

Annual Report 2005

SYDNEY PORTS CORPORATION





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Highlights

2004-05

Moving more, setting records

- Total cargo up by 3.1 per cent to 25.9 million mass tonnes
- Record container trade of 1,376,365 TEUs, up 8.4 per cent
- Record for full container exports through Sydney of 319,620 TEUs, up 5.3 per cent
- Record motor vehicle imports of 234,961
- Record consolidated pre-tax profit of \$61.4 million, up 18.5 per cent
- All financial targets achieved and shareholder value up

Creating value, making progress

- 51-hectare, four-berth expansion approved for Port Botany on 14 October 2005. Investigation of the location of a fifth berth to proceed.
- Plans progressed for an Intermodal Logistics Centre at Enfield
- Ten years since Sydney Ports' corporatisation in July 1995

Staying safe, being secure

- International navigation safety standards maintained
- Accidents confined to one lost-time injury
- Port security measures introduced
- Port Safety Operating Licence certified by audit

	2003-04 Actual	2004-05 Actual	% change
Financial (millions)			
Revenue from port operations	124,515	133,072	7
Pre-tax profit	51.8	61.4	19
Income tax payable	16.7	19.6	17
Capital expenditure	12.0	9.6	20
Dividend payable	17.6	18.9	7
Shareholder value added	12.8	18.1	41
Trade			
Total cargo (mass tonnes – millions)	25.1	25.9	3
Total container trade (TEUs)	1,270,216	1,376,365	8
Volume of containers moved by rail (to and from Port Botany)	250,000	253,000	1.2
Shipping			
Total commercial vessel visits	2,408	2,434	1
Gross tonnage (GT – millions)	64.1	66.5	4

TEU = Twenty-foot Equivalent Unit

% change reporting year against 2003-04, nearest %



Operations at Port Botany

31 October 2005

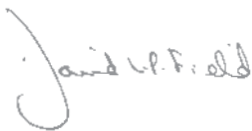
The Hon. Morris Iemma MP
Premier, Treasurer and
Minister for Citizenship
Governor Macquarie Tower
Level 40, 1 Farrer Place
SYDNEY NSW 2000

The Hon JJ Della Bosca, MP
Special Minister of State
Minister for Commerce
Minister for Industrial Relations
Minister for Ageing
Minister for Disability Services
Assistant Treasurer and
Vice-President of the Executive Council
Governor Macquarie Tower
Level 30, 1 Farrer Place
Sydney NSW 2000

Dear Messrs Iemma and Della Bosca

This annual report covers Sydney Ports Corporation's operations and statement of accounts for the year ended 30 June 2005, in accordance with the provisions of the *Annual Report (Statutory Bodies) Act 1984* and the applicable provisions of the *Public Finance and Audit Act 1983* and the *State Owned Corporations Act 1989*, and is submitted for presentation to Parliament.

Yours faithfully



Mr David LP Field
Chairman



Mr Greg J Martin
Chief Executive Officer



Wallenius Wilhelmsen vessel, *Toledo*, at the Overseas Passenger Terminal for its naming ceremony, 22 April 2005

Strengthening the **vital** economic role of Sydney's ports

The 2004–05 financial year was a record-breaking year, during which Sydney Ports Corporation further strengthened its vital role in the economy of our city, State and nation.

The Corporation is a NSW Government State owned corporation working to deliver the required port infrastructure to cater for trade growth well into the future, as well as continuing to meet its operational, trade facilitation, environmental and security objectives.

Record container volumes underpin strong trade growth

Trade grew strongly during the year, with record volumes through the port, particularly in containers and motor vehicles. An 8.4 per cent increase in container trade lifted volumes to a new high of 1,376,365 TEUs. This growth, which followed a 9.5 per cent increase in the previous reporting year, was supported by record export cargo.

Cargo throughput for the year totalled 25.9 million mass tonnes, a 3.1 per cent increase over 2003–04.

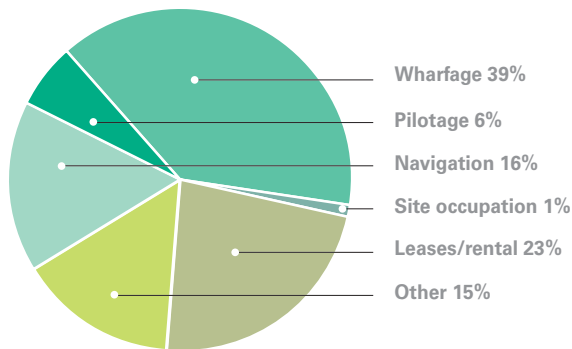
The terminals at Glebe Island (AAT) and Darling Harbour (Patrick) handled 234,961 motor vehicle imports, retaining Sydney Harbour's significant national share of this trade at 33 per cent in 2004–05.

Delivering value for shareholders

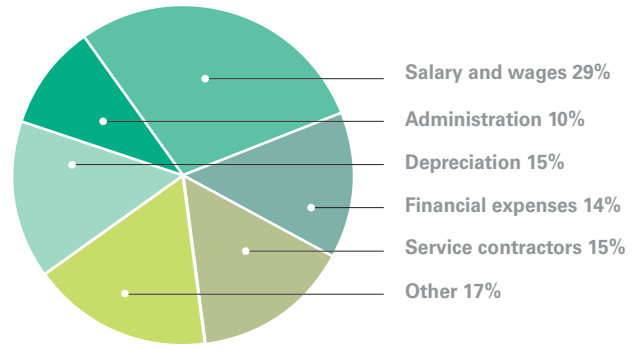
The Corporation achieved strong financial results in 2004–05. Total revenues for the year were \$155.6 million, up 11 per cent over the previous year. Consolidated pre-tax profit was \$61.4 million, up 19 per cent on the previous year. This enabled the Corporation to declare a dividend of \$18.9 million. The Corporation also reinvested \$9.6 million in its capital program.



Above: Mr David Field, Chairman and
Mr Greg Martin, Chief Executive Officer



Revenue as a proportion of total revenue, 2004-05 (%)



Expenditure as a proportion of total expenditure, 2004-05 (%)

Shareholder value rose to \$18.1 million, a 41 per cent increase on 2003-04.

Sydney Ports' subsidiary company, Sydney Pilot Service Pty Ltd (SPS), continued to reinvest in upgrading its pilot vessels and the training of new pilots and delivered a modest pre-tax profit of \$140,000.

During the year Sydney Ports reviewed the market rents for container terminal land leased at Port Botany. The aim was to update the rental structure to reflect current market conditions and ensure transparency for the future.

State and national port inquiries

State and Federal Governments have highlighted the crucial role of ports in facilitating trade flows and recent debate has prompted wide-ranging discussion on the adequacy of port infrastructure in Australia.

The Federal Government established an Export Infrastructure Taskforce in March 2005. Its role was to identify any logistical or regulatory bottlenecks in the operation of Australia's ports infrastructure that could impede the full realisation of our export opportunities.

In May 2005 the Taskforce reported no immediate crisis in ports infrastructure.

Sydney Ports' proposed expansion of Port Botany will ensure that Sydney's ports do not become a bottleneck and that capacity is in place to meet future demand. Sydney's ports are not expected to reach capacity until 2010.

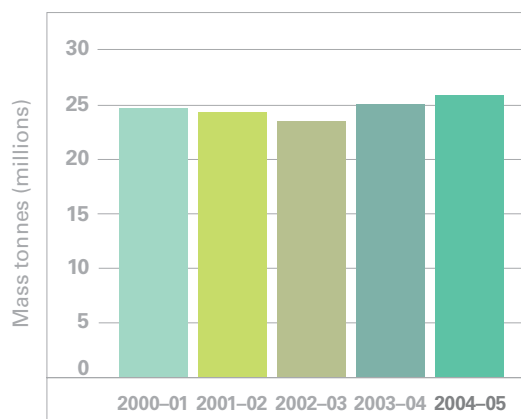
In December 2004, the NSW Minister for Planning announced stage one of the NSW State Government's Port Freight Plan for Sydney.

The Freight Infrastructure Advisory Board (FIAB) was subsequently established to advise the NSW State Government on:

- intermodal terminal network requirements to improve freight distribution
- infrastructure required to service the intermodal network
- potential changes to work practices to cut truck-queuing at the port gate and maximise the efficiency of truck haulage, and
- other strategies to minimise unnecessary movements of containers across Sydney.

Sydney Ports was represented on FIAB by the CEO.

At the time of going to print, the report had been released by the NSW State Government for comment and referred to the NSW Premier's Infrastructure Implementation Group for advice.



Trade by total cargo,
2000-01 to 2004-05

In October 2003 the Legislative Council Standing Committee on State Development commenced a Parliamentary Inquiry into Port Infrastructure in New South Wales. Sydney Ports Corporation appeared before the Inquiry in April 2004.

The Inquiry reported in June 2005 that "in general terms the Committee believes that the NSW Ports Growth Plan addresses the medium-to-long-term requirements of the shipping industry, transport operators and business in New South Wales, providing them with surety about the future of NSW ports."

