THE PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY (PBLIS) IS GENERATING EFFICIENCIES IN OPERATIONS BY IMPROVING ROAD AND RAIL TRANSPORT OF CONTAINERS THROUGH THE PORT.

After its first 12 months of operation, an independent review of PBLIS was conducted by Deloitte Access Economics in March 2012. The review found that the Net Present Value of PBLIS, between 2009 and 2018, is expected to now be $57 million. That is 142 per cent more than they originally estimated in 2009.

In the first year of PBLIS operation, truck turnaround times improved by 30 per cent, compared to 2009 trial data, to an average of 32 minutes a vehicle. Around 95 per cent of trucks now arrive within their allotted time, up from the 72 per cent recorded in the trials. Regulated penalties for slow truck turnarounds and late arrivals, which came into effect in February 2011, together with spreading arrivals to off peak periods, have all helped increase efficiency.

In March 2012, Sydney Ports commissioned an independent market researcher to conduct a survey of road carriers which found that since the establishment of PBLIS:

- 73 per cent of carriers reported an improvement in truck queuing
- 72 per cent of respondents said there was a substantial improvement in the consistency of the Port Botany supply chain
- 59 per cent of supply chain participants reported an improvement in their business performance.

Late June 2012 saw the opening of the Truck Marshalling Area (TMA) within the Port precinct. The marshalling area has capacity for up to 50 early-arriving trucks to wait for their time-slot at the terminals. It is a safe, secure around-the-clock facility that includes amenities for truck drivers. The TMA is helping end the practice of trucks queuing in front of the terminal gates, creating congestion and blocking those arriving on time for their slots.

Sydney Ports' PBLIS team is working closely with the Port Road Taskforce and the Port Botany Rail Team to coordinate road and rail supply chain improvements. Both bodies include representatives of industry associations, road carriers or rail operators, stevedores and Port service providers.

The members of the Port Botany Rail Team have voluntarily signed off on a rail charter, agreeing to establish a governance structure and business rules for Port rail operations. The charter has been lodged with the Australian Competition and Consumer Commission ahead of seeking authorisation for the formal agreement to the structure and rules.

This year, container rail transport to and from the port rose to 261,212 Twenty Foot Equivalent Units (TEUs), up 4.4 per cent on the previous year. The revised Rail Pricing Regulation, which came into effect on 1 September 2011, includes performance incentives for both stevedores and rail operators. The Regulation set a minimum benchmark of 36 containers an hour to be loaded or unloaded at the stevedore rail sidings. During 2011/12, rail productivity improved, with stevedores meeting and exceeding the 36 containers an hour benchmark.

FACT

95%

OF TRUCKS NOW ARRIVE WITHIN THEIR ALLOTTED TIME.

Under PBLIS, the newly set up Port Botany Rail Operations and Coordination Centre (ROCC) will assist in meeting the NSW Government's target of doubling the rail modal share by 2020. The ROCC, operating on a 24 hour, seven day a week basis from late 2012, will be responsible for forecasting, planning and coordinating the Port rail system.

Sydney Ports' PBLIS initiatives are substantial reforms, supported by the NSW Government and included in its *NSW 2021 State Plan*. Stakeholders are already benefiting from road and rail efficiencies and greater advances will flow from the continuous improvement focus and implementation of PBLIS.

PORT BOTANY EXPANSION (PBE)

IN MAY 2012, SYDNEY PORTS' PORT BOTANY EXPANSION (PBE) PROJECT WON THE PRESTIGIOUS AUSTRALIAN CONSTRUCTION ACHIEVEMENT AWARD. THE $1 BILLION PROJECT WAS RECOGNISED FOR ITS CUTTING EDGE APPROACH TO LARGE-SCALE RECLAMATION COMPACTION WORK, SEISMIC ENGINEERING AND REINFORCED CONCRETE MARINE STRUCTURES.

The expansion will significantly increase the capacity of Port Botany, adding five extra berths to the six existing container berths. The 63-hectare site was developed using 8 million cubic metres of dredged material from Port Botany and was completed in mid-June 2011.

On 1 August 2011, the third container terminal tenant, Sydney International Container Terminals Pty. Limited (SICTL), took possession of 45 hectares of the site and four berths. This enabled them to plan for site works due to begin late 2012. SICTL is part of the Hutchison Port Holdings network of port enterprises which will also operate the Intermodal Logistics Centre at Enfield.

On 3 May 2012 Sydney Ports entered into a new lease with Patrick which included the remaining 18 hectares of the expanded area, known as "The Knuckle", with its additional container berth.

The PBE is one of the biggest infrastructure projects undertaken in Australia in the past 30 years. Several other projects are underway to support the increased capacity of Port Botany by improving landside container transportation.

The current major project is the Grade Separation Works which began in October 2010. It involves construction of an elevated road network which will allow trucks to flow smoothly through the Port precinct by removing a rail crossing that requires regular traffic stoppages. The works consist of a large elevated round-about, three access ramps and four bridge spans linking the ramps to the round-about.

Construction of the round-about section started in November 2011 and culminated in March 2012 with one of Australia's biggest elevated concrete pours. By the end of June 2012, two of the ramps, the round-about and three bridge spans had been constructed and the third ramp commenced.

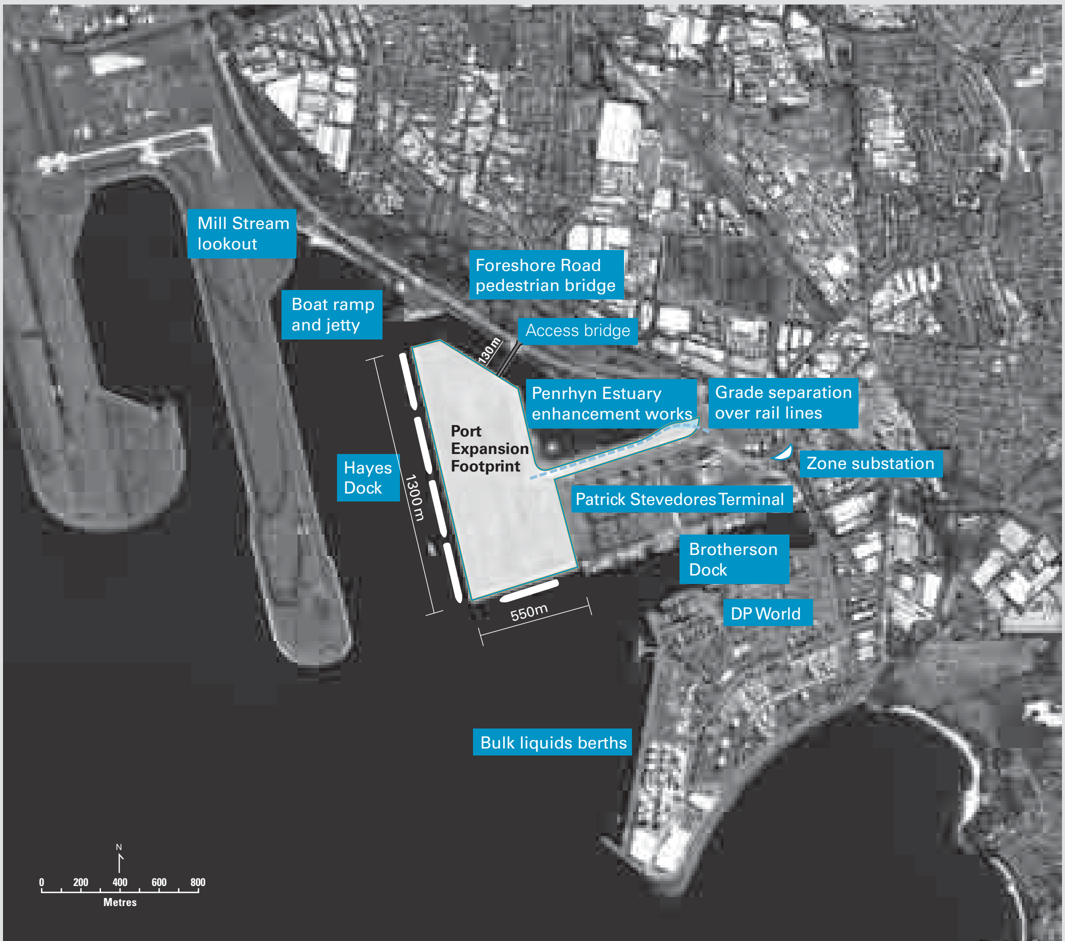
The Grade Separation Works project is expected to be completed in late 2012. Also due for completion later in 2012 are the removal of temporary roads and provision of utilities to the third terminal.

A $30 million program of community commitments was a "Conditions of Consent" for the PBE. In June 2012, the pedestrian footbridge over the freight line that crosses Banksia Street Botany was completed. The bridge eliminates the danger of an unsignalled pedestrian crossing and the need for trains to sound their horns on approach – both are "wins" for local residents. Ownership of the bridge is intended to be transferred to the Council of the City of Botany Bay in early 2012/13.

It is also a win for rail operators that trains will no longer have to slow down on approach to the pedestrian crossing, improving rail efficiency along the dedicated freight line servicing the Port.

Other PBE community commitments completed before 2011/12 include the Penrhyn Estuary enhancement, a public boat ramp, the JJ Cahill Memorial High School gymnasium and infrastructure around Foreshore Beach.

SEVERAL OTHER PROJECTS ARE UNDERWAY TO SUPPORT THE INCREASED CAPACITY OF PORT BOTANY BY IMPROVING LANDSIDE CONTAINER TRANSPORTATION.



PORT BOTANY EXPANSION

BULK LIQUIDS BERTH 2 (BLB2)

CONSTRUCTION OF THE SECOND BULK LIQUIDS BERTH (BLB2) MARINE STRUCTURES AT PORT BOTANY WAS LARGELY COMPLETED DURING THE YEAR. WITH THE CURRENT BULK LIQUIDS BERTH (BLB) RUNNING AT OCCUPANCY LEVELS IN EXCESS OF 70 PER CENT, THE NEW FACILITY WILL ALLOW TWO VESSELS TO BERTH AT THE SAME TIME.

The new $80 million terminal is located next to the current BLB at the south-western end of Brotherson Dock, Port Botany. BLB2 will be suitable for ships up to 270 metres in length and 120,000 deadweight tonnes. This will allow it to accommodate larger vessels, in line with forecasts for ship visits over the coming decades. In comparison, the current BLB can handle ships of 230 metres in length and 90,000 deadweight tonnes.

Both BLBs are designed as multi-product facilities to handle refined fuels, gases, chemicals and other bulk liquids. All products are transferred from ships via pipeline to nearby storage and distribution facilities. In line with the current BLB operation, BLB2 is to be an open access, multi-user berth – able to operate on a 24 hour, seven day a week basis.

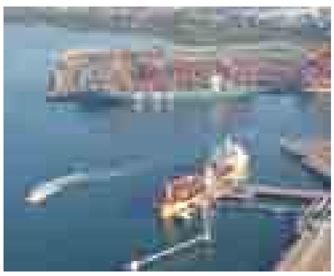
Construction of BLB2 commenced in June 2011 and during 2011/12 134 steel piles, of 1.2 metre diameter and up to 40 metres in length, were installed. A vibration monitoring and management plan ensured that the effect of the pile-driving was minimised, with no impact on the existing BLB or other adjacent operations.

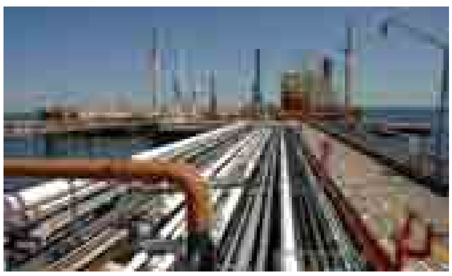
BLB2 WILL BE SUITABLE FOR SHIPS UP TO 270 METRES IN LENGTH AND 120,000 DEADWEIGHT TONNES.

The main structural marine elements of the new wharf were completed in June 2012. BLB2 is due to be completed in late 2012 following the construction and commissioning of onshore support facilities and services, including fire fighting equipment.

Following completion of the BLB2 construction, the licensed operators will fit out the berth with their infrastructure including marine loading arms and product pipelines. BLB2 is expected to then come into operation during 2013.

Allowance has also been made for sufficient space next to the new BLB2 development for a future third BLB to boost bulk liquids capacity when the need arises.





INTERMODAL LOGISTICS CENTRE AT ENFIELD (ILC)

THE INTERMODAL LOGISTICS CENTRE AT ENFIELD (ILC) IS THE FIRST FIT-FOR-PURPOSE FACILITY OF ITS TYPE IN NSW. IT IS A CRITICAL LINK IN THE DEVELOPMENT OF AN INTERMODAL NETWORK TO INCREASE THE RAIL MOVEMENT OF CONTAINERS TO AND FROM PORT BOTANY.

During the year, significant milestones were achieved in the development of the ILC. In August 2011, Hutchison Logistics Australia (HLA) was appointed operator of the facility. HLA is part of the Hutchison Port Holdings (HPH) network of port enterprises which will also operate the new third container terminal at Port Botany.

Last year, Leighton Contractors delivered the early works consisting of the Intermodal Bridge and Frog Ponds. In October 2011, Leighton was re-engaged and commenced site works for the main construction phase of the ILC.

As a result of the early works, a series of modifications to the original ILC design were approved to lessen construction impacts. These included replacing retaining walls with native vegetated slopes and landscaping of the Stockpile 4 area – colloquially known as Mount Enfield.

Impacted soil discovered in two stockpiles was carefully processed within a restricted treatment zone and capped with clean material from the site. In December 2011, a third environmental audit was carried out and zero non-compliance was found.

By the end of the financial year, Leighton had completed 80 per cent of the project's earthworks.

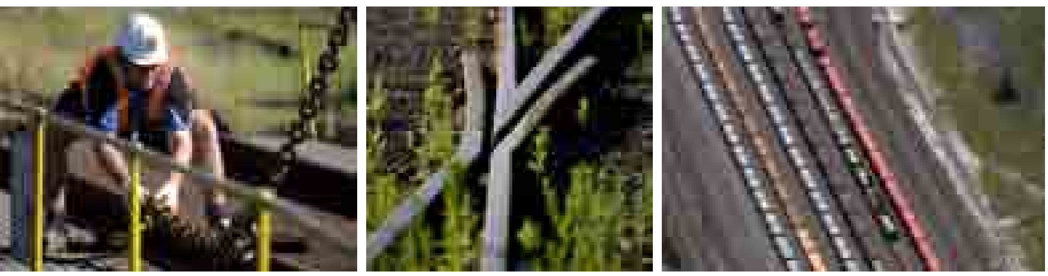
Throughout the project, Sydney Ports has consulted closely with two community groups – the Road Transport Coordination Group and the Community Liaison Committee. Residents have been kept informed with regular website updates and letter-box drops.

Sydney Ports has also funded $700,000 in community enhancements which were carried out by Bankstown Council and finalised in March 2012. Improvements included repairs to Greenacre's YMCA and Senior Citizens Centre, pedestrian and traffic enhancements around Roberts Park and an upgrade of facilities at both Roberts and Allum Parks. An additional $36,000 was provided to Strathfield Council for the design of three roundabouts in Cosgrove Road South Strathfield.

The ILC is expected to commence operations in early 2014 and over a five year period build up to the EIS approved capacity of 300,000 TEUs per annum of freight movements. The ILC will significantly contribute to achieving the NSW Government's target of doubling container volumes transported by rail by 2020.

Sydney Ports estimates that the new facility will reduce Port Botany truck movements by up to 300 a day, easing road congestion and reducing carbon emissions. Co-locating pack/unpack warehouses on the site will also internalise over 30,000 truck movements a year. The number of kilometres travelled by truck between Port Botany and the ILC market catchment will be reduced by 6,500,000 a year. This will cut carbon dioxide emissions by an estimated 1,000 tonnes a year.

THE NUMBER OF KILOMETRES TRAVELLED BY TRUCK BETWEEN PORT BOTANY AND THE ILC MARKET CATCHMENT WILL BE REDUCED BY 6,500,000 A YEAR.



