2006/07 Annual Report



SYDNEY PORTS

FIRST PORT, FUTURE PORT

Contents




Highlights 2006/07

$29.0 million	1,620,121	$182.1 million	300,000
Dividend payable	Total container trade (TEUs*)	Total revenue (excluding investment property revaluation gains)	Volume of containers moved by rail (TEUs)

	2005/06	2006/07	% change
Financial ($ millions)			
Total revenue (excluding investment property revaluation gains)	169.5	**182.1**	7.5
Profit before income tax equivalent expense	92.3	**85.8**	–7.0
Income tax equivalent payable	23.2	**25.9**	11.2
Capital expenditure	59.7	**19.2**	–67.8
Dividend payable	22.2	**29.0**	30.5
Trade			
Total cargo (million mass tonnes)	26.7	**27.8**	4.0
Total container trade (TEUs)	1,445,465	**1,620,121**	12.1
Volume of containers moved by rail (to and from Port Botany – TEUs)	290,000	**300,000**	3.4
Shipping			
Total commercial vessel visits	2,596	**2,564**	–1.2
Gross tonnage (millions)	72.0	**74.0**	2.8

* TEU = Twenty foot Equivalent Unit.




L–R: Port Botany; Glebe Island; Overseas Passenger Terminal, Circular Quay; Bulk Liquids Berth, Port Botany

SYDNEY PORTS
FIRST PORT, FUTURE PORT

SYDNEY PORTS CORPORATION
ABN 95 784 452 933

Level 8, 207 Kent Street
Sydney NSW 2000 Australia

PO Box 25 Millers Point
NSW 2000 Australia

Telephone +61 2 9296 4999
Facsimile +61 2 9296 4742
www.sydneyports.com.au

31 October 2007

The Hon J Watkins, MP
Deputy Premier
Minister for Transport
Minister for Finance
Level 30, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon M Costa, MLC
Treasurer
Minister for Infrastructure
Minister for the Hunter
Level 31, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Messrs Watkins and Costa

This annual report covers Sydney Ports Corporation's operations and statement of accounts for the year ended 30 June 2007 and is submitted for presentation to Parliament. This has been prepared 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.*

Yours faithfully

Paul Binsted

Mr Paul Binsted
Chairman

B. A. Filipowski

Ms Barbara Filipowski
Acting Chief Executive Officer

Chairman's report

The year ended 30 June 2007 has been both successful and challenging. The volume of trade has reached record levels both at the container port, with more than 1.6 million TEUs being handled, and with the bulk liquids and oil trade exceeding 12.5 million mass tonnes.

Financial results

Under Australian International Financial Reporting Standards (AIFRS) Sydney Ports Corporation is required to report investment property revaluation gains as part of its results. Of course these gains are just book entries and are not in any direct sense manageable by the Corporation. It is cash earnings and expenses over which we can have some influence and it is cash with which we pay our expenses and dividends to our shareholders. I am pleased to report that total revenue, excluding investment property revaluation gains, increased by 7.5 per cent to over $182 million and operating profit (excluding the tax effected investment property revaluation gains of $3.1 million) increased by 5.7 per cent to $57.1 million. This has enabled us to provide for a dividend of $29.0 million compared to $22.2 million in 2005/06.

The Board is conscious however that the operating result represents a return on shareholders equity (ROE) of 8.7 per cent. The proposed ROE as per our Statement of Corporate Intent (SPC's agreement with its Shareholding Ministers) for the 2007/08 financial year is 9.6 per cent.

We will continue to review this target rate of return to ensure we are providing profit and dividend commensurate with the State's investment in Sydney Ports Corporation. This will be challenging in the medium-term as Sydney Ports funds major developments at both Port Botany and Enfield.

Business environment

Sydney Ports has been strongly affected by the global expansion in seaborne trade. While GDP has been growing in the three per cent range the economy has continued to become more open. From Australia's point of view this has meant a huge leap in bulk exports of commodities like iron ore and coal from ports like Newcastle, Hay Point and Dampier and a huge increase in the import of finished goods into our major population centres. This has resulted in seaborne container trade into Port Botany growing at over seven per cent per annum. We believe this trend will continue for the duration of the present global economic expansion, which could be many years.

Another noticeable change in our trade patterns is the source of transport fuel. Transport fuel for the State has traditionally come into the facilities at Port Botany and Gore Cove in the form of crude petroleum going to the Caltex and Shell refineries at Kurnell and Clyde respectively. These trades continue but while fuel demand has increased, refinery capacity in Australia and at Kurnell and Clyde refineries in particular has not been materially increased. The increase in demand for liquid fuels to power the State's economy has therefore been met by the import of refined product from mega refineries in Singapore, amongst others.

Mr Paul Binsted, Chairman

This has created intensive use of the Bulk Liquids Berth (BLB) at Botany and to meet the State's continuing increase in fuel needs the Board and Management of the Corporation are proceeding with plans for a second BLB adjacent to the existing berth at Port Botany.

Port Botany Expansion

Sydney Ports' management team has continued with the tender process to let the contract to reclaim 60 hectares of land for a third container terminal at Port Botany. This process has been overseen by a project control group including Mr Colin Rudd from Sydney Ports and officers from the Office of the Coordinator General (Mr Chris Herbert), and the NSW Treasury (Mr Danny Graham). This project control group is assessing tenders from the final two parties on the short list and we expect the contract to be awarded early in the new year. On behalf of the Board I would like to extend our thanks to Mr Herbert, Mr Graham and Mr Rudd and all their staff for their excellent work.

Procurement of an Operator for the Third Terminal

The Board and Management are actively considering procurement of an operator for the third terminal. We wish to select an operator prior to land reclamation having materially progressed. This would enable the operator of the new terminal to coordinate with the construction contractor in respect of the interface between the work Sydney Ports will be carrying out for land reclamation, quay walls and an operator's needs for foundations, container cranes, roadways, rail sidings and other operational requirements.

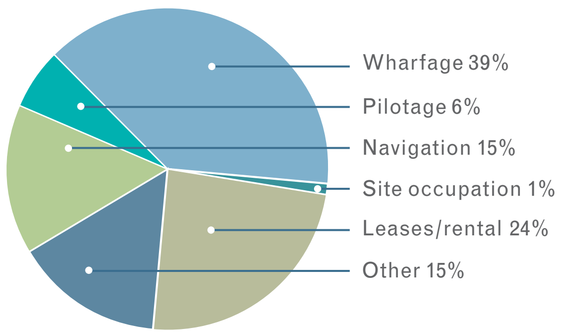
The Board regards it as critically important that the tender process to identify an operator for the third terminal is both competitive, to achieve an adequate return on the Corporation's funds invested, and also maximises the efficiency of the Port Botany precinct for all port users from shippers, truckers, stevedores, importers and exporters.

We will also be seeking the assistance of the Office of the Coordinator General and Treasury in ensuring that this process is carried out in a manner consistent with broader Government policy.

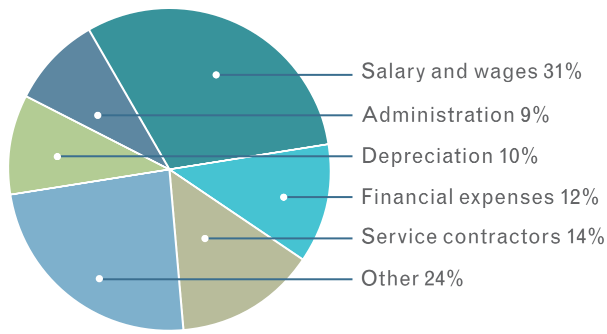
Port Botany Operations Centre

In response to the changes in shipping activities on Sydney Harbour, the Corporation has investigated options for relocating and consolidating many of its operations to Port Botany. Planning for the design, approval and construction of a new environmentally-friendly Sydney Ports Operations Centre at Port Botany will proceed this year, with occupation of the new centre expected in 2009.

Sources of revenue as a proportion of total revenue 2006/07



Areas of expenditure as a proportion of total expenditure 2006/07



Intermodal Logistics Centre at Enfield

Delivering on the objectives of the NSW Government's Freight Initiative, Sydney Ports is progressing its plans for an Intermodal Logistics Centre at Enfield by developing an intermodal terminal that includes empty container storage, warehouse capacity and rehabilitation of the natural environment.

Sydney Ports welcomes the NSW Government's approval, in September 2007, of this project and the Corporation will work with all stakeholders to ensure delivery of an efficient logistics centre that generates the best operational, environmental, social and financial results.

Future of Glebe Island, White Bay and Darling Harbour

As a growing, global city, Sydney is changing. The harbour, for many years a busy working port, is gradually changing its character.

With Patrick ceasing stevedoring operations at Darling Harbour in October 2007, the Corporation's exit strategy from this precinct will ensure that residual port operations, such as cruise shipping, are incorporated into the future plans for Sydney Harbour.

The Corporation has also indicated its support for a proposal by Bailey's Marine Fuels to establish a common user marine services precinct on 1.33 hectares of port land at White Bay 6.

Advancing port security plans

To minimise the risk of security incidents on maritime transport or port facilities, the Corporation will continue to monitor, and where necessary enhance, the security of Sydney Harbour and Port Botany. Sydney Ports' objective is to provide the safest possible conditions for all shipping and port-related operations within the precincts under its control.

New Board member

During the year, we welcomed Trevor Robertson as a new Board member. A former naval commander, his 18 years of maritime service and extensive business experience will be a welcome addition to Sydney Ports.

Farewell to David Field and Greg Martin

My predecessor as Sydney Ports' non-executive Chairman, David Field, finished an eight-year tenure with the Corporation on 3 December 2006. David was devoted to Sydney Ports throughout his tenure and on behalf of the Corporation I thank him for his contribution.

Also, after 11 years as CEO, Greg Martin is leaving Sydney Ports to pursue new challenges. I recall well being a member of the Board in 1996, under the leadership of then Chairman Brian Finn, who recommended Greg Martin's appointment. Greg has shown outstanding leadership and

The proposed Port Operations Centre at Brotherson Dock, Port Botany

dedication during his time at Sydney Ports and on behalf of the Board and employees of the Corporation I wish him every success for the future.

The Corporation's longstanding General Counsel and Corporate Secretary Barbara Filipowski is Acting CEO pending appointment of a permanent replacement for Greg Martin. We all thank her for stepping up to this demanding role.

Finally, I would like to thank the Minister for Ports and Waterways, The Hon. Joe Tripodi for his support, and the Board and staff of Sydney Ports for their continued commitment and professionalism in providing our stakeholders with reliable port services and progressive solutions of which we can all be proud.

The year ahead

2007/08 sees Sydney Ports well placed to meet the challenges ahead. Highlights for the coming year include the appointment of a Design and Construction contractor for the Port Botany expansion and the first steps towards the appointment of a stevedore for the new container terminal at Port Botany.

The approval by the Government of the Intermodal Logistics Centre at Enfield will now be followed by the commencement of a delivery strategy which is expected to see operations commence on site in 2010.

During October 2007 the last commercial trading ship departed from East Darling Harbour bringing to an end over 100 years of history in this section of the port.

Container and bulk liquids trades are expected to continue to grow strongly, and Sydney Ports will focus on the landside logistics to ensure the ports continue to operate efficiently.

The process of appointment of a new Chief Executive for the Corporation is expected to conclude later this year, and I look forward to working with the new appointee and all the staff at Sydney Ports in what is promising to be an exciting and challenging year in the history of the organisation.

Paul Binsted
Chairman

Acting Chief Executive Officer's report

Sydney Ports Corporation has experienced another very successful and rewarding year, with positive progress on trade, projects and logistics forming the highlights for 2006/07.

Preparing our ports for the next 50 years

Projects in planning for more than 10 years are now coming to fruition – projects that are needed to accommodate the rapid growth of trade through our ports.

Also, Sydney Ports' traditional role of port manager as owner and administrator of port land has changed – more so this year than in previous years. The Corporation as a port manager is now involved in playing a more significant role in areas such as coordinating logistics, enhancing landside efficiency and participating in road and rail transport planning issues over a broader port hinterland area.

Increasing trade through Sydney's ports

Container trade through Sydney's ports hit an all-time high with trade figures for 2006/07 showing a 12.1 per cent increase over the previous year to 1,620,121 TEUs. This is the sixth consecutive year of significant growth in containerised trade through Sydney – a very pleasing result that saw Sydney reaffirm its position as one of Australia's leading container ports.

Despite the continuing effects of the drought, full container exports also hit a record level of more than 369,600 TEUs – an increase of 7.2 per cent. Trade of bulk liquids and gases through Sydney's ports has also risen with growth of 17.9 per cent representing another record rise. Total trade increased by 4.0 per cent to 27.8 million mass tonnes. The number of vehicles imported through Sydney also increased significantly by 35.9 per cent to 323,467 for the year.

Importantly, with the forward planning program the port embarked on almost a decade ago, Sydney is in a position to be able to handle growth in trade volumes. Container trade through the port, which has been increasing at an average of over seven per cent per annum since 2001, was forecast to reach three million TEUs sometime between 2020 and 2025. However, this milestone could now be reached as early as 2017 if growth continues at its present rate.

This makes the expansion of Port Botany all the more critical and I am pleased to report significant progress this year. A competent and highly experienced project team has been established, geotechnical investigations and detailed design completed, and tenders called for the construction of the 60 hectare site at Port Botany.

What has also been pleasing is the NSW Government's approval in September 2007 for Sydney Ports' proposal to develop an Intermodal Logistics Centre at Enfield to increase the movement of container trade by rail.

L–R: Former Chief Executive Officer, Greg Martin with Acting Chief Executive Officer, Barbara Filipowski

With the trade of bulk liquids and gas growing by 17.9 per cent last year, Sydney Ports instigated plans to develop a second Bulk Liquids Berth (BLB) at Port Botany to cater for this increase. During the year, the Corporation commissioned an environmental assessment for this berth and appointed Vopak Australia as project manager to progress the planning for this facility.

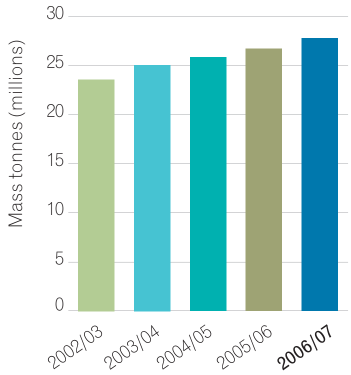
Challenges to the logistics chain in moving increased trade

The growth in trade demands that all stakeholders in the containerised logistics chain not only work together to develop new infrastructure, but also make more efficient use of existing port assets. This may include more container movements on weekends and further consideration by industry of 24 hours, seven days a week operations.

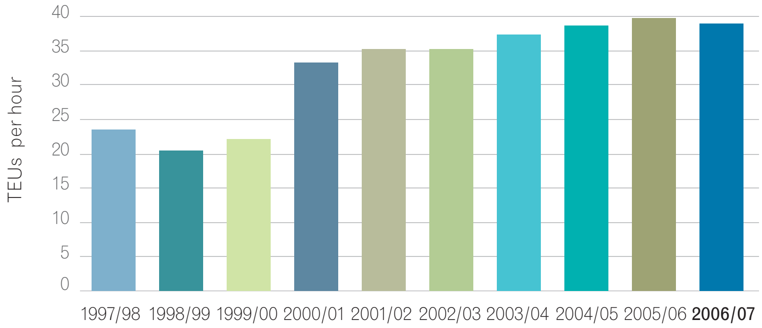
During the year, the NSW Government commissioned the Independent Pricing and Regulatory Tribunal (IPART) to undertake an independent review of the landside logistics issues at Port Botany's container terminals and to report on any potential ways to improve efficiency in the logistics chain.

Sydney Ports suggested a number of reform proposals to IPART that would help promote efficient transportation of containers in and out of the port. The IPART review recommendations are expected to be released by the end of 2007.

Total trade in mass tonnes 2002/03 to 2006/07



Net crane rates for Sydney 1997/98 to 2006/07



Pilot on a cutter boat preparing to board a vessel

Logistics Taskforce

In November 2006, the NSW Minister for Ports and Waterways, The Hon. Joe Tripodi, established the Port Botany Logistics Taskforce to provide advice on a range of freight logistics issues, including port operations, road and rail freight operations, container parks, planning and regulation.

The taskforce, which includes senior government officials, leading industry figures and representatives from the Corporation, will advise the NSW Government on proposed improvements required to remove any impediments to maximising the capacity of the logistics chain.

Stakeholder liaison

Sydney Ports Users Consultative Group

The Sydney Ports Users Consultative Group (SPUCG) is a valued partner in Sydney Ports' work to achieve best practice in port operations. SPUCG includes representatives from stevedoring companies, port service providers, cargo owners, shipping lines, land transport operators, customs and quarantine.

The Corporation thanks SPUCG for its contribution during the year, especially its views on strategic and operational matters, such as: development of port infrastructure; pilotage; road transport issues; rail and intermodal terminal operations and infrastructure; customs and quarantine topics; and security planning.

40th AAPMA conference in Sydney

In October 2006 Sydney Ports hosted the 40th conference of the Association of Australian Ports and Maritime Authorities (AAPMA) in Sydney. About 200 of Australia's port managers gathered for two days to hear from local and international speakers about major infrastructure developments in the nation's ports, environment issues, port security as well as on topics such as liner shipping, merger approvals, minerals industry requirements, infrastructure financing and safety. It gave the Corporation great pleasure to be part of this very successful conference in our port and city.

Investment in future operations

The recruitment of new pilots, upgrading of three pilot vessels, the introduction of a new pilot belt roster system and the integration of the pilot cutter crew with overall port operations to improve service reliability and flexibility, have all come at a cost to Sydney Pilot Service (SPS). To recover the expense of these improvements, SPS increased its pilotage fees for Sydney's ports from 1 December 2006. SPS will continue to seek opportunities for cost savings in providing competitive and safe pilotage services.

Port Botany: aerial view of Brotherson Dock

Also, to assist with the funding of the expansion of Port Botany, Sydney Ports obtained approval to introduce, from 1 September 2007, the first wharfage charge increase since 1991, applying to overseas import and overseas empty containers. Since 1991 the real cost of wharfage has fallen 69 per cent on import containers and 61 per cent on exports. There has been no charge on empty containers since 1999.

Port operations

Sydney Ports' major navigation, shipping and environmental responsibilities are outlined in the functions of our Port Safety Operating Licence (PSOL), which is issued by the NSW Government and includes stringent performance standards.

In addition to maintaining safe navigation in the ports for commercial shipping and administering the Dangerous Goods Regulations for Port Areas, Sydney Ports also has responsibility for emergency response to marine-based incidents and for controlling and cleaning up any spills.

The Corporation once again met all the requirements of its PSOL, for Sydney Harbour and Port Botany, which was renewed for five years until 31 December 2011 following an external audit.

Cruising continues to be attracted to Sydney

The cruise season was another highlight of the year, with 88 cruise ship visits made by 26 different vessels and crowned by the simultaneous high profile visits to Sydney of the *Queen Mary 2* and *Queen Elizabeth 2*.

Sydney Ports Corporation is also working closely with the NSW Government to examine all options for the location of an interim cruise terminal to cover the proposed redevelopment of the Wharf 8 Cruise Terminal at Darling Harbour.

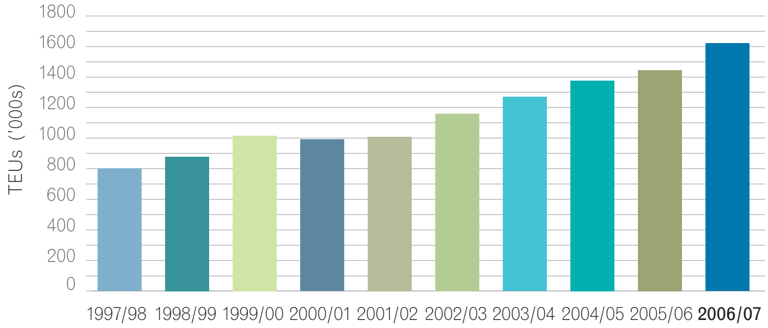
Responding to emergencies

Of course, unforeseen incidents do occur from time to time on a busy harbour such as Sydney and I would like to acknowledge the efforts of Sydney Ports' staff for their role in the rescue of eight people in the aftermath of the tragic accident involving a recreational vessel and the Sydney ferry *Pam Burridge* in March 2007, which resulted in the death of four people.

Also, following the grounding of the coal ship *Pasha Bulker* at Nobby's Beach in Newcastle on Friday 8 June 2007, an experienced Sydney Ports' operations crew was immediately dispatched to the scene as part of the National Plan to Combat Pollution of the Sea by Oil. The Sydney Ports' crew provided expert assistance to the oil spill response team, assembled from both State and Federal agencies, and stayed on site until the ship was towed safely out to sea and the Corporation thanks them for their role in the recovery.


Container trade increased by 12.1 per cent

Container trade 1997/98 to 2006/07



Sydney Ports was prepared for this response due to the training at the two emergency oil spill exercises held this year – one at Port Botany in conjunction with Caltex and the other at Gore Bay with Shell Australia.

Managing security

From 1 January 2007 it became compulsory under the *Maritime Transport and Offshore Facilities Security Act 2003* for anyone working within the secure areas of a port, ship or offshore facility to display an individual identity card known as the Maritime Security Identification Card (MSIC).

During the year, Sydney Ports met its obligations under the Act by issuing cards to all staff required to have them to perform their jobs – well before the deadline on 1 January 2007. Also, as an accredited security card-issuing body, Sydney Ports assigned about 5,500 cards to organisations such as Shell, Caltex and Adsteam Marine, as well as ports and facilities operators in other states.

Sydney Ports' efforts in this area were recognised when the Corporation was awarded the inaugural *Innovation in Maritime Security Award* as part of the *Australian Shipping and Transport Awards*, in Melbourne in November 2006.

Sydney Ports upgraded a number of other security measures throughout the year. The Corporation completed phase one of its closed circuit TV program; its Port Security Committee worked on establishing an integrated security approach for the whole port; and its Automated Identification System (AIS) went live, making Sydney one of the first ports in Australia to use this technology.

Having prepared security plans last year in accordance with Federal legislation administered by the Department of Transport and Regional Services (DOTARS), the Corporation also updated these plans and had successful audits of all its plans.

Recording our heritage

This year Sydney Ports prepared a Heritage Asset Management Strategy (HAMS) to identify the management and conservation of heritage assets owned and controlled by Sydney Ports. This strategy, with over 50 items listed, has been formally endorsed by the NSW Heritage Office.

Investing in our people

Sydney Ports won the coveted *Corporate Citizenship Award* at this year's *National HR Awards*. This distinction recognises organisations that have been proactive in demonstrating corporate citizenship, internally and within the community. Judges said Sydney Ports' corporate citizenship efforts in community involvement, stakeholder engagement and environmental commitment were 'extremely commendable'.

Sydney Ports maintains a strong commitment to employee satisfaction, safety and development. Our Health and Wellbeing Program, implemented to provide staff with tips on healthy living,

Sydney Ports' staff farewell former Chief Executive Officer, Greg Martin

continued this year with options for flu vaccinations and skin cancer checks for all staff. Staff also participated in a 10-week walking challenge.

Closing

The year has been a satisfying and progressive one with much of Sydney Ports' strategic and long-term planning coming to fruition, with progress on the Corporation's major projects at Port Botany and Enfield now well advanced. At the same time, the ongoing management of the port has continued seamlessly, a true reflection of the dedication and commitment of all staff.

However, the Corporation faced two significant changes with the departure, during the year, of two of its long-serving chiefs, Chairman, David Field in December 2006 and Chief Executive Officer, Greg Martin in August of this year. With six and 11 years of service respectively, their guidance and knowledge of Sydney Ports, its stakeholders and business was valued and will be missed.

In their time here the management of ports, both nationally and internationally, has become far more complex and the business has changed from being focussed on the waterside to getting the product from factory or paddock to port and port to consumer.

I would like to acknowledge, with heartfelt thanks, the guidance and mentoring provided to me, personally, by Greg Martin during his years here and, on behalf of all our staff, wish him all the best for the future.

I would also like to acknowledge the support and cooperation of all the industry representatives and stakeholders who have worked so well with Sydney Ports during the year to implement the initiatives of the Corporation.