Progress towards the expansion of Port Botany

Given the cost and increasing lead times required for approvals and construction of new port facilities, Australian ports, including Sydney, need to plan prudently and provide increased capacity in a balanced way.

The Corporation pursued its efforts to obtain approval to provide additional berth and terminal capacity at Port Botany to cater for long-term trade growth. The proposal has been the subject of rigorous assessments including a Commission of Inquiry.

Container trade is expected to grow to around 3.5 million TEUs by 2025 and the Corporation's primary objective has been to provide additional port capacity for the longer term and to ensure planning certainty for the future growth of Port Botany.

On 14 October 2005, the NSW Government gave planning approval for a 51-hectare four-berth expansion of the port, with investigations into the location of a fifth berth to proceed.

The Port Botany proposal provides the flexibility to accommodate new stevedoring operators. International shipping companies and stevedoring organisations have expressed interest in operating at an expanded Port Botany.



Dedicated freight rail line at Port Botany



A new proposal for an Intermodal Logistics Centre at Enfield

Building on the principles of the NSW Ports Growth Plan and the objectives for the NSW Port Freight Plan for Sydney, the Corporation has renewed its plans to develop a logistics centre at Enfield and provide an intermodal terminal, including empty container storage as well as some warehouse capacity.

This new facility would be part of a network of intermodal terminals and assist with achieving the objective of moving trucks off roads.

Enfield is located some 18 kilometres from Port Botany and has dedicated freight rail access to the port.

Between 50 to 60 per cent of all container imports and around 30 per cent of all container exports are from the inner and mid west of Sydney – accessible to the Enfield site and making it an ideal location for an intermodal facility.

Port security plans reviewed and approved

To minimise the risk of terrorist attacks on maritime transport or port facilities, particularly following recent incidents in other countries, the Corporation is in the process of implementing the Port Security Plans approved by the Federal Government in 2004. The objective is to provide the safest conditions practicable for cargo and vessel operations in the ports of Sydney Harbour and Botany.

The Federal Office of Transport Security recently audited the Corporation's security plans for Sydney Harbour, the Passenger Terminals and the Sydney Pilot Service and commented favourably on the state of preparedness. This confirms the success to date of the Corporation's security planning approach. Audits of security plans for Glebe Island/White Bay and Port Botany will be conducted during 2005–06.

The Corporation will implement the new national maritime security identification card program for Sydney's ports during 2005–06.

The Federal Government's position is that security is a cost of doing business. So Sydney Ports planned to charge port users from 1 October 2005, to recover the costs of providing security measures such as additional police, CCTV cameras, fencing and guards.



Safe standards confirmed, preparedness passes the test

Another important achievement during the year was the successful audit against the ISO 9001 quality standard of our Port Safety Operating Licence for the tenth consecutive time. The Corporation has consistently and professionally met all safety performance standards under the licence since corporatisation in 1995.

Sydney Ports hosted the biennial National Oil Spill response exercise in Botany Bay in September 2004. This test of the level of preparedness and co-operation between participants was declared a success by the independent umpire, Emergency Management Australia.

More vessels visit Sydney's ports

Total vessel visits during the year to Sydney's ports reached 2,434, a one-per cent increase on the previous year. The number of vessels visiting Port Botany increased to 1,386, (57 per cent of the total), with 1,048 (43 per cent) using Sydney Harbour, down by three per cent from 2003–04.

Cruise shipping activity was strong, with 68 vessels visiting during the year. *Crystal Serenity*, *Delphin Renaissance* and the largest cruise vessel to visit Sydney, *Sapphire Princess*, at 113,000 tonnes, made maiden voyages to Sydney. The *QE2* and *Oriana* again called at Sydney during the season.

The *Spirit of Tasmania* made a total of 109 calls to Sydney during the year.

A second lines service operator, Ausport Marine, commenced operations in Port Botany from July 2004.

Promoting the ports through co-operation with users

During the year, the Board and the Corporation's staff continued their efforts to maintain close working relationships with port users, other interest groups and trade organisations.

In September 2004 the Board and senior trade staff visited the Riverina for meetings with local winemakers, other exporters and logistics industry representatives and in October 2005 will visit the north-west of New South Wales.

Recognising staff contributions, developing our managers

To recognise the important roles of Sydney Ports' staff members, the Corporation continued a program established last year – the *Bravo!* awards, which recognise significant contributions by staff members each quarter.

We also continued our valuable program to further develop leadership qualities among executive staff and senior managers. This program will continue into 2005–06.

Enterprise bargaining negotiations were successfully concluded for the 2004–07 Sydney Ports Enterprise Agreement. Initiatives have included amendments to long service leave, annual leave, maternity and paternity leave provisions. Under new Fitness for Work agreements for outdoor operational staff, medical examinations will be conducted every two years.

Above: *Sapphire Princess* on its maiden visit to Sydney, 23 December 2004



CSCL Xiamen berthed at Patrick's Port Botany facilities



Sydney Pilot Service Pty Ltd (SPS), a subsidiary company of Sydney Ports Corporation, has completed its enterprise agreement for 2004–07 with Sydney's pilots, the first between the parties. Negotiations were concluded for a new transitional Launch Crew Agreement for 2004–06.

As a number of our pilots near retirement this year, we employed another two trainee pilots as part of a succession plan. This brings the total number of new pilots appointed to SPS to six since the new company was formed in October 2002.

Planning and working for future service and safety

Container trade is forecast to grow at a rate of around five per cent per annum for the next 20 years, and during the year the Corporation continued to plan for future port needs.

Following the approval to expand Port Botany, the NSW State Government will approve the procurement arrangements for the delivery of the Port Botany expansion.

Acquiring necessary land: The Corporation will continue strategic land acquisitions and developments to meet long-term logistics requirements and provide needed capacity at Port Botany. We expect to purchase the Cooks River Rail Yards and the Alcatel site in the 2005–06 year. The acquisition of the Cooks River site will ensure the retention of rail facilities to help manage empty containers in Sydney. Meanwhile, to accommodate continued demand in the bulk liquids trade, we are refurbishing the existing bulk liquids berth at Port Botany.

An efficient transport chain: Maintaining the efficiency of the transport chain is a critical aspect of planning for the future. Pursuing the Enfield Intermodal Logistics Centre proposal and the Metropolitan Freight Strategy will be important matters in 2005–06 for Sydney Ports.

The Corporation conducted a transport workshop in August 2005 to prepare an action plan to be implemented for the increased cargo needs leading up to the December 2005 peak. This is the third annual workshop and reinforces Sydney Ports' role as a facilitator of port-wide issues.

Safety always comes first: Safety in the workplace will remain a high priority in 2005–06, with continuing implementation of a comprehensive program of workplace improvements. Among important initiatives, the CEO will continue to chair a Safety Steering Committee to pursue our target of zero lost-time injuries.

Above: Adsteam Marine Tug guiding a car vessel into Darling Harbour



We are recruiting a Safety Manager to co-ordinate the program across all business units and to implement a Safety Management System. We will continue to strengthen our safety culture throughout Sydney Ports.

Another of our key priorities will be improving regional trade development by working with exporters and service providers to address their issues with transport links.

Future uses for Darling Harbour: We will work with the stevedores and shipping companies operating out of Darling Harbour to effect a seamless transition when Patrick's lease expires in 2006. This will involve working with the NSW State Government in providing for cruise shipping in the future development of Darling Harbour.

Financial preparedness: Preparation is complete for the introduction in 2005–06 of the new Australian equivalent to the International Financial Reporting Standards, with systems and process changes already implemented.

Acknowledgements

It is important to record our thanks to the portfolio Minister, The Hon. Michael Costa, MLC, who gave his support to port operations and our planning initiatives. We look forward to working with the incoming Minister for Ports and Waterways, The Hon. Eric Roozendaal MLC, who was sworn in on 17 August, 2005.

We are also grateful for the assistance and support of our shareholding Ministers, especially The Hon. Michael Egan who, before his retirement in February 2005, had a long association with the Corporation as a founding shareholding Minister and has been a significant supporter of Sydney Ports' initiatives.

As Chairman and CEO, we would especially like to acknowledge our fellow Board members for collectively steering the Corporation through this important and eventful year with foresight, expertise and professionalism.

We greatly appreciate the dedication and commitment of the Corporation's staff in achieving the successes of 2004–05. The capability and dedication they have shown across all areas of the organisation have been of a particularly high standard.

We also wish to record the Corporation's thanks to our stakeholders including all port users and service providers from industry, professional service areas, government and the community who have worked closely with us during the year.

Mr David LP Field
Chairman

Mr Greg J Martin
Chief Executive Officer

Above left to right: Port operations, Port Botany; a container vessel, Sydney Harbour

Vale

John Macdonald Wallace

ED, Dip Civil Eng, FIE Aust, FCIT



Born 23 July 1926, died 11 June 2005

Before the end of the financial year, the port industry was saddened to learn of the death of John 'Jack' Wallace, the last person to hold the title of President of the Board of Commissioners of the Maritime Services Board of New South Wales (MSB).

John was appointed President of the MSB in 1975, following the death of William Brotherson. He took up his appointment shortly after the NSW Cabinet gave the MSB responsibility for investigating, designing, developing and maintaining all of New South Wales' trading ports.