COOKS RIVER EMPTY CONTAINER PARK (ECP)

THE COOKS RIVER RAIL DEPOT AND EMPTY CONTAINER PARK (ECP) AT ST PETERS IS ONE OF TWO ECPs IN SYDNEY WITH RAIL ACCESS. IT IS AN INTEGRAL PART OF SYDNEY PORTS' STRATEGY FOR INCREASING RAIL TRANSPORT OF CONTAINERS TO OR FROM THE WHARVES AND EMPTY CONTAINER SUPPLY TO REGIONAL NSW.

COOKS RIVER WILL BE ABLE TO SERVICE ENTIRE TRAINS ON ITS SIDINGS, WITHOUT THE NEED TO SPLIT THEM.

At Cooks River, empty containers are received from importers to be cleaned, stored and repaired before being packed or transferred to regional freight centres or re-exported.

Work commenced during the year on an upgrade and expansion of the Cooks River facility. This has included drainage improvements, pavement repairs and the extension of existing rail sidings to allow for trains of 600 metres in length. Two additional sidings are also under construction and will meet the new 600 metre industry port shuttle standard established by the Port Botany Rail Team. Sydney Ports has supported the tenant, Maritime Container Services, in these improvements.

Cooks River will be able to service entire trains on its sidings, without the need to split them. This will increase rail system capacity, including opportunities to backload from the container terminals and help achieve the NSW Government's target of doubling rail modal share by 2020.

The upgrade to the Cooks River Depot also includes building additional facilities for containers to be stored on power to maintain their contents at a stable temperature.

Cooks River is a key component of the Port Botany supply chain for the distribution of empty containers by rail to regional areas. The expansion of the Cooks River facility will help producers across NSW export with greater ease and efficiency. Sydney Ports' integrated "Paddock to Port" focus is providing the infrastructure to support the movement of goods and commodities from regional areas to overseas markets.

CRUISE

IN DECEMBER 2011, SYDNEY WAS VOTED THE BEST INTERNATIONAL CRUISE PORT, FOR THE SEVENTH YEAR IN A ROW, IN *CRUISE PASSENGER* MAGAZINE READER'S CHOICE AWARDS. THE MAGAZINE COMMENTED ON THE WONDER OF SAILING THROUGH SYDNEY HEADS AND TOWARDS THE HARBOUR BRIDGE AND SYDNEY OPERA HOUSE.

Sydney has become the leading Australian cruise destination, with the number of ship visits growing by about 30 per cent in each of the last two years. Passenger cruise visits of 199 in 2011/12 compared to 153 the previous year and 119 in 2009/10. The cruise industry is now the fastest growing segment of the tourism market, with Australian passenger numbers increasing by 34 per cent in 2011.

The growth in cruise visits has delivered fresh challenges to Sydney Ports in the provision of port infrastructure. This was highlighted when the *Queen Mary 2,* the largest liner ever to berth at the Overseas Passenger Terminal (OPT), arrived on 7 March 2012. A special heavy-duty anchor was positioned in Campbell's Cove, to ensure the 345 metre vessel was safely moored. Prior to these works the *Queen Mary 2* was only able to berth at Garden Island. Being able to berth at the OPT saved the cruise line the significant cost of erecting temporary infrastructure and relocating passengers for arrivals processing.

Sydney Ports is continuing to work closely with industry to provide the right infrastructure to support the growth in cruise visits. Our current infrastructure program has Sydney Ports investing significantly in cruise related improvements over the next three years. The program includes an upgrade for the OPT, designed to improve the terminal's ability to berth larger ships and help manage the expected increase in passenger numbers. An OPT Master Plan was well underway by the end of the year, following consultation with stakeholders.

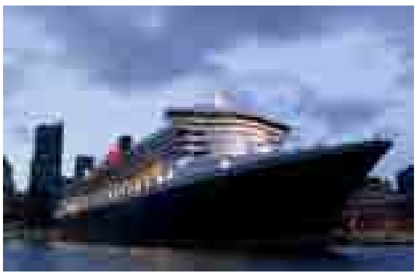
A new passenger cruise terminal at White Bay will replace the temporary terminal at Barangaroo. Work began on the new terminal buildings in December 2011 and construction is due to be completed in early 2013.

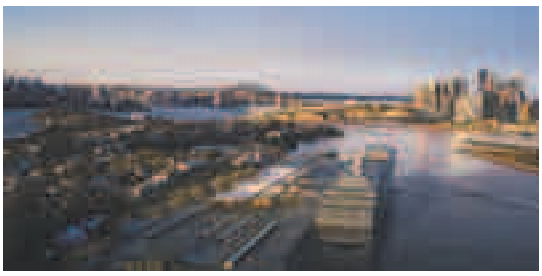
Sydney Ports has also appointed a Cruise Operations Manager and provides a site representative for every cruise ship visit, ensuring that operations are properly coordinated and run smoothly.

A growing number of cruise vessels are unable to pass under the Sydney Harbour Bridge. Sydney Ports is continuing to lobby government for additional berth and terminal facilities east of the bridge, including Garden Island. In February 2012, the "Hawke Review" reported that cruise ships were incompatible with the Navy's operations at Garden Island.

In May 2012, the State Government announced a new pricing regime for the Sydney Ports Cruise Terminals. The fee was last increased in 1992. The new pricing regime will allow Sydney Ports to generate a return on our assets while supporting the growth in cruise shipping.

SYDNEY PORTS IS CONTINUING TO WORK CLOSELY WITH INDUSTRY TO PROVIDE THE RIGHT INFRASTRUCTURE TO SUPPORT THE GROWTH IN CRUISE VISITS.





PORTS OF YAMBA AND EDEN

THE PORTS OF YAMBA AND EDEN BECAME PART OF SYDNEY PORTS' MANAGEMENT AND OPERATIONAL RESPONSIBILITIES ON 1 DECEMBER 2011. BOTH PORTS PLAY A KEY ROLE IN THE ECONOMIES OF THEIR REGIONS.

The Port of Clarence River (Yamba) serves the north coast of NSW. It handles a range of imports and exports, vessels for maintenance at the local slipway and is home to a large fishing fleet.

The main exports through Yamba are hardwood poles, timber products, manufactured items, food, explosives, building products, small quantities of fuel and general cargo. Imports include processed timber, Kentia Palm seeds and personal effects.

Yamba provides provisioning to Norfolk Island and a trade link to New Zealand. In September 2011, the largest cargo loaded in the Port in 15 years contained 2,507 tonnes of concrete sleepers which were shipped to Geraldton, Western Australia.

The Port of Yamba operates on a 24 hour basis and has a designated Harbour Master/Pilot. It handles approximately 6,000 tonnes of cargo a year and vessels up to 120 metres in length can be safely secured at its wharf. In addition to the Port wharf, Yamba has privately-owned slipway and repair wharves. With vessels arriving to load or unload cargo or for maintenance, layup or transit upriver; Yamba often has several piloted movements for each vessel.

The Port of Eden is the southernmost port in NSW and supports the south coast and eastern Victoria. The Port is home to a large fishing fleet and services the needs of a variety of importers and exporters.

YAMBA PROVIDES PROVISIONING TO NORFOLK ISLAND AND A TRADE LINK TO NEW ZEALAND.

Woodchip is the major trade, with 911,000 tonnes exported this year to Japan, China and Taiwan. Pine logs, explosives and general cargo are also exported through the Port. Eden has a history of servicing the Bass Strait oil rigs and with ore mining being developed in East Gippsland, the Port is under consideration for shipping iron products.

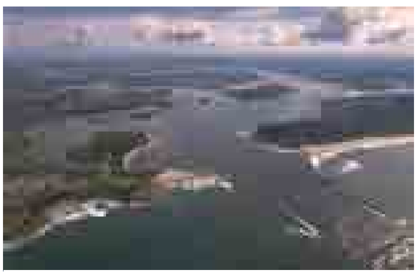
The Port of Eden has a deepwater harbour, three wharves and an eight hectare cargo storage facility. The multi-user wharf services naval operations, container, general cargo and log exports. The privately-owned woodchip terminal is nearby. The other berth is a breakwater wharf used by smaller vessels and Anchor Handling Tow Supply vessels for general cargo and bunkering.

In 2011/12, two cruise ships visited Eden, anchoring in the harbour and ferrying passengers to shore. During the year, 71 other ships visited Eden, including 29 naval vessels.

The Port of Eden provides a Harbour Master, 24 hour pilotage services, hydrographic surveys, management of wharves and Port security functions.

Since coming under Sydney Ports' management, both ports have been integrated into our financial, communications and IT networks and the ShIPS system that coordinates vessel movements and port service providers. Yamba and Eden's safety and security plans have now been updated and their marine oil spill procedures are being reviewed.

THE PORT OF EDEN HAS A DEEPWATER HARBOUR, THREE WHARVES AND AN EIGHT HECTARE CARGO STORAGE FACILITY.



SUSTAINABILITY

SYDNEY PORTS' MAIN SUSTAINABILITY FOCUS DURING 2011/12 WAS ON ENVIRONMENTAL MONITORING, RESOURCE EFFICIENCY AND COMMUNITY CONSULTATION ON PORT GROWTH PROJECTS.

There were no environmental notices issued against Sydney Ports this year, maintaining our good record of the previous three years.

As part of the Port Botany Expansion project, Sydney Ports made environmental enhancements to Penrhyn Estuary. We expanded the existing shorebird habitat, planted seagrass and extended the salt marsh – with the aim of attracting more migratory shorebirds.

In early 2012, Sydney Ports began a five-year, $3 million environmental monitoring program of the Estuary. The program is evaluating the success of the habitat enhancement by monitoring the seagrass, salt marsh, migratory birds, benthos and water quality.

During the year, Sydney Ports continued to co-fund University of NSW research into new technologies for cleaning up contaminated sediments. We also began assessing the vulnerability of port infrastructure to climate change, in conjunction with RMIT University.

Sydney Ports' staff and tenants again took part in this year's Business Clean Up Australia Day in February 2012. We collected 13 large bags of recyclable material and 15 bags of general waste from Tower Beach, Botany Bay and nearby areas.

In 2011/12, Sydney Ports re-tendered the electricity supply for our 13 largest sites which account for more than 90 per cent of our usage. Competitive tenders were sought from major electricity retailers and a new supplier appointed from 1 July 2012.

The new pricing incorporates forecast increases in distribution costs and carbon pricing without increasing Sydney Ports' total electricity costs. The detailed reporting and analysis of usage provided under the new contract will enable Sydney Ports to accurately assess further energy efficiency measures.

IN EARLY 2012, SYDNEY PORTS BEGAN A FIVE-YEAR, $3 MILLION ENVIRONMENTAL MONITORING PROGRAM OF THE ESTUARY.

In March 2012, Sydney Ports supported Earth Hour, switching off all lights and electrical equipment not essential to safe port operations.

This year, Sydney Ports analysed the fuel efficiency of our vehicle fleet in order to make more fuel efficient purchases in future. We also commenced a review of the marine fuel usage of Sydney Ports' vessels.

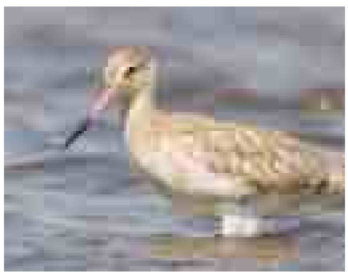
In 2011/12, we updated the sustainability sections of the *Port Botany Development Code* following feedback from Port tenants and commenced a review of our *Green Port Guidelines.*

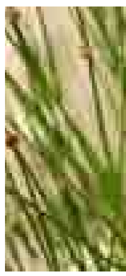
Sustainability considerations were included in the design of the Cruise Passenger Terminal at White Bay Wharf 5. Designed to achieve a 4.5 Green Star rating under the Public Building pilot tool, the terminal design considers energy and water use, indoor air quality and impacts of building materials.

During the year, Sydney Ports consulted with our Glebe Island White Bay Community Liaison Group on local development. The Port Botany Neighbourhood Liaison Group and Port Botany Expansion Community Consultative Committee continued to provide us with valuable feedback on Port operations and the expansion project. We also held ongoing meetings during the year with the Community Liaison Committee at Enfield on the Intermodal Logistics Centre development.

Sydney Ports is committed to improved environmental, economic and social sustainability as we pursue future port growth developments and increased rail transport of containers.

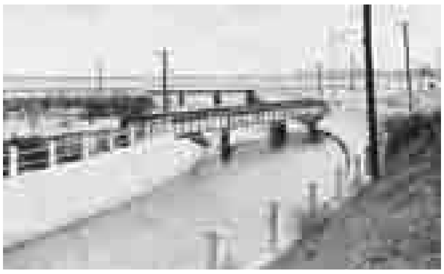
In 2011/12, photography and artwork competitions for school students within our port precincts raised awareness of Sydney Ports' operations and supported local communities. Artwork competition entrants competed for $3,000 worth of IT equipment for their school and individual prizes. Their work was displayed at Sydney Ports' Jazz on the Water concert on Australia Day. The photographic entries were shown at the Balmain Art and Craft Show, which we sponsor.

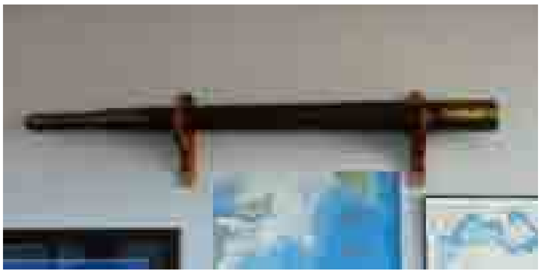




HERITAGE

SYDNEY PORTS IS COMMITTED TO PRESERVING PORT HERITAGE AND MARITIME HISTORY. ALL PROJECTS ARE ASSESSED FOR POTENTIAL HERITAGE IMPACTS AT THE DEVELOPMENT ASSESSMENT STAGE AND WHEN UNDERTAKING MAINTENANCE WORKS.





A LATE 19TH CENTURY TELESCOPE AND BAROMETER, OWNED BY THE FIRST APPOINTED HARBOUR MASTER OF THE PORT OF EDEN IN 1860, HAVE BEEN ADDED TO OUR REGISTER.

Under the NSW *Heritage Act 1977,* Sydney Ports is required to identify, list and protect heritage items on a Section 170 Heritage and Conservation Register.

Three potential heritage items identified last year have been assessed by independent heritage consultants as being of significance and have now been listed on Sydney Ports' register. These are the White Bay Power Station inlet canal, the Bunnerong Canal rail bridge at Port Botany and a large Bay Class bronze propeller from Darling Harbour Wharf 8. The propeller has now been re-located to White Bay and will become a feature of the new White Bay 5 Cruise Passenger Terminal when it is completed.

Last year, items of heritage significance were identified during preparation of the heritage impact section of the environmental assessment for the Intermodal Logistics Centre at Enfield. These included a Pillar Water Tank and the former Tarpaulin Factory and were added to the register during 2011/12.

In December 2011, the government placed the Ports of Eden and Yamba under the control of Sydney Ports. A late 19th century telescope and barometer, owned by the first appointed Harbour Master of the Port of Eden in 1860, have been added to our register.

Sydney Ports' register now has 49 heritage listings. A review is conducted each year to identify further items of port and maritime significance. Items of potential heritage significance at Yamba will be investigated in the coming year. Other possible heritage items identified during the year or through development assessment processes will also be investigated.