Thank you to all staff, the many service providers and agencies who have worked with us to deliver on our objectives. My special thanks to the Portfolio Minister, The Hon. Joe Tripodi, and his staff for their commitment to Sydney's ports during the year, in particular during the time I have been acting as the Chief Executive Officer.

Sydney's ports are now well placed for the future, particularly in regard to catering for large ships and cargo growth. The key issues in the years ahead will relate to working with Government, industry and the community to ensure land transport issues for ever increasing cargo volumes are properly managed, both in terms of operation and infrastructure.

All of us at Sydney Ports are looking forward to another year of working together to achieve the objectives set for the Corporation.

B. A. Filipowski

Barbara Filipowski
Acting Chief Executive Officer

Port Botany

Sydney's future trade powerhouse

Port Botany, an integrated cargo precinct with facilities for stevedoring, warehousing, trucking, customs, empty container storage and handling bulk liquids, covers an area of 210 hectares. In servicing the import and export needs of Sydney and NSW this port generates $1.5 billion in business activity each year.

As Australia's second largest container port, Port Botany handled over 1.6 million TEUs in 2006/07. Productivity through the port will continue to improve, but to meet rapidly growing trade requirements the port infrastructure needs to be expanded.

Expanding to cater for growing container trade

Sydney Ports has received approval to expand the port container terminal area by 60 hectares between the existing Brotherson Dock and Sydney Airport to meet future trade growth. The expansion comprises five extra berths for shipping and 63 hectares of land ensuring the efficient operations of the berth and landside operations. New road and rail links are to be provided, including a dedicated port access road to feed additional traffic directly onto Foreshore Road and minimise the impacts of traffic in the local area.

As well as meeting the rapidly growing trade demands of Sydney, the expansion of Port Botany will deliver 9,000 new jobs to NSW and boost the State's economy by more than $16 billion over the next 20 years.

Following Government approval, which includes more than 100 stringent conditions to protect the ecology of Botany Bay and minimise impacts on the local community, an experienced team has commenced working with Sydney Ports to deliver this project. The team includes geotechnical consultants Douglas Partners; design and technical advisors Maunsell; procurement managers Evans and Peck and Everything Infrastructure; project managers Bovis Lend Lease; and legal advisors Clayton Utz.

Geotechnical investigations at about 120 locations over land and water started in January 2006 and are now complete. Reports confirm that the sub-soil is suitable for reclamation and that contaminants are not an issue.

In July 2006, a leading international port and maritime consultant, Maunsell Australia, was appointed to provide technical, operational and environmental support for the expansion. Maunsell has developed plans to rehabilitate Penrhyn Estuary, and to build community facilities and a new boat ramp. Meetings have been held with local fishing and boating associations to gather input into the boat ramp, and local and regional bird watching enthusiasts contributed to the design of a bird lookout at Penrhyn Estuary.

Design and construct contract

Tenders to design and construct the new terminal infrastructure at Port Botany closed mid-August 2007 and a successful tenderer is expected to be announced by the end of 2007. Sydney Ports has shortlisted two tenders – the joint ventures of Leighton-Van Oord and Baulderstone Hornibrook-Jan de Nul.

Below L–R: Security fences at the port; container ship near Port Botany; the Bulk Liquids Berth at Port Botany; containers moved by rail

Main image: Patrick and DP World operations at Brotherson Dock

The Port Botany story

Port Botany in 1970

1969 NSW Government approval to develop a port at Port Botany

1971 Premier Askin inaugurates first stage of development

1972 Thirty-four hectares of land reclaimed at Port Botany

1979 The first berth, the bulk liquids facility at Port Botany, opened by Deputy Premier Jack Ferguson. Brotherson Dock (north) commissioned

1982 Brotherson Dock (south) commissioned

Both joint ventures combine large, experienced and respected Australian companies in partnership with overseas firms that have a record in delivering major dredging and reclamation projects. It is expected that the new berths will be commissioned and progressively ready to handle trade by 2011/12.

The process of selecting a stevedore for the new terminal will also commence in 2007/08, with a decision likely towards the end of 2008.

Enhancing the operating port

New marine loading arm at the Bulk Liquids Berth and associated works

The bulk liquids trade at Port Botany continues to grow with an increase of 17.9 per cent in 2006/07. To cater for this and further expected growth, Sydney Ports facilitated enhanced operations at the current Bulk Liquids Berth (BLB) by assisting with the provision of another marine loading arm.

One-way system on Simblist and Friendship Roads

A one-way traffic enhancement introduced during the year on Simblist and Friendship Roads proved successful. Sydney Ports implemented this initiative after detailed traffic studies and discussions with tenants, port users and other stakeholders to provide efficiency and safety benefits to traffic flow in the area.

New operations building

Planning for a new Operations Centre at Brotherson Dock, in response to the shift of shipping from Sydney Harbour to Port Botany, progressed during the year with architects Jackson Teece developing a concept and design for this purpose-built facility. The development and construction of this new building will enable Sydney Ports to consolidate its operations from eight sites into four. Design, planning approval and construction of the building, which will promote environmental principles in every way possible, is expected to be ready by mid to late 2009.

Trade facilitation

Sydney Ports, together with the Sydney Ports Cargo Facilitation Committee, held its 5th annual Transport Workshop in July 2007. The aim of the workshop was to plan and manage efficient container handling and prepare for the seasonal Christmas peak.

Efficient landside movement of containers and successful integration of all industry segments depends on cooperation between those involved in the transport chain. Attendees at this year's workshop included Shipping Australia, DP World, Patrick Stevedores, Australian Quarantine and Inspection Service, Customs Brokers and Forwarders Council of Australia, road transport firms, rail access providers, rail operators and empty container park businesses.

Workshop participants raised issues that included the potential use of Super B-doubles to facilitate movement of containers to and from the Australian Quarantine

2007 Design and construction contractor to be appointed

2011/12 New berths to be commissioned

2006 New South Wales Government gives approval to expand Port Botany to provide five new berths

2008 Stevedoring operator for expanded area to be sourced

Artist's impression of the expanded port

Container trade by region 2006/07 (TEUs)

	Imports			Exports			Total Trade**	
	Full	% Change*	Empty	Full	% Change*	Empty		% Change*
East Asia	363,599	11.5	2,613	113,624	3.2	243,184	723,020	13.6
South East Asia	126,177	11.7	1,492	63,669	–11.4	86,353	277,691	6.0
Oceania	54,535	5.9	5,382	111,120	19.2	93,095	264,132	16.6
Europe	134,972	14.6	112	17,076	12.2	2,370	154,530	9.5
North America	76,136	0.2	1,932	18,002	–9.0	3,654	99,724	0.2
South Asia	10,385	15.4	–	14,108	29.5	390	24,883	25.0
Middle East	10,097	18.2	1	8,575	56.7	42	18,715	32.2
Pacific Ocean Islands	2,393	17.6	4,388	15,562	48.8	1,134	23,477	51.2
Africa	11,442	36.5	3,357	4,814	6.1	28	19,641	7.9
South America	6,396	17.7	82	1,485	27.2	254	8,217	9.8
Central America	3,708	37.0	19	1,581	18.0	777	6,085	41.8
Other countries	–	–	–	6	–	–	6	–
Total	**799,840**	**11.0**	**19,378**	**369,622**	**7.2**	**431,281**	**1,620,121**	**12.1**

* Over the same period as last year ** Includes empty containers

Import commodities in TEUs 2006/07

Machinery and transport equipment	175,384
Miscellaneous manufactured articles	164,942
Chemicals	108,803
Paper and paper products	77,882
Textile fabrics and yarns	36,519
Food preparations	34,346
Non-metallic minerals	23,576
Iron and steel	20,832
Beverages and tobacco	15,738
Timber	12,832
Other	128,986
Total	**799,840**

Export commodities in TEUs 2006/07

Chemicals	41,149
Paper and paper products	30,567
Machinery and transport equipment	30,013
Waste paper	25,788
Miscellaneous manufactured articles	24,754
Cereals	23,042
Non-ferrous metals	21,961
Iron and steel	21,980
Animal foods	17,102
Cotton	15,658
Other	117,608
Total	**369,622**

Port Botany (continued)

Monthly container trade (TEUs) 2002/03 to 2006/07

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Exports	60,384	62,924	69,644	71,685	65,970	75,007	69,110	66,146	68,132	60,590	69,062	62,249	**800,903**
Imports	62,304	72,360	71,944	71,479	78,647	72,913	66,549	65,929	60,407	65,390	66,580	64,716	**819,218**
Total 2006/07	122,688	135,284	141,588	143,164	144,617	147,920	135,659	132,075	128,539	125,980	135,642	126,965	**1,620,121**
Total 2005/06	113,602	124,030	129,269	133,301	130,453	120,575	118,758	102,591	112,110	114,898	122,278	123,600	**1,445,465**
Total 2004/05	110,694	118,371	120,741	122,850	112,973	122,420	113,163	106,560	107,348	111,589	113,807	105,849	**1,376,365**
Total 2003/04	97,454	104,613	103,728	110,915	112,600	111,092	104,134	93,926	106,477	106,976	104,715	113,586	**1,270,216**
Total 2002/03	93,675	96,529	98,237	103,123	100,026	104,857	103,769	81,736	99,031	92,845	94,880	92,039	**1,160,747**

and Inspection Service (AQIS) examination facility; truck turnaround times; transparency of slots within the vehicle booking system; road transport movements outside peak periods; electronic commerce arrangements; empty container depots; and rail management of the Botany corridor.

This annual event has delivered successful results in previous years in identifying issues of concern and finding ways to improve transport efficiencies for all stakeholders.

Ship numbers to Port Botany

The total number of vessels visiting Port Botany during the year was 1,645. The number of vessel visits to Botany is forecast to grow with the increase in container trade.

New pilot launch jetty

Sydney Ports received development approval for a new pilot launch jetty at Port Botany and tenders for construction have been received. The aim is to complete construction of this facility by early 2008.

Two new Adsteam tugs

Prior to its takeover by Svitzer, Adsteam Marine increased its towage capability with the launch of two technologically advanced tug boats. The new 28-metre tugs, designed and built by Damen with bollard pull of 60 tonnes, are well suited to the traffic pattern of container ships, car carriers and tankers in Port Jackson and Port Botany. With expansion of the container port at Port Botany under way, the new tugs will assist in enhancing efficiency at Sydney's ports.

Environment and public areas

As part of the Port Botany expansion, Sydney Ports is investing over $20 million to build new amenities for the local community and to enhance the environment.

The improvements include restoration of Foreshore Beach and Penrhyn Estuary, and construction of a new boat ramp. Sydney Ports will take over the long-term maintenance of these public areas. The existing boat ramp will be replaced with a new four-lane ramp with two pontoons, enclosed fish-cleaning facilities, a new amenities building and parking for 130 cars with trailers, to cater for local fishing and boating enthusiasts.

Sydney Ports prepared the Penrhyn Estuary Habitat Enhancement Plan to outline what will be done before, during and after construction to rejuvenate Penrhyn Estuary. The Estuary will be enhanced to provide additional bird habitats, saltmarsh and seagrass, and will help to attract migratory birds, which are vital to the bay's ecology.

Top: Foreshore beach enhancement works
Bottom L–R: Millstream lookout and car park; the new boat ramp; artist's impression of the Port Botany Expansion; proposed bird lookout

Other environmental initiatives include collection and reuse of stormwater run-off from the amenities building and boat ramp, and solar lighting for the entire length of the pedestrian and cycle way.

Sydney Ports looks forward to expanding the capability of Port Botany in a way that can not only meet the trade needs of NSW, but also enhance the local environment.

Port Botany expansion and the community

An extensive communications and consultation program is integral to the Port Botany project. Sydney Ports established a Community Consultative Committee that includes members of the Botany Bay community, environment groups, businesses in the area and local councils. The committee meets regularly to discuss the expansion, such as designs for public areas, estuary rehabilitation and dredging.

The Port Botany Expansion will cater for the container trade needs of Sydney beyond 2020.

World Environment Day

Sydney Ports is active in all its communities and this year the Corporation supported World Environment Day by inviting Year 5 students from two schools located near the ports – Botany Public School and Father John Therry School at Balmain – to enter an artwork competition based on the theme 'Green Ports'. Staff from Sydney Ports gave presentations to the students to help them understand the activities of the ports, their importance to local communities and the State economy, and the role played by Sydney Ports in protecting the environment.

Energy saving audits on terminal operations

In the past year, Sydney Ports conducted energy savings audits on the two stevedores operating at the terminals at Botany. The audit found that both stevedores are achieving energy savings. Next year, we will do further work with our stakeholders on such sustainable initiatives.

Sydney Harbour

A changing port

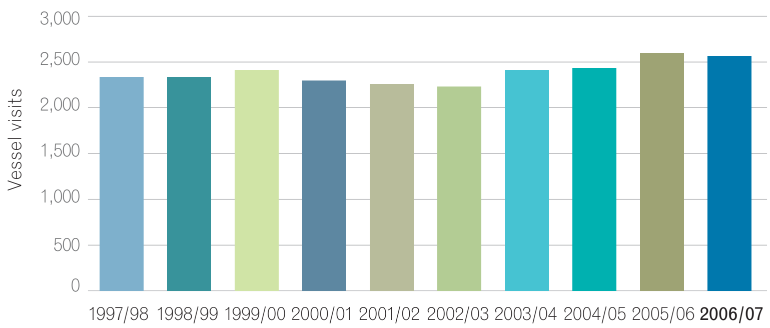
Sydney Harbour is an operational port with a number of maritime facilities. Berths for shipping include bulk trade at Glebe Island and White Bay, cruise berths at Darling Harbour and Circular Quay, berths for general shipping at Darling Harbour and a privately operated oil import berth at Gore Bay. A port operations centre at Millers Point provides operational services to shipping.

There have been notable changes to shipping in Sydney Harbour over the last year. The *Spirit of Tasmania III* sailed for the last time on 26 August 2006 and this year also saw the last of bulk cargo shipping from Darling Harbour. Shipping lines Swire, Asiaworld/Spliethoff and Pacific Island VSA farewelled Darling Harbour with their final visits here during the year.

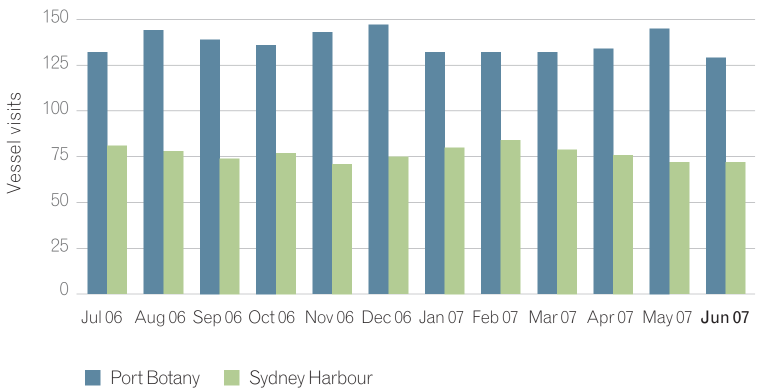
Further changes are ahead with the closure of shipping at Darling Harbour in October 2007 and the motor vehicle trade progressively relocating to Port Kembla during the latter part of 2008.

During the year, the East Darling Harbour precinct was renamed *Barangaroo*. Future developments in Sydney Harbour will cater to the current and future needs of the cruise industry.

Total number of vessel visits to the ports 1997/98 to 2006/07

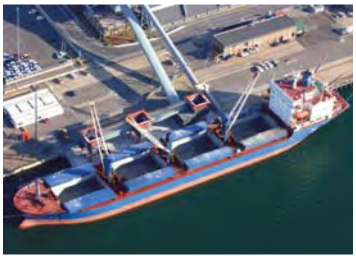


Number of vessel visits to the two ports for the 12 months ending June 2007



Below L–R: Car carrier at Glebe Island; emergency oil spill exercise in Sydney Harbour; the Overseas Passenger Terminal, Circular Quay; ship unloading at Glebe Island

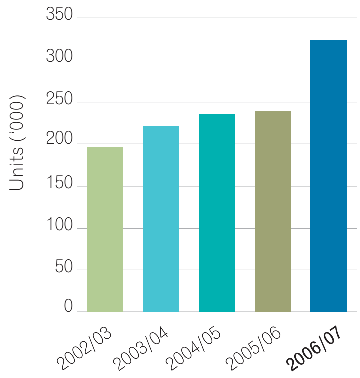
Main image: *Queen Elizabeth 2* arriving into Sydney Harbour led by Sydney Ports' tug, with the *Queen Mary 2* berthed at Garden Island (photo courtesy of Richard Mortimer)



Cruise vessel visits to Sydney Harbour 2002/03 to 2006/07

Year	Calls	No. vessels	Sydney based	International	Passengers (est)
2006/07	88	26	2	24	200,000
2005/06	91	24	2	22	200,000
2004/05	68	21	3	18	156,000
2003/04	81	23	3	20	140,000
2002/03	88	24	3	21	115,000

Motor vehicle imports 2002/03 to 2006/07



Cruising season one of the best

Sydney maintained its status as a premier cruise destination with 88 passenger vessel visits during the year made by 26 different cruise ships. The highlight, on Tuesday, 20 February 2007 saw thousands of spectators line the harbour and foreshore to view the *Queen Mary 2* on her maiden voyage and the *Queen Elizabeth 2* on her silver jubilee world cruise.

At 151,400 gross tonnes, 345 metres and carrying 3,090 passengers, the *Queen Mary 2* is the largest cruise ship to ever visit Sydney. It berthed at the Garden Island naval base and the *Queen Elizabeth 2* berthed at the Overseas Passenger Terminal at Circular Quay.

Other ships on their maiden visit to Sydney were the *Van Gogh*, *Delphin Voyager*, *Asuka II* and the *Saga Ruby*.

Sydney Harbour was also recognised as the *Best Turnaround Destination* by the international publication *Dream World Cruise Destinations* at its 2007 annual awards.

Upgrading for future cruise seasons

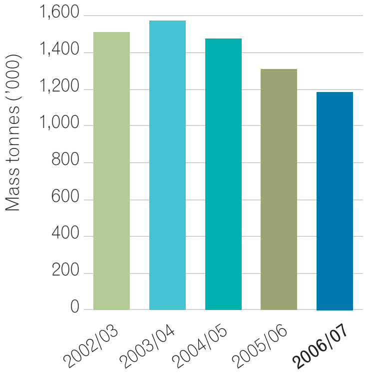
After investigating the best option to replace a passenger gangway at the Overseas Passenger Terminal (OPT) at Circular Quay, Sydney Ports contracted FMT Aircraft and Gate Support Systems AB of Sweden, and Avionics to design, supply and commission a new freestanding gangway for the OPT. The new gangway will cater for the larger cruise vessels berthing at the terminal and enhance passenger comfort and safety. Delivery of the new gangway is scheduled for the second half of 2008.

Sydney Ports' operations in Sydney Harbour

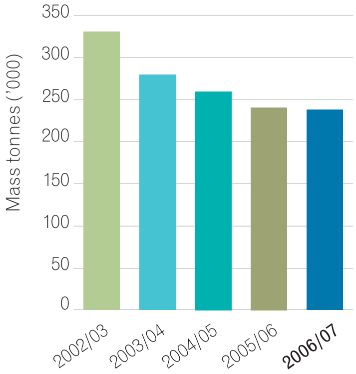
Responding to emergencies and incidents on the harbour is one of the Corporation's main responsibilities. During the year, Sydney Ports' operations personnel combined with staff from the Shell Australia facility at Gore Bay to conduct an emergency oil spill exercise. A Sydney Ports' crew was also first on the scene to help rescue victims of the accident between the ferry *Pam Burridge* and a recreational vessel in the harbour.

In response to changes in shipping activities, Sydney Ports will move a major portion of its operations support function to Port Botany. In 2009, some of the operations staff and pilots currently based at Moores Wharf, Harbour Control Tower and Watsons Bay will relocate to a newly constructed operations centre at Port Botany. Sydney Ports will maintain a 24 hours, seven days a week presence at Moores Wharf to cater for operations support in Sydney Harbour.

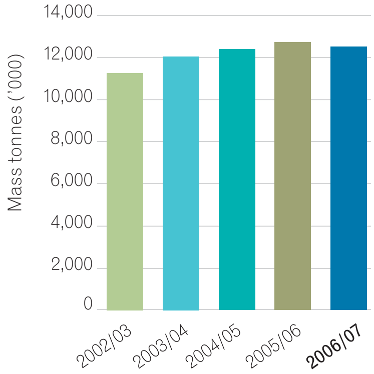
Total dry bulk trade
2002/03 to 2006/07



Total break bulk trade
2002/03 to 2006/07



Total bulk liquids, gas and oil trade
2002/03 to 2006/07



Developments at Glebe Island and White Bay

During the year, some of the plans for development at this port precinct progressed, with decisions expected later this year. Sydney Ports is working with the car import industry, Australian Amalgamated Terminals and Port Kembla Port Corporation to ensure a smooth transition of the car trade to Port Kembla in 2008.

New marine supply facility proposal for White Bay

A proposal by Bailey's Marine Fuels to establish a common user marine services precinct at White Bay continued to be assessed during the year by the Sydney Harbour Foreshore Authority. The proposal includes plans for refuelling and related amenities for barges that service the Harbour islands, as well as temporary berthing of smaller vessels for repairs or maintenance. An outcome of the assessment is expected in 2007/08.

Sydney Harbour was graced with the two magnificent ships *Queen Elizabeth 2* and *Queen Mary 2* in February 2007.

Melbourne-based Independent Cement & Lime (IC&L), which had been working with Sydney Ports to establish a cement import and distribution facility on port land at White Bay, withdrew its application for the proposal during the year.

Working with the community

The Sydney Ports Community Liaison Group for the Glebe Island and White Bay precinct met regularly throughout the year to exchange information about the future of the port area. The group comprises representatives of the community, the local councils and businesses operating at the port.

Other developments at Glebe Island and White Bay

Also during the year, Sydney Ports finished reconstruction of a seawall at White Bay and completed a review of the emergency access and egress at the iconic silos at Glebe Island.

Bringing trade and transport logistics together

With container trade through Port Botany in double digit growth during the year, Sydney Ports has implemented strategies to support landside logistics by investing in land at Enfield and Cooks River.

Enfield

In September 2007, Sydney Ports received planning approval to develop an Intermodal Logistics Centre (ILC) at its 60 hectare site at Enfield.

A critical link in the logistics chain, intermodal terminals assist with getting containers closer to their final destination in an operationally efficient and environmentally sustainable way. Sydney Ports recognised the importance of this more than seven years ago when it invested in a 60 hectare site at Enfield, 18 kilometres from Port Botany.

The site is located in an industrial and commercial area adjacent to a dedicated freight line to the port and within easy access of major roads.

The approval of the development followed a stringent assessment process which commenced in October 2005 when Sydney Ports completed and submitted an Environmental Assessment.

NSW Government Freight Initiative

The announcement of the NSW Government's Freight Initiative during the year also gave impetus to the development of a network of intermodal terminals for Sydney, to add to the existing network. Enfield will be part of this network.

The Freight Initiative aims to achieve a target of 40 per cent of freight carried by rail by 2011, which will cut the number of truck movements on arterial roads by about one million per year and control the growth of truck movements around Port Botany and inner Sydney.

The Enfield development will not only form an important part of the supply chain, but there will be major benefits from investment by the Corporation and private sector in the area – helping local business, enhancing the environment and creating up to 850 full-time jobs during operation.

The development

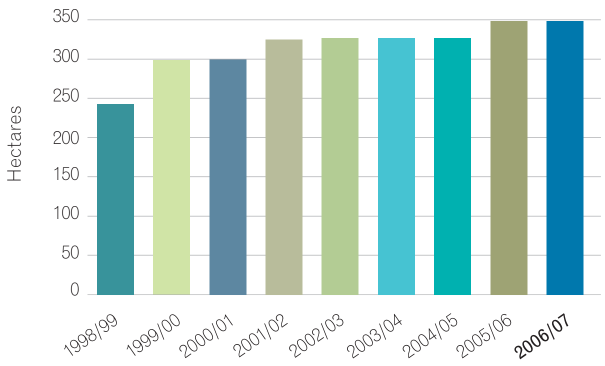
The Enfield ILC proposal consists of an intermodal facility where: containers will be moved on and off trains and trucks; warehouses where containers from trains can be unpacked for delivery; and where freight coming into the centre can be packed into containers for export. It will also include empty container storage facilities, a light industrial area and restoration of land for community use and ecological purposes.