John oversaw the MSB's response to the Simblist Inquiry into the Port Botany reclamation as well as the reclamation and construction project itself, the development and commissioning of the bulk liquids berth at Port Botany, the development and commissioning of the coal loader at Port Kembla and the development of Glebe Island and White Bay in the late 1960s and early 1970s to accommodate containers before Botany Bay became available to receive containers in late 1979.

John's appointment as President followed a 31-year career, first in drafting and then in engineering roles in the MSB, during which he rose to become Engineer-in-Chief in 1966. In this role he oversaw the extensive hydrographic study that preceded the reclamation that was to become Port Botany.

He also contributed significantly to the wider port community and to the community at large.

After his retirement from the MSB in 1984, he continued his association with the port industry through his consulting practice, and by becoming Chairman of the WestHam Dredging Company Pty Ltd.

In 1951, the year that John commenced work as an engineer with the MSB, he married Heather.

It is to Heather and to John and Heather's sons and daughter that we extend our deepest sympathies.

Sydney Ports Corporation, from its establishment on 1 July 1995, has been an efficient and profitable government-owned company dedicated to serving the city's port users and related industries. Here are some of the highlights of an eventful 10 years.

Sydney's ports: a decade of development

16



Working efficiently: The SPC Board, on which only 20 people have served over the decade, has met more than 100 times. We have a capable and efficient staff of over 200, who cover a wide diversity of some 16 professional disciplines.

Sydney Ports staff members also give generously and personally support the Community Care Program, in partnership with United Way Sydney.

Mass movements, sound returns: Sydney's ports are busier, catering for the city's growing population. Rounded total figures for the decade were:

- Cargo through the ports – 235 million mass tonnes
- Container movements – 10 million TEUs, with annual movements increasing from 700,000 TEUs in 1995–96 to 1.376 million TEUs in 2005
- Vessel calls – 23,000, including 746 cruise ship calls

- Growing turnover – the Corporation returned over \$138 million in dividends to the Government and added \$81.7 million to shareholder value.

Efficiency at the waterfront: Waterfront reform since 1998 has delivered increased productivity and raised Sydney's efficiency to world standards. Container lift rates increased from 15 containers per hour in September 1995 to 26.7 a decade later.

Warmly welcoming visitors: In 1999 Darling Harbour Passenger Terminal at No 8 Berth was opened to replace the old cruise terminal at No 10 berth, Darling Harbour, which catered for a growing number of cruise ships bringing visitors to the Harbour. In 2000 a major refurbishment of the Overseas Passenger Terminal in Circular Quay was undertaken before the Olympics. This is now a world-standard facility.

Environment in safe hands: SPC, since corporatisation, has worked hard to maintain and improve environmental standards throughout the ports. In August 1999 we faced our biggest challenge to date – the accidental discharge of 300,000 litres of oil into Sydney Harbour by *Laura D'Amato*, a record spill that we acted quickly to contain and clean up in what was regarded as a case study response.

Sharing the spirit, running the ports: In 2000 we proudly played our part in many aspects of Sydney's Olympic Games, including our hosting of nine "floating hotel" cruise ships chartered by sponsors. We made special freight arrangements to facilitate trade during Olympic events in the city and on the Harbour. During that year we moved a record one million TEUs through the ports for the first time.



Left to right: Glebe Island silos; 'floating hotels' berthed in Sydney during the Olympics; Patrick Terminals CEO and Georgia Ports representative sign sister port agreement; *Laura D'Amato* in Sydney Harbour; refurbished Overseas Passenger Terminal at Circular Quay

Lifting security standards higher: Since the terrorist attacks on 11 September 2001, the Corporation has upgraded security throughout the ports. The ports comply with strict, new requirements of the International Ship and Port Facility Security Code and Australia's Maritime Transport and Offshore Facilities Security Act.

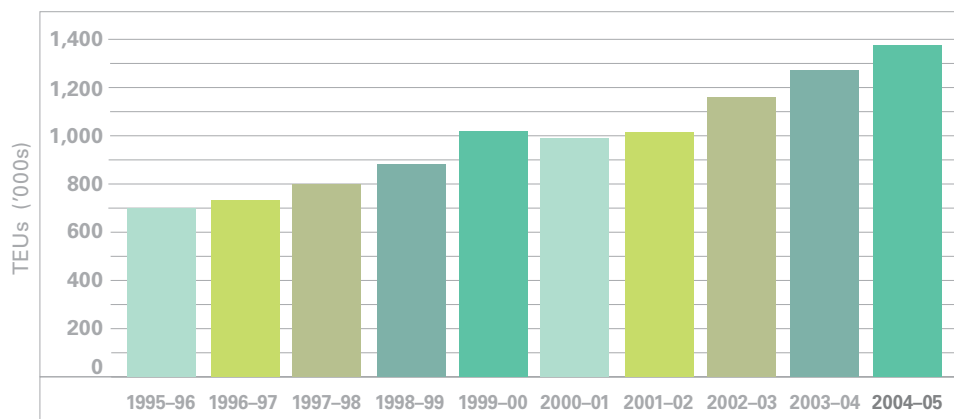
Forging strong international links: Sydney Ports has built new relationships with ports in other countries and has strengthened existing links. In March 1996 we signed a partner-ports agreement with the Georgia Ports Authority, linking Sydney with the Port of Savannah. We have hosted visits by representatives of the Yokkaichi Port Authority, building on an agreement signed with the port in 1968. We established a sister-port partnership with the Port of Los Angeles in March 2004.

Securing the ports' future: SPC has worked to gain support and approvals for the necessary expansion of port facilities. A plan to expand container facilities at Port Botany has been approved in stages and our proposal to develop an Intermodal Logistics Centre at Enfield has progressed.

Spending our capital effectively: Sydney Ports has invested a total of \$213 million over the past 10 years. Key projects include upgrading the Overseas Passenger Terminal at Circular Quay, upgrading land at Glebe Island/White Bay and acquiring land to consolidate our holdings at Port Botany. In this period Sydney Ports has acquired an additional 110 hectares of land for port and intermodal purposes, including significant assets such as 60 hectares at Enfield and 17 hectares at Cooks River.

Facilitating the State's vital and growing port trade





Annual container trade, 1994-95 to 2004-05

As container and car trade continued to grow during the year, Sydney Ports worked with port stakeholders to support the expansion and efficiency of port operations.

Record growth in container and other trade volumes

In 2004-05 container trade rose by 8.4 per cent over the previous year to 1,376,365 TEUs, showing an average growth trend of 10.9 per cent per annum over the past three years. Full container exports during 2004-05 were 319,766 TEUs, an increase of 5.4 per cent over 2003-04. Full container imports this year were 687,347 TEUs – 6.9 per cent higher than in the previous year.

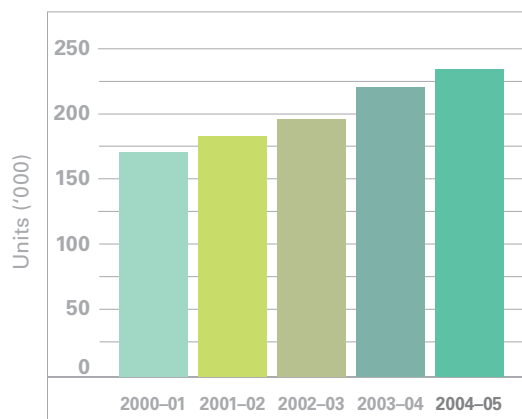
Container trade rose by 9.1 per cent through Port Botany and fell by 16.1 per cent through Sydney Harbour, underlining the increasing importance of Port Botany.

Trade growth with China, Thailand and Korea was strongest at 28 per cent, 19.9 per cent and 11.6 per cent respectively.

Exports of cereals, chemical products and metals such as aluminium, to New Zealand, China and Japan, underpinned the strong total export trade.

Container trade per month (TEUs) in the 12 months ending June 2005 compared with the previous four years

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Exports	51,410	58,965	57,543	58,131	59,207	61,551	57,864	53,551	54,038	54,193	59,204	50,427	676,084
Imports	59,284	59,406	63,198	64,719	63,766	60,869	55,299	53,009	53,310	57,396	54,603	55,422	700,281
Total 2004-05	110,694	118,371	120,741	122,850	122,973	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
Total 2001-02	82,526	86,925	89,128	88,783	90,991	83,960	77,533	75,602	85,298	82,510	87,553	78,533	1,009,342
Total 2000-01	92,491	93,413	83,032	90,888	89,963	86,503	78,066	72,321	79,831	70,700	77,327	76,119	990,654



Motor vehicle imports,
2000-01 to 2004-05

More vehicle imports

A total of 234,961 motor vehicles were imported during the reporting year, a 6.4 per cent increase over the previous year. The results retained Sydney's share of that trade at 33 per cent of Australia's motor vehicle imports.

Overall bulk tonnage rose by 1.7 per cent to 14.48 million tonnes, with bulk crude oil and sugar predominating. Cement and gypsum imports dropped due to slowing building activity.