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PORT BOTANY PORT FACILITIES AND TENANTS

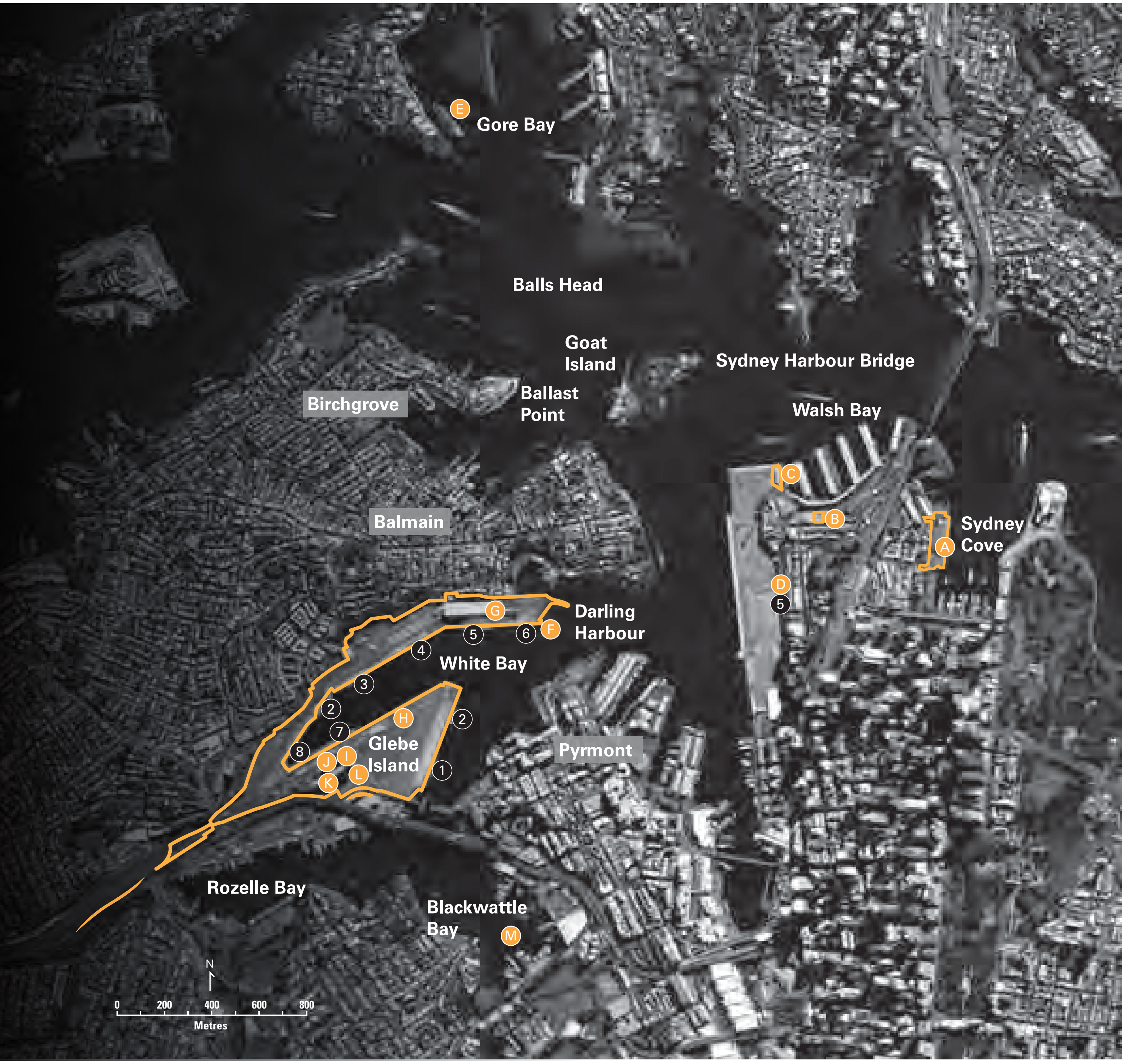
A ACFS
B PB Towage
C Vopak Terminals
D Qenos
E Elgas
F Tyne Container Services
G Terminals
H Origin Energy
I DP World
J Patrick Port Logistics

K Truck Marshalling Area
L Australian Customs Service
M Warehouse Solutions International
N ACFS/Tyne
O Vacant area
P Qube Logistics
Q Sydney Ports Corporation – Operations Centre
R Svitzer
S Ausgrid

T Caltex Australia
U Patrick Stevedores
V The Knuckle – Patrick Stevedores
W Sydney International Container Terminals

1 Berth numbers
1 Bulk Liquids Berth numbers

SYDNEY HARBOUR PRECINCTS AND TENANTS



A Overseas Passenger Terminal
B Sydney Ports Corporation – Corporate Office
C Moores Wharf – Sydney Ports Corporation Marine Operations
D Wharf 5 Barangaroo Cruise Passenger Terminal
E Gore Bay Terminal
F Bailey's Marine Fuels
G Cruise Passenger Terminal at Wharf 5 White Bay (under construction)
H Glebe Island – Sydney Ports Corporation Marine Services
I Gypsum Resources Australia
J Eye Drive
K Cement Australia
L Sugar Australia
M Blackwattle Bay

1 Berth numbers

INTERMODAL LOGISTICS CENTRE AT ENFIELD (ILC)

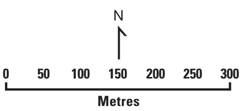
A Intermodal Logistics Centre site

B Norfolk Road and Roberts Road intersection site

N

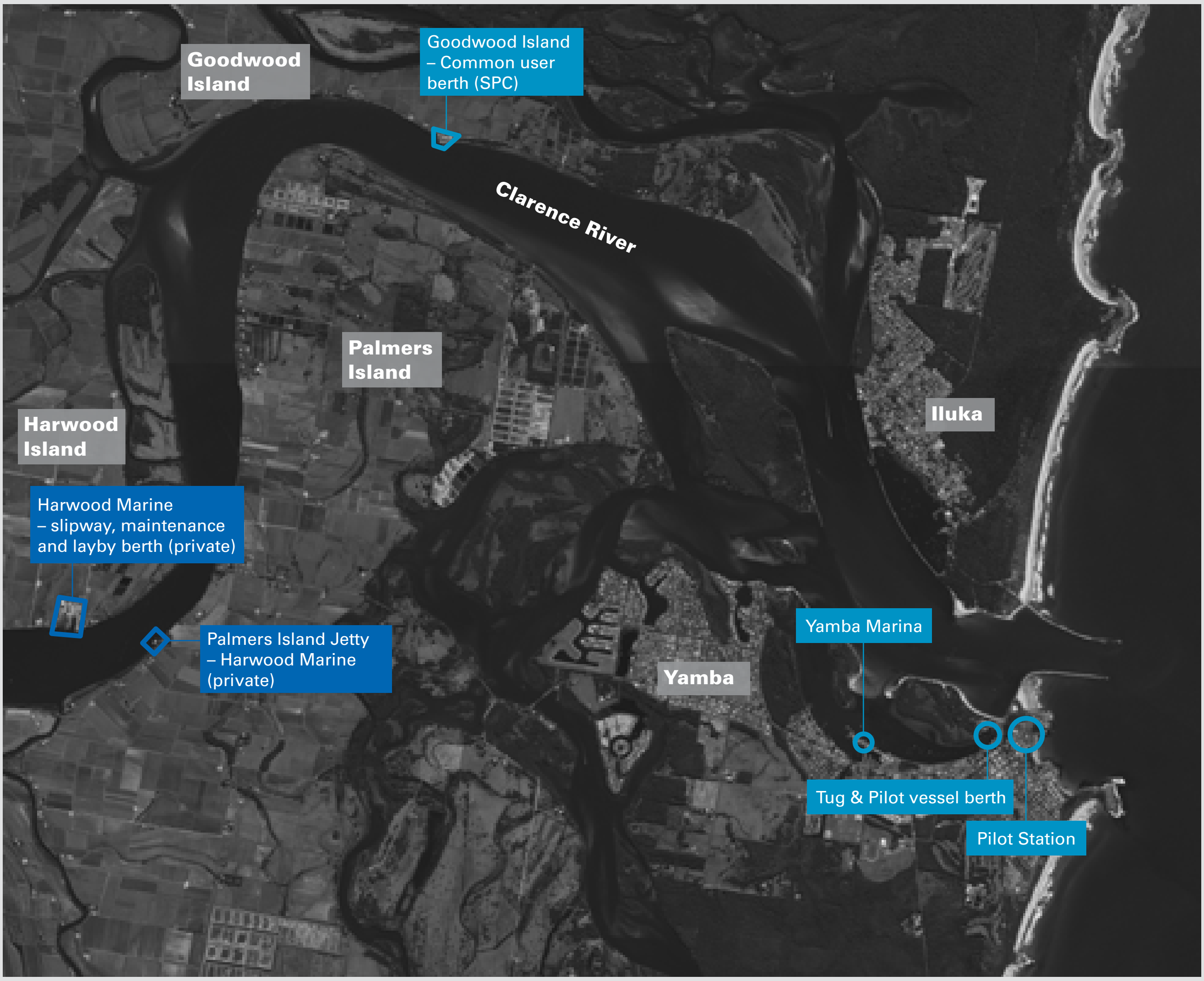
0 100 200 300 400 500
Metres

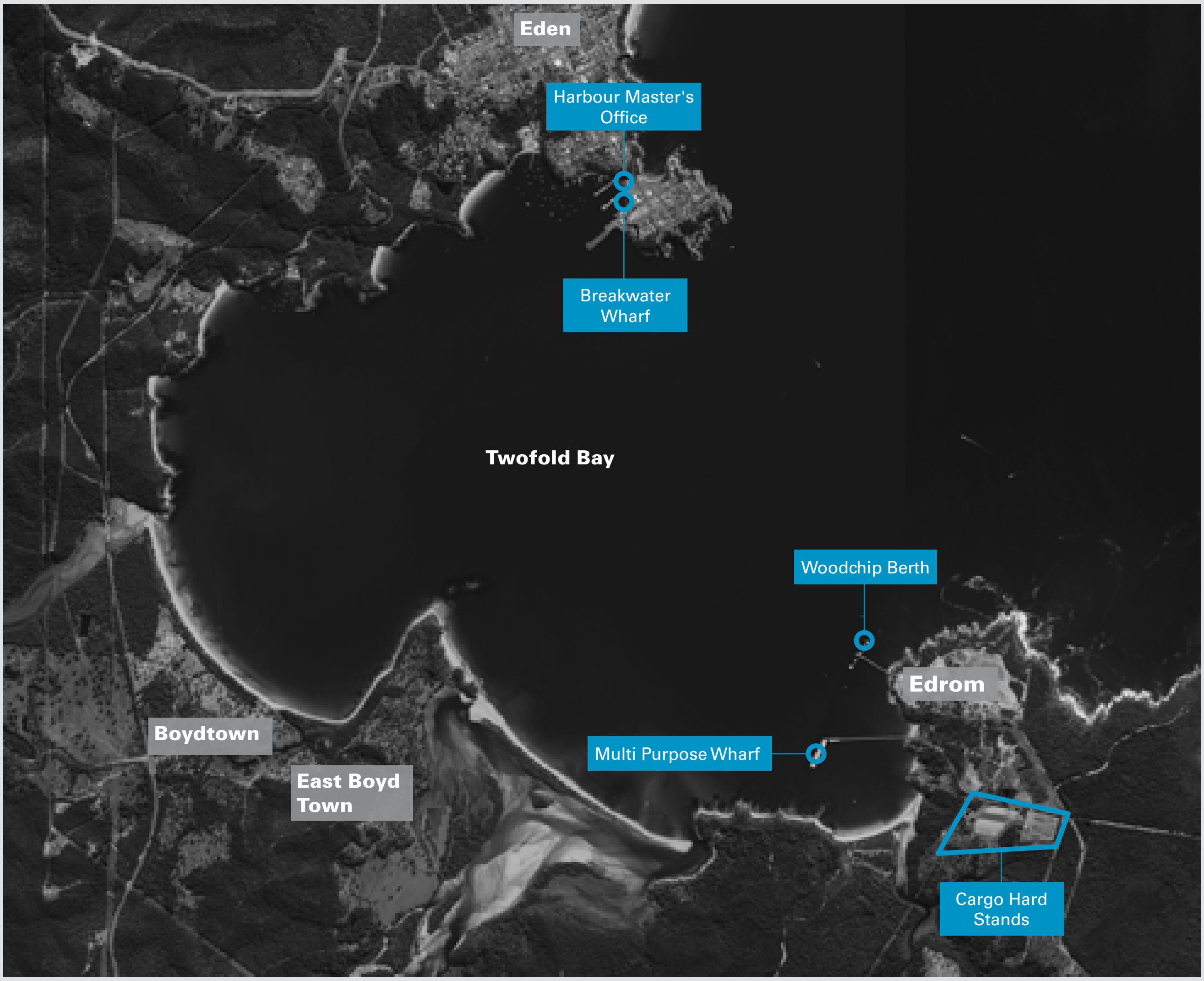
COOKS RIVER RAIL YARDS



A Maritime Container Services
B Pacific National

PORT OF YAMBA




Eden
Harbour Master's Office
Breakwater Wharf
Twofold Bay
Woodchip Berth
Edrom
Multi Purpose Wharf
Boydtown
East Boyd Town
Cargo Hard Stands

NSW ROAD AND RAIL LINKS

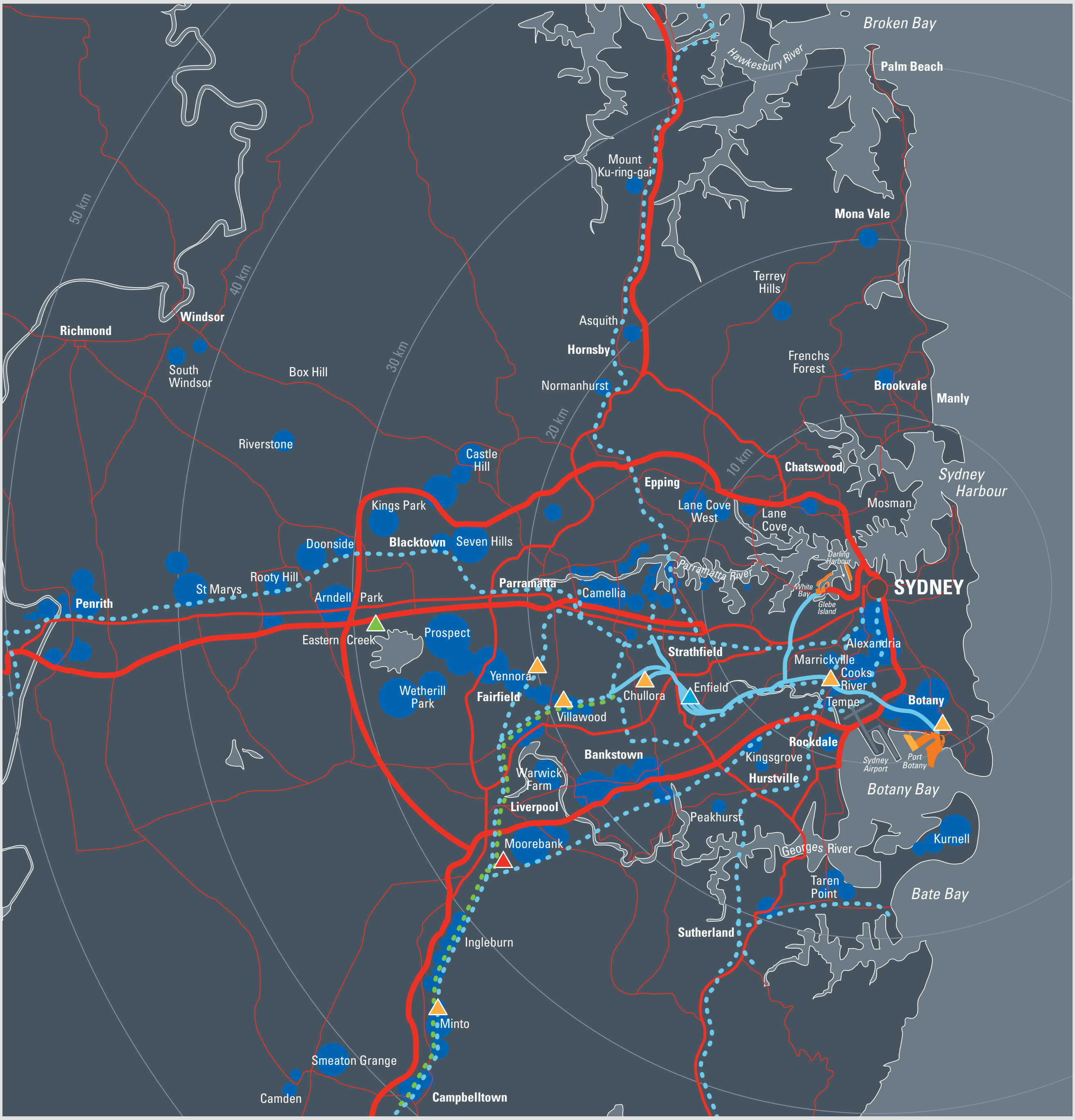
Main roads

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 Terminals
- (Proposed) Eastern Creek Intermodal Terminal

FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	CORPORATION 2012 $000	CONSOLIDATED* 2011 $000	CORPORATION 2011 $000
Revenue				
Revenue from operating activities	3	236,907	218,959	217,145
Other revenue	3	39,591	36,626	38,958
Total revenue		**276,498**	**255,585**	**256,103**
Expenses				
Employee benefits expense	4	(46,816)	(41,488)	(41,498)
Depreciation and amortisation expense	4	(32,262)	(23,935)	(23,888)
Other expenses	4	(73,317)	(71,493)	(71,258)
Finance costs	4	(48,599)	(13,810)	(13,810)
Total expenses		**(200,994)**	**(150,726)**	**(150,454)**
Profit before income tax equivalent expense		75,504	104,859	105,649
Income tax equivalent expense	5(a)	(23,059)	(31,371)	(31,349)
Net profit for the year		**52,445**	**73,488**	**74,300**
Other comprehensive income/(expense)				
Fair value revaluation of property, plant and equipment	9(d)	49,704	73,361	73,361
Transferred to finance costs – profit or loss	14(c)	1,777	61	61
Transferred to finance costs – construction in progress	14(c)	53	1,655	1,655
Superannuation actuarial losses	15(e)	(31,864)	(458)	(458)
Income tax equivalent expense on items of other comprehensive income	5(b)	(5,884)	(22,401)	(22,401)
Other comprehensive income for the year, net of income tax equivalent expense		**13,786**	**52,218**	**52,218**
Total comprehensive income for the year		**66,231**	**125,706**	**126,518**

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

* The 2011 consolidated statement of comprehensive income includes two months results of operations of Sydney Pilot Service Pty Ltd which was a former wholly owned subsidiary of the Corporation. The vessel pilotage business of Sydney Pilot Service Pty Ltd was transferred to the Corporation on 1 September 2010. 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).