Sydney Ports has focused on minimising the impacts of trucks, trains, noise and the visual impact from the Enfield development. Despite truck traffic representing less than one per cent of forecast total traffic on arterial roads surrounding the Enfield ILC, Sydney Ports has been working with traffic modelling experts to design the best possible system. Traffic from the development will be funnelled directly onto arterial roads and Sydney Ports will institute effective traffic and noise management measures at the site.

Below: The ILC at Enfield will move more cargo onto rail to ease road congestion

Main image: Enfield Intermodal Logistics Centre site (photo courtesy of Peter Harrison)

Sydney Ports land holdings 1998/99 to 2006/07



The design of the facility is sensitive to the needs of the residential neighbours with main operational areas buffered by buildings, noise walls and landscaped areas. Rigorous operational measures, such as the use of noise-modified equipment where possible, is also proposed.

A substantial investment is also being made to transform a six hectare area into a green space and a valuable community asset. This will include an area specifically for local fauna, including a foraging habitat suitable for the green and golden bell frog.

Sydney Ports is confident that the potential impacts of the development can be mitigated and will continue to work with neighbours to address all local concerns. With private sector support, Sydney Ports expects to have the Enfield ILC in operation by 2009/10.

Cooks River

A strategic link for empty container trade management

Management of empty containers is as important as the trade of full containers and Sydney Ports has taken steps to secure this critical link for trade by securing and developing strategically located land at Cooks River, five kilometres from Port Botany.

Sydney Ports acquired the Cooks River empty container park in 2006. This 17 hectare property has storage capacity for 10,500 TEUs and access to rail and road links for dispatch to exporters. Cooks River is expected to account for up to 30 per cent of empty container storage in Sydney over the next couple of years and it will help improve the efficiency of container movements throughout the metropolitan area.

Ownership of this site by Sydney Ports gives the Corporation the ability to establish new leases and work with tenants to develop new trade opportunities.

Substantial works are planned by Maritime Container Services (MCS), the operator of the empty container depot and maintenance yard on site. Sydney Ports is working with MCS to enhance this facility and improve the efficiency of container storage and handling.

During the year, Sydney Ports invested approximately $0.3 million in capital works to upgrade lighting and signage as well as extensive stormwater maintenance at the Cooks River site.

Below: Operations at Cooks River empty container yard

Trade stories

In 2006/07 chemicals and paper featured among the leading containerised commodities imported and exported through Sydney's ports. The following outlines the significant contribution of these commodities to the economy.

Chemicals: part of the fabric of life

The chemical industry, the most globalised of all industrial sectors, is at the top of all manufacturing supply chains. Basic chemicals are required for making other chemicals and products and they are used as inputs in a wide variety of manufacturing processes. The chemicals sector directly and indirectly supports many aspects of Australia's overall economic growth.

The trade of chemicals through Sydney's ports in the past year included organic and inorganic chemicals, pharmaceutical products, fertilisers, tanning and dying extracts, essential oils, perfumes, soaps, explosives, photographic and cinematographic goods, plastics and other miscellaneous chemical products. These commodities are an essential resource for just about every industry, especially chemicals, mining, agriculture, manufacturing, food processing, healthcare, and other consumer goods. They constitute part of the production process for everything from fruit to footballs, nappies to nylon, toys to tyres, and shoes to surgical masks.

Sydney's ports important for the chemical trade

In 2006/07 Australia imported about $20 billion worth of chemical products – a 7.6 per cent increase on the previous year. This reflects the growing trend towards sourcing products from overseas for secondary processing and final consumption in Australia.

About 10 per cent of this chemicals trade by weight – the equivalent of 1.3 million mass tonnes – was shipped through Sydney's ports, with a larger share of finished products and products for processing, such as pharmaceuticals (72 per cent of total Australian imports); essential oils for perfumes and cosmetics (71 per cent); photographic and cinematographic goods (59 per cent); and soaps (45 per cent).

Nearly all of this trade was carried in containers through the container berths at Port Botany. More than 108,800 TEUs were imported through Sydney – a 9.6 per cent increase on the previous year – making chemicals Sydney's third largest imported containerised commodity in 2006/07. The leading sources of these chemicals were China (22.2 per cent), USA (12.8 per cent), New Zealand (6.2 per cent) and Thailand (4.8 per cent).

Bulk Liquids Berth, Port Botany

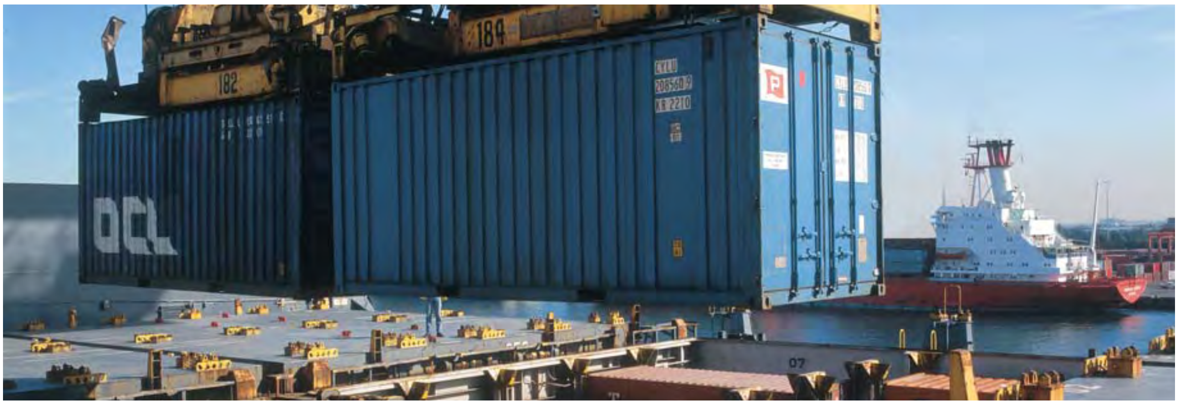
The remaining eight per cent of chemicals were transported in bulk, most of which was handled through Sydney Ports Corporation's common user Bulk Liquids Berth at Port Botany and comprised primarily non-hazardous chemicals for industrial uses.

One-third of Sydney's containerised chemical trade in 2006/07 was in plastics, followed by organic chemicals such as ethylene (used to trigger ripening in crops) and propylene (used to manufacture makeup, shampoos and cleansers); and other miscellaneous chemical products.

The future of trade in chemicals

With ever-growing demand and the trend towards sourcing semi-processed or finished chemical products from overseas likely to increase, chemicals will continue to be one of Sydney's leading containerised imports.

As a large population centre with sophisticated domestic and industrial needs, the overall trade in chemicals is especially vital to Sydney.



Containers traded through Port Botany

Paper

Remember the idea of a paperless office and possibly a paperless world? While advances in communications technology have seen some traditional uses for paper phased out, the world is using more, not less, paper products than ever before. Australia alone consumes about $6 billion worth of paper products every year.

There are four major paper products within Australia's paper commodity group: newsprint; printing and communication paper; tissue; and packaging and industrial paper.

These products are manufactured from plantation and forest timber resources, or waste paper, or a combination of virgin pulp and waste paper, depending on the manufacturing process and desired characteristics of the paper being made.

The majority of Australia's paper production capacity is located in the eastern seaboard States.

The principal papers that Australia exports are packaging and industrial papers. The main markets are China, New Zealand and The Philippines.

We consume more products today than ever before which has generated a need for more packaging, especially in developing economies.

Paper trade important for Sydney's ports

This increased demand has made paper products an important trade item for Australia. In 2006/07, 108,444 TEUs worth of paper products were traded through Sydney's ports, totalling 1.287 million mass tonnes of paper.

Imports were more than double exports, dominated by printing and communications papers, led by demand from the advertising industry.

In export terms, this commodity was the largest containerised export trade in 2006/07 for Sydney Ports Corporation after chemicals. Paper exports represented 8.3 per cent of the total containerised export trade through Sydney's ports with 30,567 TEUs, an increase of 15.7 per cent on the previous year.

Sydney Ports' market share of Australian paper products exports is about 25 per cent of all Australian paper exports, which demonstrates the significant volume of packaging and industrial paper produced in NSW.

About 80 per cent of Australia's paper exports are packaging and industrial papers, with China fast emerging as the leading destination – fuelled by the demand for packaging material for the multitude of products made in that country for global markets, such as footwear, clothing and electronic equipment.

Of Australia's other paper exports, most printing and communication papers are produced in Victoria and exported through Melbourne. Australia's tissue paper exports are relatively modest and have been diminishing in recent years, with most destined for New Zealand.

NSW is a major producer of packaging and industrial papers, with large manufacturing operations in Sydney and southern NSW. The products include unbleached pulp, kraft liner board and corrugated medium and testliner paper, all of which are used in the production of corrugated boxes and cardboard.

Paper trade important for regional NSW

Australia's leading paper packaging manufacturers are planning major increases to production capacity in NSW, with two plants planning significant increases.

Both plants are aided by the significant energy and raw material advantages offered by NSW.

A large proportion of the energy used in the paper mill is generated on-site using greenhouse friendly, bio-mass fuel such as bark and wood waste.

This makes the two mills in Southern NSW the major users of products sourced locally, as well as major regional employers, both directly and indirectly.

Facilitating the growing trade of these products to the world is one of the many ways in which Sydney Ports assists the export efforts of our regional manufacturers.

Board of Directors and Chief Executive Officer

as at 30 June 2007

L–R: Ken Murray, Trevor Robertson, Rene van der Loos, Greg Martin (CEO)
Paul Binsted (Chairman), Michael Braham, Michael Sullivan

Paul Binsted BEc, LLB, FFIN
Chairman

Mr Binsted is a Managing Director in the Global Investment Bank Lazard, having joined in 2004 to establish the Australian business. He was a Director of Sydney Ports Corporation from 1995 to 1998. He served as Chairman of the State Rail Authority from 1998 to 2002 over the Olympic period and was appointed by the New South Wales Government as Chairman of the Board of the Sydney Ports Corporation in December 2006.

Prior to joining Lazard Mr Binsted held senior positions in Corporate Financial Advice and Mergers and Acquisitions at Salomon Smith Barney (now Citigroup Investment Banking), Schroders Australia and was formerly a principal of Lloyds Corporate Advisory Services.

He is a Fellow of the Financial Services Institute of Australia and a solicitor of the Supreme Court of New South Wales as well as one of Australia's most experienced takeover advisors having advised on over 40 public company takeovers, and a further 50 significant corporate transactions.

Mr Binsted has extensive experience in all aspects of corporate financial advice, particularly acquisition and divestment strategy.

Greg Martin BE (Civil), BCom, ASIA, FAICD
Chief Executive Officer

Mr Martin has been Chief Executive Officer of Sydney Ports Corporation since April 1996. From 1990 to 1996 he was Chief Executive Officer of the Port of Brisbane Corporation and has been President of the Association of Australian Ports and Marine Authorities Inc since 2001. He is a Director of the International Association of Ports and Harbours and United Way Sydney. He is a Director of Sydney Pilot Service Pty Ltd.

Ken Murray
Director

Mr Murray was the Executive Director of Casino World Australasia, the Australian licensee company of US based computer technology provider Casino World Holdings.

He is Managing Director of property and investment company Yarrum K Holdings, President of a major registered licensed club and a Member of the Randwick Racecourse Trust Board. Mr Murray took over as Chairman of Sydney Pilot Service in July 2006 and has 34 years experience in the stevedoring industry.

Rene van der Loos GAICD
Director

Ms van der Loos has held senior executive positions in the transport and banking sectors with Qantas, Commonwealth Bank and St George Bank. As well as experience with these major Australian businesses, she has extensive experience in start ups, strategic marketing and organisational structures and is a member of the Australian Institute of Company Directors.

Ms van der Loos is a member of the Audit and Risk Management Committee and the Remuneration Committee of the Board of Directors.

Michael Braham
Director

Mr Braham is Chairman of D&D Technology Group and Kingsway Capital Group and is a former Chairman of the listed Galileo Shopping America Trust and a Non-Executive Director of Neptune Orient Lines Australia and other companies. Formerly he was Regional Commissioner for New South Wales for the Australian Securities Commission, an Executive Director of Schroders Australia and a Partner of Arthur Young & Co (now Ernst & Young) in New Zealand.

Trevor Robertson MBA, MA (Business Research), Dip App Sc, Dip Maritime Studies, FAICD, FAIM
Director

Mr Robertson has undertaken senior executive and consulting appointments in both the public and private sectors at the Executive and Managing Director levels.

He is a former naval commander with 18 years of maritime service and extensive business experience managing major contracts and complex projects. He has 14 years experience working in the infrastructure and maintenance service industry.

As a First Assistant Secretary in the Federal Attorney Generals Department, he led the Australian Protective Service (a commercialised government business) and was a member of Australia's counter-terrorist steering group (SACPAV).

He is a Fellow of the Australian Institute of Company Directors and Australian Institute of Management. His MA researched corporate governance in the public and private sectors and he has published and presented a number of articles in the human resource and outsourcing areas.

Michael Sullivan AAICD
Staff Director

Mr Sullivan was elected to the position of Staff Director by the staff of the Corporation in July 2002 and subsequently re-elected in 2005. He joined the Maritime Services Board in 1977 where he was initially employed in the statistical section.

He 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. Mr Sullivan is also president of The Ports Golf Club.

Management team

as at 30 June 2007

L–R: Murray Fox, George Lara, Barbara Filipowski, Shane Hobday, Pat Catanach, Greg Martin (CEO), Colin Rudd, Polly Bennett, Simon Barney

Sydney Ports Corporation Board

Chief Executive Officer
Greg Martin

Secretary and General Counsel
Barbara Filipowski

Responsibility
› In-house legal counsel
› Board of Directors' secretary
› Internal audit

Objectives
› Delivery of appropriate legal advice to the Board and Corporation
› Ensure efficient operation of the business of the Board
› Advise on corporate governance matters

Finance and Information Services
George Lara
General Manager

Responsibility
› Financial management
› Budgeting and planning
› External reporting and compliance
› Administration
› Procurement process
› Revenue processing
› Information services and business systems

Objectives
› Create value for the Corporation by effectively managing financial, administrative and reporting requirements
› Deliver information services requirements

Marine Operations
Shane Hobday
General Manager

Responsibility
› Port services including emergency response and Dangerous Goods management
› Navigation services including Harbour Master
› Executive responsibility for Sydney Pilot Service Pty Ltd

Objectives
› Ensure the performance standards of the PSOL are met in relation to Dangerous Goods, emergency response, navigation aids, harbour control and pilotage

Projects
Colin Rudd
General Manager

Responsibility
› Develop port assets
› Major projects including Port Botany Expansion
› Engineering services

Objectives
› Ensure development of port facilities is undertaken in a suitable and responsible manner

Human Resources
Pat Catanach
General Manager

Responsibility
› Employee relations
› Performance management
› HR policy and administration
› Learning and development
› Payroll
› Recruitment and selection

Objectives
› Create value by managing human resource requirements of the Corporation

Corporate Affairs
Polly Bennett
General Manager

Responsibility
› Community program
› Media relations
› Publications
› Sponsorships
› Advertising
› Events management
› Corporate planning
› Policy development and advice

Objectives
› Raise public awareness of Sydney Ports' roles and responsibilities, and its importance to Sydney/NSW economy

Environment and Planning
Murray Fox
General Manager

Responsibility
› Environment
› Statutory planning
› Port security
› Risk management including business continuity
› PSOL compliance responsibility
› Hydrographic survey
› OH&S

Objectives
› Ensure performance standards of PSOL functions are met
› Compliance with environmental obligations
› Provision of expert advice and solutions on marine environment issues
› Manage the identification and treatment of Corporation-wide risks and OH&S

Commerce and Logistics
Simon Barney
General Manager

Responsibility
› Promote and market trade through Sydney's ports
› Commercial and logistics planning
› Manage alliances with importers and exporters, stevedores, shipping lines and transport providers
› Property management including maintenance

Objectives
› Increase trade
› Develop business opportunities
› Improve the transport chain
› Commercial management of property assets

Key Roles, Objectives and Results



Sydney Ports operations

Sydney Ports Corporation in brief

Sydney Ports Corporation was established in 1995, under the *Ports and Maritime Administration Act 1995* (previously known as the *Ports Corporatisation and Waterways Management Act 1995*), to give a greater focus to commercial port operations and enhance competition in the provision of services to the shipping and cargo industries in Sydney Harbour and Port Botany.

In doing so, we aim to be a successful business and serve the needs of our customers while providing an appropriate return to our shareholders, the two Ministers who represent the NSW State Government. We also provide advice and information to the Portfolio Minister.

Our objective is to facilitate trade growth and ensure that port development is economically sustainable and environmentally responsible, in keeping with standards of safety and environmental protection acceptable to the local community and international standards.

Stating our vision

Sydney Ports' vision is to be an internationally respected commercial port manager in all operational and environmental aspects, and to provide facilities to promote and support trade growth for the benefit of the New South Wales economy.

Implementing our values

Sydney Ports is committed to:

- Service to our customers through reliable, professional and courteous attention;
- Excellence by being progressive and encouraging alternative solutions to complex issues;
- Respect for the individual worth and honest contribution of all employees;
- Vigilance in promoting a safe environment for personnel and the community;
- Integrity through nurturing the highest standards of conduct and ethics;
- Challenging barriers and impediments to progress; and
- Exceeding expectation.

The key roles we play

Sydney Ports' main functions are to:

- manage and develop port facilities and services to cater for existing and future trade needs;
- facilitate trade by providing competitive advantage to importers, exporters and the port-related supply chain;
- manage the navigational and operational safety needs of commercial shipping*;
- protect the environment and have regard to the interests of the community; and
- deliver profitable business growth.

Sydney Pilot Service responsibilities

Sydney Pilot Service, a wholly owned subsidiary company of Sydney Ports Corporation provides pilotage services in the ports of Sydney Harbour and Botany Bay.

Sydney Pilot Service offers a 24 hours, seven days a week service and the services of a pilot can be obtained at any time generally with as little as two hours' notice.

Pilotage is compulsory for vessels of 30 metres and over in length.

* The Corporation holds a Port Safety Operating Licence with responsibilities for channel depths, Dangerous Goods, emergency response, navigation aids, pilotage and port communications.

Key performance indicators

Sydney Ports Corporation's Board of Directors and voting shareholders negotiate an annual agreement, titled the Statement of Corporate Intent, which lists the Corporation's key financial performance targets for the coming financial year. Comparison of performance in 2006/07 against the targets for the year and the results for 2005/06 reveals:

Financial indicators

	2006/07 Actual	2006/07 Target	2005/06 Actual
Value Based Return (VBR) (%)	13.4	7.9	n/a
Debt level ($m)	171.8	171.4	171.5
Operating profit before income tax equivalent ($m)	85.8	87.2	92.3
Tax equivalent expense ($m)	25.6	27.7	28.3
Operating profit after income tax equivalent ($m)	60.2	59.5	64.0
Income tax equivalent payable ($m)	25.9	23.0	23.2
Dividend payable ($m)	29.0	19.3	22.2

Operational indicators

	2006/07 Actual	2006/07 Target	2005/06 Actual
Total trade (million mass tonnes)	27.8	27.4	26.7
Total trade annual growth (%)	3.7	2.6	3.1
Container trade ('000 TEUs)	1,620	1,492	1,445
Container trade annual growth (%)	12.0	3.3	5.0
Number of chargeable vessel visits	2,564	2,406	2,596
Chargeable vessel gross tonnage (million gross tonnes)	74.0	68.6	72.0

Human resource indicators

	2006/07 Actual	2006/07 Target	2005/06 Actual
Staff numbers	225	225	205
Average sick leave per employee, excluding long-term illness (days)	2.18	2.5	2.16
Staff training ($000)	180	380	188
Number of lost-time work accidents	4	3	1

Environmental indicators

The environmental performance of Sydney Ports during 2006/07 is shown in the following table with a comparison to the 2004/05 and 2005/06 results. These environmental performance measures reflect Sydney Ports' regulatory risk management performance.

Indicator	2006/07 Actual	2006/07 Target	2005/06 Actual	2004/05 Actual	Comments
Regulatory compliance					
Number of regulatory notices/actions taken against Sydney Ports	2	Nil	Nil	Nil	Two notices were received from the Department of Environment and Conservation regarding the clearing of SPC's land at Enfield. Rectification of this incident was undertaken to minimise impacts.
Incident management and response					
Noise complaints per 100 vessel visits at:					Noise complaints are treated seriously by Sydney Ports and each complaint is investigated as required. During 2006/07 complaints received were predominantly regarding vessel noise in the Glebe Island/White Bay port area (24 complaints over the year, a slight increase on 2005/06). No complaints were registered regarding Port Botany operations, however there was an increase in complaints relating to Darling Harbour cruise ship engine and entertainment noise.
– Darling Harbour	2.4	No increase on 2005/06	0.4	1.1	
– Glebe Island/ White Bay	6.3		6.5	3.4	
– Botany Bay	0		0.1	0.3	
Number of pollution incidents generated from Sydney Ports' own activities	Nil	Nil	Nil	Nil	During 2006/07 Sydney Ports continued the program of workplace inspections, and followed up on hazards identified in our workplace audit program.
Number of port-related pollution incidents per 100 vessel visits in:					The occurrence of pollution incidents from commercial vessels and cargo operations is an important indicator of the sustainability of port operations. These incidents could include marine pollution, air emissions, littering or other occurrences. This indicator reports on Sydney Ports' response function. However, the cause of these is outside the control of Sydney Ports Corporation.
– Sydney Harbour	14.5	0	0.6	3.9	
– Botany Bay	3.6	0	0.8	1.5	

Indicator	2006/07 Actual	2006/07 Target	2005/06 Actual	2004/05 Actual	Comments
Incident management and response (continued)					
Total annual number of pollution incidents attended by Sydney Ports, in Sydney Harbour and Botany Bay	192	No target to be set*	207	225	Sydney Ports has an important role in cleaning up marine pollution events, regardless of whether the pollution source is from port-related incidents or pollution arising from land based sources, commercial or recreational vessels.
Vessel-related pollution incidents, as a percentage of total annual marine pollution reports**	2.1%	0	1.9%	1.3%	Four of the above incidents were vessel-related pollution incidents.
Number of annual emergency response exercises	2	2	2	3	These exercises ensure emergency response, environmental protection and safety measures are maintained at the highest level. They are undertaken in conjunction with port tenants, the NSW Police Service, NSW Fire Brigade and other emergency service organisations.
Monitoring and regulatory enforcement					
Safety audits conducted by Sydney Ports on all bulk oil, gas and chemical vessels	3,690 audits undertaken (all relevant vessels)	All vessels audited as standard procedure	4,099 audits undertaken (all relevant vessels)	3,267	These audits are conducted to prevent safety and water pollution incidents by ensuring State, National and International Standards and codes are implemented.
Dangerous Goods audits conducted by Sydney Ports at container terminals	568 audits undertaken at terminal facilities	Terminals audited as standard procedure	178 audits undertaken at terminal facilities	360	Approximately three per cent of all containers carry Dangerous Goods. Sydney Ports audits container terminal facilities to ensure that these goods are managed in accordance with regulations. The number of audits increased significantly this year with more regular and frequent audits. During 2006/07, Sydney Ports issued 559 penalty notices for infringements of Dangerous Goods requirements.
Inspections undertaken by Sydney Ports for all refuelling activities	1,556 inspections completed	All refuelling inspected as standard procedure	1,296 inspections completed	1,183	These inspections aim to ensure standard procedures are implemented to prevent water pollution from the refuelling of commercial vessels.
Percentage successful prosecutions, per annual cases determined	100%	100%	75%	80%	During 2006/07 Sydney Ports launched one new prosecution under the Marine Pollution Act. The one case determined during 2006/07 was in Sydney Ports' favour. As at 1 July 2007, four prosecutions launched by Sydney Ports remain pending.

* As Sydney Ports is obliged to respond to all incidents of marine pollution – whether sourced from land, commercial or recreational vessels – it is not appropriate to establish a target to limit our response.

