

# THE AUDITOR-GENERAL'S REPORT TO PARLIAMENT

2007 VOLUME SIX



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## Section One - Commentary on Government Agencies

Minister Assisting the Minister for Finance	WorkCover Authority of New South Wales
Minister of Aboriginal Affairs	Department of Aboriginal Affairs
	New South Wales Aboriginal Land Council
Minister for Climate Change, Environment and Water	Chipping Norton Lake Authority
	Environmental Trust
Minister for Education and Training	International Livestock Resources and Information Centre Ltd
	The Institute for Magnetic Resonance Research
Minister for Health	Aus Health International Pty Limited
	Cancer Institute NSW
Minister for Ports and Waterways	Maritime Authority of NSW
	Newcastle Port Corporation
	Port Kembla Port Corporation
	Sydney Ports Corporation
Minister for Primary Industries	Agricultural Scientific Collections Trust
	C.B. Alexander Foundation
	Department of Primary Industries
	Forestry Commission of New South Wales (trading as Forests NSW)
	Rice Marketing Board for the State of New South Wales
	Riverina Citrus

<b>Minister for Redfern Waterloo</b>	Redfern-Waterloo Authority
<b>Minister for Roads</b>	Roads and Traffic Authority of New South Wales
<b>Minister for Sport and Recreation</b>	Newcastle Showground and Exhibition Centre Trust
<b>Minister for Water Utilities</b>	Department of Water and Energy
<b>Premier</b>	Independent Pricing and Regulatory Tribunal

## Section Two

<b>Performance Auditing</b>	Performance Audit Reports Tabled in Parliament Since Volume Five of 2007
	Performance Audits in Progress

## Appendices

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# Sydney Ports Corporation

## AUDIT OPINION

The audits of the Corporation and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

## PERFORMANCE INFORMATION

The Corporation provided the following information regarding its performance:

Year ended 30 June	Actual					Target
	2003	2004	2005	2006	2007	2007
<b>Trade</b>						
Total container trade (TEUs*)	1,160,747	1,270,216	1,376,365	1,445,465	1,620,121	1,492,460
Total trade ('000 tonnes)	23,600	25,100	25,900	26,700	27,800	27,400
<b>Shipping</b>						
Total chargeable vessel visits	2,331	2,408	2,434	2,596	2,564	2,406
Total chargeable vessel gross tonnage ('000s)	60,000	64,100	66,500	72,000	74,000	68,600

\* TEU (20-foot equivalent unit) represents the cargo capacity of a standard shipping container.

Total trade increased by 4.1 per cent (3.1 per cent in 2005-06) reflecting the continued growth in both containerised and non-containerised cargo.

## Financial Performance

Year ended 30 June	Actual					Target
	2003	2004	2005	2006	2007	2007
Shareholder value added (\$m)	11.5	12.8	18.1	23.9	na*	na*
Value Based Return (\$m)	na*	na*	na*	na*	13.4	7.9
Return on average equity (%)	5.5	6.1	17.8	10.4	9.2	9.2
Return on average assets (%)	7.9	8.1	17.2	10.5	9.3	9.5
Interest cover (times)	4.0	4.9	15.6	13.2	14.2	10.4
Debt/equity ratio (%)	30.0	29.0	29.0	27.0	25.4	25.6
Total dividend to government (\$m)	13.2	17.6	18.9	22.2	29.0	19.3

\* From 1 July 2006 replaced with value based return.  
na: not available.



The Corporation and its shareholder Ministers agree on key financial targets in the Corporation's Statement of Corporate Intent. One of these financial targets is Value Based Return (VBR) which measures the return from its capital assets over the cost of funding the assets.

## OTHER INFORMATION

In our 2006 Report to Parliament we advised that the East Darling Harbour area was to be redeveloped for commercial purposes and public usage. To facilitate the redevelopment the Corporation agreed to transfer its East Darling Harbour site assets (Barangaroo site) to the Sydney Harbour Foreshore Authority during 2007-08. The Corporation will receive \$96.7 million for the transfer.

## FINANCIAL INFORMATION

The following information relates to the Corporation's consolidated finances.

### Abridged Income Statement

Year ended 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating revenue	182,114	169,473	173,208	159,827
Investment property gains	4,401	14,255	4,401	14,255
<b>REVENUE</b>	<b>186,515</b>	<b>183,728</b>	<b>177,609</b>	<b>174,082</b>
Borrowing costs	11,991	11,931	11,991	11,931
Other expenses	88,702	79,479	80,506	70,290
<b>EXPENDITURE</b>	<b>100,693</b>	<b>91,410</b>	<b>92,497</b>	<b>82,221</b>
<b>PROFIT BEFORE TAX</b>	<b>85,822</b>	<b>92,318</b>	<b>85,112</b>	<b>91,861</b>
Income tax equivalent	25,644	28,308	25,431	28,171
<b>PROFIT</b>	<b>60,178</b>	<b>64,010</b>	<b>59,681</b>	<b>63,690</b>

Operating revenue increased largely due to increased trade volumes. The increase in other expenses is primarily due to scheduled maintenance works on infrastructure assets and higher superannuation expenses.

## Abridged Balance Sheet

At 30 June	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current assets	125,351	92,125	124,523	90,998
Non-current assets	958,403	934,173	956,429	933,106
<b>TOTAL ASSETS</b>	<b>1,083,754</b>	<b>1,026,298</b>	<b>1,080,952</b>	<b>1,024,104</b>
Current liabilities	81,494	71,025	80,033	69,633
Non-current liabilities	324,841	319,166	324,754	319,121
<b>TOTAL LIABILITIES</b>	<b>406,335</b>	<b>390,191</b>	<b>404,787</b>	<b>388,754</b>
<b>NET ASSETS</b>	<b>677,419</b>	<b>636,107</b>	<b>676,165</b>	<b>635,350</b>

The movement in assets represents the increased cash balance from higher trading and the acquisition of property, plant and equipment for port development.

## CORPORATION ACTIVITIES

The Corporation's principal objectives are to:

- be a successful business, maximise the net worth of the State's investment in the Corporation and to exhibit a sense of social responsibility
- promote and facilitate trade through its port facilities
- ensure that its port safety functions are carried out properly in accordance with the terms of its Port Safety Operating Licence.

The Corporation was incorporated under the *Ports and Maritime Administration Act 1995*. It is a statutory State owned corporation in accordance with the *State Owned Corporations Act 1989*.

For further information on the Corporation, refer to [www.sydneyports.com.au](http://www.sydneyports.com.au).

## CONTROLLED ENTITY

The following controlled entity has not been reported separately on as it is not considered material by its size or nature of its operations to the consolidated entity.

Entity name	Website
Sydney Pilot Service Pty Ltd	<a href="http://www.sydneypilotservice.com">www.sydneypilotservice.com</a>