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	NOTE	CORPORATION 2012 $000	CORPORATION 2011 $000
ASSETS			
Current assets			
Cash and cash equivalents	6	92,829	156,858
Trade and other receivables	7	41,823	26,562
Assets held for sale	8	2,600	4,097
Total current assets		**137,252**	**187,517**
Non-current assets			
Receivables	7	124,389	118,815
Property, plant and equipment	9(a)	1,809,160	1,640,958
Intangible assets	10	4,088	3,075
Deferred tax equivalent assets	5(d)	23,374	16,797
Total non-current assets		**1,961,011**	**1,779,645**
Total assets		**2,098,263**	**1,967,162**
LIABILITIES			
Current liabilities			
Trade and other payables	11	73,394	61,875
Income tax equivalent payable		5,249	2,171
Provisions	12	13,438	13,262
Total current liabilities		**92,081**	**77,308**
Non-current liabilities			
Payables	11	3,603	3,874
Interest-bearing loans and borrowings	13	604,574	603,826
Deferred tax equivalent liabilities	5(d)	226,113	206,215
Provisions	12	3,012	5,375
Other non-current liabilities	15	45,298	14,248
Total non-current liabilities		**882,600**	**833,538**
Total liabilities		**974,681**	**910,846**
Net assets		**1,123,582**	**1,056,316**
EQUITY			
Contributed equity	14	125,542	125,542
Reserves	14	508,708	472,705
Retained earnings	14	489,332	458,069
Total equity		**1,123,582**	**1,056,316**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	CONTRIBUTED EQUITY $000	ASSET REVALUATION RESERVE $000	CASH-FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL $000
CORPORATION						
Balance at 1 July 2010		125,542	429,930	(9,763)	384,089	929,798
Profit for the year after tax		–	–	–	74,300	74,300
Other comprehensive income/(expense)	14(a),(c)	–	51,337	1,201	(320)	52,218
Total comprehensive income 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
Profit for the year after tax		–	–	–	52,445	52,445
Other comprehensive income/(expense)	14(a),(c)	–	34,722	1,281	(22,217)	13,786
Total comprehensive income for the year		–	34,722	1,281	30,228	66,231
Transactions with owners in their capacity as owners:						
Net assets of Regional Ports transferred from Roads and Maritime Services	25	–	–	–	1,035	1,035
Dividends provided for		–	–	–	–	–
Balance at 30 June 2012		125,542	515,989	(7,281)	489,332	1,123,582

	CONTRIBUTED EQUITY $000	ASSET REVALUATION RESERVE $000	CASH-FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL $000
CONSOLIDATED*					
Balance at 1 July 2010	125,542	429,930	(9,763)	384,901	930,610
Profit for the year after tax	–	–	–	73,488	73,488
Other comprehensive income/(expense)	–	51,337	1,201	(320)	52,218
Total comprehensive income 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

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

* The 2011 consolidated statement of comprehensive income includes two months results of operations of Sydney Pilot Service Pty Ltd which was a former wholly owned subsidiary of the Corporation. The vessel pilotage business of Sydney Pilot Service Pty Ltd was transferred to the Corporation on 1 September 2010. 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).

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	CORPORATION 2012 $000	CONSOLIDATED* 2011 $000	CORPORATION 2011 $000
Net cash flows from operating activities				
Receipts from customers		272,677	267,893	266,932
Payments to suppliers and employees		(143,483)	(134,488)	(132,800)
Interest received		6,564	9,859	9,853
Borrowing costs paid		(29,979)	(12,627)	(12,627)
Income tax equivalent paid		(12,541)	(26,220)	(26,665)
Net cash flows from operating activities	6(c)	**93,238**	**104,417**	**104,693**
Net cash flows used in investing activities				
Purchase of property, plant and equipment		(158,427)	(197,079)	(197,070)
Proceeds from sale of property, plant and equipment		415	265	265
Net cash flows used in investing activities		**(158,012)**	**(196,814)**	**(196,805)**
Net cash flows from financing activities		–	–	–
Net decrease in cash and cash equivalents		(64,774)	(92,397)	(92,112)
Cash and cash equivalents at the beginning of the financial year		156,858	249,255	248,970
Cash transferred in as a result of transfer of Regional Ports from Roads and Maritime Services	25	745	–	–
Cash and cash equivalents at the end of the financial year	6	**92,829**	**156,858**	**156,858**

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

* The 2011 consolidated statement of comprehensive income includes two months results of operations of Sydney Pilot Service Pty Ltd which was a former wholly owned subsidiary of the Corporation. The vessel pilotage business of Sydney Pilot Service Pty Ltd was transferred to the Corporation on 1 September 2010. 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).

NOTE 1. CORPORATE INFORMATION

The financial statements of Sydney Ports Corporation (the "Corporation") for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 21 September 2012.

Sydney Ports Corporation is a state-owned corporation, 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 nature of the operations and principal activities of the Corporation is 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, Australia.

(a) Transfer of the Regional Ports of Eden and Yamba

The Minister for Roads and Ports signed a Ministerial Order on 29 November 2011 transferring the assets, rights and liabilities of the commercial port facilities at Eden and Yamba from Roads and Maritime Services (a NSW government agency) to the Corporation from 1 December 2011. A second Ministerial Order of the same date was signed transferring the staff employed in the Ports of Eden and Yamba to the Corporation from 1 December 2011. Consequently the Corporation will manage these ports from that date.

The transfer of the assets, rights and liabilities is for no consideration except that Roads and Maritime Services paid the Corporation an amount equal to the liability for annual leave and long service leave entitlements and a liability for a maintenance fund at the Port of Eden transferred to the Corporation.

Property, plant and equipment were transferred from Road and Maritime Services at fair value to the Corporation. The fair value of land transferred was assessed by an independent valuer at 1 December 2011. All other property, plant and equipment were transferred at nil value as they have no value in use for the Corporation.

(b) Transfer of operations of Sydney Pilot Service Pty Ltd

Sydney Pilot Service Pty Ltd was formerly a wholly owned subsidiary of the Corporation.

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

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).

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) 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.

(b) Basis of consolidation at 30 June 2011

At 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes equity and consolidated statement of cash flows comprise the results of operations and cash flows of Sydney Ports Corporation, being the parent entity, and its wholly owned subsidiary, Sydney Pilot Service Pty Ltd.

The financial statements for the year ended 30 June 2012 are not prepared on a consolidated basis as the controlled entity Sydney Pilot Service Pty Ltd is no longer recognised as a subsidiary. 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).

(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 (IASB).

(d) New accounting standards and interpretations

The Corporation has adopted the following new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) Interpretations as and when they became applicable during the year.

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

- AASB 124 *Related Party Disclosures* simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.
- AASB 1054 *Australian Additional Disclosures* – This standard relocates all Australian specific disclosures from other standards to one place.
- AASB 2009-12 *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) – This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* – The amendment addresses the unintended consequences that could arise from the previous requirements when a corporation prepaid future contributions into a defined pension plan with a minimum funding requirement. Prior to the amending of the standard, corporations that prepaid minimum funding requirement contributions may have been required to recognise the voluntary prepayment as an expense rather than an asset.
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13) – Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Amendments include new disclosure about the credit quality of financial assets that are neither past due nor impaired (AASB 2007) and clarification of information that must be presented either in the statement of changes in equity or in the notes (AASB 101).
- AASB 2010-5 *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) – 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.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (AASB 1 and AASB 7) – These amendments increase the disclosure requirements for transactions involving transfers of financial assets.
- AASB 2011-1 *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) This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.

Australian Accounting Standards and Interpretations, issued by the AASB, that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the annual reporting period ending 30 June 2012.

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.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR CORPORATION*
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. 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 13	*Fair Value Measurement*	AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR CORPORATION*
AASB 119	*Employee Benefits*	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.	1 January 2013	1 July 2013
AASB 1053	*Application of Tiers of Australian Accounting Standards*	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 2010-2	*Amendments to Australian Standards arising from Reduced Disclosure Requirements* (AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052)	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 2010-7	*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)	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.	1 January 2013	1 July 2013
AASB 2011-2	*Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Regime* (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

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR CORPORATION*
AASB 2011-4	*Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (AASB 124)	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013
AASB 2011-8	*Amendments to Australian Accounting Standards arising from AASB 13* (AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132)	This amendment essentially makes references to fair value and its measurement consistent across standards and interpretations and removes any detailed guidance on fair value from other standards to AASB 13.	1 January 2013	1 July 2013
AASB 2011-9	*Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049)	These amendments requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012
AASB 2011-10	*Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) (AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14)	These amendments make consequential amendments across standards and interpretation in response to changes made by AASB 119.	1 January 2013	1 July 2013
AASB 2011-11	*Amendments to AASB 119* (September 2011) arising from Reduced Disclosure Requirements	This amendment makes amendments to AASB 119 to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	1 July 2013	1 July 2013
AASB 2012-1	*Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements* (AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141)	AASB 2012-1 establishes and amends reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8.	1 July 2013	1 July 2013
AASB 2012-2	*Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (AASB 7 & AASB 132)	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	1 July 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR CORPORATION*
AASB 2012-3	*Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (AASB 132)	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies that have been identified in applying some of the offsetting criteria of AASB 132. This includes clarifying the meaning of "currently has a legally enforceable right to set-off recognised amounts" and "intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously".	1 January 2014	1 July 2014
AASB 2012-5	*Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* (AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2)	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle which provides a vehicle for making non-urgent but necessary amendments to standards.	1 January 2013	1 July 2013

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

(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 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.

(f) Trade and other receivables

Trade receivables are on 28 day terms while other receivables range from seven 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 Corporation 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) Derivative financial instruments and hedging

The Corporation 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 Corporation and, at each reporting date, provides details of the fair value of these instruments. Derivatives managed by TCorp for the Corporation are for debt management purposes only and their use is controlled by the Corporation'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 Corporation tests each of the designated cash-flow hedges for effectiveness on a six-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 Corporation 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 Corporation 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.

(h) 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.

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 when the carrying amount of the replacement part is recognised. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2012 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 Corporation 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 Corporation 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.

(i) 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 Corporation'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 Corporation'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 Corporation's software intangible assets have finite lives and are amortised on a straight-line basis.

(j) 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 2012 and 2011 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 6 years

(k) 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.

(l) Recoverable amount of assets

At each reporting date, the Corporation assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Corporation 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.

(m) Channel dredging cost

The Corporation 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 Corporation is applying the accounting treatment agreed with NSW Treasury, relevant Port Corporations and Roads and Maritime Services (formerly Maritime Authority of NSW) 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 Roads and Maritime Services (a NSW Government Authority). The prepayment is amortised over the period of the licence.

(n) Assets held for sale

Assets (or disposal groups comprising assets and liabilities) whose carrying amounts 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 Corporation'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.

The sale of the asset should be expected to qualify for recognition as a completed sale within one year from the date of classification. The Corporation may extend the period where events and circumstances beyond the control of the Corporation cause a delay and there is such evidence that the Corporation remains committed to its plans to sell the asset.

(o) 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 Corporation prior to the end of the financial year that are unpaid and arise when the Corporation 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.

(p) 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.

(q) 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.

(r) Provisions

Provisions are recognised when the Corporation 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 Corporation 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Onerous contracts

An onerous contract is considered to exist where the Corporation 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.

(s) 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 12 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 Corporation 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.

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 valuation 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 Corporation 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.

(t) 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 Corporation 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 Corporation is the lessor, leases in which the Corporation 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 Corporation has no finance lease arrangements.

(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.

(u) Contributed equity

Ordinary shares are classified as equity.

The *State Owned Corporations Act 1989* requires the Corporation to have two voting shareholding Ministers. Each shareholder must, at all times, have an equal number of shares in the Corporation. At 30 June 2012, 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).

(v) 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 Corporation 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) Retirement benefits income

Retirement benefits income relates to the net of current service costs, interest costs and expected return on Fund assets for the defined benefits superannuation schemes. Schemes in net expense position are recognised in employee benefit expense.

(v) Sale of assets

Revenue from the sale of assets is recognised as revenue when the Corporation 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.

(w) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(x) Dividend

The Corporation 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 Corporation 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.

(y) 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.

(z) 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 Corporation assesses impairment of all assets at each reporting date by evaluating conditions specific to the Corporation 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 Corporation'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.