** Reports of marine pollution within Sydney Harbour and Botany Bay, received by Sydney Ports as part of our incident and marine pollution response role.

Goals and milestones

Outlined are the key goals for Sydney Ports Corporation and the milestones set to achieve them during the year 2006/07.

Objectives	Milestones	Results
Provide additional terminal and berth capacity to accommodate long-term container trade growth at Port Botany. Delivery of the Port Botany Expansion (PBE) Project with the commissioning of additional berths commencing in 2011/12.	Implementation of agreed delivery and procurement strategy to optimise value for money and provide for competition and innovation and compliance with conditions of consent.	Ongoing
	Major tenders for construction of Port Botany being assessed July 2007. Port Operating Plan for PBE Project agreed with port users to ensure no unplanned disruptions during construction.	Achieved
	Feedback supports the ongoing communication with stakeholders in accordance with PBE communication program.	Feedback under way
	Commence procurement process for engagement of terminal operator(s) for expanded port.	To commence last quarter 2007
Develop a commercially viable Intermodal Logistics Centre (ILC) at Enfield linked to the existing dedicated freight rail to Port Botany by 2008/09, thereby increasing the proportion of freight being moved by rail and facilitating a more efficient logistics chain.	Local community and stakeholders effectively engaged in the project development and ongoing operation.	Awaiting planning approval*
	Construction and Environmental Management Plan as identified in Development Application (DA) consent conditions prepared and agreed by February 2007.	Awaiting planning approval*
	Completion of business case and financial analysis required to support recommendation to SPC Board and NSW Treasury.	Underway, awaiting planning approval*
	Agreed commercial tenancy/operating plan by June 2007.	Awaiting planning approval*
	Construction works commenced by June 2007 following agreement to preferred delivery strategy.	Delayed, awaiting planning approval*
Improve logistical efficiency of road and rail links to Port Botany to manage the growth in trade and minimise delays.	Options for port rail control between Botany and Enfield agreed.	Ongoing
	Facilitate resolution of operational issues between stevedores and trucking companies at Port Botany terminals.	Ongoing
	Develop and implement industry supported strategies to improve performance of road network at Port Botany.	Ongoing
	Determine with stakeholders the ongoing role required of SPC and agree strategies to pursue and enhance logistic chain performance.	Ongoing

* Planning approval received in September 2007.

Objectives	Milestones	Results
Enhancement/optimisation of SPC's strategic port assets.	Agreement with Shareholders for future uses of Glebe Island/White Bay.	Ongoing
	Communicate the strategy for the future uses of Glebe Island/White Bay.	Ongoing
	Independent Cement & Lime site works, pending DA approval, commenced November 2006.	Deferred, proponent withdrew application
	Bailey's Marine Fuels Australia site works, pending DA approval, commenced December 2006.	Awaiting planning approval
	Comprehensive Port Jackson future land use strategy in consultation with stakeholders by December 2006.	Ongoing
	Bulk Liquids Berth agreement between industry and Sydney Ports and approval by Government to the development strategy by July 2007.	Achieved
	Delivery of capital works program on time and on budget July 2007.	Complete
	Cooks River Rail Yards lease agreements finalised by December 2006. Road /rail infrastructure improvements completed by June 2007.	Targeted for December 2007
	Acquisition and development of assets meets investment criteria and other hurdle rates.	Complete
Shareholder value optimised.	Shareholder value optimised, as measured by Value Based Return (VBR) targets.	Achieved
	Commercial pricing recommendations implemented.	Complete
	Comprehensive pricing policy review completed by September 2006, relevant changes approved by Minister. Any relevant changes accepted by industry for implementation to SPC timeframe.	Ongoing
	Ensure property related income reflects market conditions.	Ongoing
Effective relationships with stakeholders that support the operational and competitive positioning of the Port.	Feedback confirms services provided by Corporation responsive to business needs of lessees, logistics providers and shipping companies.	Ongoing
	Implementation of SPC's services and process improvements identified and agreed in the 2005 Stakeholder Survey by December 2006 and effectively communicate these improvements to all relevant stakeholders.	Complete
	NSW Government agreement to Corporation's SCI by October 2006 and broader support from NSW Government in pursuit of goals and objectives.	Ongoing
	Effective community awareness and engagement. Community consultation programs in Sydney and Port Botany provide positive feedback by May 2007.	Feedback underway
	Develop and enhance relationships with key importers/ exporters (and their agents) and regions to ensure ongoing trade (growth) and support for SPC activities and developments.	Ongoing

Key Roles, Objectives and Results (continued)

Objectives	Milestones	Results
Deliver improvements in the day to day operations of the Ports.	PSOL is renewed in December 2006.	Achieved
	PSOL audit shows no major non conformances.	Achieved
	Safe navigation of commercial vessels with no marine incidents.	Achieved
	No significant delays to shipping through pilotage issues or incidents.	Achieved
	SPS financial targets met.	Achieved
	Operational improvements identified in the 2005 Stakeholder Survey resolved and implemented as agreed. Providing improved SPC services and higher stakeholder satisfaction. Plans, activities and outcomes communicated to relevant stakeholders.	Ongoing
	Security measures implemented in accordance with security plans and timetables.	Achieved
	Maritime Security Identification Card issued to agreed service levels.	Achieved
	Meet the high standards of Corporate Governance by achieving no material adverse audit findings, and compliance with Government policies, procedures and guidelines.	Achieved
	Deliver continuous improvement for our services measured by Stakeholder Survey feedback results.	Survey planned for 2008
	Implement recommendations in accordance with Corporate Efficiency Review.	Ongoing
	Deliver corporate-wide information systems and applications that maximise corporate capability.	Ongoing
Provision of a safe workplace for staff and contractors, with staff committed to and demonstrating safety culture.	Continuous improvement toward achieving a zero accident/injury rate.	Ongoing
	Compliance with OH&S Act and regulations.	Achieved
Realign organisation culture to meet future requirements and generate strategies for ongoing development.	Improve clarity of roles, responsibilities, duties and priorities to further facilitate a performance based culture.	Ongoing
	Research and design framework by December 2006 for the implementation of short and long-term strategies to deliver cultural shift.	Commenced
	Establish cross functional teams with agreed responsibilities, to ensure effective delivery of projects.	Ongoing
	Develop learning and development strategies and plans for ongoing employee development and succession planning on an annual basis.	Ongoing
	Develop a strategy to implement WorkChoices Legislation ensuring efficient and effective operation of the Corporation.	Completed
	Negotiate and agree by June 2007, 3-Year Enterprise Agreements (for 2007/08 to 2009/10) that serve the needs of business and motivate staff toward achievement of the Corporation's goals.	Commenced

Port Botany port facilities

Port Botany tenants as at 1 October 2007

A	Austate Logistics	**G**	Patrick Port Services	**M**	Australian Customs Service
B	Vopak Terminals	**H**	P&O Trans Australia	**N**	Warehouse Solutions International
C	Orica Australia	**I**	DP World	**O**	Randwick City Council
D	Elgas	**J**	Patrick Stevedores	**P**	Australian Maritime Services
E	Terminals	**K**	Caltex Australia	**Q**	Vacant
F	Origin Energy	**L**	Svitzer		

1 Berth numbers

Photograph dated March 2005

Port Botany Expansion

Approved Expansion footprint

Photograph dated January 2005

Sydney Harbour port facilities

Sydney Harbour tenants as at 1 October 2007

A Overseas Passenger Terminal
B Patrick Stevedores
C Wharf 8 Passenger Terminal
D Moores Wharf – SPC Marine Operations
E Patrick Autocare
F Australian Amalgamated Terminals
G Gypsum Resources Australia
H Sugar Australia
I Cement Australia
J Penrice Soda Products
K Marr Contracting

1 Berth numbers

Photograph dated January 2005

Enfield – proposed Intermodal Logistics Centre site

Enfield tenants as at 1 October 2007

A Pacific National
B Toll Transport
C Shell

Photograph dated January 2005

Cooks River rail yards

Cooks River tenants as at 1 October 2007

A Maritime Container Services
B Pacific National

Photograph dated March 2005

NSW road and rail links

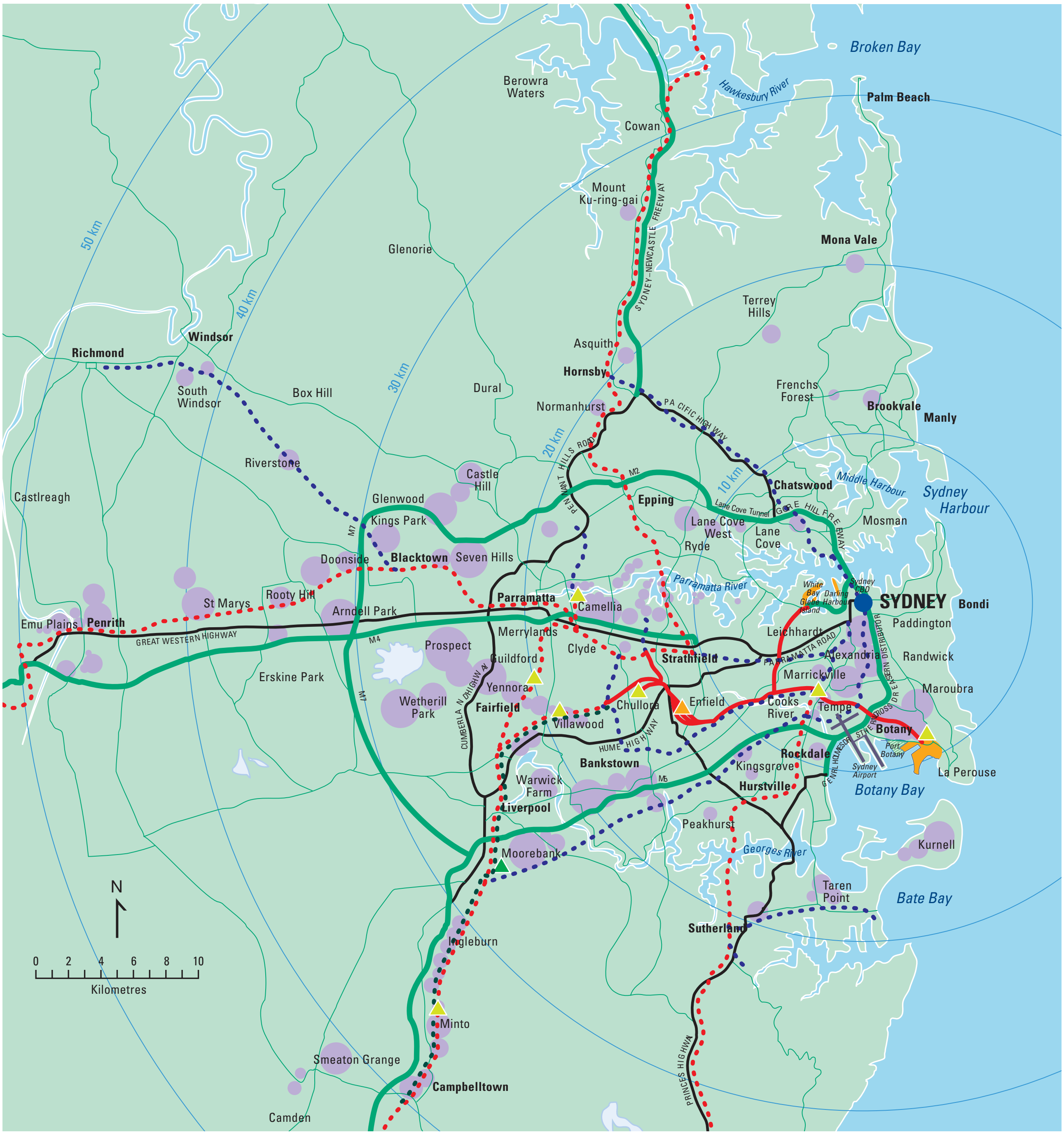
Main roads

Rail lines

Regional Intermodal Terminals

Metropolitan road and rail links

- Motorways
- Main roads
- Dedicated freight rail lines
- Shared passenger/freight rail lines
- Dedicated passenger rail lines
- Southern Sydney Freight Line (planned)
- Intermodal Terminals
- Industrial zones
- Port facilities
- Enfield Intermodal Logistics Centre (planned)
- Moorebank Intermodal Terminal (proposed)
- Port Botany development area



Financial Report

SYDNEY PORTS CORPORATION

for the year ended 30 June 2007

SYDNEY PORTS CORPORATION

Income statement

for the year ended 30 June 2007

		Consolidated		Corporation	
	Note(s)	2007 $000	2006 $000	2007 $000	2006 $000
Revenue excluding investment property revaluation gains	4	182,114	169,473	173,208	159,827
Investment property revaluation gains	4	4,401	14,255	4,401	14,255
Total revenue		**186,515**	**183,728**	**177,609**	**174,082**
Finance costs	5	11,991	11,931	11,991	11,931
Other expenses	5	88,702	79,479	80,506	70,290
Total expenditure		**100,693**	**91,410**	**92,497**	**82,221**
Profit before income tax equivalent expense		85,822	92,318	85,112	91,861
Income tax equivalent expense	6	25,644	28,308	25,431	28,171
Net profit for the period		**60,178**	**64,010**	**59,681**	**63,690**
Profit attributable to members of the Corporation		**60,178**	**64,010**	**59,681**	**63,690**

Sydney Pilot Service Pty Ltd (SPS) total Revenue for the year was $11.954 million ($10.957 million in 2005/06) which represented 6.6% (6.5% in 2005/06) of Consolidated Revenue excluding investment property revaluation gains. SPS net profit after income tax equivalent expense was $0.497 million ($0.320 million in 2005/06).

The accompanying notes form an integral part of the Financial Report.

Balance sheet

as at 30 June 2007

		Consolidated		Corporation	
	Note(s)	2007 $000	2006 $000	2007 $000	2006 $000
Current assets					
Cash and cash equivalents	7	101,462	67,647	100,727	66,967
Trade and other receivables	8	23,377	24,053	22,748	23,649
Inventories	9	15	15	–	–
Other current assets	10	497	410	1,048	382
Total current assets		**125,351**	**92,125**	**124,523**	**90,998**
Non-current assets					
Deferred tax equivalent assets	6	9,982	9,034	9,576	8,620
Property, plant and equipment	13	361,838	339,535	359,150	336,612
Investment properties	14	581,104	579,235	581,104	579,235
Intangible assets	15	297	–	297	–
Other non-current assets	11 & 12	5,182	6,369	6,302	8,639
Total non-current assets		**958,403**	**934,173**	**956,429**	**933,106**
Total assets		**1,083,754**	**1,026,298**	**1,080,952**	**1,024,104**
Current liabilities					
Trade and other payables	16	32,821	29,400	32,268	28,903
Current tax equivalent payable		8,686	8,887	8,686	8,887
Provisions	18	39,987	32,738	39,079	31,843
Total current liabilities		**81,494**	**71,025**	**80,033**	**69,633**
Non-current liabilities					
Interest bearing loans and borrowings	17	171,796	171,511	171,796	171,511
Deferred tax equivalent liabilities	6	152,596	147,282	152,568	147,267
Provisions	18	449	373	390	343
Total non-current liabilities		**324,841**	**319,166**	**324,754**	**319,121**
Total liabilities		**406,335**	**390,191**	**404,787**	**388,754**
Net assets		**677,419**	**636,107**	**676,165**	**635,350**
Equity					
Issued capital		125,542	125,542	125,542	125,542
Asset revaluation reserve		133,075	122,977	133,075	122,977
Retained earnings		418,802	387,588	417,548	386,831
Total equity		**677,419**	**636,107**	**676,165**	**635,350**

The accompanying notes form an integral part of the Financial Report.

Statement of changes in equity

for the year ended 30 June 2007

	Attributable to equity holders of the parent			
	Issued capital	Retained earnings	Asset revaluation reserve	Total
	$000	$000	$000	$000
Consolidated				
At 1 July 2005	125,542	345,469	119,326	590,337
Fair value revaluation of assets	–	–	3,786	3,786
Revaluation clearance on assets disposed	–	135	(135)	–
Transition to AIFRS tax effect adjustment	–	134	–	134
Total income and expense for the year recognised directly in equity	–	269	3,651	3,920
Profit for the year after tax	–	64,010	–	64,010
Total income and expense for the year	–	64,279	3,651	67,930
Dividends provided for	–	(22,160)	–	(22,160)
At 30 June 2006	125,542	387,588	122,977	636,107
Fair value revaluation of assets	–	–	10,098	10,098
Total income and expense for the year recognised directly in equity	–	–	10,098	10,098
Profit for the year after tax	–	60,178	–	60,178
Total income and expense for the year	–	60,178	10,098	70,276
Dividends provided for	–	(28,964)	–	(28,964)
At 30 June 2007	125,542	418,802	133,075	677,419
Parent				
At 1 July 2005	125,542	345,039	119,326	589,907
Fair value revaluation of assets	–	–	3,786	3,786
Transition to AIFRS tax effect adjustment	–	127	–	127
Revaluation clearance on assets disposed	–	135	(135)	–
Total income and expense for the year recognised directly in equity	–	262	3,651	3,913
Profit for the year after tax	–	63,690	–	63,690
Total income and expense for the year	–	63,952	3,651	67,603
Dividends provided for	–	(22,160)	–	(22,160)
At 30 June 2006	125,542	386,831	122,977	635,350
Fair value revaluation of assets	–	–	10,098	10,098
Total income and expense for the year recognised directly in equity	–	–	10,098	10,098
Profit for the year after tax	–	59,681	–	59,681
Total income and expense for the year	–	59,681	10,098	69,779
Dividends provided for	–	(28,964)	–	(28,964)
At 30 June 2007	125,542	417,548	133,075	676,165

Issued capital

Issued capital is held by the Corporation's two voting shareholding Ministers. Each shareholder is required to have an equal number of shares at all times.

Reserves

The asset revaluation reserve is used to record increments and decrements in the fair value of all applicable asset classes to the extent that increments exist to offset any decrements.

The accompanying notes form an integral part of the Financial Report.

Cash flow statement

For the year ended 30 June 2007

		Consolidated		Corporation	
	Note(s)	2007 $000	2006 $000 Inflow/ (Outflow)	2007 $000	2006 $000 Inflow/ (Outflow)
Cash flows from operating activities					
Cash receipts from customers		196,183	165,059	186,202	154,385
Cash paid to suppliers and employees		(88,080)	(74,887)	(78,971)	(65,482)
Interest received		4,681	3,545	4,720	3,601
Borrowing costs		(11,899)	(11,933)	(11,899)	(11,933)
Income tax equivalent received from subsidiary		–	–	208	217
Income tax equivalent paid		(25,806)	(20,535)	(25,806)	(20,535)
Net cash flows from operating activities	7 (c)	**75,079**	**61,249**	**74,454**	**60,253**
Cash flows from investing activities					
Purchase of property, plant and equipment		(19,679)	(12,646)	(19,645)	(12,280)
Purchase of investment properties		–	(45,695)	–	(45,695)
Proceeds from sale of property, plant and equipment		575	562	561	562
Repayment of loan from subsidiary		–	–	550	–
Net cash flows used in investing activities		**(19,104)**	**(57,779)**	**(18,534)**	**(57,413)**
Cash flows from financing activities					
Borrowing repayments from subsidiary		–	–	–	400
Repayment of borrowings		–	–	–	–
Dividends paid		(22,160)	(18,910)	(22,160)	(18,910)
Net cash flows from/(used in) financing activities		**(22,160)**	**(18,910)**	**(22,160)**	**(18,510)**
Net increase/(decrease) in cash and cash equivalents		33,815	(15,440)	33,760	(15,670)
Cash and cash equivalents at beginning of period		67,647	83,087	66,967	82,637
Cash and cash equivalents at end of period	7	**101,462**	**67,647**	**100,727**	**66,967**

The accompanying notes form an integral part of the Financial Report.

Notes to and forming part of the Financial Report

Note 1. Corporate information

The financial report of Sydney Ports Corporation for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 22 October 2007. Sydney Ports Corporation was incorporated by the New South Wales State Government under the *State Owned Corporations Act 1989*. The Corporation complied with the NSW Treasury guidelines and assessed its objectives and activities. It determined that it is a "for profit" public sector entity from 1 July 2005 for financial reporting purposes. 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 2007, the shares were held by the Corporation's voting shareholders: The Hon. J. Watkins, MLA and the Hon. M. Costa, MLC. The Corporation operates in New South Wales, Australia with its principal office at Level 8, 207 Kent Street, Sydney NSW 2000. The nature of operations and principal activities are described in note 3.

Note 2. Summary of significant accounting policies

The following summary explains the significant accounting policies that have been adopted in the preparation of the financial report.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2005 and the *State Owned Corporations Act 1989*. In this financial report, Sydney Ports Corporation will be referred to as "the Corporation". Its subsidiary company Sydney Pilot Service Pty Ltd will be referred to as "the subsidiary company". The economic entity, comprising the Corporation and its controlled entity, will be collectively referred to as "the consolidated entity".

The financial report has been prepared on the basis of full accrual accounting using historical cost accounting conventions except for non-current physical assets, investment properties and derivative financial instruments which are shown at fair value, and defined benefit superannuation schemes which are shown at actuarially assessed present value. Comparative information is reclassified where appropriate to enhance comparability. The NSW Treasurer has exempted the consolidated entity from certain reporting requirements under the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2005*. The exemptions are from disclosing amounts set aside to any provision for known commitments, the amount appropriated for repayment of loans, advances, debentures and deposits, material items of income and expenditure on a program or activity basis, and where non-current asset values exceed replacement cost.

The Corporation had one controlled entity during the year ended 30 June 2007, being the Sydney Pilot Service Pty Ltd, which is a wholly owned subsidiary. The operating results of the Sydney Pilot Service Pty Ltd have been included in the consolidated income statement. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000).

Note 2. Summary of significant accounting policies (continued)

(b) Statement of compliance

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2007.

AASB amendment	Affected standards	Application date of the standard	Impact on the financial report	Application date for the Corporation
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	1 January 2007	Amending standard issued as a consequence of AASB 7 *Financial Instruments: Disclosures.* AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the financial report.	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	1 January 2009	Amending standard issued as a consequence of AASB 8 *Operating Segments.* AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However the standard is expected to have an impact on the segment disclosures as segment information included in internal management reports is more detailed than that currently reported under AASB 114 *Segment Reporting.*	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	1 January 2009	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs.* The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Corporation and consolidated entity has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the financial report.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	1 July 2007	Amending standards for wording errors, discrepancies and inconsistencies. The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the financial report.	1 July 2007

New standard/ interpretation	Application date of standard/interpretation	Application date of standard/interpretation	Application date for the Corporation
AASB 7 *Financial Instruments: Disclosures*	1 January 2007	New standard replacing disclosure requirements of AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation*. Refer to AASB 2005-10 above.	1 July 2007
AASB 8 *Operating Segments*	1 January 2009	New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting. Refer to AASB 2007-3 above.	1 July 2009
AASB 123 (amended) *Borrowing Costs*	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised. Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 12	1 January 2008	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 July 2008

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) Basis of consolidation

This financial report has been consolidated in accordance with Australian Accounting Standard AASB 124 *Consolidated and Separate Financial Statements* and includes the assets, liabilities, equities, revenues and expenses of the Corporation including those of entities controlled by the Corporation. Entities are considered to be controlled when the Corporation has the capacity to dominate their financial and operating policies in pursuing the Corporation's objectives.

The financial report of the consolidated entity includes the financial report of the Corporation, being the parent entity, and its 100-per-cent-controlled entity, Sydney Pilot Service Pty Ltd. The transactions and results of the controlled entity are included only from the date control commenced. The balances and effects of transactions between entities in the consolidated entity have been eliminated. The financial report of the subsidiary company is prepared for the same reporting period as the Corporation, using consistent accounting policies.

(d) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less and investments in NSW Treasury Corporation's (TCorp) Hour-Glass Cash Facility Trust. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and other receivables

Trade receivables are 28 day terms. Other receivables range from 7 to 21 day terms. Receivables are recognised initially at fair value, usually based on the transaction cost or face value. An allowance for impairment of receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Bad debts are written off as incurred.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value on an item-by-item basis. Costs incurred in bringing each stock item to its present location and condition is included in the value.