Refined-oil trade increased by 2.4 per cent to 2.9 million mass tonnes. Bulk chemicals and gas fell by 26.3 per cent – settling after an unusual rise during the previous year.

More vessels visited Sydney's ports during the year

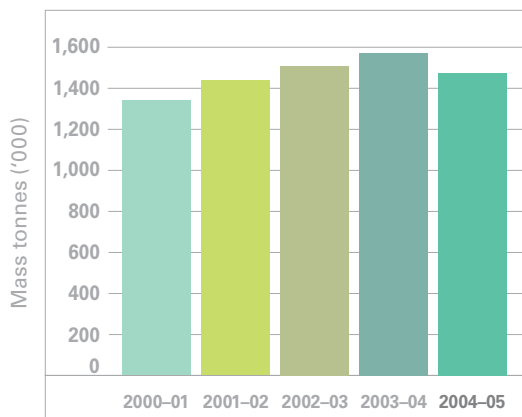
A total of 2,434 vessels visited Sydney – 1,386 berthing in Port Botany and 1,048 in Sydney Harbour.

Five new weekly container services commenced trade between Sydney and North Asia during the year. The Mediterranean Shipping Company (MSC) reconfigured its Europe, New Zealand and South-East Asia services from Sydney, producing a net gain of 52 vessel calls per year to our ports.

In 2005-06 Maersk's acquisition of P&O Nedlloyd will result in changes to shipping services to Australia. Ramifications of any deregulation of the conference system that could result from the ACCC's studies into liner shipping will need to be taken into account.

Cruise vessel visits to Sydney Harbour (five years)

Year	Calls	No. of vessels	Sydney based	International	Passengers (E)
2004-05	68	21	3	18	156,000
2003-04	81	23	3	20	140,000
2002-03	88	24	3	21	115,000
2001-02	59	18	1	17	71,000
2000-01	73	26	3	23	83,000



Total dry bulk trade,
2000-01 to 2004-05



Sydney is still the cruising port of choice

A total of 68 cruise vessels calls were made during the year. The domestic market was boosted by the first visit of *Orion* to Sydney, from where it offered niche market Australian cruises.

Vessels operated by P&O Cruises embark from Sydney for Pacific Islands voyages. The company replaced *Pacific Sky* with *Pacific Sun* in November 2004. Together with the *Pacific Princess* the vessels made 44 visits to Sydney during the year.

More international cruise ships visit Sydney than any other Australian port. The city's attractions are increased by the availability of two international cruise terminals, at Circular Quay and Darling Harbour.

During the year there were 24 international cruise vessel visits to Sydney. Calls included four by *Sapphire Princess*, at 113,000 tonnes the largest cruise vessel ever to berth in the city. *Crystal Serenity*, *Delphin Renaissance* and *Topaz* also sailed into Sydney for the first time, while regular callers included *QE2*. About 90 cruise vessel visits are booked for 2005-06.

Further trade information is available on Sydney Ports' website in the Commerce and Logistics Review 2004-05, at www.sydneyports.com.au/trade and logistics

Near future clear for the *Spirit of Tasmania III* service

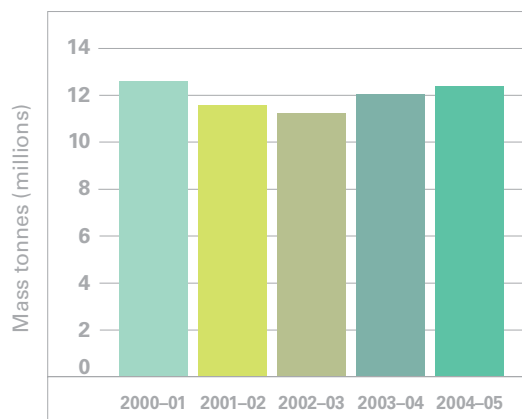
The Tasmanian Government confirmed that *Spirit of Tasmania III* will continue to sail regularly between Sydney and Devenport for the next three years. During the year the vessel made 109 calls to Darling Harbour, briefly dry-docking in May 2005 for annual servicing.

With the end of Darling Harbour stevedoring planned for 2006, Sydney Ports will work with the operators of *Spirit of Tasmania III* to ensure that the vessel has suitable docking facilities to continue its Sydney visits.

Recovering essential costs, setting sustainable prices

The Corporation has substantially strengthened security at Sydney's ports. The introduction of further security measures will continue in 2005-06. After extensive consultation, the Corporation planned to introduce a charge on users on 1 October 2005 to recover the costs of implementing security.

In July 2005 SPS raised the pilotage service fee. The company is investing in its future through the upgrading of the pilot cutter fleet and the recruitment and training of new pilots as part of a generational change.



Total bulk liquids and gas trade,
2000-01 to 2004-05

Securing our ports' future: investing and redeveloping

During the year Sydney Ports completed development and leasing of all property at Port Botany. We worked with existing tenants and operators to review rental agreements. This process aligned terms with the market and gave the tenants certainty and long-term stability.

Patrick is in the process of undertaking a \$100 million redevelopment of its container terminal and has extended operations onto an additional 2.5 hectares of land. These works will increase the number of container slots available at the terminal and will increase the productivity of equipment and operational procedures for moving containers by road and rail. Work is well advanced on repaving the terminal and implementing a rail-mounted gantry system for container exchange.

As a part of these redevelopment works, Sydney Ports constructed a new access road to the boat ramp in Penrhyn Estuary.

Facilitating the growing trade in bulk liquids

The Corporation is investing more than \$1.5 million in the refurbishment and upgrading of the bulk liquids berth at Port Botany. Preliminary works have commenced. Structural works were scheduled to be completed in 2005 and electrical works will be complete by mid 2006.

With the increasing trend towards importing refined product, the Corporation conducted a study into the capability of the bulk liquids berth to handle future capacity. We will continue to monitor demand and provide infrastructure to cater for future trade growth in these vital commodities.

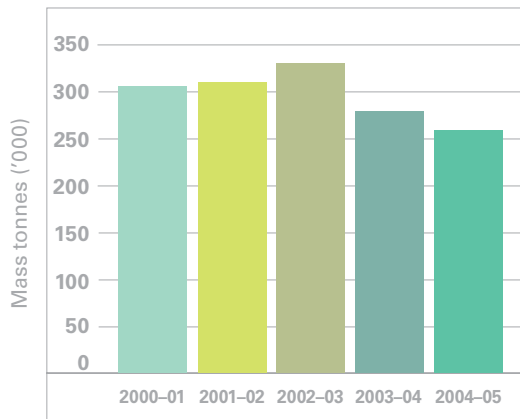
We are managing empty containers more efficiently

Almost half of the containers arriving in Sydney with cargo leave the ports empty. Sydney Ports is continually reviewing strategies to ensure better management of empty containers along the supply chain.

Sydney Ports has completed negotiations with State Rail to purchase the 17 hectares of Cooks River Rail Yards connected to the dedicated freight rail line linking Port Botany to Enfield/Chullora. The site is currently used as a rail-serviced depot for full and empty containers. Our goal in seeking to purchase the site is to retain it for this use. At the time of going to print this purchase had been completed.

The immediately vital task of expanding Port Botany

Total container trade through Port Botany rose by 9.1 per cent during the year compared to 8.4 per cent through all Sydney ports. Sydney Ports' proposal – to expand Port Botany's container terminal capacity by providing additional berths with terminal areas – will enable the port to handle growth for at least another 20 years.



Total break bulk trade,
2000-01 to 2004-05

During the year the Corporation presented evidence on the need to expand Port Botany to the Commission of Inquiry into the proposed development. Industry, community and government representatives appeared at Commission sittings in October 2004 and February 2005. The Commissioner reported to the Minister for Planning in July 2005.

Issues raised in the assessment process included the need for expansion, the potential of the current facilities to handle future trade growth, and the impacts on the environment and community.

At the time of going to print a four-berth, 51-hectare expansion had been approved, with investigations for the location of a fifth berth to be completed in three months.

Following the approval to expand Port Botany, the NSW State Government will approve procurement arrangements for the delivery of the Port Botany expansion.

Enfield Intermodal Logistics Centre – a key transport link

Sydney Ports plans to reduce road movement of containers by increasing to 40 per cent the proportion of containers moved by rail.

In targeting this objective, during the year we initiated and progressed a modified proposal and an environmental assessment for an Intermodal Logistics Centre at Enfield.

The proposal is for an integrated freight solution including an intermodal terminal, warehousing and empty container storage facilities that would add a key link to the intermodal network required to serve Sydney's needs. The 60-hectare Enfield site was acquired by Sydney Ports in 2001. The area is close to catchment markets and directly connected to the dedicated freight rail line to Port Botany.

The proposal is supported by industry. Sydney Ports is consulting widely to inform the local community and stakeholders and receive feedback on key community concerns and requirements. The Corporation's objective is to progress the development concepts and assessments and seek approval during 2005-06.



Maintaining Sydney's working harbour

The Ports Growth Plan announced in October 2003, proposed a new future for Darling Harbour. In February 2005, The Hon. Bob Carr, then NSW Premier, announced an international design competition for the development of the East Darling Harbour port precinct. This is in preparation for the end of the Patrick's stevedoring lease in 2006. Cruise facilities and services will be incorporated into the future designs for Darling Harbour.