NOTE 3. REVENUE

	NOTE	CORPORATION 2012 $000	CONSOLIDATED 2011 $000	CORPORATION 2011 $000
Revenue from operating activities				
Port revenue		175,031	164,224	162,385
Rental revenue		61,876	54,735	54,760
		236,907	**218,959**	**217,145**
Other revenue				
Interest from bank and other		6,561	9,869	9,864
Retirement benefits income – defined benefit	15(d)	779	750	750
Revaluation increments – property, plant and equipment	9(d)	2	3,822	3,822
Land tax recoverable from tenants		10,267	9,643	9,643
Construction costs recoverable from Barangaroo Delivery Authority		10,551	2,753	2,753
Other recoveries		8,711	7,002	7,023
In specie dividend distribution	24	–	–	865
Other revenue		2,720	2,787	4,238
		39,591	**36,626**	**38,958**
Total revenue		**276,498**	**255,585**	**256,103**

NOTE 4. EXPENSES

	NOTE	CORPORATION 2012 $000	CONSOLIDATED 2011 $000	CORPORATION 2011 $000
Employee benefits expense				
Salaries and wages		38,484	34,312	34,302
Annual leave	12	3,228	2,858	2,865
Long service leave	12	1,722	1,367	1,371
Retirement benefits – defined benefit	15(d)	54	52	52
Retirement benefits – accumulation		3,328	2,899	2,908
		46,816	**41,488**	**41,498**
Depreciation and amortisation expense				
Depreciation	9(d)	29,025	22,668	22,621
Amortisation of intangible assets	10	2,019	1,223	1,223
Amortisation of prepaid licence fee		1,218	44	44
		32,262	**23,935**	**23,888**
Other expenses				
Service contractors		29,868	26,718	26,630
Indirect taxes		18,647	15,914	15,908
Utilities and communications		4,744	4,184	4,182
Insurance		3,078	3,093	2,992
Legal costs		1,725	993	993
Materials		1,946	2,106	2,087
Minimum lease payments – operating leases		3,293	3,129	3,129
Revaluation decrements – property, plant and equipment	9(d)	68	4,085	4,085
Directors' remuneration	21	312	330	330
Auditor's remuneration – audit of financial statements		194	202	198
Impairment of trade receivables, net of recovery	7(a)	448	231	231
Impairment of asset held for sale	8	1,497	–	–
Consultants' fees	19	–	206	206
Net loss/(gain) on sale of property, plant and equipment		6	(21)	(21)
Channel fees		3,917	3,665	3,665
Onerous contract expense	12	(2,212)	–	–
Other operations and services		5,786	6,658	6,643
		73,317	**71,493**	**71,258**
Finance costs				
Finance cost on debts and borrowings		48,197	13,165	13,165
Unwinding of discount on provisions		384	625	625
Other		18	20	20
		48,599	**13,810**	**13,810**
Total expenses		**200,994**	**150,726**	**150,454**

NOTE 5. INCOME TAX EQUIVALENT EXPENSE

	CORPORATION 2012 $000	CONSOLIDATED 2011 $000	CORPORATION 2011 $000
(a) Income tax equivalent expense			
Major components of income tax equivalent expense for the periods ended 30 June 2012 and 30 June 2011 are:			
Charged to profit or loss			
Current income tax			
Current income tax equivalent expense	16,802	24,368	24,325
Adjustments in respect of current income tax equivalent expense of previous years	(1,183)	(411)	(411)
Deferred income tax			
Relating to origination and reversal of temporary differences	7,440	7,414	7,435
Income tax equivalent expense charged to profit or loss in the statement of comprehensive income	**23,059**	**31,371**	**31,349**
(b) Amounts charged or credited directly to equity			
Deferred income tax			
Defined benefit superannuation	(9,558)	(138)	(138)
Net gain on revaluation of land and buildings	14,893	22,024	22,024
Financial instruments	549	515	515
Income tax equivalent expense charged directly to items in other comprehensive income in the statement of comprehensive income	**5,884**	**22,401**	**22,401**
(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 Corporation's effective income tax equivalent rate for the periods ended 30 June 2012 and 30 June 2011 is as follows:			
Accounting profit before income tax equivalent expense	**75,504**	**104,859**	**105,649**
At the statutory income tax equivalent rate of 30% (2011: 30%)	22,651	31,457	31,695
Adjustment in respect of current income tax equivalent expense of previous years	(1,183)	(411)	(411)
Derecognition/recognition of temporary differences	1,088	227	227
Non assessable distribution from subsidiary	–	–	(260)
Non deductible expenditure	5	19	19
Property, plant and equipment	498	79	79
At effective income tax equivalent rate of 31% (2011: 30%)	**23,059**	**31,371**	**31,349**
Income tax equivalent expense reported in profit or loss in the statement of comprehensive income	**23,059**	**31,371**	**31,349**

NOTE 5. INCOME TAX EQUIVALENT EXPENSE (CONTINUED)

	STATEMENT OF FINANCIAL POSITION		PROFIT OR LOSS	
	2012 $000	2011 $000	2012 $000	2011 $000
(d) Recognised deferred tax assets and liabilities				
Deferred income tax equivalent at 30 June relates to the following:				
CORPORATION				
(i) Deferred income tax equivalent liabilities				
Depreciation	(221,797)	(204,035)	2,870	6,414
Income receivable	(2,940)	(824)	2,116	143
Other	(1,376)	(1,356)	20	917
Gross deferred income tax equivalent liabilities	**(226,113)**	**(206,215)**		
(ii) Deferred income tax equivalent assets				
Provisions for employee entitlements	4,230	3,889	(341)	(187)
Financial instruments	3,121	3,669	–	–
Accrued expenditure	1,939	4,934	2,995	(101)
Defined benefits superannuation	13,589	4,275	245	235
Other	495	30	(465)	14
Gross deferred income tax equivalent assets	**23,374**	**16,797**		
Deferred income tax equivalent charge			**7,440**	**7,435**
CONSOLIDATED AT 30 JUNE 2011				
(iii) Deferred income tax equivalent liabilities				
Depreciation		(204,035)		6,414
Income receivable		(824)		148
Other		(1,356)		917
Gross deferred income tax equivalent liabilities		**(206,215)**		
(iv) Deferred income tax equivalent assets				
Provisions for employee entitlements		3,889		(183)
Financial instruments		3,669		–
Accrued expenditure		4,934		(134)
Defined benefits superannuation		4,275		235
Other		30		17
Gross deferred income tax equivalent assets		**16,797**		
Deferred income tax equivalent charge				**7,414**

The Corporation has Australian capital tax losses of nil (2011: $0.337 million).

Tax consolidation

Sydney Ports Corporation and its subsidiary, Sydney Pilot Service Pty Ltd was a tax consolidated group until 30 June 2011. The head company of the tax consolidated group was Sydney Ports Corporation.

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

	CORPORATION 2012 $000	CORPORATION 2011 $000
Cash at bank and in hand	9,197	5,160
TCorp Hour-Glass Cash Facility Trust	83,632	151,698
Cash and cash equivalents at 30 June	**92,829**	**156,858**

(a) Reconciliation to the statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include 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 2012 and 2011, 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 Corporation 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:

	CORPORATION 2012 $000	CONSOLIDATED 2011 $000	CORPORATION 2011 $000
Net profit after income tax equivalent expense	52,445	73,488	74,300
Adjustments for:			
Depreciation	29,025	22,668	22,621
Amortisation of intangible assets	2,019	1,223	1,223
Amortisation of prepaid licence fee	1,218	44	44
Amortisation of discount on interest-bearing loans and borrowings	695	676	676
Dividend from subsidiary	–	–	(865)
Net (gain)/loss on sale of interest-bearing loans and borrowings	–	128	128
Net revaluation decrements – property, plant and equipment	66	263	263
Net (gain)/loss on sale of property, plant and equipment	6	(21)	(21)
Impairment loss on asset held for sale	1,497	–	–
Transfer from cash-flow hedge reserve	1,777	61	61
Property, plant and equipment written off	161	96	96
	88,909	**98,626**	**98,526**
Changes in assets and liabilities applicable to operating activities			
(Increase)/decrease in trade and other receivables	(20,090)	(460)	269
(Increase)/decrease in deferred tax equivalent assets	2,433	(124)	(98)
(Decrease)/increase in deferred tax equivalent liabilities	5,006	7,538	7,536
(Decrease)/increase in income tax equivalent payable	3,078	(2,267)	(2,468)
(Decrease)/increase in trade and other payables	17,026	1,978	1,790
(Decrease)/increase in provisions	(2,310)	(92)	(79)
(Decrease)/increase in other liabilities	(814)	(782)	(783)
Net cash flows from operating activities	**93,238**	**104,417**	**104,693**

NOTE 7. TRADE AND OTHER RECEIVABLES

	NOTE	CORPORATION 2012 $000	CORPORATION 2011 $000
Current			
Trade receivables		11,756	11,471
Other receivables		17,774	10,005
		29,530	**21,476**
Allowance for impairment loss		(433)	(262)
		29,097	**21,214**
Prepayments		1,216	1,109
Prepaid licence fee	2(m)	1,242	1,210
Lease incentive receivable		321	63
Accrued income		9,947	2,966
		41,823	**26,562**
Non-current			
Prepaid licence fee	2(m)	119,220	118,505
Lease incentive receivable		5,169	310
		124,389	**118,815**

(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 $466,721 (2011: $259,351) have been recognised 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:

	CORPORATION 2012 $000	CORPORATION 2011 $000
Balance at 1 July	**262**	**65**
Current year charge	467	259
Recovery of impaired amount	(19)	(28)
Amounts written off	(277)	(34)
Balance at 30 June	**433**	**262**

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

	TOTAL $000	NOT DUE $000	0-30 DAYS PDNI* $000	0-30 DAYS CI* $000	31-60 DAYS PDNI* $000	31-60 DAYS CI* $000	60+ DAYS PDNI* $000	60+ DAYS CI* $000
2012	29,530	25,931	2,030	396	671	–	465	37
2011	21,476	18,648	930	–	972	–	664	262

* Past due not impaired ("PDNI")
Considered impaired ("CI")

Trade and other receivables past due but not considered impaired are $3.166 million (2011: $2.566 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) 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

	CORPORATION 2012 $000	CORPORATION 2011 $000
Assets held for sale		
Land and buildings	2,600	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.

The assets held for sale were not sold within one year due to circumstances which were beyond the control of the Corporation and considered unlikely at the time of classifying the assets. An offer for the land and buildings of $2.6 million was accepted by the Corporation's Board of Directors on 29 June 2012. The sale was settled on 25 July 2012. The agreed sale price has resulted in an impairment loss of the assets held for sale for the current year of $1.497 million. This is included in Other expenses at note 4.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying amounts of property, plant and equipment at fair value

	CORPORATION 2012 $000	CORPORATION 2011 $000
At fair value		
Land and buildings (gross carrying amount)	846,422	843,421
Accumulated depreciation	(60,461)	(57,044)
	785,961	**786,377**
Roadways and bridges (gross carrying amount)	57,344	55,372
Accumulated depreciation	(28,423)	(26,417)
	28,921	**28,955**
Wharves, jetties and breakwaters (gross carrying amount)	1,289,686	1,141,925
Accumulated depreciation	(603,601)	(489,823)
	686,085	**652,102**
Plant (gross carrying amount)	88,737	77,241
Accumulated depreciation	(30,170)	(29,162)
	58,567	**48,079**
Construction in progress	249,626	125,445
Total property, plant and equipment at fair value (net carrying amount)	**1,809,160**	**1,640,958**

(b) Revaluation of property, plant and equipment

An independent valuer, Land and Property Information, provided gross values for land at 30 June 2012.

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 2012.

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.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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:

	CORPORATION 2012 $000	CORPORATION 2011 $000
At cost		
Land and buildings (gross carrying amount)	379,187	376,528
Accumulated depreciation	(11,145)	(9,997)
	368,042	**366,531**
Roadways and bridges (gross carrying amount)	28,232	27,753
Accumulated depreciation	(7,366)	(6,626)
	20,866	**21,127**
Wharves, jetties and breakwaters (gross carrying amount)	539,882	536,047
Accumulated depreciation	(64,742)	(57,465)
	475,140	**478,582**
Plant (gross carrying amount)	88,731	77,236
Accumulated depreciation	(30,150)	(29,142)
	58,581	**48,094**
Construction in progress	249,626	125,445
Total property, plant and equipment (at cost)	1,172,255	1,039,779

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

	NOTE	LAND AND BUILDINGS $000	ROADWAYS AND BRIDGES $000	WHARVES, JETTIES AND BREAKWATERS $000	PLANT $000	TOTAL $000
Balance at 1 July 2011		786,377	28,955	652,102	48,079	1,515,513
Revaluation increments recognised in other comprehensive income	2(j)(v)	(221)	1,351	48,574	–	49,704
Revaluation increments recognised in profit or loss	2(j)(v),3	2	–	–	–	2
Revaluation decrements recognised in profit or loss	2(j)(v),4	(68)	–	–	–	(68)
Transfers from construction in progress		1,795	477	3,836	16,855	22,963
Transfers from Roads and Maritime Services	25	1,035	–	–	–	1,035
		788,920	30,783	704,512	64,934	1,589,149
Depreciation charge	4	(2,856)	(1,862)	(18,427)	(5,880)	(29,025)
Disposals		(103)	–	–	(487)	(590)
Balance at 30 June 2012		785,961	28,921	686,085	58,567	1,559,534

(d)(i) Movement in property, plant and equipment (continued)

	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(j)(v)	55,787	4,181	13,393	–	73,361
Revaluation increments recognised in profit or loss	2(j)(v),3	3,337	485	–	–	3,822
Revaluation decrements recognised in profit or loss	2(j)(v),4	(4,085)	–	–	–	(4,085)
Transfers from construction in progress		100,161	15,172	388,825	25,219	529,377
Transfers from subsidiary	23	–	–	–	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	10	–	–	–	(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 construction in progress

	NOTE	CORPORATION 2012 $000	CORPORATION 2011 $000
Balance at 1 July		125,445	481,326
Additions		152,141	200,816
Transfers from subsidiary	23	–	166
		277,586	682,308
Transfers to property, plant and equipment		(22,963)	(529,377)
Transfers to intangible assets	10	(3,032)	(921)
Transfers to prepaid licence fee	2(m),7	(1,965)	(26,565)
Balance at 30 June		249,626	125,445

Additions during the year for the Corporation include capitalised borrowing costs of $0.904 million (2011: $28.473 million).

NOTE 10. INTANGIBLE ASSETS

	CORPORATION 2012 $000	CORPORATION 2011 $000
Carrying amounts (at fair value)		
Software	9,971	7,276
Accumulated amortisation	(6,113)	(4,431)
	3,858	**2,845**
Easements	230	230
Total intangible assets at fair value (net carrying amount)	**4,088**	**3,075**

Movement in intangible assets

	NOTE	CORPORATION 2012 $000	CORPORATION 2011 $000
Balance at 1 July		**3,075**	**3,352**
Transfers from construction in progress	9	3,032	921
Transfer from property, plant and equipment	9	–	21
Transfer from subsidiary	23	–	4
		6,107	**4,298**
Amortisation charge	4	(2,019)	(1,223)
Balance at 30 June		**4,088**	**3,075**

NOTE 11. TRADE AND OTHER PAYABLES

	NOTE	CORPORATION 2012 $000	CORPORATION 2011 $000
Current			
Trade payables		3,824	1,608
Port cargo access charge	11(b)	604	658
Accrued employee benefits		2,697	2,408
Accrued borrowing costs		14,079	14,001
Other payables and accruals		45,690	37,288
Maintenance funds liability		651	–
Lease incentive liability		271	271
Income received in advance		5,578	5,641
		73,394	**61,875**
Non-current			
Lease incentive liability		3,603	3,874
		3,603	**3,874**

(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 Transport for NSW not yet remitted at the statement of financial position date.

(c) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 16.

NOTE 12. PROVISIONS

	CORPORATION 2012 $000	CORPORATION 2011 $000
Current		
Employee benefits	12,668	11,925
Provision for onerous contract	770	1,337
	13,438	13,262
Non-current		
Employee benefits	1,431	1,038
Provision for onerous contract	1,104	3,921
Provision for make good	477	416
	3,012	5,375

Employee benefits

Employee benefits relate to annual leave, long service leave, termination and other employee benefits. Refer to note 2(s) 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. A write-back of $2.340 million was recognised in the current financial year due to the sublease of the vacated premises during the year.

Provision for make good

A provision was raised in respect of the Corporation's obligation to remove leasehold improvements from its leased office premises.

Movement in provisions

	BALANCE 30 JUNE 2011 $000	CURRENT CHARGE/ (WRITE-BACK) TO PROFIT OR LOSS $000	PAYMENTS MADE $000	CURRENT CHARGE TO CONSTRUCTION IN PROGRESS $000	TRANSFER FROM ROADS AND MARITIME SERVICES $000	BALANCE 30 JUNE 2012 $000
Current						
Employee benefits						
Annual leave	3,995	3,228	(3,054)	117	52	4,338
Long service leave	7,857	1,329	(995)	67	72	8,330
Other	73	65	(138)	–	–	–
Provision for onerous contract	1,337	(567)	–	–	–	770
	13,262	4,055	(4,187)	184	124	13,438
Non-current						
Employee benefits						
Long service leave	1,038	393	–	–	–	1,431
Provision for onerous contract	3,921	(2,817)	–	–	–	1,104
Provision for make good	416	61	–	–	–	477
	5,375	(2,363)	–	–	–	3,012

NOTE 13. INTEREST-BEARING LOANS AND BORROWINGS

	CORPORATION 2012 $000	CORPORATION 2011 $000
Non-current		
NSW TCorp borrowings	604,574	603,826

(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 16.