(g) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(h) Property, plant and equipment

Property, Plant and Equipment is initially recognised at acquisition cost, any costs directly attributable to the asset and any restoration costs associated with the asset. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Valuation of property, plant and equipment

Property plant and equipment, is valued at fair value in accordance with Australian Accounting Standard AASB 116 *Property, Plant and Equipment*. NSW Treasury Policy Paper 07-1 *Accounting Policy on Valuation of Physical Non-Current Assets at Fair Value* provides additional guidance on applying AASB 116 to public sector 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 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 its 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.

Note 2. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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.

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 roads, wharves, jetties and breakwaters.

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 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.

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 that class of asset (cash-generating units on an individual asset basis) previously recognised as a loss in the operating statement, the increment is recognised as a gain. Revaluation decrements are recognised immediately as losses, 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 same class of asset (cash-generating units on an individual asset basis). Assets acquired or constructed since the last revaluation are valued at cost.

Any revaluation reserve amounts in respect of an item of property, plant and equipment is transferred directly to retained earnings upon asset derecognition.

The most recent revaluation of property, plant and equipment and investment properties by the Corporation was completed at 30 June 2007 and was based on an independent assessment.

The revaluation included the following guidelines:

- Approximately 95% of the total physical non-current assets as at 30 June 2006 were revalued. The remaining assets represent items of Plant which were not revalued.
- 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 is revalued, all assets in that class are revalued.
- Property, plant and equipment and investment properties (excluding land) were valued based on the estimated written-down replacement cost of the most appropriate modern equivalent replacement facility having a similar service potential to the existing asset. Land is valued on an existing-use basis, subject to any restrictions or enhancements since acquisition.

The Department of Commerce (formerly the State Valuation Office) provided gross values for land and buildings. A quantity and construction cost consultant, MDA Australia Pty Ltd, provided gross values for roadways and wharves, jetties and breakwaters. The Corporation's qualified engineers assessed remaining useful lives of each asset. Based on both 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. A recoverable-amount test was performed to ensure asset carrying values did not exceed recoverable amounts.

Impairment

The Corporation assesses at each reporting date whether there is any indication that a cash generating unit or an asset within, 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 the income statement except for assets under revaluation as the impairment loss will first be recognised through each asset's revaluation reserve prior to the income statement.

(i) Recoverable amount of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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.

(j) Capitalisation of assets

Assets in excess of $1,000 are capitalised where it is 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, investment property or intangible asset accounts. The remaining capital expenditures are carried forward as construction in progress and are included in property, plant and equipment in the balance sheet.

(k) Depreciation and amortisation of assets

Depreciation and amortisation has been calculated on depreciable assets, using rates estimated to write-off the assets over their remaining useful lives on a straight-line basis. Land assets have been treated as non-depreciable. The useful lives of assets were reassessed during the year with no changes required. The expected design lives of new depreciable assets at 30 June 2007 are:

• Buildings	10 to 50 years
• Roadways	5 to 20 years
• Wharves, jetties and breakwaters	10 to 100 years
• Plant	2 to 40 years
• Intangibles	4 years

(l) Investment properties

Land, buildings (and ancillary or other incidental assets) held to earn rental income rather than for:

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business,

are recognised as investment properties.

In determining the classification of these assets under AASB 140 *Investment Property*, consideration has been given to the fact that some of these assets (e.g. land and other assets leased to terminal operators) also attract other sources of income in addition to rental income. As rental income is earned, based on rental agreements, these assets are required under AASB 140 to be classified as Investment Properties.

Initially, investment properties are measured at cost including all transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the year of derecognition. No depreciation is charged on investment properties.

The Corporation complies with NSW Treasury Policy and Guidelines Paper TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value*. The most recent revaluation of investment properties by the Corporation was completed at 30 June 2007. Refer to note 2(h) for methodology.

(m) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. In house software development costs are capitalised, while other costs (including research costs) are expensed in the income statement in the year in which the expenditure is incurred. Intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Useful lives are examined on an annual basis and adjustments, where applicable are made on a prospective basis. The Corporation's intangible assets have definite lives and are amortised on a straight-line basis over a four year period. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(n) Interest-bearing loans and borrowings

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 income statement when the liabilities are derecognised and as well as through the amortisation process.

Note 2. Summary of significant accounting policies (continued)

(o) Borrowing costs

Depending on the nature and purpose of borrowings, borrowing costs are either expensed through the income statement or capitalised to a qualifying asset. Currently no borrowing costs have been capitalised.

(p) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in the income statement 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.

(q) Employee benefits

Leave entitlements

Benefits for annual leave have been provided at the amount expected to be paid when the liabilities are settled including appropriate on-costs. Benefits for long-service leave have been measured using the present value of expected future payments to be made for services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted, where not expected to be settled in 12 months of reporting date, using government bond yields and terms to maturity that match, as closely as possible, the estimated future cash outflows. Appropriate on-costs are included. The amount for employees entitled to long-service leave within 12 months from reporting date is recognised as a current provision with the remainder being recognised as a non-current provision. The average sick leave taken by employees based on past experience is less than the entitlement accruing each period. It is considered improbable that existing accumulated sick leave entitlements will be used, and therefore no liability has been recognised.

Retirement benefits (superannuation)

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

Payments are applied towards the accruing liability for defined benefit superannuation schemes in respect of employees and are expensed in the income statement. Actuarial assessments are performed at each reporting date for the defined benefit schemes. Actuarial gains and losses are recognised as income or expense in the income statement. Unfunded defined benefit schemes are recognised as a non-current liability while over funded schemes are recognised as a non-current asset.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

- Revenue from the rendering of a service is recognised on the delivery of the service to the customer.
- Rental revenue is recognised in accordance with AASB 117 *Leases* on a straight-line basis over the lease term.
- Interest revenue is recognised as the interest accrues. Interest revenue includes all earnings in NSW Treasury Corporation Hour-Glass managed funds, including distributions received.
- The Corporation's superannuation liabilities are currently in an over-funded position. Any net increase in over-funding during a year is recognised as revenue in the income statement.
- Proceeds from the sale of assets are recognised upon the delivery of the assets to the purchaser.
- Government grants are recognised as income over the period necessary to match the grant to the costs that it is intended to compensate.
- Assets received at no cost are recorded at their fair value when received.
- Goods or services exchanged that are of a different nature and value are recognised at fair value when the following criteria have been met:
  - the entity has passed control of the goods or other assets to the consolidated entity;
  - it is probable that the economic benefits comprising the consideration will flow to the consolidated entity; and
  - the amount of revenue can be measured reliably.

(s) Income tax equivalent

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 current 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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 profit 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.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(t) Tax consolidation

The consolidated entity entered the tax consolidation regime at 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 expense.

(u) Dividend

The consolidated entity reviews its financial performance for the accounting period and recommends to its shareholders an appropriate dividend payment in light of the current financial position and longer-term financial commitments. Under NSW Treasury's Financial Distribution Policy for Government Businesses, the Corporation prepares a Statement of Corporate Intent (SCI) 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 is set aside as a provision in the balance sheet.

(v) Derivative financial instruments

The consolidated entity uses derivative financial instruments such as 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.

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

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the consolidated entity no longer controls the contractual rights that comprise the financial instrument, which 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.

Note 2. Summary of significant accounting policies (continued)

(w) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Contingencies are disclosed net of GST. Commitments and accrual items are shown in the balance sheet inclusive of GST where applicable.

Note 3. Segment information

The consolidated entity's primary reporting format is business segments and its secondary format is geographical segments. Business segments: The consolidated entity operates in a single business segment – the management of port facilities for the shipping community including the provision of navigational and operational safety needs of commercial shipping. Geographical segments: The consolidated entity operates in the single geographical location of NSW.

Note 4. Revenue

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Revenue from operating activities				
Port revenue	113,803	104,987	102,867	95,062
Rental revenue	44,615	41,238	44,834	41,457
	158,418	**146,225**	**147,701**	**136,519**
Other revenue				
Interest received	4,681	3,547	4,720	3,601
Asset contributions	–	253	–	253
Increase in retirement benefits	–	6,460	–	6,460
Land tax recovered	8,226	6,313	8,226	6,313
Other recoveries	5,097	4,296	5,213	4,435
Miscellaneous sources	5,692	2,379	7,348	2,246
	23,696	**23,248**	**25,507**	**23,308**
Total revenue excluding investment property revaluation gains	**182,114**	**169,473**	**173,208**	**159,827**
Investment property revaluation gains	4,401	14,255	4,401	14,255
Total revenue	**186,515**	**183,728**	**177,609**	**174,082**

Port revenue comprises income from pilotage, navigation services, wharfage, site occupation charges and mooring fees.

Note 5. Expenditure

	Note(s)	Consolidated 2007 $000	Consolidated 2006 $000	Corporation 2007 $000	Corporation 2006 $000
Employee benefits expense:					
Salaries and wages		25,619	24,513	20,508	18,817
Annual leave	18	2,302	2,124	1,733	1,419
Long-service leave	18	847	947	735	767
Retirement benefits (superannuation) – defined benefit		1,251	–	1,251	–
Retirement benefits (superannuation) – accumulation		1,169	930	958	605
		31,188	**28,514**	**25,185**	**21,608**
Other expenses:					
Service contractors		14,203	12,029	13,945	11,774
Utilities and communications		2,670	2,956	2,634	2,927
Indirect taxes		12,893	10,716	12,520	10,282
Depreciation	13	10,274	9,957	10,018	9,707
Amortisation	15	55	52	55	52
Doubtful debts	8(b)	–	4	5	(1)
Fair value movements in property, plant and equipment		–	–	–	–
Auditors' remuneration		159	139	139	121
Directors' remuneration	27	298	290	281	271
Consultants' fees	24	49	103	49	103
Rental on operating leases		1,980	1,899	1,937	1,859
Net loss on sale of property, plant and equipment	13	95	57	96	57
Insurance		2,565	2,659	2,019	1,991
Materials		1,638	1,502	1,252	1,210
Other operations and services		10,635	8,602	10,371	8,329
		57,514	**50,965**	**55,321**	**48,682**
Total expenses other than finance costs		**88,702**	**79,479**	**80,506**	**70,290**
Finance costs		11,991	11,931	11,991	11,931
Total expenditure		**100,693**	**91,410**	**92,497**	**82,221**

Note 6. Income tax equivalent

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Major components of income tax equivalent expense for the periods ended 30 June 2007 and 30 June 2006 are:				
Income Statement				
Current income tax				
Current income tax equivalent charge	25,843	23,226	25,651	22,916
Adjustments in respect of current income tax equivalent to previous years	(237)	–	(237)	–
Deferred income tax				
Relating to origination and reversal of temporary differences	38	5,082	17	5,255
Income tax equivalent expense reported in income statement	**25,644**	**28,308**	**25,431**	**28,171**
Statement of Changes in Equity				
Current income tax	–	–	–	–
Deferred income tax				
Allowance for impairment of debts	–	58	–	54
Revaluation of property, plant and equipment	4,328	1,622	4,328	1,622
Income tax equivalent amount charged directly to equity	**4,328**	**1,680**	**4,328**	**1,676**
A reconciliation of income tax equivalent expense applicable to accounting profit before income tax equivalent at the statutory income tax equivalent rate to income tax equivalent expense at the consolidated entity's effective income tax equivalent rate for the periods ended 30 June 2007 and 30 June 2006 is as follows:				
Accounting profit/(loss) before income tax equivalent	**85,822**	**92,318**	**85,112**	**91,861**
At the statutory income tax equivalent rate of 30% (30% in 2006)	25,747	27,695	25,534	27,558
Adjustment in respect of current income tax of previous years	(237)	–	(237)	–
Entertainment	13	19	13	19
Property, plant and equipment	14	467	14	467
Investment properties	107	121	107	121
Other	–	6	–	6
Income tax equivalent expense reported in income statement	**25,644**	**28,308**	**25,431**	**28,171**

At effective income tax equivalent rate of 29.9% (30.7% in 2006, Corporation: 30.7%).

	Balance Sheet		Income Statement	
	2007 $000	2006 $000	2007 $000	2006 $000
Deferred income tax				
Deferred income tax equivalent at 30 June relates to the following:				
Consolidated				
Deferred income tax equivalent liabilities				
Depreciation	(48,790)	(45,732)	(1,270)	(837)
Revaluation of investment properties to fair value	(99,145)	(97,122)	2,023	5,204
Income receivable	(3,075)	(2,499)	576	1,839
Other	(1,586)	(1,929)	(343)	1,991
Gross deferred income tax equivalent liabilities	**(152,596)**	**(147,282)**		
Deferred income tax equivalent assets				
Depreciation	27	19	(8)	(19)
Provisions for employee entitlements	3,441	3,259	(182)	(202)
Accrued expenditure	4,268	3,612	(656)	(2,604)
Other	2,246	2,144	(102)	(289)
Gross deferred income tax equivalent assets	9,982	9,034		
Deferred income tax equivalent charge			**38**	**5,083**
Parent				
Deferred income tax equivalent liabilities				
Depreciation	(48,790)	(45,732)	(1,270)	(845)
Revaluation of investment properties to fair value	(99,145)	(97,122)	2,023	5,204
Income receivable	(3,047)	(2,484)	563	1,834
Other	(1,586)	(1,929)	(343)	1,991
Gross deferred income tax equivalent liabilities	**(152,568)**	**(147,267)**		
Deferred income tax equivalent assets				
Provisions for employee entitlements	3,151	2,981	(170)	(54)
Accrued expenditure	4,190	3,512	(678)	(2,590)
Other	2,235	2,127	(108)	(285)
Gross deferred income tax equivalent assets	**9,576**	**8,620**		
Deferred income tax equivalent charge			**17**	**5,255**

Tax consolidation

Sydney Ports Corporation and its subsidiary, Sydney Pilot Service Pty Ltd are a tax consolidated group. The head entity of the tax consolidated group is Sydney Ports Corporation. Sydney Ports Corporation and Sydney Pilot Service Pty Ltd have entered into a tax sharing agreement in order to allocate income tax equivalent expense to the subsidiary company. In addition the agreement provides for the allocation of income tax equivalent liabilities between the entities should the head entity default on its tax payment obligations.

Note 7. Cash and cash equivalents

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Cash at bank and in hand	1,830	2,736	1,095	2,056
Short-term investments	99,632	64,911	99,632	64,911
Cash at the end of the financial year	**101,462**	**67,647**	**100,727**	**66,967**

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash on hand and in banks (net of any outstanding bank overdraft) and short-term deposits with an original maturity date of three months or less. Cash at 30 June 2007, as shown in the cash flow statement, is reconciled to these items in the balance sheet.

(b) Short-term investments

The consolidated entity has investments in NSW Treasury Corporation's (TCorp) Hour-Glass Cash Facility Trust. Investments 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 investments are generally able to be redeemed with up to 24 hours' prior notice. The value of the investments held can increase or decrease depending on market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the above investments represents the share of the value of the underlying assets of the facility and is stated at net fair value.

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

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Net profit after income tax equivalent	60,178	64,010	59,681	63,690
Adjustments for:				
Depreciation	10,274	9,957	10,018	9,707
Amortisation of intangible assets	55	52	55	52
Amortisation of discount on interest-bearing liabilities	198	(105)	198	(105)
Fair value gain in investment properties	(4,401)	(14,255)	(4,401)	(14,255)
Fair value movements in property, plant and equipment	–	–	–	–
Net (profit)/loss on sale of interest-bearing liabilities	87	246	87	246
Net (profit)/loss on sale of property, plant and equipment	95	57	96	57
Non-current assets written off	100	14	100	14
Non-current assets written down	2,471	–	2,471	–
	69,057	59,976	68,305	59,406
Changes in assets and liabilities applicable to operating activities				
(Increase)/decrease in inventories	–	14	–	–
(Increase)/decrease in trade and other receivables	855	(9,994)	797	(10,000)
(Increase)/decrease in prepayments	(87)	100	(66)	(36)
(Increase)/decrease in other assets	240	(9,625)	232	(9,443)
(Decrease)/increase in deferred tax liabilities	987	8,139	973	8,129
(Decrease)/increase in tax provision	(201)	2,692	(201)	2,692
(Decrease)/increase in trade and other payables	3,708	9,438	3,935	9,488
(Decrease)/increase in other provisions	520	509	479	17
Net cash flows used in operating activities	**75,079**	**61,249**	**74,454**	**60,253**

Note 8. Trade and other receivables

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Current				
Trade debtors	7,902	7,789	7,178	7,167
Other debtors	5,266	7,535	5,311	7,656
Tax related receivable from subsidiary	–	–	104	120
Accrued income (a)	10,263	8,795	10,209	8,767
	23,431	**24,119**	**22,802**	**23,710**
Less: Allowance for doubtful debts (b)	(54)	(66)	(54)	(61)
	23,377	**24,053**	**22,748**	**23,649**
Non-current				
Trade debtors	–	–	–	–
Less: Allowance for doubtful debts (c)	–	–	–	–
	–	**–**	**–**	**–**

Trade receivables are 28 day terms and are interest bearing if not paid within these terms. Other receivables are non-interest bearing and range from 7 to 21 day terms. Allowance for doubtful debts for the year ended 30 June 2007 all relate to Trade debtors.

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
(a) Accrued income comprises:				
Operating income	10,258	8,791	10,209	8,767
Bank interest	5	4	–	–
Total accrued income	**10,263**	**8,795**	**10,209**	**8,767**
(b) Allowance for doubtful debts – current				
Opening balance	66	278	61	263
AIFRS opening adjustment to equity	–	(192)	–	(181)
Add: Current year's charge	–	4	5	(1)
	66	**90**	**66**	**81**
Less: Bad debts written off	(12)	(24)	(12)	(20)
Closing balance	**54**	**66**	**54**	**61**
(c) Allowance for doubtful debts – non-current				
Opening balance	–	3	–	3
AIFRS opening adjustment to equity	–	(3)	–	(3)
Add: Current year's charge	–	–	–	–
	–	**–**	**–**	**–**
Less: Bad debts written off	–	–	–	–
Closing balance	**–**	**–**	**–**	**–**

Note 9. Inventories

	Consolidated 2007 $000	Consolidated 2006 $000	Corporation 2007 $000	Corporation 2006 $000
Stores and materials:				
– at cost	15	15	–	–

Note 10. Other current assets

	Consolidated 2007 $000	Consolidated 2006 $000	Corporation 2007 $000	Corporation 2006 $000
Operating expenditure prepayments	497	410	448	382
Loan to subsidiary	–	–	600	–
	497	410	1,048	382

Note 11. Other non-current assets

	Consolidated 2007 $000	Consolidated 2006 $000	Corporation 2007 $000	Corporation 2006 $000
Retirement benefits (superannuation see note 12)	5,182	6,369	5,182	6,369
Investment in subsidiary company	–	–	1,120	1,120
Loan to subsidiary	–	–	–	1,150
	5,182	6,369	6,302	8,639

Note 12. Employee benefits

Retirement Benefits (superannuation)

The Corporation has three defined benefit superannuation schemes covering certain employees, all of which require contributions to be made to separately administered funds. Actuarial gains and losses are recognised in profit or loss in the year they occur. The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

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

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.

Reconciliation of the assets and liabilities recognised in the balance sheet

Year ended 30 June 2007	SASS $000	SANCS $000	SSS $000	Total $000
Present value of defined benefit obligations	16,245	3,161	44,220	63,626
Fair value of plan assets	(20,125)	(4,773)	(58,043)	(82,941)
Sub total	**(3,880)**	**(1,612)**	**(13,823)**	**(19,315)**
Surplus in excess of recovery available from schemes*	2,839	1,179	10,115	14,133
Unrecognised past service cost	–	–	–	–
Net (asset)/liability to be disclosed in balance sheet	**(1,041)**	**(433)**	**(3,708)**	**(5,182)**

* Per AASB 119 *Employee benefits*, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery available from schemes" is zero, no asset ceiling is imposed.

Reconciliation of the assets and liabilities recognised in the balance sheet

Year ended 30 June 2006	SASS $000	SANCS $000	SSS $000	Total $000
Present value of defined benefit obligations	15,486	3,096	44,608	63,190
Fair value of plan assets	(18,362)	(4,332)	(51,550)	(74,244)
Sub total	**(2,876)**	**(1,236)**	**(6,942)**	**(11,054)**
Surplus in excess of recovery available from schemes	1,219	524	2,942	4,685
Unrecognised past service cost	–	–	–	–
Net (asset)/liability to be disclosed in balance sheet	**(1,657)**	**(712)**	**(4,000)**	**(6,369)**

Assets invested in entity or in property occupied by the entity

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

Note 12. Employee benefits (continued)

Reconciliation of the present value of the defined benefit obligation

Year ended 30 June 2007	SASS $000	SANCS $000	SSS $000	Total $000
Opening defined benefit obligation	15,486	3,096	44,608	63,190
Current service cost	477	176	413	1,066
Interest cost	876	173	2,604	3,653
Contributions by fund participants	242	–	419	661
Actuarial (gains)/losses	424	(118)	(2,106)	(1,800)
Benefits paid	(1,260)	(166)	(1,718)	(3,144)
Closing defined benefit obligation	**16,245**	**3,161**	**44,220**	**63,626**

Reconciliation of the fair value of fund assets

Year ended 30 June 2007	SASS $000	SANCS $000	SSS $000	Total $000
Opening defined benefit obligation	18,362	4,332	51,550	74,244
Expected return on fund assets	1,347	316	3,881	5,544
Actuarial gains/(losses)	1,377	291	3,851	5,519
Employer contributions	57	–	60	117
Contributions by fund participants	242	–	419	661
Benefits paid	(1,260)	(166)	(1,718)	(3,144)
Closing fair value of fund assets	**20,125**	**4,773**	**58,043**	**82,941**

Total expense recognised in income statement

Year ended 30 June 2007	SASS $000	SANCS $000	SSS $000	Total $000
Current service cost	477	176	413	1,066
Interest on obligation	876	173	2,604	3,653
Expected return on plan assets	(1,347)	(316)	(3,881)	(5,544)
Net actuarial losses (gains) recognised in year	(953)	(408)	(5,957)	(7,318)
Change in surplus in excess of recovery available from scheme	1,620	655	7,173	9,448
Transfer to capital	(20)	(5)	(29)	(54)
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
Total included in "employee benefits expense"/ (Other revenue)	**653**	**275**	**323**	**1,251**

Total expense recognised in income statement

Year ended 30 June 2006	SASS $000	SANCS $000	SSS $000	Total $000
Current service cost	524	186	563	1,273
Interest on obligation	907	162	2,604	3,673
Expected return on plan assets	(1,123)	(237)	(3,508)	(4,868)
Net actuarial losses (gains) recognised in year	(1,628)	(556)	(9,039)	(11,223)
Change in surplus in excess of recovery available from scheme	1,219	524	2,942	4,685
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
Total included in "employee benefits expense"/ (Other revenue)	**(101)**	**79**	**(6,438)**	**(6,460)**

Actual return on plan assets

Year ended 30 June 2007	SASS $000	SANCS $000	SSS $000	Total $000
Actual return on plan assets	2,599	608	7,292	10,499

Actual return on plan assets

Year ended 30 June 2006	SASS $000	SANCS $000	SSS $000	Total $000
Actual return on plan assets	2,399	539	7,277	10,215

Valuation method and principal actuarial assumptions at the reporting date

(a) 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 sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic assumptions

	30 June 2007	30 June 2006
Discount rate at 30 June	6.4% pa	5.9% pa
Expected return on plan assets at 30 June	7.6%	7.6%
Expected salary increases	4.0% pa to 2008; 3.5% pa thereafter	4.0% pa to 2008; 3.5% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

Note 12. Employee benefits (continued)

Valuation method and principal actuarial assumptions at the reporting date (continued)

(b) Economic assumptions (continued)

Arrangements for employer contributions for funding (under paragraph AUS 121.1 of AASB 119)

The following is a summary of the 30 June 2007 financial position of the fund calculated in accordance with AAS 25 – *Financial Reporting by Superannuation Plans*.