Sydney Ports is preparing a strategy to exit the Darling Harbour site when port-related activity ceases.

Future roles for Glebe Island/White Bay: In accordance with the NSW Ports Growth Plan, White Bay is to be retained for working maritime uses. Sydney Ports actively fosters the working harbour and the retention of maritime port-related operations at White Bay. We have invested substantially in maintaining and improving facilities at the Glebe Island/White Bay precinct.

The Glebe Island/White Bay facilities are important for the movement of essential goods within Sydney, including dry bulk goods, cement, sugar and motor vehicles. We need to cater for existing and future trade needs, including the expected growth in demand for cement, sand and aggregates from the construction industry.

We also need to provide common-user berths and facilities for other port and Harbour uses, including:

- temporary mooring of vessels
- barging operations for commercial and community purposes

- harbour services for maintenance and development of Harbour Islands, and
- heavy equipment loading facilities.

New tenants, new functions: To cater for the future uses of the port, Sydney Ports advertised and sought expressions of interest for future leases. The Corporation has given landowner's consent to Independent Cement and Lime's proposal for the construction of a cement storage and dispatch facility at the western end of White Bay. This proposal, when lodged, will be assessed by the Sydney Harbour Foreshore Authority.

Sydney Ports has also recently been granted an environment protection licence, from the NSW Department of Environment and Conservation (DEC), to continue the loading and unloading of bulk vegetable oils and tallow through White Bay. This licence enables the trade to be conducted at White Bay and contains details of Sydney Ports' undertakings to monitor and manage environmental impacts.

During the year, Sydney Ports also called for Expressions of Interest for the use of 1.3 hectares of land at White Bay for working maritime uses. At the time of reporting, we were negotiating with an interested party to secure the future of this land.

We appointed a contractor to demolish and stabilise White Bay 1, a wharf structure which was built during the 1930s and has not been used for shipping for nearly 15 years. The works will be completed in early 2006 and will improve the operation of the adjoining wharf at No 8 Glebe Island, giving modern larger vessels more room to berth safely.

Above left to right: Demolition works at White Bay Berth No 1; car vessel unloading at Glebe Island; unloading gypsum at bulk facility, Glebe Island

Container trade by country, 2004–05 (TEUs)

	Imports			Exports			Total Trade**	
	Full	% Change*	Empty	Full	% Change*	Empty	%Change*	
China***	221,036	20.0	2,038	45,962	-1.7	128,364	397,400	28.0
New Zealand	45,452	-8.1	3,111	58,246	10.3	29,756	136,565	1.5
United States	71,430	11.1	901	23,478	1.2	1,417	97,226	4.6
Korea, Republic of	28,136	-6.3	652	10,849	4.3	42,791	82,428	11.6
Singapore	22,982	16.7	291	8,904	2.5	48,207	80,384	8.8
Australia	4,147	-15.0	843	26,626	15.7	46,790	78,406	11.9
Japan	26,023	6.6	273	29,811	-0.6	13,370	69,477	4.4
Malaysia	29,384	4.4	82	9,699	17.3	7,879	47,044	-20.4
Indonesia	19,293	-14.2	11	20,276	2.1	1,488	41,068	-8.6
Thailand	26,748	11.2	–	10,710	26.2	3,485	40,943	19.8
Others	192,716	0.7	4,732	75,205	4.3	32,771	305,424	-0.1
Total	687,347	6.9	12,934	319,766	5.4	356,318	1,376,365	8.4
* Over the same period as last year ** Includes empty containers *** Includes Hong Kong								

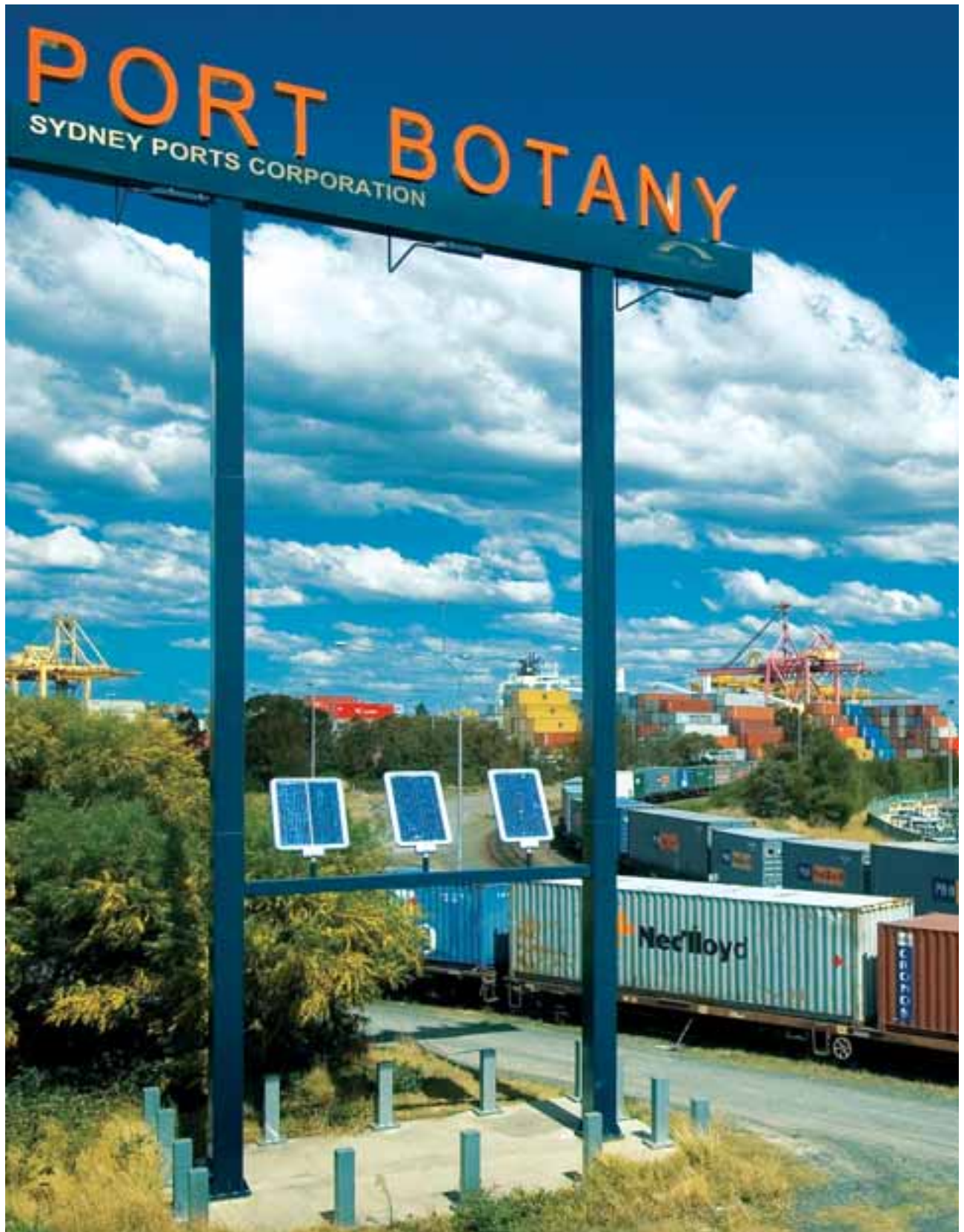
Import commodities in containers 2004–05
(mass tonnes)

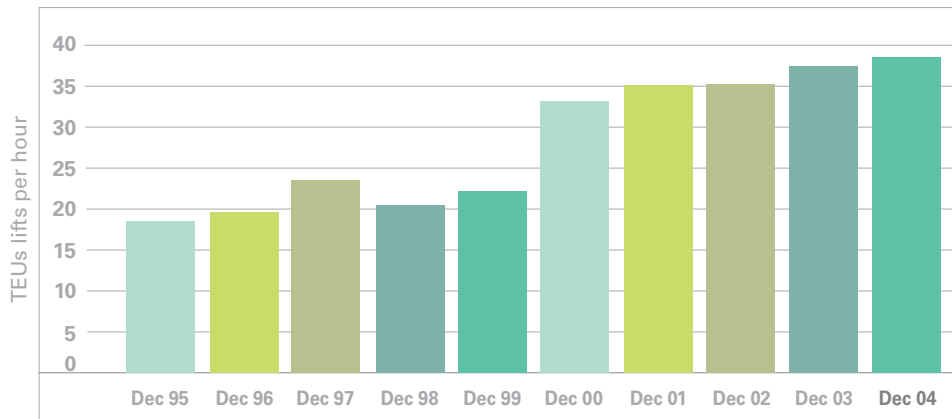
Chemicals	986,596
Machinery	883,084
Manufactures	882,000
Paper products	783,897
Non-metallic minerals	324,462
Food preparations	282,439
Beverages & tobacco	206,878
Iron & steel	191,359
Textiles	171,544
Fruit & vegetables	147,784
Timber	142,994
Rubber products	93,224
Others	1,016,299
Total	6,112,560

Export commodities in containers 2004–05
(mass tonnes)

Chemicals	502,501
Non ferrous metals	497,504
Cereals	450,482
Iron and steel	311,208
Paper products	303,750
Animal foods	240,295
Meat	211,474
Machinery	201,953
Manufactures	177,918
Cotton	159,006
Food preparations	124,975
Beverages and tobacco	124,457
Wool	111,182
Others	1,033,511
Total	4,450,216

Actively fostering trade and supporting industry





Net crane rates,
1995–96 to 2004–05*
Source: *Waterline*

The Corporation operates as a commercial organisation. Our primary role is to facilitate trade through Sydney's Ports by supporting the business objectives of users throughout the supply chain.