(c) Financial facilities available

The Corporation had the following financing facilities in place at 30 June 2012:

- A total loan facility of $1 billion with NSW TCorp approved on 1 March 2011 of which $622.198 million (2011: $614.246 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.

(d) Classification of liability

The Corporation has Treasurer's approval under the *Public Authorities (Financial Arrangements) Act* to borrow debt from NSW TCorp up to a total limit of $1 billion. The Corporation forms the view that the debt facility takes the nature of an enduring rolling facility whereby the Corporation has discretion to refinance debt within the total approval of the Treasurer and within the agreed terms of the Statement of Corporate Intent. Debt as at 30 June 2012 is classified in accordance with the intended repayment profile. Debt which is forecast to be repaid within 12 months of the reporting date is classified as current. Debt which is forecast to be refinanced within 12 months of the reporting date is disclosed as non-current as this matches the planned repayment profile of the debt. All debt is classified as non-current at 30 June 2012. The nominal contractual cash flow maturity profile of the debt portfolio is disclosed in Note 16 (d).

NOTE 14. EQUITY

	NOTE	CORPORATION 2012 $000	CORPORATION 2011 $000
Contributed equity		125,542	125,542
Reserves	14(c)	508,708	472,705
Retained earnings	14(a)	489,332	458,069
		1,123,582	1,056,316

(a) Movements in retained earnings

	NOTE	CORPORATION 2012 $000	CORPORATION 2011 $000
Balance at 1 July		458,069	384,089
Net profit for the year		52,445	74,300
Other comprehensive income/expenses			
Transfer from revaluation reserve to retained earnings on assets disposed of		89	–
Superannuation actuarial losses		(31,864)	(458)
Income tax equivalent expense on items of other comprehensive income		9,558	138
Total other comprehensive expense		(22,217)	(320)
Net assets of Regional Ports transferred from Roads and Maritime Services	25	1,035	–
Balance at 30 June		489,332	458,069

(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

	NOTE	ASSET REVALUATION RESERVE $000	CASH-FLOW HEDGE RESERVE $000	TOTAL $000
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(b)	(22,024)	(515)	(22,539)
Total Other comprehensive income		51,337	1,201	52,538
Balance at 30 June 2011		481,267	(8,562)	472,705
Fair value revaluation of property, plant and equipment		49,704	–	49,704
Transfer from revaluation reserve to retained earnings on assets disposed of		(89)	–	(89)
Transfer to finance costs – profit or loss		–	1,777	1,777
Transferred to finance costs – construction in progress		–	53	53
Income tax equivalent expense on items of other comprehensive income	5(b)	(14,893)	(549)	(15,442)
Total Other comprehensive income		34,722	1,281	36,003
Balance at 30 June 2012		515,989	(7,281)	508,708

NOTE 15. 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.

Amounts in the statement of financial position

	2012 $000	2011 $000
Other non-current liabilities	45,298	14,248
Net liability	**45,298**	**14,248**

(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 2012				
Present value of partially funded defined benefit obligation	19,779	3,774	89,952	113,505
Fair value of Fund assets	(15,610)	(2,920)	(49,677)	(68,207)
Net liability recognised in the statement of financial position	**4,169**	**854**	**40,275**	**45,298**

	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 liability recognised in the statement of financial position	**1,358**	**192**	**12,698**	**14,248**

There are no unrecognised past service costs, unrecognised (gains)/losses and adjustments for the limit on net assets in 2012 and 2011.

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

	SASS $000	SANCS $000	SSS $000	TOTAL $000
Year ended 30 June 2012				
Opening present value of partially funded defined benefit obligation	18,701	3,586	64,555	86,842
Current service costs	460	151	297	908
Interest costs	917	174	3,346	4,437
Contributions by Fund participants	244	–	379	623
Actuarial losses	1,909	335	24,118	26,362
Benefits paid	(2,452)	(472)	(2,743)	(5,667)
Closing present value of partially funded defined benefit obligation	**19,779**	**3,774**	**89,952**	**113,505**

	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**

(c) Reconciliation of the fair value of Fund assets

	SASS $000	SANCS $000	SSS $000	TOTAL $000
Year ended 30 June 2012				
Opening fair value of Fund assets	17,343	3,394	51,857	72,594
Expected return on Fund assets	1,379	269	4,362	6,010
Actuarial gains/(losses)	(961)	(271)	(4,270)	(5,502)
Employer contributions	57	–	92	149
Contributions by Fund participants	244	–	379	623
Benefits paid	(2,452)	(472)	(2,743)	(5,667)
Closing fair value of Fund assets	**15,610**	**2,920**	**49,677**	**68,207**

	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**

NOTE 15. 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 2012				
Current service costs	460	151	297	908
Interest costs	917	174	3,346	4,437
Expected return on Fund assets (net of expenses)	(1,379)	(269)	(4,362)	(6,010)
Transfers to construction in progress	(22)	(2)	(36)	(60)
Expense/(income) recognised	**(24)**	**54**	**(755)**	**(725)**

	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)**

The superannuation expense recognised in profit or loss in the statement of comprehensive income is included in the line item "Employee benefits expense" (2012: $0.054 million; 2011: $0.052 million). The superannuation gain recognised in profit or loss in the statement of comprehensive income is included in the line item "Other revenue" (2012: $0.779 million; 2011: $0.750 million). Superannuation actuarial losses and adjustments for limits on net assets of $31.864 million (2011: $0.458 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 2012				
Superannuation actuarial (gains)/losses	2,870	606	28,388	31,864
Adjustment for limit on net assets	–	–	–	–
Total recognised in other comprehensive income	**2,870**	**606**	**28,388**	**31,864**

	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**

The cumulative amount of superannuation actuarial losses and adjustments for limit on net assets recognised in other comprehensive income in the statement of comprehensive income since 1 July 2004 is a $52.690 million loss (2011: $20.826 million loss).

(f) Fund assets

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

	30 JUNE 2012	30 JUNE 2011
Australian equities	28.0%	33.4%
Overseas equities	23.7%	29.5%
Australian fixed interest securities	4.9%	5.7%
Overseas fixed interest securities	2.4%	3.1%
Property	8.6%	9.9%
Cash	19.5%	5.1%
Other	12.9%	13.3%

(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 2012				
Actual return on Fund assets	12	(2)	35	45
Year ended 30 June 2011				
Actual return on Fund assets	1,426	284	4,104	5,814

(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 2012	30 JUNE 2011
Discount rate	3.06% pa	5.28% pa
Expected rate of return on assets	8.60% pa	8.60% pa
Salary increase rate (excluding promotional increases)	2.50% pa	3.50% pa
Rate of CPI increase	2.50% pa	2.50% pa

(iii) Demographic assumptions

The demographic assumptions at 30 June 2012 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 2012 and 2011 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 2012				
Accrued benefits	16,534	3,301	48,435	68,270
Net market value of Fund assets	(15,610)	(2,920)	(49,677)	(68,207)
Net (surplus)/deficit	**924**	**381**	**(1,242)**	**63**
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)	**(267)**	**(60)**	**(5,720)**	**(6,047)**

(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.

NOTE 15. 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 2012	30 JUNE 2011
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 2012				
Present value of defined benefit obligation	19,779	3,774	89,952	113,505
Fair value of Fund assets	(15,610)	(2,920)	(49,677)	(68,207)
(Surplus)/deficit in Fund	4,169	854	40,275	45,298
Experience adjustments – Fund liabilities	1,909	335	24,118	26,362
Experience adjustments – Fund assets	961	271	4,270	5,502
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

NOTE 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation'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 Corporation's operations or are required to finance the Corporation's operations.

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

The Corporation manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Corporation's risk and treasury management policies. The objective of these policies is to support the delivery of the Corporation'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 Corporation, 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	CORPORATION 2012 $000	CORPORATION 2011 $000
Financial assets				
Cash and cash equivalents	6	N/A*	92,829	156,858
Trade and other receivables		Loans and receivables measured at amortised cost	36,996	20,560
Lease incentive receivable	7	Loans and receivables measured at amortised cost	5,490	373
			135,315	177,791
Financial liabilities				
Trade and other payables		Financial liabilities measured at amortised cost	62,176	51,839
Lease incentive liability	11	Financial liabilities measured at amortised cost	3,874	4,145
Interest-bearing loans and borrowings	13	Financial liabilities measured at amortised cost	604,574	603,826
			670,624	659,810

*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 Corporation's exposures to market risk are primarily through interest rate risk on the Corporation's loans and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Cash Facility Trust. The Corporation 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 Corporation 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 2011. The analysis assumes that all other variables remain constant.

NOTE 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

i) Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest-bearing loans. The Corporation's debt portfolio is comprised of fixed rate borrowings with a range of maturities over a number of years. The balance and composition of the portfolio is governed by a Corporation policy document which establishes prudential limits on the amount of debt that can mature in a given financial period. The policy establishes that from 1 July 2014 no more than 20% of the face value of the core portfolio can mature in any 12 month period. The policy also limits the type of instruments that can be obtained.

TCorp manages interest rate risk exposures applicable to specific borrowings of the Corporation in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service, which includes a performance component where TCorp is able to add value by achieving a reduction in the Corporation's debt costs against an agreed benchmark. TCorp uses derivatives, primarily interest rate futures, to establish short term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles (refer to note 16(b)(ii)).

The Corporation 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.

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 Corporation's exposure to interest rate risk (excluding interest rate future contracts) is set out below.

		+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 2012					
Financial assets					
Cash and cash equivalents	92,828	650	–	(650)	–
Trade and other receivables	1,459	10	–	(10)	–
	94,287	**660**	**–**	**(660)**	**–**
Financial liabilities					
Interest-bearing loans and borrowings	604,574	–	–	–	–
Net exposure	**(510,287)**	**660**	**–**	**(660)**	**–**
At 30 June 2011					
Financial assets					
Cash and cash equivalents	156,858	1,098	–	(1,098)	–
Trade and other receivables	1,013	7	–	(7)	–
	157,871	**1,105**	**–**	**(1,105)**	**–**
Financial liabilities					
Interest-bearing loans and borrowings	603,826	–	–	–	–
Net exposure	**(445,955)**	**1,105**	**–**	**(1,105)**	**–**

ii) Interest rate futures contracts

Interest rate futures contracts are entered into by TCorp on behalf of the Corporation to establish short term (tactical) and long term (strategic) positions within agreed tolerance limits to manage debt portfolio duration and reduce borrowing costs over time. Therefore, the Corporation is exposed to the interest rate risk of these contracts without being a party to the contracts.

The outstanding futures positions are not on the balance sheet as they represent the nominal value of the underlying instrument. The change in market value of these positions is recognised in profit or loss in the statement of comprehensive income in the line item "Finance costs". The increase in finance costs as a result of these positions in the year ended 30 June 2012 was $6.984 million (2011: $0.373 million decreased).

The details of interest rate futures are listed in the following table:

OUTSTANDING FUTURES POSITIONS	DELIVERY MONTH	CONTRACTS SOLD	CONTRACTS BOUGHT	2012 VALUE $000
30 June 2012				
SFE 10 Year Bond Futures	Sep 2012	477	–	(47,700)
		477	**–**	**(47,700)**
	DELIVERY MONTH	CONTRACTS SOLD	CONTRACTS BOUGHT	2011 VALUE $000
30 June 2011				
SFE 30 Day Interbank Cash	Aug 2011	–	10	30,000
SFE 30 Day Interbank Cash	Oct 2011	10	–	(30,000)
SFE 90 Day Bill Futures	Dec 2011	107	–	(107,000)
SFE 3 Year Bond Futures	Sep 2011	34	–	(3,400)
SFE 10 Year Bond Futures	Sep 2011	33	–	(3,300)
		184	**10**	**(113,700)**

Interest rate future contracts sensitivity analysis

An increase/decrease of one percentage point in interest rates on interest rate future contracts at reporting date would have increased/decreased the profit and loss by the amounts shown below. No amounts are taken directly to equity. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

		CORPORATION	CORPORATION
	CHANGE IN INTEREST RATES POST TAX	2012 $000	2011 $000
Interest rate futures	+/– 1%	3,279	432

iii) 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 Corporation has no direct equity investments. The Corporation holds units in the following TCorp Hour-Glass facilities:

FACILITY	INVESTMENT SECTORS	INVESTMENT HORIZON	2012 $000	2011 $000
TCorp Hour-Glass Cash Facility Trust	Cash, Money market instruments	Up to 1.5 years	83,632	151,698

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.

		POST TAX IMPACT ON PROFIT HIGHER/(LOWER)	
	CHANGE IN UNIT PRICE	2012 $000	2011 $000
TCorp Hour-Glass Cash Facility Trust	+/– 1%	585	1,062

NOTE 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. 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 Corporation, which comprise cash and cash equivalents and trade and other receivables. The Corporation has not granted any financial guarantees.

Credit risk associated with the Corporation'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 Corporation 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 Corporation is not materially exposed to a concentration of credit risk to a single trade debtor. The largest single trade debtor included in receivables totals $1.180 million (2011: $1.177 million) and is 0.87% of total financial assets (2011: 0.66%).

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation 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 Corporation 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 Corporation'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 Corporation'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.

				INTEREST RATE EXPOSURE			CONTRACTUAL MATURITY DATES		
	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	CARRYING VALUE $000	NOMINAL AMOUNT $000	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 2012									
Financial liabilities									
Trade and other payables	N/A	62,176	62,176	–	–	62,176	62,176	–	–
Lease incentive liability	N/A	3,874	4,682	–	–	4,682	1,079	1,998	1,605
Interest-bearing loans and borrowings	6.36%	604,574	916,667	916,667	–	–	43,063	432,213	441,391
		670,624	**983,525**	**916,667**	**–**	**66,858**	**106,318**	**434,211**	**442,996**
At 30 June 2011									
Financial liabilities									
Trade and other payables	N/A	51,839	51,839	–	–	51,839	51,839	–	–
Lease incentive liability	N/A	4,145	6,207	–	–	6,207	2,334	1,624	2,249
Interest-bearing loans and borrowings	6.36%	603,826	943,826	943,826	–	–	35,111	207,316	701,399
		659,810	1,001,872	943,826	–	58,046	89,284	208,940	703,648

(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 Corporation'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:

	2012 CARRYING AMOUNT $000	2012 FAIR VALUE $000	2011 CARRYING AMOUNT $000	2011 FAIR VALUE $000
Financial liabilities				
NSW TCorp borrowings	604,574	695,054	603,826	618,477

The fair values have been calculated by discounting the expected future cash flows at prevailing market rates varying from 2.95% to 4.34% (2011: 5.03% to 5.99%).

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

The Corporation 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	TOTAL $000
Financial assets at fair value					
TCorp Hour-Glass Cash Facility Trust	2012	–	83,632	–	83,632
TCorp Hour-Glass Cash Facility Trust	2011	–	151,698	–	151,698

No financial liabilities were measured at fair value in the statement of financial position at 30 June 2012 and 30 June 2011.

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

(g) Capital management

The Corporation 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 Corporation may adjust the amount of dividends paid to shareholders.

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

The ratios based on operations at 30 June 2012 and 2011 were as follows:

Gearing ratio

	CORPORATION 2012 $000	CORPORATION 2011 $000
Total debt	604,574	603,826
Total debt and total equity	1,728,156	1,660,142
Gearing ratio	**35.0%**	**36.4%**

NOTE 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Debt cover

	CORPORATION 2012 $000	CORPORATION 2011 $000
Total debt	604,574	603,826
Less cash and cash equivalents	92,829	156,858
Net debt	**511,745**	**446,968**
EBITDA*	138,101	130,993
Debt cover (years)	**3.7**	**3.4**

Interest cover

	CORPORATION 2012 $000	CORPORATION 2011 $000
EBITDA*	138,101	130,993
Finance costs^	49,503	42,283
Interest cover (times)	**2.8**	**3.1**

* 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 $6.561 million (2011: $9.864 million). EBITDA also excludes construction costs recoverable from Barangaroo Delivery Authority of $10.551 million (2011: $2.753 million) and revaluation increments and decrements for property, plant and equipment recognised in profit or loss of $0.002 million (2011: $3.822 million) and $0.068 million (2011: $4.085 million) respectively, and includes amortisation of prepaid licence fee of $1.218 million (2011: $0.044 million).