Year ended 30 June 2007	SASS $000	SANCS $000	SSS $000	Total $000
Accrued benefits	16,072	3,133	39,989	59,194
Net market value of fund assets	(20,125)	(4,773)	(58,043)	(82,941)
Net (surplus)/deficit	**(4,053)**	**(1,640)**	**(18,054)**	**(23,747)**

Arrangements for employer contributions for funding (under paragraph AUS 121.1 of AASB 119)

The following is a summary of the 30 June 2006 financial position of the fund calculated in accordance with AAS 25 – *Financial Reporting by Superannuation Plans*.

Year ended 30 June 2006	SASS $000	SANCS $000	SSS $000	Total $000
Accrued benefits	14,930	2,951	37,538	55,419
Net market value of fund assets	(18,362)	(4,332)	(51,550)	(74,244)
Net (surplus)/deficit	**(3,432)**	**(1,381)**	**(14,012)**	**(18,825)**

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.

The economic assumptions adopted for the current actuarial review of the fund are:

Weighted-average assumptions	2007 % pa	2006 % pa
Expected rate of return on fund assets	7.3	7.3
Expected salary increase rate	4.0	4.0
Expected rate of CPI increase	2.5	2.5

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.

Based on the market yield discount rates, the SAS Trustee Corporation's approved a contribution holiday for employer contributions for the State Superannuation Scheme, the State Authorities Superannuation Scheme and the State Authorities Non-Contributory Superannuation Scheme due to the over-funded position. The contribution holiday is effective until 31 December 2008. The funding holiday does not apply to certain employees.

Note 13. Property, plant and equipment

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Carrying amounts				
Land and buildings (gross carrying amount)	192,098	187,440	192,098	187,440
Less: Accumulated depreciation	(26,811)	(24,638)	(26,811)	(24,638)
At fair value	**165,287**	**162,802**	**165,287**	**162,802**
Roadways (gross carrying amount)	17,734	16,268	17,734	16,268
Less: Accumulated depreciation	(9,690)	(8,256)	(9,690)	(8,256)
At fair value	**8,044**	**8,012**	**8,044**	**8,012**
Wharves, jetties and breakwaters (gross carrying amount)	264,865	251,249	264,865	251,249
Less: Accumulated depreciation	(127,982)	(120,771)	(127,982)	(120,771)
At fair value	**136,883**	**130,478**	**136,883**	**130,478**
Plant (gross carrying amount)	41,796	40,082	38,288	36,573
Less: Accumulated depreciation	(22,097)	(18,982)	(21,271)	(18,396)
At fair value	**19,699**	**21,100**	**17,017**	**18,177**
Add: Construction in progress	31,925	17,143	31,919	17,143
Total property, plant and equipment at fair value (net carrying amount)	**361,838**	**339,535**	**359,150**	**336,612**

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

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
At cost				
Land and buildings (at cost)	66,208	66,162	66,208	66,162
Less: Accumulated depreciation	(7,549)	(6,308)	(7,549)	(6,308)
	58,659	**59,854**	**58,659**	**59,854**
Roadways (at cost)	10,756	10,756	10,756	10,756
Less: Accumulated depreciation	(4,905)	(4,466)	(4,905)	(4,466)
	5,851	**6,290**	**5,851**	**6,290**
Wharves, jetties and breakwaters (at cost)	113,526	112,465	113,526	112,465
Less: Accumulated depreciation	(30,745)	(28,322)	(30,745)	(28,322)
	82,781	**84,143**	**82,781**	**84,143**
Plant (at cost)	41,703	39,988	38,194	36,479
Less: Accumulated depreciation	(22,018)	(18,910)	(21,192)	(18,325)
	19,685	**21,078**	**17,002**	**18,154**
Add: Construction in progress	31,925	17,143	31,919	17,143
Total property, plant and equipment (at cost)	**198,901**	**188,508**	**196,212**	**185,584**

Note 13. Property, plant and equipment (continued)

Movement in property, plant and equipment – consolidated

Year ended 30 June 2007		Land and buildings $000	Roadways $000	Wharves, jetties and breakwaters $000	Plant $000	Total $000
Opening balance		162,802	8,012	130,478	21,100	322,392
Add:	Revaluation	4,277	782	9,368	–	14,427
	From construction in progress	48	–	1,168	2,925	4,141
		167,127	**8,794**	**141,014**	**24,025**	**340,960**
Less:	Depreciation charge	(1,837)	(750)	(4,026)	(3,661)	(10,274)
	Disposals	–	–	–	(670)	(670)
	Write-offs	–	–	–	(100)	(100)
	Transfers	(3)	–	(105)	105	(3)
Closing balance		**165,287**	**8,044**	**136,883**	**19,699**	**329,913**

Movement in property, plant and equipment – consolidated

Year ended 30 June 2006		Land and buildings $000	Roadways $000	Wharves, jetties and breakwaters $000	Plant $000	Total $000
Opening balance		158,895	8,292	133,676	20,699	321,562
Add:	Revaluation	5,408	–	–	–	5,408
	From construction in progress	254	588	792	4,378	6,012
		164,557	**8,880**	**134,468**	**25,077**	**332,982**
Less:	Depreciation charge	(1,755)	(756)	(3,990)	(3,456)	(9,957)
	Disposals	–	(112)	–	(507)	(619)
	Write-offs	–	–	–	(14)	(14)
Closing balance		**162,802**	**8,012**	**130,478**	**21,100**	**322,392**

Movement in property, plant and equipment – Corporation

Year ended 30 June 2007		Land and buildings $000	Roadways $000	Wharves, jetties and breakwaters $000	Plant $000	Total $000
Opening balance		162,802	8,012	130,478	18,177	319,469
Add:	Revaluation	4,277	782	9,368	–	14,427
	From construction in progress	48	–	1,168	2,897	4,113
		167,127	**8,794**	**141,014**	**21,074**	**338,009**
Less:	Depreciation charge	(1,837)	(750)	(4,026)	(3,405)	(10,018)
	Disposals	–	–	–	(657)	(657)
	Write-offs	–	–	–	(100)	(100)
	Transfers	(3)	–	(105)	105	(3)
Closing balance		**165,287**	**8,044**	**136,883**	**17,017**	**327,231**

Movement in property, plant and equipment – Corporation

Year ended 30 June 2006		Land and buildings $000	Roadways $000	Wharves, jetties and breakwaters $000	Plant $000	Total $000
Opening balance		158,895	8,292	133,676	17,763	318,626
Add:	Revaluation	5,408	–	–	–	5,408
	From construction in progress	254	588	792	4,141	5,775
		164,557	**8,880**	**134,468**	**21,904**	**329,809**
Less:	Depreciation charge	(1,755)	(756)	(3,990)	(3,206)	(9,707)
	Disposals	–	(112)	–	(507)	(619)
	Write-offs	–	–	–	(14)	(14)
Closing balance		**162,802**	**8,012**	**130,478**	**18,177**	**319,469**

Movement in construction in progress

		Consolidated		Corporation	
		2007 $000	2006 $000	2007 $000	2006 $000
Opening balance		17,143	14,945	17,143	14,861
Add:	Acquisitions	19,211	59,719	19,177	59,566
Add:	Transfers	535	–	535	–
		36,889	**74,664**	**36,855**	**74,427**
Less:	To property, plant and equipment	(4,141)	(6,012)	(4,113)	(5,775)
Less:	To investment properties	(471)	(51,509)	(471)	(51,509)
Less:	To intangibles	(352)	–	(352)	–
Closing balance		**31,925**	**17,143**	**31,919**	**17,143**

Sale of property, plant and equipment

		Consolidated		Corporation	
		2007 $000	2006 $000	2007 $000	2006 $000
Property, plant and equipment		938	1,006	909	1,006
Less:	Accumulated depreciation	(268)	(387)	(252)	(387)
		670	**619**	**657**	**619**
Less:	Proceeds from sale	(575)	(562)	(561)	(562)
Net loss/(profit) on sale		**95**	**57**	**96**	**57**

Note 14. Investment properties

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Carrying amounts				
Land and buildings (at fair value)	530,763	524,743	530,763	524,743
Roadways (at fair value)	792	415	792	415
Wharves, jetties and breakwaters (at fair value)	46,133	51,132	46,133	51,132
Plant (at fair value)	3,416	2,945	3,416	2,945
Total	**581,104**	**579,235**	**581,104**	**579,235**

The most recent revaluation of investment properties by the Corporation was completed at 30 June 2007. Refer to note 2(l) for methodology. No investment properties are held by the subsidiary company.

In accordance with the NSW Government Planning Cabinet Committee decision of July 2006, the Corporation will transfer its East Darling Harbour site assets (Barangaroo site) to Sydney Harbour Foreshore Authority. The transfer is expected to be completed during 2007/08 upon finalisation of certain conditions. The carrying value of the assets as at 30 June 2007 comprised of $73.9 million of investment properties and $22.8 million of property, plant and equipment assets. The Corporation is to receive cash compensation for this transfer equal to the carrying value of the assets as at 30 June 2007.

Movement in investment properties – consolidated

Year ended 30 June 2007		Land and buildings $000	Roadways $000	Wharves, jetties and breakwaters $000	Plant $000	Total $000
Opening balance		524,743	415	51,132	2,945	579,235
Add:	Revaluation	6,604	377	(2,580)	–	4,401
	From construction in progress	–	–	–	471	471
		531,347	**792**	**48,552**	**3,416**	**584,107**
Less:	Write-downs	–	–	(2,471)	–	(2,471)
	Transfers	(584)	–	52	–	(532)
Closing balance		**530,763**	**792**	**46,133**	**3,416**	**581,104**

Income and expenditure on investment properties for the consolidated entity:

Consolidated	2007 $000	2006 $000
Rental Income	39,892	36,841
Direct operating expenses	15,758	13,347

Movement in investment properties – consolidated

Year ended 30 June 2006		Land and buildings $000	Roadways $000	Wharves, jetties and breakwaters $000	Plant $000	Total $000
Opening balance		460,984	–	51,124	1,363	513,471
Add:	Revaluation	14,255	–	–	–	14,255
	From construction in progress	49,504	415	8	1,582	51,509
		524,743	**415**	**51,132**	**2,945**	**579,235**
Less:	Disposals	–	–	–	–	–
	Write-offs	–	–	–	–	–
Closing balance		**524,743**	**415**	**51,132**	**2,945**	**579,235**

Note 15. Intangible assets

		Consolidated		Corporation	
		2007 $000	2006 $000	2007 $000	2006 $000
Carrying amounts					
Software (at fair value)		2,240	1,888	2,240	1,888
Less:	Amortisation	(1,943)	(1,888)	(1,943)	(1,888)
Total		**297**	**–**	**297**	**–**

Intangible assets acquired separately are capitalised at cost. These intangible assets have been assessed as having a finite life and are amortised using the straight-line method over a period of four years. The assets are tested for impairment where an indicator of impairment arises. No intangible assets are held by the subsidiary company.

Movement in intangible assets

		Consolidated		Corporation	
		2007 $000	2006 $000	2007 $000	2006 $000
Opening balance		–	52	–	52
Add:	From construction in progress	352	–	352	–
		352	**52**	**352**	**52**
Less:	Amortisation charge	(55)	(52)	(55)	(52)
Closing balance		**297**	**–**	**297**	**–**

Note 16. Trade and other payables

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Current				
Trade payables	549	32	516	32
Other payables	27,315	24,774	26,795	24,277
Income received in advance	4,957	4,594	4,957	4,594
Total	**32,821**	**29,400**	**32,268**	**28,903**

Trade and other payables are non-interest bearing and are normally settled within 28 day terms. The net of GST payable and GST receivable is remitted to the taxation authority on a monthly basis.

Note 17. Interest-bearing loans and borrowings

	Weighted average effective interest rate		Consolidated		Corporation	
	2007 (%)	2006 (%)	2007 $000	2006 $000	2007 $000	2006 $000
Current						
Unsecured loans from NSW Treasury Corporation	n/a	n/a	–	–	–	–
Non-current						
Unsecured loans from NSW Treasury Corporation	6.48	6.43	171,796	171,511	171,796	171,511
Total interest-bearing liabilities			**171,796**	**171,511**	**171,796**	**171,511**

Repayment of these loans is guaranteed by the Crown. The NSW Treasury Corporation loans are unsecured and repayable in full on various maturity dates between 1 December 2010 and 1 March 2017. The interest rates are based on weighted average effective rate on the entire debt.

The Corporation received Executive Council approval on 12 December 2001 to raise additional borrowings of $40 million under the *Public Authorities (Financial Arrangements) Act 1987*, for capital acquisitions. This was in addition to $150 million received on corporatisation.

Financial facilities available

The Corporation had the following financing facilities in place at 30 June 2007:

- A guarantee facility for $100,000 with the Commonwealth Bank of Australia.
- A credit card facility for $60,000 with the Commonwealth Bank of Australia.

Note 18. Provisions

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Current				
Dividend	28,964	22,160	28,964	22,160
Employee benefits, including on-costs	11,023	10,578	10,115	9,683
	39,987	**32,738**	**39,079**	**31,843**
Non-current				
Employee benefits, including on-costs	449	373	390	343
	449	**373**	**390**	**343**

Movement in provisions – consolidated

	Balance 30 June 2006 $000	Current charge against revenue $000	Payments $000	Current charge against capital $000	Other transfers $000	Balance 30 June 2007 $000
Current						
Dividend	22,160	28,964	(22,160)	–	–	28,964
Employee benefits, including on-costs:						
Annual leave	3,252	2,302	(1,758)	54	5	3,855
Long-service leave	7,236	761	(843)	32	(18)	7,168
Voluntary separations	90	–	(90)	–	–	–
	32,738	**32,027**	**(24,851)**	**86**	**(13)**	**39,987**
Non-current						
Employee benefits, including on-costs:						
Long-service leave	373	86	–	18	(28)	449
	373	**86**	**–**	**18**	**(28)**	**449**

Annual leave and long-service leave to be paid within 12 months totals $2.499 million.

Note 19. Financial risk management objectives and policies

The consolidated entity's principal financial instruments, other than derivatives, comprise interest bearing loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for its operations. The consolidated entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The consolidated entity also enters into derivative transactions, principally futures contracts and interest rate swaps. The main purpose is to manage the interest rate risks arising from its debt portfolio. The main risks arising from financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The accounting policies in relation to derivatives are set out in note 2(v).

Interest rate risk

The consolidated entity's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. The policy aims to minimise interest costs by managing the debt portfolio within predetermined modified duration limits. The benchmark will be the core debt portfolio for the purposes of performance management. Management of the debt is to be achieved by adjustment of the portfolio's maturity structure relative to the benchmark portfolio using derivatives or physical debt within approved limits.

Credit risk

The consolidated entity trades only with recognised creditworthy third parties. Trade customers who wish to transact on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the exposure to bad debts. With respect to credit risk arising from other financial assets, which comprises cash, short-term deposits and certain derivative instruments, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The only significant concentration of credit risk arises from investments with NSW TCorp, which represent 81% of total financial assets (72% at 30 June 2006). The largest single debtor included in receivables totals $0.672 million ($1.467 million at 30 June 2006) and is 0.55% of total financial assets (1.60% at 30 June 2006).

Liquidity risk

The aim of liquidity risk management is to ensure that the consolidated entity has sufficient funds available to meet its obligations both on a day to day basis and in the longer term. That is, its aim is to ensure that new funding and refinancing can be obtained when required and without undue concentration at times when financial markets might be strained. Provided that these aims are met, the policy also aims to minimise net interest expense.

Note 20. Financial instruments

(a) Fair values

Set out below is a comparison by category of the carrying amounts and fair values of the consolidated entity's financial instruments:

	Carrying amount		Fair value	
	2007 $000	2006 $000	2007 $000	2006 $000
Financial assets				
Cash	1,830	2,736	1,830	2,736
Trade and other receivables	21,532	22,387	21,532	22,387
Short-term investments	99,632	64,911	99,632	64,911
Total financial assets	**122,994**	**90,034**	**122,994**	**90,034**
Financial liabilities				
Trade and other payables	25,223	22,314	25,223	22,314
Interest-bearing loans and borrowings	171,796	171,511	175,900	175,609
Total financial liabilities	**197,019**	**193,825**	**201,123**	**197,923**

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

2007

Financial instruments	Consolidated						Total carrying amount as per balance sheet	Weighted average effective interest rate
	< 1 year $000	>1–<2 years $000	>2–<3 years $000	>3–<4 years $000	>4–<5 years $000	> 5 years $000	$000	(%)
Floating rate								
Cash assets	1,830	–	–	–	–	–	1,830	5.35
Investments	99,632	–	–	–	–	–	99,632	6.41
Fixed rate								
Interest-bearing liabilities	–	–	–	38,190	32,042	101,564	171,796	6.48

2006

Financial instruments	Consolidated						Total carrying amount as per balance sheet	Weighted average effective interest rate
	< 1 year $000	>1–<2 years $000	>2–<3 years $000	>3–<4 years $000	>4–<5 years $000	> 5 years $000		
Floating rate								
Cash assets	2,734	–	–	–	–	–	2,736	4.94
Investments	64,911	–	–	–	–	–	64,911	5.69
Fixed rate								
Interest-bearing liabilities	–	20,919	–	–	38,677	111,915	171,511	6.43

Interest on financial instruments classified as floating rate is re-priced at intervals of less that one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the consolidated entity that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Note 21. Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2007 but not otherwise brought to account have been assessed at $22.001 million including GST ($5.199 million including GST at 30 June 2006). The $22.001 million includes input tax credits of $2.000 million ($0.473 million at 30 June 2006) that are expected to be recoverable from the Australian Taxation Office. They are payable as follows:

	Not later than one year $000	Later than one and not later than five years $000	Later than five years $000
Land and buildings	4,922	13,475	–
Roadways	–	–	–
Wharves, jetties and breakwaters	791	–	–
Plant	2,813	–	–
Total including GST	**8,526**	**13,475**	**–**

Note 22. Operating lease commitments

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Payable				
Operating lease expenditure commitments contracted for at balance date, but not recognised in the financial report, are payable as follows:				
Not later than one year	1,775	1,837	1,775	1,835
Later than one and not later than five years	660	2,166	660	2,166
Later than five years	–	–	–	–
Total including GST	**2,435**	**4,003**	**2,435**	**4,001**

The above total includes input tax credits of $0.221 million ($0.364 million at 30 June 2006) that are expected to be recoverable from the Australian Taxation Office. The expenditure commitments relate to rent, computers and office equipment.

	Consolidated		Corporation	
	2007 $000	2006 $000	2007 $000	2006 $000
Receivable				
Operating lease minimum income commitments for non-cancellable leases not recognised in the financial report are receivable as follows:				
Not later than one year	48,695	46,244	48,695	46,244
Later than one and not later than five years	145,308	127,220	145,308	127,220
Later than five years	243,536	246,484	243,536	246,484
Total including GST	**437,539**	**419,948**	**437,539**	**419,948**

The above includes GST output tax of $39.776 million ($38.177 million at 30 June 2006) that is expected to be paid to the Australian Taxation Office. The income commitments relate to rent leases.

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 23. Contingent liabilities and contingent assets

The estimated value of liability claims against the consolidated entity at 30 June 2007 is nil (nil at 30 June 2006). The estimated recovery (contingent assets) is nil (nil at 30 June 2006).

Note 24. Consultancy fees

Total fees paid and payable to consultants as defined per “Premier’s Department Circular 2000-47”, engaged in capital and operating projects during the year was $0.049 million ($0.238 million in 2005/06) relating to economic analysis and strategic planning services.

Note 25. Impairment testing

Sydney Ports performs an annual impairment test where the recoverable amount of the consolidated entity is determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a ten year period. The consolidated entity operates a single cash generating unit being the management of port facilities for the shipping community.

Note 26. Related party disclosure

The consolidated financial report include the financial report of the following controlled entity. The financial years for the controlled entity are the same as those for the parent entity.

Name of controlled entity	Country of incorporation	Equity interest		Investment	
		2007 (%)	2006 (%)	2007 $000	2006 $000
Sydney Pilot Service Pty Ltd	Australia	100	100	1,120	1,120

Sydney Ports Corporation is the ultimate Australian parent entity and ultimate parent of the Group. The following table provides outstanding balances and the total amount of transactions which have been entered into with related parties for the relevant financial year.

Related party	Sales to related parties $000	Purchases from related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
Sydney Ports Corporation				
2007	**3,049**	**–**	**816**	**–**
2006	939	–	205	11
Sydney Pilot Service Pty Ltd				
2007	**–**	**3,049**	**–**	**816**
2006	–	939	11	205

Terms and conditions of transactions with related parties

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

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ending 30 June 2007, the Group has not raised any allowance for impairment relating to amounts owed by related parties as all amounts are settled in full monthly (nil at 30 June 2006).

Wholly owned group

The Corporation established a wholly owned subsidiary, Sydney Pilot Service Pty Ltd, which commenced operations on 26 October 2002 to carry out pilotage services in Sydney Harbour and Botany Bay. An injection of capital was made at that time of $1.120 million in order to purchase assets and fund working capital of the subsidiary. During 2006/07 no loans were made to the subsidiary company by the Corporation (nil in 2005/06). Loans owed to the Corporation by the subsidiary at 30 June 2007 was $0.600 million ($1.150 million at 30 June 2006).

Note 26. Related party disclosure (continued)

Key management personnel

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

The following table discloses key management personnel compensation as required under accounting standard AASB 124 *Related Party Disclosures*.

Benefit	2007 $000	2006 $000
Short-term employee benefits	2,315	2,338
Post employment benefits	507	125
Other long-term benefits	3	32
Termination benefits	–	–
Share based payments	–	–
Total	**2,825**	**2,495**

Note 27. Directors' and executive disclosures

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 $0.281 million ($0.271 million in 2005/06). Directors' remuneration for the subsidiary company for the year was $0.017 million ($0.019 million in 2005/06). Two Directors of the Corporation were also Directors of the subsidiary company. During the year no loans were made to Directors and no transactions occurred between the consolidated entity and Director related entities.

Note 28. Events after the balance sheet date

In accordance with AASB 110 *Events after the Balance Sheet Date*, there are no known events occurring after balance date that materially affect the Financial Report.

End of audited Financial Report.

Directors' statement

In the opinion of the Directors of Sydney Ports Corporation:

1. The accompanying Financial Report and Notes:

   (a) Exhibit a true and fair view of the financial position of the Corporation and the consolidated entity at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date;

   (b) Comply with applicable Accounting Standards, and Interpretations, other mandatory and statutory reporting requirements including Part 3 of the *Public Finance and Audit Act 1983* and the associated requirements of the Public Finance and Audit Regulation 2005;

   (c) 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

   (d) We are not aware of any circumstances at the date of this declaration that would render any particulars included in the Financial Report to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.

Paul Binsted

P.A. Binsted
Chairman
Date: 22 October 2007

M.J. Braham
Director
Date: 22 October 2007

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

SYDNEY PORTS CORPORATION AND CONTROLLED ENTITY

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Sydney Ports Corporation (the Corporation), and the Corporation and controlled entity (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Corporation and the entity it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as of 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- also complies with International Financial Reporting Standards as discussed in Note 2(b).

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.

James Suguman
Acting Director, Financial Audit Services

23 October 2007
SYDNEY

Statement of land holdings

as at 30 June 2007

Land is disclosed in the Financial Report under the asset grouping "Land and buildings" within "Property, plant and equipment" and "Investment properties". In the following summary, land has been separated from buildings and other non-current assets to show land value and usage in terms of the balance sheet valuations.

	Consolidated	Corporation
	2007 $000	2007 $000
Land and buildings		
Land	647,925	647,925
Buildings	74,498	74,498
Total	**722,423**	**722,423**
Other property, plant and equipment		
Roadways	10,299	10,299
Wharves, jetties and breakwaters	184,158	184,158
Plant	26,062	23,374
Total property, plant and equipment and investment properties (as per the balance sheet)	**942,942**	**940,254**

Financial Report

SYDNEY PILOT SERVICE PTY LTD

for the year ended 30 June 2007

SYDNEY PILOT SERVICE PTY LTD

Income statement

for the year ended 30 June 2007

	Note(s)	2007 $000	2006 $000
Revenue	4	**11,954**	**10,957**
Finance costs	5	79	86
Other expenses	5	11,165	10,414
Total expenditure	5	**11,244**	**10,500**
Profit before income tax equivalent expense		710	457
Income tax equivalent expense	6	213	137
Net profit for the period		497	320
Profit attributable to members of the Corporation		**497**	**320**

The accompanying notes form an integral part of the Financial Report.