During the reporting year we continued to support the efficient movement of goods through our ports by fostering better rail and road transport and investing in our IT systems.

Increasing port efficiency

Sydney's quay crane performance was consistent during a year of record activity. Crane lifts per hour reached 27.7 in the June 2005 quarter, the highest level since the September 2003 quarter. The results place Sydney ahead of the Federal Government's benchmark of 25 lifts per hour and on par with the national five-port-average.

Net ship lift-rates – the number of lifts from ships with one or more cranes operating – peaked at an average of 48.2 per hour during the June 2005 quarter. This was above the quarterly five-port-average of 46.3 lifts per hour.

The median time that vessels spent in port from January to June 2005 decreased by one hour to 35 hours compared with January to June 2004.

Source: Australian Government Department of Transport and Regional Services, Bureau of Transport and Regional Economics, *Waterline* September 2005.

See www.btre.gov.au/wline.htm

Transport improvements that meet user requirements

Sydney Ports ran its second transport workshop in July 2004 focusing on cargo efficiency. A significant result of the workshop was the Rail Simulation Study conducted by Sydney Ports during the year. This is now being used by all industry participants. Another workshop was held in August 2005.

Rail freight developments: The State Government has stressed the importance of infrastructure provision for the efficient movement of freight. As mentioned above, an important measure during the year was the NSW State Government's announcement of Stage One of the Port Freight Plan for Sydney.

Another was the establishment, by the NSW State Government, of the Freight Infrastructure Advisory Board (FIAB) to recommend measures to achieve a 40 per cent movement of containers by rail by 2011. Sydney Ports has been an integral part of that initiative and is represented on the FIAB.



Drought cuts rural volumes: Rail volumes through Port Botany in 2004–05 increased marginally to around 253,000 TEUs. About 150,000 TEUs moved by Sydney metropolitan rail, representing 60 per cent of total rail volumes. The Sydney rail increase offset to some extent a shortfall in volumes from NSW rural and regional areas affected by drought. Drought conditions and water restrictions reduced production of cotton, meat, rice and grain.

In another significant move at the end of September 2004, Pacific National withdrew its container rail services to Port Botany. Most of the services the company previously operated have been taken over by Patrick PortLink and one by Silverton Rail. The transition occurred with minimal interruption to services. Rail windows at the terminals have been reallocated to accommodate the changes.

During the year the Corporation, together with stakeholders, developed a formal Daily Operating Plan for train movements in Botany Yard to improve management efficiency. We conducted regular reviews of on-time performance. The findings will be discussed with port stakeholders to streamline operations further.

Rail study helps forecast needs: Sydney Ports commissioned a Rail Simulation Study to further assess the current system, capabilities and operational practices of Sydney's freight rail network. The modelling was based on a similar approach used for the Hunter Valley Coal Chain.

The study identified the infrastructure and operating principles needed to meet the forecast increase in trade levels and rail usage targets. The findings of the study were presented to stakeholders and the model is available for use by government and industry.

The information from the Rail Simulation Study has been used for:

- the proposed Port Botany expansion
- development of the Environmental Assessment for an Intermodal Logistics Centre at Enfield, and
- modelling of scenarios as part of the NSW State Government's Metropolitan Freight Strategy.

National changes to rail: In 2004, the Australian Government, through the Australian Rail Track Corporation (ARTC), released its new land transport plan, AusLink. The document sets out \$11.8 billion in land transport spending over the next five years, including a major upgrade of Australia's east coast road and rail systems.

The funding includes \$110 million to improve rail access between Port Botany, the intermodal facilities at Enfield and Chullora, and the interstate connections to these key freight facilities. In 2005–06, \$5 million of this allocation will be spent on planning and evaluation of possible infrastructure works between Port Botany and Chullora, and between Strathfield and Hornsby.

Above: Car carrying vessel unloading, Glebe Island. 33 per cent of Australia's motor vehicle imports come through Sydney



Developing a new freight line: ARTC is preparing an Environmental Impact Statement (EIS) to construct the Southern Sydney Freight Line, a new 36-kilometre dedicated freight line from south of Macarthur Station to east of Sefton Station within the existing corridor. This link, if approved, would provide a dedicated freight line from Port Botany to the south-west of Sydney and onto the main rail line to Melbourne, as well as assisting some regional and metropolitan rail cargo flows.

Road traffic management is vital to the transport mix

The Corporation monitors road traffic performance in the Port Botany precinct, supporting our Traffic Management Plan. This schedules initiatives over the short, medium and long terms.

Issues monitored include truck and trailer parking, staff car parking, truck queuing, and truck driver performance and compliance. Sydney Ports initiated meetings with representatives from NSW Police, City of Botany Bay, Randwick City Council, NSW Road Transport Association and the Roads and Traffic Authority. The Corporation is working with these organisations and with lessees to resolve operational matters.

Faster truck turnaround: In December 2004, Sydney Ports undertook a periodic survey of truck turnaround times at container terminals in Port Botany, on behalf of the Sydney Ports Cargo Facilitation Committee.

The purpose of the survey was to monitor the performance of stevedores in managing trucks entering and leaving their terminals. We distributed to stakeholders the results of this peer assessment of industry performance.

The survey showed that stevedores have reduced truck waiting times at their terminals. The average truck turnaround time for both container terminals decreased from 64 minutes in June 2000 to 46 minutes in December 2004. Container throughput increased from 82,000 TEUs to 123,000 TEUs, respectively in those months that were monitored.

Sydney Ports will work to further improve traffic flow through Port Botany, starting with a one-way traffic flow for the southern precinct of Simblist and Friendship Roads. We consulted with affected stakeholders during the year and scheduled implementation by the end of 2005.

Charlotte Road: P&O completed plans to reconfigure Charlotte Road to provide access for selected container trucks entering the P&O container terminal and to continue access for Elgas and other bulk liquid berth users. The revamped operations were scheduled to commence by the end of 2005.

Above : Truck turnaround times decreased to 46 minutes in December 2004



Adsteam Marine Tug guiding a car vessel,
Glebe Island, Sydney Harbour



Sydney Harbour: Sydney Ports continued to monitor road traffic performance in port precincts around Sydney Harbour, targeting security compliance, staff and passenger car parking, and truck driver performance and compliance. We worked with authorities and users during the year to resolve issues as they arose.

Sydney Ports, working with the Sydney Harbour Foreshore Authority, commenced a Traffic Management Plan for the Bays Area precinct, which includes Sydney Ports' land at Glebe Island and White Bay. The plan will enable us to improve future flows.

Developing our IT capability to strengthen our support for stakeholders

Sydney Ports continued to invest in its IT capability to provide improved service to stakeholders.

In addition to our continued investment in the ongoing security of our systems and communications networks, and our frontline operational system – Sydney's Integrated Port System (ShIPS) – we introduced a number of new business applications to support some of our key roles and services.

These include a data warehouse and reporting/analytical capability which will greatly assist us in the management of an increasing demand for information, a new human resource and payroll system, and a new property asset management system.

ShIPS enables the Corporation, its customers and the shipping community to conduct key transactions for critical port services and share information on a web-enabled platform.

During the year we further improved ShIPS by enhancing its security features and evolving the application to a dot.net standard, which will improve its global integration and keep the system up to date. In 2005–06 we plan to create and integrate a new pilot services module.

Declaration and tracking of dangerous goods in ShIPS is now conducted by electronic data interchange or online.

Serving the industry better: Updating and introducing new systems capabilities in these ways is crucial to Sydney Ports' operations. Effective systems support the continuous improvement of our service to shipping companies, port-related industries and all other stakeholders.

Above: Sydney Ports staff help to improve IT services and support IT infrastructure

Safe navigation and operations tested and confirmed





During the year Sydney Ports continued to ensure the consistent, reliable and safe movement of cargo and passenger vessels through Sydney Harbour and Port Botany. We provided immediate and appropriate responses to all safety and environmental incidents.

Audit gives the Corporation a clean licence record

Sydney Ports continued to fulfil all the requirements of its Port Safety Operating Licence (PSOL), under which the NSW State Government requires us to maintain maritime safety standards. An external audit of the PSOL during the year resulted in no non-conformances.

To ensure constant vigilance throughout our operations, the Corporation conducted random safety audits in keeping with our responsibilities under dangerous goods legislation.

We completed 3,267 audits on 631 ships transferring bulk oil, gas and chemicals. These checks ensured that all activities met international, national and state safety standards and codes. We inspected 1,183 refuelling operations and carried out 360 audits of container terminals for compliance with the Australian Standard for handling dangerous goods in port areas.