^ Finance costs used to calculate interest cover comprise finance costs recognised in profit or loss of $48.599 million (2011: $13.810 million) and borrowing costs capitalised to construction in progress of $0.904 million (2011: $28.473 million) for the Corporation.

NOTE 17. COMMITMENTS

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2012 but not otherwise brought to account have been assessed at $175.325 million including GST (2011: $227.869 million including GST). The $175.325 million includes input tax credits of $15.938 million (2011: $20.716 million) that are expected to be recoverable from the Australian Taxation Office.

Capital commitments contracted at 30 June, for the Corporation, are as follows:

	CORPORATION 2012 $000	CORPORATION 2011 $000
Not later than one year	172,025	139,544
Later than one and not later than five years	3,300	88,325
Total including GST	**175,325**	**227,869**

(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:

	CORPORATION 2012 $000	CORPORATION 2011 $000
Payable		
Not later than one year	4,805	4,642
Later than one and not later than five years	15,636	18,749
Later than five years	5,866	8,352
Total including GST	**26,307**	**31,743**

The above total includes GST input tax credits of $2.355 million (2011: $2.850 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 15 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:

	CORPORATION 2012 $000	CORPORATION 2011 $000
Receivable		
Not later than one year	48,007	47,366
Later than one and not later than five years	194,125	169,222
Later than five years	374,286	373,803
Total including GST	**616,418**	**590,391**

The above total includes GST output tax of $56.038 million (2011: $53.672 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 30 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 18. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets

In accordance with the NSW Government Planning Committee decision of July 2006, the Corporation 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 the Corporation's 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, the Corporation is required to relocate from the existing Passenger Cruise Terminal.

The Corporation entered into a construction contract in November 2011 to build a new Passenger Cruise Terminal at White Bay. Costs incurred are paid for initially by the Corporation and capitalised as construction in progress in the financial statements of the Corporation. Some of these amounts incurred have been subsequently reimbursed by BDA which is treated as revenue in the financial statements of the Corporation (2012: $10.551 million; 2011: $2.753 million). Future reimbursements of construction costs from BDA have not been recognised in the financial statements as the Corporation only recognises reimbursement revenue once expenditure has been incurred by the Corporation.

Contingent liabilities

As is common with an entity of Sydney Ports size there are a number of commercial disputes and claims in the ordinary course of business made by external parties under various contracts with the Corporation. There are no known claims at the date of this report that are expected to have a material impact on the financial statements.

NOTE 19. CONSULTANCY FEES

Total fees paid and payable to consultants relating to economic analysis and strategic planning services during the year is nil (2011: $0.206 million).

NOTE 20. RELATED PARTY DISCLOSURE

(a) Ultimate parent

The New South Wales Government is the ultimate parent of the Corporation.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 21.

(c) Transactions with related parties

(i) Transactions with Sydney Pilot Service Pty Ltd

The 30 June 2011 consolidated statement of comprehensive income includes two months results of operations of its former wholly owned subsidiary Sydney Pilot Service Pty Ltd. Refer to note 23 and note 24.

The following table provides the total amount of transactions which have been entered into with Sydney Pilot Service Pty Ltd in the 2011 financial year.

RELATED PARTY		SALES TO RELATED PARTY $000	PURCHASES FROM RELATED PARTY $000
Sydney Pilot Service Pty Ltd	2011	–	1,672

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 1(b) and note 23.

During the financial year ended 30 June 2011, the subsidiary paid a dividend to the Corporation of $0.866 million. Refer to note 1(b) and note 24.

Terms and conditions of transactions with the related party

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.

(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 $54,703 (2011: $92,121) and the International Association of Ports and Harbours of $8,805 (2011: $9,210), both entities of which Mr Gilfillan was also a Director. There are no outstanding balances at 30 June 2012 and 2011.

NOTE 21. KEY MANAGEMENT PERSONNEL

The Corporation 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

BENEFIT	CORPORATION 2012 $000	CORPORATION 2011 $000
Short term employee benefits	2,251	2,021
Post employment benefits	189	182
Other long term benefits	–	130
Termination benefits	154	30
Total	2,594	2,363

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 $0.312 million (2011: $0.330 million).

During the year no loans were made to Directors. Transactions between the Corporation and Director related entities are disclosed in note 20.

NOTE 22. EVENTS AFTER THE REPORTING PERIOD

Except for the settlement of the sale of the land and buildings at the Harbour Control Tower site on 25 July 2012 (refer to note 8), there were no events occurring after the balance sheet date requiring disclosure.

NOTE 23. 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**

NOTE 24. 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 1(b) and note 23.

NOTE 25. TRANSFER OF THE REGIONAL PORTS OF EDEN AND YAMBA

The following net assets of the Regional Ports of Eden and Yamba were transferred from Roads and Maritime Services into the Corporation on 1 December 2011.

	PORT OF EDEN $000	PORT OF YAMBA $000	TOTAL $000
Assets			
Cash	650	95	745
Land	555	480	1,035
	1,205	575	1,780
Liabilities			
Leave entitlements	29	95	124
Maintenance funds liability	621	–	621
	650	95	745
Net assets	555	480	1,035

NOTE 26. FUTURE DEVELOPMENTS

The New South Wales Government on 27 July 2012 confirmed 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 mid 2013.

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 2012 financial statements.

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 at 30 June 2012 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. 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: 21 September 2012	Director T. Yassine Date: 21 September 2012

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Sydney Ports Corporation

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 2012, the statement of comprehensive income, statement of changes in equity and statement 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 Corporation as at 30 June 2012, and of its financial performance and its cash flows 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and 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(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 control relevant to the Corporation's preparation of the financial statements that give a true and fair view 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 Corporation'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.

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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
- 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 other information that 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 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

25 September 2012
SYDNEY

STATEMENT OF LAND HOLDINGS

AS AT 30 JUNE 2012

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.

	CORPORATION 2012 $000
Land and buildings	
Land	728,094
Buildings	60,467
Total land and buildings	788,561
Other	
Roadways and bridges	28,921
Wharves, jetties and breakwaters	686,085
Plant	58,567
Construction in progress	249,626
Total other	1,023,199
Total property, plant and equipment and assets held for sale	1,811,760

SYDNEY PORTS CORPORATION

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2011/12

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STATUTORY DISCLOSURES

2011/12 (CONTINUED)

CHARTER, AIMS AND OBJECTIVES

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

(a) be a successful business and, to this end to:

i. operate at least as efficiently as any comparable business

ii. maximise the net worth of the State's investment in the Port Corporation

iii. 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) promote and facilitate trade through its port facilities

(c) ensure that its port safety functions are carried out properly

(d) promote and facilitate a competitive commercial environment in port operations

(e) 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

(c) facilitate and coordinate 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 Roads and Ports on 16 December 2011 and covers the two-year period 1 January 2012 to 31 December 2013. All the performance standards of the PSOL were complied with during 2011/12 with no non conformances recorded during an independent recertification audit of the PSOL Quality Management System conducted in August 2011.

RELEVANT LEGISLATION

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

Other significant legislation and regulation affecting the Corporation includes:

- *Marine Safety Act 1998* (NSW)
- *Work Health and Safety Act 2011* (NSW) and associated regulation
- *Protection of the Environment Operations Act 1997* (NSW)
- *Protection of the Environment Administration Act 1991* (NSW)
- *Marine Pollution Act 1987* (NSW) and associated regulation
- *Maritime Services Act 1935* (NSW)
- *Management of Waters and Waterside Lands Regulations 1972* (NSW)
- *Port Authority — Land Traffic Control Regulations 1967* (NSW)
- *Environmental Planning and Assessment Act 1979* (NSW) (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* and associated regulation (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.

CHANGES IN ACTS AND SUBORDINATE LEGISLATION

During the financial year, there have been no material legal changes or changes to Acts, subordinate legislation or significant judicial decisions that have had any identifiable material effect on the operations of Sydney Ports Corporation.

From time to time this year, Sydney Ports has amended the Port Botany Landside Operations Mandatory Standards under delegation from the Minister for Roads and Ports The standards were set under Part 2B of the *Ports and Maritime Administration Regulation*, which was introduced in 2010/11.

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 2011/12 .

2011/12 PERFORMANCE RELATIVE TO THE STATEMENT OF CORPORATE INTENT

Sydney Ports Corporation's financial performance for the year was favourable compared to the key targets set in its 2011/12 Statement of Corporate Intent, after exclusion of the recovery of construction costs from the Barangaroo Delivery Authority relating to the Cruise Passenger Terminal at White Bay Wharf 5. This was due largely to savings in operating expenditure compared to budget.

Sydney Ports' debt position, financial leverage, cash flow adequacy and liquidity ratios as at 30 June 2012 were favourable compared to targets. This result was mainly due to capital expenditure during the year being lower than budgeted as there were differences in capital expenditure timing compared to budget on the major projects.

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 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
Report on 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 Performance	Clause 12 ARSBR
Liability Management Performance	Clause 13 ARSBR

These exemptions, omissions, modifications and variations have been approved by 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

There were no significant issues raised by the Auditor General in the 2010/11 financial year audit. The Corporation's response to any significant issues raised by the Auditor General in the 2011/12 financial year audit will be included in the 20012/13 Annual Report.

FREEDOM OF INFORMATION – NOW *GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009*

Sydney Ports Corporation is required to report annually on its obligations 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 information is required to be reported under the Act for the period 1 July 2011 to 30 June 2012.

During the reporting period, Sydney Ports Corporation conducted a review of its program for the proactive release of government information. The review was conducted by Sydney Ports Corporation's Company Secretary in conjunction with relevant business divisions. As a result of this review, Sydney Ports Corporation's *Publications Guide* was updated and made publicly available on Sydney Ports' website.

During the reporting period, Sydney Ports Corporation received three formal access applications. No applications were withdrawn. Sydney Ports Corporation refused access to three applications, in part, because the applications requested information for which there is conclusive presumption of an overriding public interest against disclosure.

The following tables disclose statistics as required by Schedule 2 of the *Government Information (Public Access) Amendment 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	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	3	0	0	0	0	0	0
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	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	3	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* 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)	0
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	0

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	0
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). This also applies to the table below.

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	3
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	1
Secrecy provisions	0
Exempt documents under Interstate Freedom of Information legislation	0

Timeliness

	NO. OF APPLICATIONS
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with applicant)	3
Not decided within time (deemed refusal)	0
Total	3

Number of Applications reviewed under Part 5 of the Act (by type of review and outcome)

	DECISION VARIED	DECISION UPHELD	TOTAL
Internal review	0	0	0
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	0	0

* 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	0
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 Voting Shareholders 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 2011/12. 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
- reviewing any reporting to Voting Shareholders.

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.

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 and Risk Committee
- Remuneration and Human Resources Committee
- Nominations Committee
- Major Projects Committee.

Each Committee has a clear charter setting out its roles, responsibilities and delegated authority from the Board. The Board Charter and all Board Committee Charters are reviewed on a regular basis. During the 2011/12 year, the Board Charter and all Committees' Charters were revised.

The Port Botany Landside Improvement Strategy Committee completed its purpose and was disbanded by the Board on 26 August 2011. There were no meetings of this Committee held during the 2011/12 year.

Audit and Risk Committee

The Chairman of the Audit and Risk Committee is Robert Dunn. Mr Dunn is an independent non-executive Director, who is not the Chairman of the Board. Other members of the Committee as at 30 June 2012 were Talal Yassine and John Brogden, who were each independent, non-executive Directors. While Mr Yassine remains a member of the Committee, Mr Brogden subsequently resigned as a Director of Sydney Ports effective from 30 June 2012. Michael Braham and Rene van der Loos were also members of the Committee for part of the 2011/12 year.

Each member of the Committee is financially literate and has knowledge of the business. Mr Dunn 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
- corporate governance.

The Committee met five times during 2011/12. A copy of the Audit and Risk Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

Remuneration and Human Resources Committee

The Chairman of the Remuneration and Human Resources Committee is Penny Bingham-Hall. Ms Bingham-Hall is an independent non-executive Director, who is not the Chairman of the Board. Other members of the Committee are Talal Yassine and Robert Dunn, who are each independent, non-executive Directors. Rene van der Loos, Michael Braham and John Brogden were also members of the Committee for part of the 2011/12 year.

The Remuneration and Human Resources Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:

- coordinating 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
- employment terms and conditions of the Chief Executive Officer and Executive Management.

During the year the Remuneration and Human Resources Committee met five times. They reviewed executive salaries and performance arrangements, including the Chief Executive Officer's. The Committee considered and recommended the Corporate Goals for 2011/12 and benchmarked the remuneration, incentive payments and performance management techniques of Sydney Ports against the employment market. The Committee oversaw all key remuneration and performance policies and reviewed and evaluated the performance of the Chief Executive Officer and the Executive Management team against agreed performance goals during the year.

A copy of the Remuneration and Human Resources Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

Nominations Committee

The Chairman of the Nominations Committee is Bryan T. Smith. Mr Smith is an independent non-executive Director. The other members of the Committee are Penny Bingham-Hall and Talal Yassine, who are each independent non-executive Directors. Rene van der Loos was also a member of the Committee for part of the 2011/12 year.

The Nominations Committee was established by the Sydney Ports Board on 26 August 2011. The Committee meets on a regular basis and is responsible for assisting the Sydney Ports Board in fulfilling its corporate governance responsibilities with regard to Board composition. This includes assessing the necessary and desirable skills and experience of Directors, ensuring Directors have the appropriate mix of competencies and identifying skills and experience to fill those gaps and overseeing induction and continuing education of Directors.

The Committee met four times during 2011/12. A copy of the Nominations Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

Major Projects Committee

The Chairman of the Major Projects Committee is Bryan T. Smith. Mr Smith is an independent non-executive Director. The other members of the Committee are Grant Gilfillan, Director and Chief Executive Officer and Penny Bingham-Hall, who is an independent non-executive Director.

The Major Projects Committee was established by the Sydney Ports Board on 26 August 2011 and is responsible for reviewing the development and delivery of major projects in a timely, efficient and cost effective manner. Major projects are those with a total project value of greater than $20 million or projects of high significance to Sydney Ports. The Major Projects Committee reviews new, proposed and completed projects.

The Committee met four times during 2011/12. A copy of the Major Projects Committee Charter 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' Internal Reporting Policy.

The Code is available to all staff on the Sydney Ports intranet. The Code also interacts with other more detailed policies including the Fraud and Corruption Control Policy and Management Plan, Disciplinary Policy, Internal Reporting 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 Chairman.

A copy of the Code of Conduct 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 and 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). It 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 is used to facilitate the update of Sydney Ports' strategic and operational risk registers and for reporting purposes.

Strategic risks are identified through a formalised risk assessment process which is:

- coordinated by the Chief Risk Officer (the Chief Risk Officer for the Corporation is the Chief Financial Officer)
- managed by the Executive Management Team
- overseen, in the first instance, by the Audit and Risk Committee and subsequently by the Board.

The strategic risk profile is reviewed monthly by the Executive Management Team and quarterly by the Audit and 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
- 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 and Risk Committee and reported to the Board. The report outlined all the key activities undertaken by the Audit and Risk Committee, including risk oversight.

Operational risks are reviewed through a formalised risk assessment process that is conducted within Divisions and coordinated by the Departmental Risk Management Representatives. Risks are then assessed by the Chief Risk Officer prior to being reported to the Executive Management Team.

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 Enterprise Risk Management system, Sydney Ports maintains an annual Insurance Program renewed on 30 June each year. Sydney Ports utilises the services of its insurance broker for an annual assessment of risk exposure and coverage levels and for sourcing underwriters to renew policies.

The key policies within the insurance program 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 and a maximum of seven 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 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 Mr 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.

Mr Gilfillan was separately appointed as a Director of the Sydney Ports Board in March 2009. His current term of appointment as a Director will expire in January 2014.

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
- has a material* contractual relationship with the business other than as a Director of the business.