Balance sheet

as at 30 June 2007

	Note(s)	2007 $000	2006 $000
Current assets			
Cash and cash equivalents	7	735	680
Trade and other receivables	8	846	702
Inventories	9	15	15
Other current assets	10	49	28
Total current assets		1,645	1,425
Non-current assets			
Deferred tax equivalent assets	6	406	414
Property, plant and equipment	11	2,688	2,923
Total non-current assets		3,094	3,337
Total assets		4,739	4,762
Current liabilities			
Trade and other payables	12	770	795
Interest bearing loans and borrowings	13	600	–
Provisions	14	908	895
Total current liabilities		2,278	1,690
Non-current liabilities			
Deferred tax equivalent liabilities	6	28	15
Interest bearing loans and borrowings	13	–	1,150
Provisions	14	59	30
Total non-current liabilities		87	1,195
Total liabilities		2,365	2,885
Net assets		2,374	1,877
Equity			
Issued capital		1,120	1,120
Retained earnings		1,254	757
Total equity		2,374	1,877

The accompanying notes form an integral part of the Financial Report.

Statement of changes in equity

for the year ended 30 June 2007

	Attributable to equity holders of the parent		
	Issued capital $000	Retained earnings $000	Total $000
At 1 July 2005	1,120	430	1,550
Transition to AIFRS tax effect adjustment	–	7	7
Total income and expense for the year recognised directly in equity	–	7	7
Profit for the year after tax	–	320	320
Total income and expense for the year	–	327	327
Dividends provided for	–	–	–
At 30 June 2006	1,120	757	1,877
Total income and expense for the year recognised directly in equity	–	–	–
Profit for the year after tax	–	497	497
Total income and expense for the year	–	497	497
Dividends provided for	–	–	–
At 30 June 2007	1,120	1,254	2,374

Issued capital

Sydney Ports Corporation established a wholly owned subsidiary, Sydney Pilot Service Pty Ltd, which commenced operations on 26 October 2002 to carry out pilotage services in Sydney Harbour and Botany Bay. An injection of capital was made at that time of $1.120 million in order to purchase assets and fund working capital of the subsidiary.

The accompanying notes form an integral part of the Financial Report.

Cash flow statement

for the year ended 30 June 2007

	Note(s)	2007 $000 Inflow/ (Outflow)	2006 $000 Inflow/ (Outflow)
Cash flows from operating activities			
Cash receipts from customers		12,935	11,909
Cash paid to suppliers and employees		(12,063)	(10,639)
Interest received		40	29
Borrowing costs		(79)	(86)
Income tax equivalent paid to parent entity		(208)	(217)
Net cash flows from operating activities	7	625	996
Cash flows from investing activities			
Payments for property, plant and equipment		(34)	(366)
Proceeds of sale of property, plant and equipment		14	–
Net cash flows used in investing activities		(20)	(366)
Cash flows from financing activities			
Loan from parent entity		–	–
Repayment of borrowings to parent entity		(550)	(400)
Net cash flows from/(used in) financing activities		(550)	(400)
Net increase in cash and cash equivalents		55	230
Cash and cash equivalents at beginning of period		680	450
Cash and cash equivalents at end of period	7	735	680

Notes to and forming part of the Financial Report

Note 1. Corporate information

The financial report of Sydney Pilot Service Pty Ltd for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 22 October 2007. Sydney Pilot Service Pty Ltd commenced operations on 26 October 2002 as a wholly owned subsidiary of Sydney Ports Corporation. The company complied with the NSW Treasury guidelines and assessed its objectives and activities. It determined that it is a "for profit" public sector entity from 1 July 2005 for financial reporting purposes. Sydney Pilot Service Pty Ltd operates in New South Wales, Australia with its principal office at Level 8, 207 Kent Street, Sydney NSW 2000. The nature of operations and principal activities are described in note 3.

Note 2. Summary of significant accounting policies

The following summary explains the significant accounting policies that have been adopted in the preparation of the financial report.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2005 and the *State Owned Corporations Act 1989*. In this financial report, Sydney Pilot Service Pty Ltd will be referred to as "SPS". The parent entity of SPS is Sydney Ports Corporation.

The financial report has been prepared on the basis of full accrual accounting using historical cost accounting conventions. Comparative information is reclassified where appropriate to enhance comparability. SPS, because of the scale of its operations, is a small proprietary company under the *Corporations Act 2001* and is not required under this Act to prepare a general-purpose financial report. SPS is controlled by a State Owned Corporation (SOC), so the company must comply with SOC Acts and the *Public Finance and Audit Act 1983*. Accordingly, the *Public Finance and Audit Act 1983* require SPS to prepare a general purpose financial report. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless appropriate to show whole dollars.

Note 2. Summary of significant accounting policies (continued)

(b) Statement of compliance

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2007.

AASB Amendment	Affected Standards	Application date of the standard	Impact on the financial report	Application date for the Corporation
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	1 January 2007	Amending standard issued as a consequence of AASB 7 *Financial Instruments: Disclosures*. AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the financial report.	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	1 January 2009	Amending standard issued as a consequence of AASB 8 *Operating Segments*. AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However the standard is expected to have an impact on the segment disclosures as segment information included in internal management reports is more detailed than that currently reported under AASB 114 *Segment Reporting*.	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	1 January 2009	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs*. The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. SPS has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the financial report.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	1 July 2007	Amending standards for wording errors, discrepancies and inconsistencies. The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the financial report.	1 July 2007

New standard/ interpretation	Application date of standard/ interpretation	Application date of standard/interpretation	Application date for the Corporation
AASB 7 *Financial Instruments: Disclosures*	1 January 2007	New standard replacing disclosure requirements of AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation*. Refer to AASB 2005-10 above.	1 July 2007
AASB 8 *Operating Segments*	1 January 2009	New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting. Refer to AASB 2007-3 above.	1 July 2009
AASB 123 (amended) *Borrowing Costs*	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised. Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 12	1 January 2008	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 July 2008

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) Cash and cash equivalents

Cash in the balance sheet comprise cash at bank and in hand. For the purposes of the cash flow statement, cash consists of cash as defined above, net of outstanding bank overdrafts.

(d) Trade and other receivables

Trade receivables are 21 day terms. Other receivables are 7 day terms. Receivables are recognised initially at fair value, usually based on the transaction cost or face value. An allowance for impairment of receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Bad debts are written off as incurred.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value on an item-by-item basis. Costs incurred in bringing each stock item to its present location and condition is included in the value.

(f) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(g) Property, plant and equipment

SPS has one class of property, plant and equipment being plant. All items of plant are recorded at fair value as the depreciated historical cost approximates fair value. SPS complies with NSW Treasury's Policy and Guidelines Paper TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value.*

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

(h) Recoverable amount of assets

At each reporting date, SPS assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, SPS makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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.

(i) Capitalisation of property, plant and equipment

Property, plant and equipment in excess of $1,000 are capitalised where it is 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 accounts. The remaining capital expenditures are carried forward as construction in progress and are included in property, plant and equipment in the balance sheet.

(j) Depreciation of property, plant and equipment

Depreciation has been calculated on depreciable assets, using rates estimated to write-off the assets over their remaining useful lives on a straight-line basis. The useful lives of assets were reassessed during the year with no changes required. The expected design life of new depreciable assets at 30 June 2007 is:

- Plant 2 to 40 years

(k) Interest-bearing loans and borrowings

Interest-bearing liabilities consist of a loan from the parent entity. The loan has no maturity date and interest is charged at a commercial rate.

(l) Finance costs

Borrowing costs are recognised as an expense when incurred.

Note 2. Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when SPS 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 SPS 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. The expense relating to any provision is recognised in the income statement 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.

(n) Employee benefits

Leave entitlements

Benefits for annual leave have been provided at the amount expected to be paid when the liabilities are settled including appropriate on-costs. Benefits for long-service leave have been measured using the present value of expected future payments to be made for services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted, where not expected to be settled in 12 months of reporting date, using government bond yields and terms to maturity that match, as closely as possible, the estimated future cash outflows. Appropriate on-costs are included. The amount for employees entitled to long-service leave within 12 months from reporting date is recognised as a current provision with the remainder being recognised as a non-current provision. The average sick leave taken by employees based on past experience is less than the entitlement accruing each period. It is considered improbable that existing accumulated sick leave entitlements will be used, and therefore no liability has been recognised.

Retirement benefits (superannuation)

SPS contributes to employee superannuation funds in addition to contributions made by employees. All superannuation funds are accumulation schemes. Payments are applied towards the accruing liability for employee superannuation and are expensed in the income statement.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

- Revenue from the rendering of a service is recognised on the delivery of the service to the customer.
- Interest revenue is recognised as the interest accrues.
- Proceeds from the sale of assets are recognised upon the delivery of the assets to the purchaser.
- Assets received at no cost are recorded at their fair value when received.
- Goods or services exchanged that are of a different nature and value are recognised at fair value when the following criteria have been met:
  - the entity has passed control of the goods or other assets to SPS;
  - it is probable that the economic benefits comprising the consideration will flow to SPS; and
  - the amount of revenue can be measured reliably.

(p) Income tax equivalent

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 current 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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 profit 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.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(q) Tax consolidation

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

(r) Dividend

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

(s) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Contingencies are disclosed net of GST. Commitments and accrual items are shown in the balance sheet inclusive of GST where applicable.

Note 3. Segment information

SPS's primary reporting format is business segments and its secondary format is geographical segments.

Business segments: SPS provides management of port facilities for the shipping community including the provision of navigational and operational safety needs of commercial shipping. Geographical segments: SPS operates in the single geographical location of NSW.

Note 4. Revenue

	2007 $000	2006 $000
Revenue from operating activities		
Pilotage revenue	11,634	10,558
	11,634	**10,558**
Other revenue		
Interest received	40	32
Miscellaneous sources	279	367
Net gain on sale of property, plant and equipment	1	–
	320	**399**
Total revenue	**11,954**	**10,957**

Note 5. Expenditure

	Note(s)	2007 $000	2006 $000
Employee benefits expense:			
Salaries and wages		6,760	5,841
Annual leave	14	569	705
Long-service leave	14	111	180
Retirement benefits (superannuation) – accumulation		211	325
		7,651	**7,051**
Other expenses:			
Service contractors		258	255
Utilities and communications		36	29
Indirect taxes		501	434
Depreciation	11	256	250
Doubtful debts	8 (b)	(5)	5
Auditors' remuneration		20	18
Directors' remuneration	22	17	19
Consultants' fees		–	–
Rental on operating leases		263	259
Insurance		565	668
Materials		642	520
Other operations and services		961	906
		3,514	**3,363**
Total expenses other than finance costs		**11,165**	**10,414**
Finance costs		79	86
Total expenditure		**11,244**	**10,500**

Note 6. Income tax equivalent

	2007 $000	2006 $000
Major components of income tax equivalent expense for the periods ended 30 June 2007 and 30 June 2006 are:		
Income Statement		
Current income tax		
Current income tax equivalent charge	192	310
Adjustments in respect of current income tax equivalent to previous years	–	–
Deferred income tax		
Relating to origination and reversal of temporary differences	21	(173)
Income tax equivalent expense reported in income statement	**213**	**137**
Statement of Changes in Equity		
Current income tax	–	–
Deferred income tax		
Allowance for impairment of debts	–	4
Income tax equivalent amount charged directly to equity	**–**	**4**
A reconciliation of income tax equivalent expense applicable to accounting profit before income tax equivalent at the statutory income tax equivalent rate to income tax equivalent expense at the consolidated entity's effective income tax equivalent rate for the periods ended 30 June 2007 and 30 June 2006 is as follows:		
Accounting profit/(loss) before income tax equivalent	**710**	**457**
At the statutory income tax equivalent rate of 30% (30% in 2006)	213	137
Property, plant and equipment	–	–
Income tax equivalent expense reported in income statement	**213**	**137**

At effective income tax equivalent rate of 30% (30% in 2006).

Note 6. Income tax equivalent (continued)

	Balance sheet 2007 $000	Balance sheet 2006 $000	Income statement 2007 $000	Income statement 2006 $000
Deferred income tax				
Deferred income tax equivalent at 30 June relates to the following:				
Deferred income tax equivalent liabilities				
Depreciation	–	–	–	8
Income receivable	(28)	(15)	13	5
Gross deferred income tax equivalent liabilities	**(28)**	**(15)**		
Deferred income tax equivalent assets				
Depreciation	27	19	(8)	(19)
Provisions for employee entitlements	290	278	(12)	(148)
Accrued expenditure	78	100	22	(14)
Other	11	17	6	(5)
Gross deferred income tax equivalent assets	**406**	**414**		
Deferred income tax equivalent charge			**21**	**(173)**

Tax consolidation

Sydney Pilot Service Pty Ltd and its parent, Sydney Ports Corporation, are a tax consolidated group. The head entity of the tax consolidated group is Sydney Ports Corporation. Sydney Ports Corporation and Sydney Pilot Service Pty Ltd have entered into a tax sharing arrangement in order to allocate income tax equivalent expense to the subsidiary company on a pro-rata basis. In addition the agreement provides for the allocation of income tax equivalent liabilities between the entities should the head entity default on its tax payment obligations.

Note 7. Cash and cash equivalents

	2007 $000	2006 $000
Cash at bank and in hand	735	680
Cash at the end of the financial year	**735**	**680**

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash on hand and in banks (net of any outstanding bank overdraft). Cash at 30 June 2007, as shown in the cash flow statement, is reconciled to this item in the balance sheet.

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

	2007 $000	2006 $000
Net profit after income tax equivalent	497	320
Adjustments for:		
Depreciation	256	250
Net (profit)/loss on sale of property, plant and equipment	(1)	–
	752	**570**
Changes in assets and liabilities applicable to operating activities		
(Increase)/decrease in inventories	–	14
(Increase)/decrease in trade and other receivables	(144)	(78)
(Increase)/decrease in prepayments	(21)	136
(Increase)/decrease in other assets	8	(182)
(Decrease)/increase in deferred income tax liabilities	13	10
(Decrease)/increase in tax provision	–	–
(Decrease)/increase in trade and other payables	(25)	34
(Decrease)/increase in other provisions	42	492
Net cash flows from operating activities	**625**	**996**

Note 8. Trade and other receivables

	2007 $000	2006 $000
Current		
Trade debtors	724	621
Other debtors	14	37
Accrued income (a)	108	49
	846	**707**
Less: Allowance for doubtful debts (b)	–	(5)
	846	**702**

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

(a) Accrued income comprises:

	2007 $000	2006 $000
Operating income	103	45
Bank interest	5	4
Total accrued income	**108**	**49**

(b) Allowance for doubtful debts

	2007 $000	2006 $000
Opening balance	5	15
AIFRS opening adjustment to equity	–	(11)
Add: Current year's charge	(5)	5
	–	**9**
Less: Bad debts written off	–	(4)
Closing balance	**–**	**5**

Note 9. Inventories

	2007 $000	2006 $000
Stores and materials:		
– at cost	15	15

Note 10. Other current assets

	2007 $000	2006 $000
Prepayments		
Operating expenditure prepayments	49	28

Note 11. Property, plant and equipment

	2007 $000	2006 $000
Carrying amounts		
Plant (gross carrying amount)	3,508	3,509
Less: Accumulated depreciation	(826)	(586)
At fair value*	**2,682**	**2,923**
Add: Construction in progress	6	–
Total property, plant and equipment at fair value (net carrying amount)	**2,688**	**2,923**

* In line with NSW Treasury's Policy and Guidelines Paper TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value*, plant is recorded at fair value as the depreciated historical cost approximates fair value.

Movement in property, plant and equipment:

		2007 $000	2006 $000
Plant			
Opening balance		2,923	2,936
Add:	From construction in progress	28	237
		2,951	**3,173**
Less:	Depreciation charge	(256)	(250)
	Disposals	(13)	–
	Write-offs	–	–
Closing balance		**2,682**	**2,923**

Movement in construction in progress:

		2007 $000	2006 $000
Opening balance		–	84
Add:	Acquisitions	34	153
		34	**237**
Less:	To property, plant and equipment	(28)	(237)
Closing balance		**6**	**–**

Sale of property, plant and equipment:

	2007 $000	2006 $000
Property, plant and equipment	29	–
Less: Accumulated depreciation	(16)	–
	13	**–**
Less: Proceeds from sale	(14)	–
Net loss/(profit) on sale	**(1)**	**–**

Note 12. Trade and other payables

	2007 $000	2006 $000
Current		
Trade payables	33	–
Other payables	633	675
Tax related payable	104	120
	770	**795**

Trade and other payables are non-interest bearing and are normally settled within 28 day terms. The net of GST payable and GST receivable is remitted to the taxation authority on a monthly basis.

Note 13. Interest-bearing loans and borrowings

	2007 $000	2006 $000
Current		
Loan from parent entity	600	–
Non-current		
Loan from parent entity	–	1,150
Total Interest-bearing liabilities	**600**	**1,150**

During the year $0.550 million was repaid to the parent entity ($0.400 million in 2005/06). No new loans were received from the parent entity (nil in 2005/06). There is no maturity date for this loan.

Note 14. Provisions

	2007 $000	2006 $000
Current		
Employee benefits, including on-costs	908	895
	908	**895**
Non-current		
Employee benefits, including on-costs	59	30
	59	**30**

Movement in provisions

	Balance 30 June 2006 $000	Current charge against revenue $000	Payments $000	Other transfers $000	Balance 30 June 2007 $000
Current					
Employee benefits, including on-costs:					
Annual Leave	374	569	(365)	(71)	507
Long-service leave	521	61	(181)	–	401
Voluntary separations	–	–	–	–	–
	895	**630**	**(546)**	**(71)**	**908**
Non-current					
Employee benefits, including on-costs:					
Long-service leave	30	50	–	(21)	59
	30	**50**	**–**	**(21)**	**59**

Annual leave and long-service leave to be paid within 12 months totals $0.469 million.

Note 15. Financial risk management objectives and policies

SPS's financial instruments include interest bearing loans and cash. The main purpose of these financial instruments is to raise finance for its operations. The consolidated entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from financial instruments are interest rate risk, credit risk and liquidity risk. These risks are summarised below.

Interest rate risk

SPS's exposure to market risk for changes in interest rates relates to its debt obligations to its parent.

Credit risk

SPS trades only with recognised, creditworthy third parties. Trade customers who wish to transact on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the exposure to bad debts. With respect to credit risk arising from other financial assets comprising cash, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The only significant concentration of credit risk arises from Cash at Bank, which represent 47% of total financial assets (50% at 30 June 2006). The largest single debtor included in receivables totals $0.089 million ($0.099 million at 30 June 2006) and is 6% of total financial assets (7% at 30 June 2006).

Liquidity risk

The aim of liquidity risk management is to ensure SPS 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 interest expense.

Note 16. Financial instruments

(a) Fair values

Set out below is a comparison by category of the carrying amounts and fair values of financial instruments:

	Carrying amount		Fair value	
	2007 $000	2006 $000	2007 $000	2006 $000
Financial assets				
Cash	735	680	735	680
Trade and other receivables	831	679	831	679
Total financial assets	**1,566**	**1,359**	**1,566**	**1,359**
Financial liabilities				
Trade and other payables	493	631	493	631
Interest-bearing loans and borrowings	600	1,150	600	1,150
Total financial liabilities	**1,093**	**1,781**	**1,093**	**1,781**

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

2007

Financial instruments	< 1 year $000	>1–<2 years $000	>2–<3 years $000	>3–<4 years $000	>4–<5 years $000	> 5 years $000	Total carrying amount as per balance sheet	Weighted average effective interest rate (%)
Floating rate								
Cash assets	735	–	–	–	–	–	735	5.4
Interest-bearing liabilities	600	–	–	–	–	–	600	7.0
Fixed rate								
Nil	–	–	–	–	–	–	–	–

2006

Financial instruments	< 1 year $000	>1–<2 years $000	>2–<3 years $000	>3–<4 years $000	>4–<5 years $000	> 5 years $000	Total carrying amount as per balance sheet $000	Weighted average effective interest rate (%)
Floating rate								
Cash assets	680	–	–	–	–	–	680	4.9
Interest-bearing liabilities	1,150	–	–	–	–	–	1,150	5.5
Fixed rate								
Nil	–	–	–	–	–	–	–	–

Note 17. Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2007 but not otherwise brought to account have been assessed as nil (nil at 30 June 2006).

Note 18. Operating lease commitments

	2007 $000	2006 $000
Payable		
Operating lease expenditure commitments contracted for at balance date, but not recognised in the financial report are payable as follows:		
Not later than one year	–	2
Later than one and not later than five years	–	–
Later than five years	–	–
Total including GST	–	2

The above total includes input tax credits of $nil ($145 at 30 June 2006) that are expected to be recoverable from the Australian Taxation Office. The expenditure commitments relate to office equipment.

Note 19. Contingent liabilities and contingent assets

The estimated value of liability claims against SPS at 30 June 2007 is nil (nil at 30 June 2006).

Note 20. Consultancy fees

No fees were paid or payable to consultants, as defined per "Premier's Department Circular 2000-47", during the year (nil in 2005/06).

Note 21. Related party disclosure

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

Related party	Sales to related parties $000	Purchases from related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
Sydney Ports Corporation				
2007	3,049	–	816	–
2006	939	–	205	11
Sydney Pilot Service Pty Ltd				
2007	–	3,049	–	816
2006	–	939	11	205

Terms and conditions of transactions with related parties

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

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ending 30 June 2007, SPS has not raised any allowance for impairment relating to amounts owed by related parties as all amounts are settled in full monthly (nil at 30 June 2006).

Investment in subsidiary

The parent entity established a wholly owned subsidiary, Sydney Pilot Service Pty Ltd, which commenced operations on 26 October 2002 to carry out pilotage services in Sydney Harbour and Botany Bay. An injection of capital was made by the parent at that time of $1.120 million in order to purchase assets and fund working capital of SPS. During 2006/07 no loans were made to SPS by the parent (nil in 2005/06). Loans owed to the parent by SPS at 30 June 2007 were $0.600 million ($1.150 million at 30 June 2006).

Key management personnel

Sydney Pilot Services defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of the entity, including any directors.

The following table discloses key management personnel compensation as required under accounting standard AASB 124 *Related Party Disclosures*.

Benefit	2007 $000	2006 $000
Short-term employee benefits	65	67
Post employment benefits	17	6
Other long-term benefits	–	–
Termination benefits	–	–
Share based payments	–	–
Total	82	73

Note 22. Directors' and executive disclosures

Directors' remuneration includes emoluments and other benefits paid or due and payable to Directors but does not include amounts paid as salary to full-time Directors. Directors' remuneration for the year was $0.017 million ($0.019 million in 2005/06). Two Directors of SPS were also Directors of the Corporation. During the year no loans were made to Directors and no transactions occurred between the consolidated entity and Director related entities.

Note 23. Events after the balance sheet date

In accordance with AASB 110 *Events after the Balance Sheet Date*, there are no known events occurring after balance date that materially affect the Financial Report.

End of audited Financial Report.

Directors' statement

In the opinion of the Directors of Sydney Pilot Service Pty Ltd:

1. The accompanying Financial Report and Notes:

    (a) Exhibit a true and fair view of the financial position of Sydney Pilot Service Pty Ltd at 30 June 2007 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 Accounting Standards and Interpretations, other mandatory and statutory reporting requirements including Part 3 of the *Public Finance and Audit Act 1983* and the associated requirements of the Public Finance and Audit Regulation 2005;

    (c) There are reasonable grounds to believe that Sydney Pilot Service Pty Ltd will be able to pay its debts as and when they become due and payable; and

    (d) We are not aware of any circumstances at the date of this declaration that would render any particulars included in the Financial Report to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.

K.A. Murray
Chairman

Date: 22 October 2007

S.D. Hobday
Director

Date: 22 October 2007

AUDITOR-GENERAL
NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

SYDNEY PILOT SERVICE PTY LTD

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Sydney Pilot Service Pty Ltd (the Company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of Sydney Pilot Service Pty Ltd as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- also complies with International Financial Reporting Standards as discussed in Note 2(b).