Alert to emergencies: We responded to 13 requests for fire-fighting assistance, all of which related to recreational vessel fires and investigated 225 reported incidents of marine pollution with more than 98 per cent of the incidents sourced to storm water run-off and recreational boating. Our tugs provided emergency towing assistance to ships on 16 occasions.

The Corporation initiated one prosecution for ship sourced pollution under the *Marine Pollution Act 1987*.

During the year the Corporation, under contract to Shell, deployed and recovered the boom at the Gore Bay terminal in Sydney Harbour on 239 occasions.

New line service introduced

Ausport Marine, with the commencement of operations during the year, became the second line service operator in Botany Bay and Sydney Harbour, improving the overall level of line service at the ports.

Left: Sydney Pilot Service staff, Port Botany
Above from left: Removing a boom at Gore Bay; conducting an inspection of a bulk liquids vessel at Kurnell



Major Botany Bay oil-spill exercise successful

In September 2004, Sydney Ports hosted the biennial National Plan oil response exercise on Botany Bay.

The major exercise, conducted every two years, tests the level of preparedness and co-operation between port and industry participants in responding to a large oil spill. Under the plan the resources of the Federal and State Governments, and other stakeholders including industry, are combined to provide a level of preparedness in the event of a pollution incident anywhere around the Australian coastline.

Deploying equipment and aircraft: This year's exercise involved a spill of more than 1,000 tonnes of oil from an oil tanker that had run aground near the Caltex facility in Botany Bay. In response, Sydney Ports and Caltex deployed more than three kilometres of oil containment boom and oil recovery equipment from a number of vessels, as well as using a helicopter and a fixed wing aircraft to simulate dispersant spraying outside the Bay.

The National Plan ensures that Australia is prepared to respond to ship-sourced pollution incidents anywhere around the coastline. The successful exercise in Botany Bay was critical to maintaining preparedness for maritime pollution incidents.

Sydney Ports conducted two other exercises during the year to gauge our preparedness – an oil spill at the Shell facility at Gore Bay and a test at Port Botany of the emergency plan.

Steps to maintain high standards for Sydney Pilot Service

The Corporation's subsidiary, Sydney Pilot Service (SPS), continued to review its operations during the year to ensure that it provides a cost-effective, sustainable, world-class pilotage service.

SPS finalised in 2004–05 the refurbishment of two pilot vessels, bringing the total spent on upgrading the vessels since late 2002 to \$2.5 million. In July 2005 SPS raised the pilotage service fee by six per cent to support the long-term viability of the service.

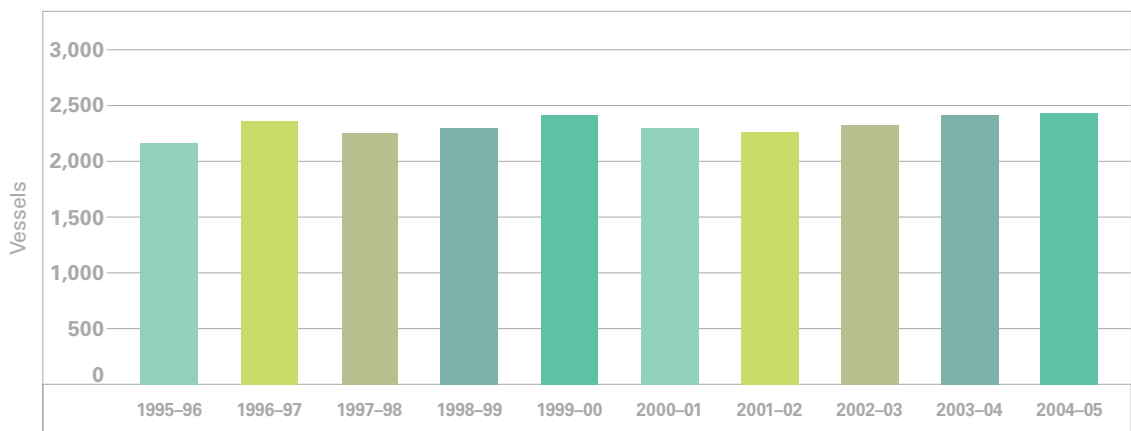
Fostering the vital role of pilots: In December 2004 SPS management signed the first enterprise agreement with pilots. During the year the company also finalised an agreement with the cutter crew that will integrate them with Sydney Ports' Marine Services by June 2006, creating substantial operational efficiencies.

SPS employed two trainee pilots as part of a succession plan to replace pilots nearing retirement.

Pilots continued advanced training throughout the year including competency audit courses at the Star Cruises' Port Klang facility in Malaysia and a manned-model training course at the Port Ash facility near Newcastle and at Port Revell in France.



Total vessel visits to the two ports, 1995-96 to 2004-05



Vessel visits to the two ports for the 12 months ending June 2005



Building

stronger port security

36



Throughout 2004–05 Sydney Ports successfully implemented a range of security measures to comply with Australia’s stringent new port security regime.

The Corporation continues to place a high emphasis on its response to the increasing world threat of terrorism. In accordance with Commonwealth legislation, *The Maritime Transport Security and Offshore Facilities Act (2003)*, and the *International Ship and Port Facility (ISPS) Code*, the Corporation has significantly progressed the implementation of its maritime security plans.

The areas and facilities we are responsible for include:

- Port Botany (including the bulk liquids berth)
- Port facilities at Sydney Harbour including
 - passenger terminals (the Overseas Passenger Terminal at Circular Quay and Wharf 8 at Darling Harbour)
 - Glebe Island/ White Bay bulk material facilities and common-user berths, and
- Sydney Pilot Service.

Above: Security fence surrounds the P&O Ports facility



Actions to restrict access: We have declared waterside restricted zones around designated and berthed commercial and cruise vessels. Corporation employees and contracted security staff patrol waterside and landside areas of the ports. NSW Police support these activities.

During the year Sydney Ports completed a range of security capital works projects. These included improvement of fencing, signage, lighting and Closed Circuit Television (CCTV) coverage in many areas. To date we have invested about \$3 million on these works and work will continue during 2005–06, when we will spend a further \$3.5 million. The ongoing security expenditure will include a contribution to the NSW Police to ensure the operation of the Botany Water Police Unit every day around the clock.

We increased our security capability with the recruitment of two security personnel to implement the upgraded security program.

Integrated security solutions developed with stakeholders

The Corporation continued to work collaboratively during the year with a range of security stakeholders. Together we developed integrated security solutions across the ports. We improved security awareness among a broad range of stakeholders and shared information and intelligence between relevant agencies.

We arranged regular consultation on security issues with government agencies and industry through meetings of the Port Security Committees (PSCs) for Port Botany and Sydney Harbour. The PSCs comprise representatives from Federal and State Government agencies including Police, as well as marine industry participants, unions, tenants and port service providers.

Our security plans and measures were tested during the year by a range of successful internal, external and government audits. As a result we improved many aspects and further tested security through exercises and drills.

Steps that will strengthen security further, year by year

During 2005–06, the Corporation will continue to increase security at our ports through a range of measures. These will include further improving CCTV coverage of critical port areas and berths.