* Material means greater than five per cent 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.

Grant Gilfillan, as both a Director and the Chief Executive Officer, is not considered independent. Michael Sullivan, as the staff elected Director and an employee of Sydney Ports, is also 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 advisor. Advice can be sought to assist Directors in carrying out their responsibilities and is at Sydney Ports' expense. 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 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 2011/12, 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. Regina Abood (B Com, FCSA FCIS) 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 March 2009 – 24 March 2013
P. Bingham-Hall	3	3	2 April 2012 – 1 April 2015 (appointed 2 April 2012)
M. Braham	7	7	15 February 2009 – 14 February 2012 (ceased 14 February 2012)
J. Brogden	11	7	1 April 2010 – 31 March 2013 (resigned 30 June 2012)
R. Dunn	3	3	2 April 2012 – 1 April 2015 (appointed 2 April 2012)
G. Gilfillan	11	10	20 March 2012 – 6 January 2014
R. van der Loos	7	7	15 February 2009 – 14 February 2012 (ceased 14 February 2012)
M. Sullivan	11	11	1 October 2011 – 30 September 2014
T. Yassine	11	10	1 March 2010 – 28 February 2013

A = Number of meetings eligible to attend during year.
B = Number of meetings attended.

STATUTORY DISCLOSURES

2011/12 (CONTINUED)

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 AND RISK COMMITTEE		REMUNERATION AND HUMAN RESOURCES COMMITTEE		NOMINATIONS COMMITTEE		MAJOR PROJECTS COMMITTEE	
	A	B	A	B	A	B	A	B
B. T. Smith	–	–	–	–	4	4	4	4
P. Bingham-Hall	–	–	1	1	2	2	1	1
M. Braham	3	3	4	4	–	–	–	–
J. Brogden	5	5	2	2	–	–	–	–
R. Dunn	2	2	1	1	–	–	–	–
G. Gilfillan	–	–	–	–	–	–	4	3
R. van der Loos	3	3	4	4	2	2	–	–
M. Sullivan	–	–	–	–	–	–	–	–
T. Yassine	5	4	3	3	3	3	–	–

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 an induction 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
- the Code of Conduct
- most recent Annual Report
- Board profiles and contact details
- Board and Committee charters
- Statement of Corporate Intent.

New Directors are also provided with a Deed of Access and Indemnity in the form approved by NSW Treasury.

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
- risk management framework.

All other Directors are encouraged to continue their education, with a focus on practical director skills courses, site visits and briefings on issues relevant to Sydney Ports' operations. During the year, the Directors continuing education program included:

- an Enterprise Risk Management workshop
- a NSW Treasury Workshop for Directors of State Owned Corporations
- visits to Sydney Ports sites.

In addition, Sydney Ports funds Directors' membership of the Australian Institute of Company Directors and attendance at specific courses or conferences where appropriate.

The remuneration for Directors of Sydney Ports is determined by the Voting Shareholders.

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 2010/11 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. In view of the significant changes to the composition of the Board during 2011/12, the next Board performance evaluation will occur during 2012/13.

EEO REPORT

Sydney Ports Corporation continues to be an equal employment opportunity (EEO) employer, creating an environment which is free from harassment, discrimination and vilification.

Our Equal Opportunity policy confirms our commitment to fair and equitable business practices and is complimented by our Discrimination, Harassment and Workplace Violence policy which clarifies unacceptable behaviour and the anticipated consequences if such behaviour continues to occur in the workplace. Our Grievance policy ensures the confidential, timely and effective resolution of any workplace grievance or dispute.

Our processes and procedures supporting these three policies have been regularly updated and communicated to employees. There were no grievances raised during the reporting period.

As a State Owned Corporation, we measure ourselves against the NSW Government benchmarks as outlined by the NSW Public Service Commission. Information is collected bi annually through the Workforce Profile which monitors data centred on age, gender, EEO group membership and employment information including hours worked, leave, remuneration and mobility. Data collection is anonymous, with employees having the right to nominate that their data be withheld from the collection. Approximately 30 per cent of employees of Sydney Ports have requested that their data be withheld. Where there is insufficient information supplied or the numbers are too low, a "NA" is displayed.

	PERCENTAGE OF TOTAL STAFF AT 30 JUNE (EXCLUDING CASUAL STAFF)			
EEO GROUP	BENCHMARK/ TARGET	2010	2011	2012
Women	50%	31%	26.8%	28.6%
Aboriginal people and Torres Strait Islanders	2.6% by 2015	1.0%	0.9%	0.7%
People whose first language was not English	19%	21%	21%	19.4%
People with a disability	No benchmark	NA	0.7%	0.7%
People with a disability requiring work-related adjustment	1.1% (2011) 1.3% (2012) 1.5% (2013)	NA	0%	0.0%

	DISTRIBUTION INDEX (EXCLUDING CASUAL STAFF)*			
EEO GROUP	BENCHMARK/ TARGET*	2010	2011	2012
Women	100	81	85	85
Aboriginal people and Torres Strait Islanders	100	NA	NA	NA
People whose first language was not English	100	94	99	94
People with a disability	100	NA	NA	NA
People with a disability requiring work-related adjustment	100	NA	0	NA

* 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.

WORK HEALTH AND SAFETY (WHS)

There were no improvement notices issued or prosecutions against Sydney Ports relating to any breach of the *NSW Occupational Health and Safety Act 2000* or the *Work Health and Safety Act 2011.*

Sydney Ports continued its commitment to providing a safe and healthy work environment for staff, contractors and visitors, by focusing on improving site inspections and closing or mitigating hazards. The WHS performance for 2011/12 is summarised in the table below.

2011/12	TARGET	ACTUAL
Number of Lost Time Injuries (LTI) Note 1	≤ 2	3
LTI Frequency Rate (LTIFR) Note 2	≤4	5.4
Number of Medical Treatment Injuries (MTI) Note 3	≤ 6	7
Number of First Aid Injuries (FAI) Note 4	≤ 12	2
Managers workplace inspection completed	6	6
Workplace hazard closure rate	>80%	86%

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 objective is always to achieve zero LTI. The LTI Target of <= 2 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 First Aid Injury (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	2011/12
	SYDNEY PORTS	SYDNEY PILOT SERVICE	SYDNEY PORTS	SYDNEY PILOT SERVICE	SYDNEY PORTS	SYDNEY PILOT SERVICE	SYDNEY PORTS	SYDNEY PORTS
Number of lost time injuries	1	3	2	0	3	3	0	3
LTIFR	2.6	Note 5	4.5	Note 5	8.5	Note 5	0	5.4

Note 5: 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.

Managers and employee safety representatives were again required to undertake six Safety Inspections within the financial year. Safety consultation processes continue to remain effective through regular meetings.

A major review of Sydney Ports' WHS Management System documentation was undertaken to ensure compliance with the *Work Health and Safety Act 2011* which came into effect on 1 January 2012. Staff were trained on the implications of the new regulations.

A new safety management software system was implemented in May 2012 to improve efficiency with safety processes including inspections, corrective actions, risk and incident management.

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 25 per cent 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 Aboriginals 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 2011 TO 30 JUNE 2012

NAME	DATE	DESTINATION	PURPOSE
Dean Seal Kirk Whiteman	2-10 July 2011	Port Revel, France	To attend an advanced Manned Model Pilot Training Course.
John Garufi# Phil Pegram# Anthony Spencer#	8-18 October 2011	Tauranga, New Zealand	Australian Maritime Safety Authority requested National Response Team members to attend Vessel *Rena*, Tauranga NZ Response – to assist the *Rena* Response Group and Maritime New Zealand with clean up operations.
Grant Gilfillan Lachlan Benson Jason McGregor Bryan T. Smith (Chairman)	16-20 October 2011	Yokkaichi, Nagoya and Tokyo, Japan	To formally reciprocate Nagoya Ports delegation to Sydney in 2010 to sign a Sister Port Agreement. The Chief Executive Officer to deliver a key-note address at the Sister Port, Nagoya Port Seminar. To visit key clients in Tokyo such as K Line and NYK.
Wayne Kearney#	23 October to 1 November 2011	Tauranga, New Zealand	Australian Maritime Safety Authority requested National Response Team member to attend Vessel *Rena*, Tauranga NZ Response – to assist the *Rena* Response Group and Maritime New Zealand with clean up operations.
Karlie Taylor Peter Allen	28 October to 13 November 2011	Newcastle, UK	To attend Vessel Traffic Services Supervisor Advancement Training in the new Vessel Traffic Services system.
Grant Gilfillan	8-10 November 2011	Tauranga, New Zealand	To attend a meeting of New Zealand Port Authority CEOs.
Tony Tedesco#	13-22 November 2011	Tauranga, New Zealand	Australian Maritime Safety Authority requested National Response Team member to attend Vessel *Rena*, Tauranga NZ Response – to assist the *Rena* Response Group and Maritime New Zealand with clean up operations.
Oliver Smith	6-12 February 2012	Aalsmeerderbrug, The Netherlands	To attend the Bulk Liquids Berth 2 project (BLB2) gangway tower risk/design workshop, to ensure the design development by Verhoef Access Technology satisfies operational and project requirements.
Grant Gilfillan Shane Hobday	6-10 March 2012	Colombo, Sri Lanka	To attend and officiate at the 12th Asia/Oceania Regional Meeting of the International Association of Ports and Harbours (IAPH), Colombo, Sri Lanka.
Lachlan Benson	9-21 March 2012	Miami, New York and Los Angeles, USA	To attend the Cruise Shipping Miami Conference in Miami, Florida.
Philip Holliday	14-22 May 2012	Cork, Ireland and Angelsey, UK	To attend the 8th International Harbour Masters Congress in Cork, Ireland and also inspect the Sydney Ports pilot vessels, currently under construction, at Holyhead Marine Services, Angelsey, UK.
Grant Gilfillan	15-20 May 2012	Dubai, United Arab Emirates	Prior to attending the IAPH, Mr Gilfillan accompanied the Premier to visit DP World in Dubai.
Grant Gilfillan Shane Hobday	20-24 May 2012	Jerusalem, Israel	To attend and officiate at the International Association of Ports and Harbours mid-term Ports Conference and Board meeting.
James Dargaville	4-8 June 2012	Illawa, Poland	To attend an advanced Manned Model Pilot Training Course.
Neil Farmer	18-22 June 2012	Illawa, Poland	To attend an advanced Manned Model Pilot Training Course.

As part of Sydney Ports' responsibilities under Australia's National Plan to Combat Pollution of the Sea by Oil and Other Noxious and Hazardous Substances (NATPLAN), Sydney Ports was involved in an emergency event in New Zealand during the year. National Response Team member travel was paid for by the Australian Maritime Safety Authority and accommodation was paid for by Maritime New Zealand.

STATUTORY DISCLOSURES

2011/12 (CONTINUED)

FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATIONS 2011/12

ORGANISATION'S NAME	AMOUNT $
Sydney Maritime Museum Ltd	5,000
The Cancer Council of NSW	1,069
	6,069

CONSULTANCY FEES

Total fees paid and payable to consultants during 2011/12 were nil ($0.206 million in 2010/11).

CONSUMER RESPONSE

Sydney Ports receives feedback and complaints through two primary contact points, General Enquiries (email/phone) and through Harbour Control, which operates on a 24 hour, seven day a week basis (24/7). Community Information Lines have also been established for each of our major projects and these are also staffed 24/7.

We have recently developed an internal complaints register which records and consolidates all complaints and feedback received across the business. This ensures Sydney Ports complaints handling is transparent and can be measured for performance. Sydney Ports has a strong track record of responding 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 2010/11* outlines the trade performance for the 2010/11 financial year.
- *Logistics Review 2010/11* provides detailed information on a range of initiatives that support land based logistics operations to benefit port users, stakeholders and the community.
- *Sustainability Report 2010/11* provides an update on the commitments Sydney Ports made in 2009/10 highlights the sustainable practices and outlines the sustainable commitments Sydney Ports will focus on in 2011/12.
- *Sydney Ports Handbook 7th Edition* is a detailed directory for doing business through Sydney's Ports. It provides information on Sydney's ports and contact details for a range of port service providers. The Handbook was last updated in 2008.

Electronic publications

- *Statement of Corporate Intent 2011/12* provides an outline of Sydney Ports' vision, values, strategic direction and targets for 2011/12.
- *Performance Report* for the half year ended for 31 December 2011 reports on Sydney Ports' financial performance compared to key budget targets established in its *Statement of Corporate Intent 2011/12.*
- *Schedule of Port Charges Including Pilotage* effective 1 July 2012.
- *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 stakeholder 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 2011/12 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). The policy requires waste reduction and purchasing to be 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, the most recent being for the financial year 2010/11. WRAPP reports address a number of key result areas including:

- reducing the generation of waste
- resource recovery
- use of recycled materials.

Activity in these key result areas, for the 2011/12 year, is covered in the following sections.

Reducing the generation of waste

Sydney Ports has a number of strategies in place to reduce the generation of printed materials. For example, publications for public stakeholders are made available in electronic format on the Corporation's website and the intranet is used as a communication tool for staff. This year, Sydney Ports has implemented several additional initiatives to improve staff and external communication via electronic means. These include:

- An on-line workflow prototype was developed. This replaces the need for the signing of physical copies. This initiative is to be expanded in 2012/13 across the organisation.
- A Stakeholder survey was conducted as a paperless activity.
- The frequency of publishing a paper based internal staff magazine has been reduced from quarterly to biannually.

Resource recovery

Materials owned or purchased by Sydney Ports are recovered for re-use or recycling where possible. In Sydney Ports' offices, paper waste continues to be collected for recycling. Used toner cartridges are collected by third parties for recycling from office areas where copiers are located.

Construction projects and maintenance activities by their 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. Through its various maintenance activities, Sydney Ports continues to recycle concrete, steel, timber, asphalt and vegetation wastes.

The use of recycled material

It is Sydney Ports' policy to purchase low-waste products and products with recycled content where possible. These products need to be consistent with sound commercial practice and meet technical and operating standards. Office copy and printer paper with recycled content purchased during 2011/12 totalled 3,519 reams, representing 97 per cent of all copy paper purchased. Publications for internal and external use are prepared on recycled stock wherever possible.

LAND DISPOSAL

Sydney Ports did not dispose of any land assets of value greater than $5.0 million for the reporting period 1 July, 2011 to 30 June, 2012.

EXECUTIVE POSITIONS

Executives with remuneration equal to or exceeding SES level 1

At 30 June 2012, there were six Executives with remuneration equal to or exceeding the equivalent of SES level 1 and all were male. The gender ratio of male to female Executive Management is 6:0.

	NUMBER OF SYDNEY PORTS CORPORATION'S EXECUTIVE MANAGEMENT AT SES LEVEL		
SES LEVEL	30 JUNE 2012	30 JUNE 2011	30 JUNE 2010
L8	1	1	1
L7	2	3	1
L6	2	0	3
L5	1	1	0
GENDER RATIO, MALE TO FEMALE	30 JUNE 2012	30 JUNE 2011	30 JUNE 2010
	6:0	5:0	4:1

PUBLIC INTEREST DISCLOSURES

Under section 6D of the *Public Interest Disclosures Act 1994*, public authorities are required to have a policy and procedures for receiving, assessing and dealing with public interest disclosures (PIDs). New reporting obligations under the Act commenced on 1 January 2012. Pursuant to Clause 4 of the *Public Interest Disclosures Regulation 2011* the information below must be included in a public authority's Annual Report.

	1 JANUARY TO 30 JUNE 2012
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	0

Note: The number of PIDs finalised only refers to PIDs that have been received since 1 January 2012.

Sydney Ports had adopted an internal reporting policy that is consistent with the NSW Ombudsman's model policy. Communication and training to raise awareness of the internal reporting policy and the protections of the Public Interest Disclosures Act are planned for September and October 2012.

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GLOSSARY

ACFS	Australian Container Freight Services
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
EIS	Environmental Impact Statement
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)
OPM	Operational Performance Management
PBLIS	Port Botany Landside Improvement Strategy
PSOL	Port Safety Operating Licence
RMS	Roads and Maritime Services
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
WHS	Work Health & Safety

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