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements' that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Company,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.

James Sugumar

James Sugumar
Acting Director, Financial Audit Services

22 October 2007
SYDNEY

Statutory disclosures 2006/07

Funds granted to non-government community organisations

The following payments were made to non-government community organisations in 2006/07.

	$
National Heart Foundation	1,000.00
Silver Chain Nursing Association	500.00
St Vincents & Mater Health (Cancer Research)	1,000.00
The Cancer Council NSW	533.60
The Mission to Seafarers	4,500.00
United Way	26,600.00

Annual report cost

The total external cost incurred in the production of 1,200 copies of the *Sydney Ports Corporation 2006/07 Annual Report* including the Sydney Pilot Service's (SPS) Financial Report was $56,400. The report is available at www.sydneyports.com.au/corporation/media and publications

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 2000 requires a statutory body to include in its annual report statements of all exemptions, omissions, modifications and variations from reporting provisions which have been granted by the Treasurer under section 41BA of that Act and Regulation and which apply to the statutory body.

As a statutory body in competition, the following table summarises the exemptions, omissions, modifications and variations applying to Sydney Ports Corporation.

The following matters are exempt but require reporting in a summarised form:

Requirements	Legislative source of requirements
Preparation of manufacturing and trading statements	Section 41B(c) PF&AA
Income/Expenditure on a program or activity basis	*Public Finance & Audit Regulation 2000* (PF&AR): Schedule 1, Part 1, Clause 13
Summary review of operations	Section 7(1)(a)(iv) ARSBA and Schedule 1 ARSBR
Management activities	Schedule 1 ARSBR
Consultants	Schedule 1 ARSBR
Consumer response	Schedule 1 ARSBR
Human resources	Schedule 1 ARSBR
Controlled entities	Schedule 1 ARSBR
Financial statements of controlled entities	Section 7(1)(a)(ia) ARSBR
Risk management	Schedule 1 ARSBR

The following matters are exempt:

Exemptions	Legislative source of requirements
Amounts set aside for provision for known commitments	Clause 4 PF&AR
Amount charged or set aside for renewal or replacement of fixed assets	Clause 2 PF&AR
Significant judicial decisions	Schedule 1 ARSBR
Amounts appropriated for repayment of loans etc.	Clause 6 PF&AR
Excess of non-current assets value over replacement costs	Clause 13 PF&AR
Budgets – outline and details	Section 7(1)(a)(iii) ARSBA Clause 6 ARSBR
Research and development	Schedule 1 ARSBR
Land disposal	Schedule 1 ARSBR
Payment of accounts including time	Schedule 1 ARSBR Clause 18 [PFAR]
Investment management performance	Clause 12 ARSBR
Liability management performance	Clause 13 ARSBR

These exemptions, omissions, modifications and variations arise from a review of the External Reporting Framework for Statutory State owned corporations and Particular Statutory Bodies by the NSW Treasury and are based on among other things, commercial sensitivities. A number of exemptions relate to financial reporting requirements that are redundant or not considered essential for performance assessment and accountability purposes.

Response to significant issues raised by the Auditor General

There were no significant issues raised by the Auditor General in his 2006/07 report.

2006/07 Performance relative to the Statement of Corporate Intent

The material variances compared to targets in the 2006/07 Statement of Corporate Intent were:

Actual Value Based Return (VBR) and Dividend Payable results were significantly higher than targets due to higher than expected growth in trade volumes and number of chargeable vessel visits. The deferral in timing of capital expenditure also contributed to the higher VBR result.

Freedom of Information

Sydney Ports Corporation is required to report annually on its administration of the applications it receives under the *Freedom of Information Act 1989* (NSW). The following tables detail statistics required to be reported under the Act for the period 1 July to 30 June for the financial years 2005/06 and 2006/07.

During the reporting period, no requests were transferred to another organisation or agency. No requests were carried forward to the reporting period 2007/08.

No reviews were requested to the Ombudsman or to the District Court during the reporting period. One request for an internal review was received and processed.

FOI applications and applications determined

	Personal		Other		Total	
	2006	2007	2006	2007	2006	2007
New	0	1	3	3	3	4
Completed	0	1	3	3	3	4
Granted in full	0	1	1	3	0	4
Refused (exempt)	0	0	0	0	0	0
Information sought not held (application fees refunded)	0	0	2	0	0	0
Total processed	0	1	3	3	3	4

Days to process FOI applications

Elapsed time	Personal		Other	
	2006	2007	2006	2007
0–21 days	0	0	1	0
22–35 days	0	1	2	2
Over 35 days	0	0	0	1

Processing time

Processing hours	Personal		Other	
	2006	2007	2006	2007
0–10 hours	0	0	3	0
11–20 hours	0	0	0	2
Greater than 20 hours	0	0	0	2

During the period 0 Ministerial Certificates were issued, 0 formal consultations requested, 0 amendments or notations to records made.

The Corporation's compliance with the Act did not raise any major issues in the reporting period, nor did compliance with the Act have any significant impact on Sydney Ports Corporation's activities.

Code of Conduct

The Corporation has a code of conduct outlining general business ethics and acceptable standards of behaviour expected of all employees. There were no changes to the Code of Conduct during the year.

Legal changes and subordinate legislation

There have been no material legal changes or changes to subordinate legislation or significant judicial decisions that have had any significant effect on the operations of Sydney Ports Corporation.

Factors affecting achievement of operational objectives

There were no unanticipated factors which have not already been mentioned during the year that led to any material affect on the achievement of Sydney Ports Corporation's operational objectives.

EEO Report

Sydney Ports Corporation is an equal employment opportunity employer. The Corporation has in place an Equal Employment Opportunity (EEO) policy and the SPC Code of Conduct which prescribes the Corporation's commitment to EEO. Mechanisms are also in place to ensure confidential, timely and effective resolution of EEO and workplace grievances through the Disputes Resolution Policy. All of these documents are easily available to all employees.

The table below is a summary of Sydney Ports Corporation's headcount and female employees as at 30 June 2007. This table also includes the number of vacancies filled during the period of 1 July 2006 to 30 June 2007.

SPC headcount	Total number of female employees	Number of vacancies filled	Number of female appointments	Number of NESB* appointments
225	56 (25%)	12	5 (42.00%)	6 (50%)

* Non English Speaking Background.

Of the 56 females in permanent employment within the Corporation, three hold executive positions with the remaining 53 female employees employed in managerial, professional/technical, supervisory and administrative roles.

There are a number of attractive employment conditions available to all employees including flexible hours of work, aged and dependent care leave, sick leave, income protection insurance, personal leave, 14 weeks' paid maternity leave, paid paternity leave, part-time work on return from maternity leave, study assistance and learning and development programs.

Total training cost for the Corporation for 2006/07 was $176,574.74 – this includes conference attendance, skills development training and study assistance. In 2006/07, there has been a greater emphasis on internal learning and development than the previous year. The focus has been in the areas of Risk Management and Occupational Health & Safety (OH&S) with comprehensive training on Hazard, Near Miss and Incident Reporting, OH&S Site Inductions and Information Security Awareness, for every employee. Due to this greater emphasis on internal training, the overall training spend has been reduced. However the total amount of hours for the Corporation was 11,074.95 and is an average of 49.2 training hours per employee.

Female employees (including NESB) attended a total of 2,484.50 hours of training during the 2006/07 financial year (including study assistance and conferences). This is an average of 44.37 hours per female employee. NESB employees (including females and males) attended a total of 2,384.40 hours of training during the same period.

Training cost for female NESB employees was $18,801.37 and $35,344.44 for male NESB employees. A total of $90,133.54 for all females and NESB employees was expended for the year. The total training costs for female and NESB employees account for 51% of the total training costs.

Female and NESB employees are provided opportunities to study towards tertiary qualifications. The Corporation's study assistance policy supports these studies.

Occupational Health & Safety

Sydney Ports has a commitment to providing a safe workplace for its employees and raising awareness of workplace OH&S issues.

A key measure of safety performance within Sydney Ports Corporation is the number of lost time injuries which is currently at four for the 2006/07 reporting period.

Four lost time injuries were sustained during the 2006/07 reporting period.

Reporting period	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Number of lost time injuries	3	3	5	1	1	4

Sydney Ports Corporation actively investigates OH&S incidents leading to injury, ill health and property damage, and also those "near misses" that had the potential to cause harm. In each case, risk mitigation strategies are identified and implemented to prevent recurrence.

Sydney Ports Corporation encourages workplace consultation between management and employees, a focus on hazard identification and risk assessment, and fostering a company-wide culture of continuous improvement.

A key driver of this process is the OH&S Consultative Committee. The fully trained representatives undertake active consultation with staff and meet on a regular basis. They monitor the overall application and performance of the OH&S system, initiatives, policies, procedures, processes and training, and identify opportunities for the promotion and improvement of safe work practices.

The OH&S programs enable significant improvements to workplace safety to be achieved, and the performance to be measured. Some of these programs include hazard and risk management, site and contractor induction training; contractor safety; hazardous substances management; the management of safety critical assets; auditing and inspection. Some of these programs are also integral to maintaining our compliance with the Corporation's Port Safety Operating License.

Sydney Ports Corporation's commitment to OH&S is demonstrated through our participation in the *New South Wales Government's Working Together – Public Sector OH&S and Injury Management Strategy*. The strategy aims to assist public sector agencies in reducing injuries and workers' compensation claims costs, and improving OH&S systems.

Challenging performance targets have been established and the Corporation has been working positively towards meeting these.

Status Report on Ethnic Affairs Priority Statement

As the Corporation does not provide direct services to the community, there is limited direct engagement with the public. However, the Corporation does support the principles of multiculturalism and recognises that people are of different linguistic, religious, racial, and ethnic backgrounds in relation to our employees and the community.

In relation to our employees, a number of initiatives were conducted in 2006/07 to demonstrate the Corporation's commitment to cultural diversity:

- recruitment from a broad range of ethnic and cultural backgrounds through the engagement of six employees from non-English speaking background, which represents 40% recruited into the organisation;
- provided working arrangements that accommodate cultural and religious differences through the provision of cultural and religious holidays;

- updated study assistance policy coupled with performance feedback that enhances development opportunities to be applied throughout the organisation to ensure equity in access to learning and development opportunities;
- continued provision of Employee Assistance Program, which includes interpreter services.

In relation to the community, current initiatives that demonstrate the Corporation's commitment to cultural diversity are:

- translating material and signage into various languages to enhance our relationship with our multicultural community. An emergency warning and signage document for our Bulk Liquids Berth at Port Botany was translated into: Japanese; Korean; Arabic; simplified Chinese; traditional Chinese; German; Russian and Tagalog;
- actively engaged with the communities adjacent to major port activity via community liaison groups, community newsletters and open days.

Throughout the 2007/08 year the Corporation will continue to support cultural diversity and retain the initiatives implemented in 2006/07.

Waste Reduction and Purchasing Policy (WRAPP)

Sydney Ports is a State owned corporation and as such is required to comply with the Government's Waste Reduction and Purchasing Policy (WRAPP) where it is cost effective and in line with sound business practices.

The Corporation has developed a WRAPP plan in accordance with Premier's Memoranda 99-9 and 97-30.

Sydney Ports is submitting its WRAPP Progress Report for 2005–2007 to the Department of Environment and Climate Change NSW in accordance with Guidelines to *Assist Reporting WRAPP Progress for 2005–2007* addressing the following Key Result Areas:

Part A: General Agency Information

Part B: Key Result Areas

Part C: Waste Data

Part D: Purchasing Data

Waste Reduction and Procurement Strategies

Part B: Key Result Areas

B1 – Including the WRAPP in plans and policies

WRAPP principles have been incorporated into Sydney Ports Corporation's (SPC) Corporate Plan, Purchasing Policy and Staff Induction program. In addition new employees with purchasing responsibilities are provided with training incorporating the WRAPP principles.

B2 – Including the WRAPP in purchasing decisions

SPC's construction contracts include provisions relating to waste management and recycling. Under the waste management provision contractors must ensure that all activities on sites minimise the generation of waste by encouraging the re-use and recycling of all potential waste materials.

B3 – Waste avoidance and recycling

Waste avoidance and recycling is achieved by the following;

- providing on-line access to a range of policies, procedures, and information updates on a range of subjects and reports.
- Employee Self Service (ESS) provides on-line access to employees' pay details, leave details and on-line application for leave;
- email continues to be the preferred means of documented communication both internally and with our external stakeholders;
- "Just In Time" purchasing to ensure that office consumables are only purchased as and when required;
- implementing a co-mingled recycling system in kitchen areas to reduce glass, aluminium, and other recyclables from being disposed of to landfill;
- reduction in the number of annual reports printed.

In the area of construction and related activities, contractors engaged by the Corporation are required to ensure that all activities on site minimise the generation of waste by encouraging the recycling of all potential waste material. SPC has recycled varying demolition/construction generated material including, asphalt, concrete and timber.

B4 – Increasing the range of recycled content products and materials purchased

SPC continues to purchase low-waste products and products with recycled content where it is consistent with sound commercial practice and such products meet technical and operating standards. SPC has increased the quantity of recycled content material being purchased in relation to office paper products such as copy paper.

B5 – Staff awareness of WRAPP

WRAPP ideals and best practice waste management initiatives, such as encouraging the purchase of paper with recycled content or content sourced from sustainable plantation forests rather than old-growth forests, have been communicated to both general staff and executives.

The WRAPP plan and associated initiatives are part of training for all employees with purchasing responsibilities. WRAPP now also forms part of the induction program for new employees.

B6 – Future actions

- Further reduce the number of printed annual reports.
- Increase the use of technology, CDs, e-mail, intranet and internet to disseminate information, updates and briefings to SPC's stakeholders.
- Development and implementation of a Document Management System (DMS). The DMS will further facilitate the storage of electronic files and enhance information sharing within SPC.

SPC is committed to implementing the WRAPP programme into the Corporation's business activities and the Corporation actively seeks to minimise the generation of waste, and wherever practical, implements programmes that divert waste from landfill.

Publications

During the year, in addition to the annual report, Sydney Ports Corporation published the following:

- *Corporate Plan 2006/07* (highlights Sydney Ports' initiatives and major strategies and key objectives – electronic copies only);
- *Ship & Shore Newsletters* (a quarterly newsletter to staff on the general activities of the Corporation and its employees);
- *Port Botany Expansion Newsletters* – Issues 1 and 2 (to provide an update to residents surrounding the port on the expansion project);
- *Trade Report* (Provides detailed reporting of port-related data and logistics information from the last financial year);
- *Logistics Review* (Provides detailed information on a range of initiatives that support land-based logistics operations for the port); and
- *One way system Simblist and Friendship Roads* (information on changes to traffic at the port).

Sydney Ports Corporation developed a website to support the growing information needs of our stakeholders and the general public.

Consultancy fees

Total fees paid and payable to consultants engaged in operating projects during the year was $0.049 million ($0.253 million in 2005/06). The main purpose of the engagements were:

- Analysis of port activities.
- Strategic planning services.

Relevant legislation

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

Other significant legislation affecting the Corporation includes:

- Occupational Health & Safety Regulation 2001 – Schedule 3;
- *Marine Pollution Act 1987* and associated regulations;
- Management of Waters and Waterside Lands Regulations – NSW;
- *Marine Pilotage Licensing Act 1971* and associated regulations;
- *Maritime Services Act 1935* ;
- *Navigation Act 1901*;
- *Protection of the Environment Operations Act 1997*; and
- *Maritime Transport and Offshore Facilities Security Act 2003* (Commonwealth).

Appendices 2006/07

Corporate governance

Good corporate governance creates and sustains an ethical and legal environment which recognises the interests of all the stakeholders in a Corporation.

The role of the Board

The Board oversees the business and commercial affairs of the Corporation, approves the business and financial objectives and strategies proposed by and subsequently implemented by management and monitors performance and policy.

Apart from participating in regular Board and committee meetings, the Directors from time to time visit the Corporation's operations and informally meet port users and staff.

The composition and procedures of the Board

The Board generally consists of seven Directors – five Non-executive Directors (one of whom is the Chairman), the Chief Executive Officer and Staff Director who is selected in accordance with the procedures set out in the *Ports and Maritime Administration Act 1995*. The Directors are appointed by the Governor on the recommendation of the voting shareholders. The proceedings and certain procedures of the Board are governed by the *State Owned Corporations Act 1989* and the Articles of Association of the Corporation.

Board remuneration

Non-executive Directors and the Staff Director are remunerated by fees determined by the voting shareholders from time to time. These fees are comparable with those paid to directors of similarly constituted and similarly sized corporations.

Board committees

Several committees support the Board:

- The Audit and Risk Management Committee considers internal accounting controls and procedures, the activities of the internal and external auditors, the relationship between management and the external auditors, the Financial Reports of the Corporation and risk management.
- The Remuneration Committee considers remuneration policies and practices, the remuneration of the executive management group and performance recognition arrangements.

The majority of the Corporation's staff are currently remunerated on the basis of the registered 2004–07 Enterprise Agreement. In line with developments in the employment market, executive and senior management are remunerated by base salaries coupled with at-risk performance incentives.

Attendance at Board meetings

	Regular Board meetings		Term of appointment
	A	B	
P. Binsted	8	7	4 December 2006 – 3 December 2009
D. Field	6	6	4 December 2004 – 3 December 2006
M. Braham	14	13	15 February 2006 – 14 February 2009
G.J. Martin	10	10	12 May 2004 – 15 April 2007
K. Murray	14	12	9 March 2006 – 8 March 2008
M. Sullivan	14	13	1 October 2005 – 30 September 2008
R. van der Loos	14	13	15 February 2006 – 14 February 2009
T. Robertson	8	8	15 December 2006 – 15 December 2009

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

Overseas travel July 2006 to June 2007

Name	Date	Destination	Purpose
Greg Martin	23 April 2007 to 11 May 2007	USA, China	Attended biennial International Association of Ports and Harbours Conference in Texas. Represented Australasia at Conference as Regional Board Member. Visited Yangshan Port in Shanghai.
Simon Barney	23 October 2006 to 3 November 2006	China, Hong Kong, Japan, Singapore	Trade development visit and stakeholder briefings.
Phil Rosser	23 October 2006 to 3 November 2006	China, Hong Kong, Japan, Singapore	Trade development visit and stakeholder briefings.
Daniel Cavallo	12 March 2007 to 28 March 2007	Japan	Technical exchange visit to Yokkaichi Port Authority.

Salary reporting

In reporting salaries for SES level 5 and above, the following information is provided for the year ended 30 June 2007.

Band	Total positions as at 30 June 2007	Total employment cost range	Incentive range subject to performance against set objectives
1	1	$290,000 – $390,000	$60,000 – $90,000
2	5	$190,000 – $290,000	$30,000 – $60,000

Performance Reviews conducted by the CEO with Performance Payments approved by the SPC Board.

Staff who are members of external committees

Association of Australian Port and Marine Authorities and sub-committees
Greg Martin – President

Australia Day Council
Lawrence Allum
Jenny Jones – Operations Coordinator

Australian Logistics Council
Simon Barney

Botany and Eastern Regional Environment Protection Association
Shane Hobday
Christa Sams

Botany Bay Business Enterprise Centre
Shane Hobday – Director

Botany Bay Coastal Management Committee
Bruce Royds

Bulk Liquids Industry Association
Murray Fox
Roy Garth
Jim Pullin

Caltex Australia Limited/Sydney Ports Coordination Committee
Roy Garth

Cruise Down Under
Phil Rosser – Deputy Chairman

Cruise Vessel Security Committee
Peter Shepherd
Anthony Meijer – Chairman
Brett Hansen

Glebe Island/White Bay Community Liaison Group
Alistair Palmer
Kamini Parashar
Christa Sams

Glebe Island/White Bay Security Committee
Peter Shepherd
Anthony Meijer – Chairman
Brett Hansen

Glebe Island/White Bay Tenant Committee
Kim Bailey

Infrastructure Partnerships Australia
Greg Martin – Honorary Advisory Board member

International Association of Ports and Harbors
Greg Martin – Australian Director
Tony Navaratne – Ports and Planning Construction Committee

International Harbour Masters' Association
Robin Heath

Major Hazard Inter-Agency Committee
Roy Garth

Maritime Industry Group
Robin Heath

Maritime Industry Security Consultative Forum
Peter Shepherd
Anthony Meijer

Maritime Security Identification Card Working Group
Anthony Meijer

National Chemical Operations Working Group
Jim Pullin

Navigators and Navigation Pilotage Committee
Robin Heath

NSW Cruise Coordination Committee
Phil Rosser – Chairman

New Year's Eve Committee
Robin Heath
Jenny Jones

Orica Groundwater Community Liaison Committee
Christa Sams

Passenger Vessel Screening Standards
Peter Shepherd
Anthony Meijer

Permanent International Association of Navigation Congress
Tony Navaratne – Board member

Port Botany Community Consultative Committee
Marika Calfas
Kamini Parashar
Colin Rudd

Port Botany Emergency Plan Committee and sub-committees
Shane Hobday – Chairman
Jim Pullin

Port Intelligence and Enforcement – Sydney
Peter Shepherd
Anthony Meijer

Property Council
Alistair Palmer – Industrial Committee

Sea Freight Council
Simon Barney

Shell Gore Bay Community Consultative Committee
Murray Fox

Standards Australia Committee ME 018 – The handling and transport of dangerous cargoes in port areas
Roy Garth

Sydney Cruise Industry Forum
Jenny Jones
Phil Rosser – Chairman

State Emergency Management Committees
Jim Pullin

Sydney-to-Hobart Yacht Race Committee
Robin Heath

Sydney Ports Cargo Facilitation Committee
Daniel Cavallo
Jenny Jones
Morgan Noon

Sydney Port Joint Port Security Committee
Peter Shepherd – Chairman
Anthony Meijer
Brett Hansen
Murray Fox
Shane Hobday

Sydney Ports Users Consultative Group
Greg Martin
Simon Barney
Denis Dillon
Phil Rosser

The Missions to Seafarers
Shane Hobday – Director

Trusted Information Sharing Network – Maritime Sector
Peter Shepherd – Chairman

Trusted Information Sharing Network
Peter Shepherd

United Way Sydney
Pat Catanach – Allocations Committee
Greg Martin – Director (Sydney)

Internal committees

Executive Management Committee

Occupational Health & Safety Committee

Sydney Ports Corporation Consultative Committee

Gangway Steering Committee

Risk Management Committee

Information Services Steering Committee

Security Steering Committee

Executive Safety Committee

Glossary

AAPMA	Australian Association of Ports and Maritime Authorities
BLB	Bulk Liquids Berth (at Port Botany)
CCTV	Closed Circuit Television
CEO	Chief Executive Officer
DA	Development Application
DOTARS	Department of Transport and Regional Services
EA	Environmental Assessment
FIAB	Freight Infrastructure Advisory Board
HAMS	Heritage Asset Management Strategy
IC&L	Independent Cement and Lime
ILC	Intermodal Logistics Centre at Enfield
Intermodal	A terminal for interchange of containers on/off trucks/trains
IPART	Independent Pricing and Regulatory Tribunal
IS	Information Services
IT	Information Technology
M	million/millions
MSIC	Maritime Security Identification Card
MTSOFA	*Maritime Transport and Offshore Facilities Security Act 2003*
NESB	Non English Speaking Background
NSW	New South Wales (eastern state of Australia)
OH&S	Occupational Health & Safety
PSOL	Port Safety Operating Licence
PSC	Port Security Committee
RTA	Roads and Traffic Authority
ShIPS	Sydney's Integrated Port System
SPC	Sydney Ports Corporation
SPS	Sydney Pilot Service Pty Ltd
SPUCG	Sydney Ports Users Consultative Group
Sydney Harbour	The commercial port areas of Glebe Island and White Bay, Darling Harbour and the Overseas Passenger Terminal at Circular Quay
TEU/TEUs	Twenty foot Equivalent Unit

Principal office and address

Level 8, 207 Kent Street
Sydney NSW 2000 Australia

Postal address

PO Box 25, Millers Point
NSW 2000 Australia

Telephone 61 2 9296 4999
Facsimile 61 2 9296 4742
enquiries@sydneyports.com.au
www.sydneyports.com.au

ABN 95 784 452 933

SYDNEY PORTS
FIRST PORT, FUTURE PORT