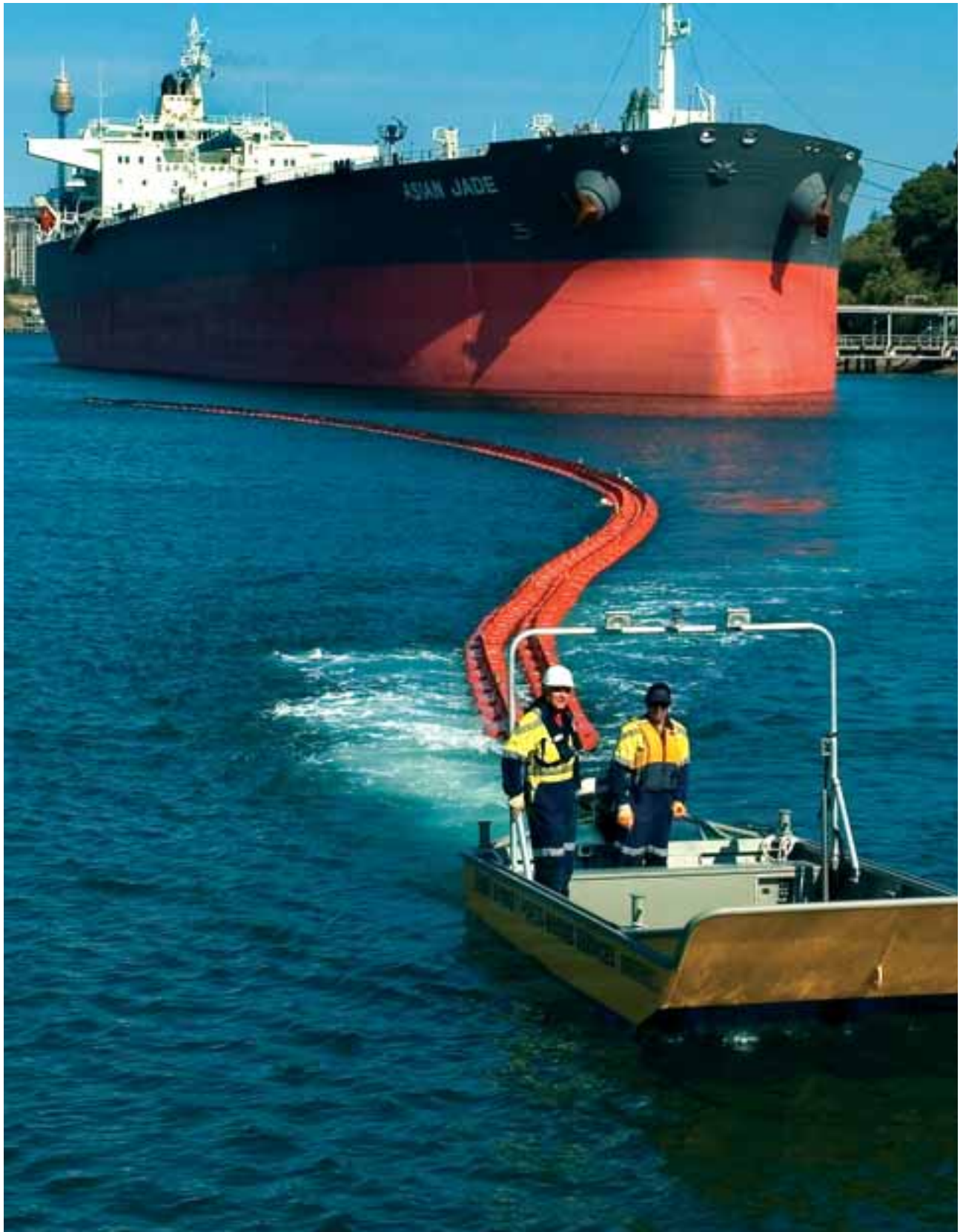
We will review security lighting at key berths and refine security policies and procedures, testing these according to our plans through exercises, site inspections and audits.

Our continuing review and update of approved security assessments and maritime security plans will include developing a security induction program.

We will assist the Department of Transport and Regional Services, through an Industry Working Group, to develop legislation and a framework for the introduction of a Marine Security Industry Identification Card (MSIC).

Above from left: Sydney Ports' Port Security response vessel, Port Botany; security signs displayed on a bulk liquids vessel; security guards on patrol at White Bay

Concerted actions to **protect** the ports environment





During the year the Corporation acted to fulfil its role in protecting and preserving the environment and assets in Sydney Harbour, Botany Bay and adjacent port land.

The goal of making port operations sustainable

The Corporation's environment team worked with stakeholders towards achieving greater sustainability in port operations.

Environmental advice was provided through the preparation of environmental assessments and approvals, landowner consents, and review of environmental management plans and leases/licences to ensure Sydney Ports' and port operators' projects adequately identified environmental risks and developed appropriate management measures.

A significant achievement was the recycling of approximately 4,000 tonnes (100 per cent) of concrete and steel waste from building demolition works, and 5,000 tonnes (100 per cent) of excavated fill from road works at Glebe Island.

These activities were undertaken while continuing to meet our key environmental responsibility as a port manager, in ensuring we are prepared to respond to any marine pollution incident in Sydney Harbour and Botany Bay.

Our surveys protect vessels and the environment

The Corporation's survey team continued to monitor the impacts of port operations and development along the coastal zone – to ensure that ships were able to safely navigate the ports. The monitoring also helped identify potential environmental impacts and mitigation works required.

Monitoring, by survey results and diver inspections, was carried out to ensure the integrity and stability of the wharf and berth structures, as well as integral pipeline crossings.

During the year the Corporation carried out 28 hydrographic surveys of berths and channels in both ports, as required under our operating licence. The surveys confirm available water depth for shipping, and covered:

- Sydney Harbour's Western Channel, White Bay, Johnston's Bay and Blackwattle Bay
- Botany Bay including all berths, and
- Botany Bay beaches, including the use of photography to monitor sand movements.

The survey team also manages our Realtime Oceanographic Data Information System (RODIS) which provides wave, wind, tide, and current measurements to support shipping operations. A current meter installed in July 2004 enables the pilots to identify strong flows that could affect the manoeuvring of tankers in Sydney Harbour.

Left: A boom is removed before vessel departure, Gore Bay

Above: Newly built groynes, an integral part of the project to restore and stabilise Lady Robinson's beach



Other work carried out by the survey team includes vessel tracking, sonar searches for seabed objects, water table monitoring, navigation aid placement, and bridge clearance height checks.

Restoration of Lady Robinson's Beach completed

Sydney Ports managed the project to stabilise and restore the northern section of Lady Robinson's Beach at Ramsgate. The \$8.4 million project, jointly funded by the Department of Infrastructure, Planning and Natural Resources, Sydney Airport Corporation, Rockdale City Council and NSW Maritime, was completed on budget in May 2005.

Contractors placed some 311,000 cubic metres of dredged material at the beach and created five rock groynes, each approximately 100 metres long, containing a total of 24,000 cubic metres of rock. The works included 15,000 square metres of landscaping and the transplanting of 5,200 cubic metres of seagrass.

The project complements the successful restoration work on the southern end of the beach in 1997.

Steps to limit the impact of proposed developments

During the year we continued environmental assessments in preparation for the proposed expansion of Port Botany and the proposed development of the Intermodal Logistics Centre at Enfield. We have developed potential solutions to the environmental issues identified.

Incorporated into the development at Port Botany are the following measures:

- keeping Foreshore Beach open to the public
- improving the existing beach and its native vegetation buffer
- constructing a footbridge and bicycle overpass across Foreshore Road and continuing pedestrian and bicycle access along the road
- erection of noise walls to minimise port noise levels
- conserving the remains of the old Government Pier in Penrhyn Estuary to preserve local heritage
- building a four-lane boat-launching ramp, with a car park for 130 cars and boat trailers, and
- improving and protecting Penrhyn Estuary by expanding the saltmarshes, transplanting seagrasses and limiting access to this important ecological area.



In preparation for the Enfield development, we are considering:

- creating a foraging habitat area for the green and golden bell frog to link this area to other sites nearby
- collecting rain water from the roofs of buildings such as warehouses for re-use on-site
- using mufflers on large operating equipment such as forklifts to reduce noise emissions
- providing noise walls to protect residents in close proximity to the site
- treating most stormwater before discharging it off-site, and
- re-using stockpiled soil on-site rather than sending it to landfill.

Our contribution to sustainability

The Corporation worked towards reducing the impacts of its operations. For example, the corporate office achieved a 3.5-star rating by using 10 per cent Green Power, a proportion that we plan to increase in future.

Sydney Ports developed green port guidelines in 2004–05 and will be rolling these out in 2005–06. The guidelines will help us to establish minimum benchmarks and improve sustainability measures for developments on port land. We are currently consulting with stakeholders on the implementation of the program.

During the year Sydney Ports also joined Greenfleet, a program that counts the 'tool-of-trade' vehicles in our fleet and calculates the number of trees to be planted to balance the volume of greenhouse gas emissions with the absorption provided by the trees.

We launched a unique staff competition called Green Ideas, as a part of World Environment Day. We challenged employees to provide innovative ideas on how the Corporation could advance sustainability. We will implement some of their many ideas in 2005–06.

Workplace environment inspections foster improvements

During the year we commenced a planned program of environmental inspections of each Sydney Ports workplace. These will continue through 2005–06. The goal is to identify risks to the environment, suggest improvements or management measures and promote greater environmental awareness among staff.

Following recent audits, examples of actions we will carry out include:

- reducing the risk of accidental pollution by improving the storage of chemicals and hazardous substances, and
- increasing awareness of the potential for spills to enter waterways through the stormwater system by locating and inspecting stormwater drains at workplaces which lead directly to Sydney Harbour or Botany Bay.

Above from left: Penryhn Estuary, Botany Bay; SPC staff undertaking survey work in Sydney Harbour

Links with stakeholders forged and strengthened





During the year the Corporation continued to work closely with its multiple stakeholders to achieve corporate objectives and improve services.

Developing our role in fostering the State's trade

We continued to work with trade and logistics businesses in metropolitan and regional areas to identify business opportunities and maintain customer relationships.

For example, during the year, Corporation executives visited NSW country areas and met with exporters of goods such as cotton, wine and cereals. Places visited included Bathurst, Griffith, Dubbo, Wagga Wagga and Wollongong.

Representatives visit the Riverina: In September 2004 our Board and senior executives visited the Riverina and met key wine, rice and wheat exporters. They attended the annual Riverina Wine Show, of which Sydney Ports is a sponsor. The visits helped to promote the role of Sydney's ports as a vital link in the supply chain.

We continued working with transport providers in the Riverina on the re-introduction of rail services to Port Botany. Our goal is to maintain Port Botany's role as a preferred gateway for NSW exporters. The advantages are clear – the number of shipping services from Sydney, the empty container availability and the efficient stevedoring and transport services. Reviving the rail link will add to these benefits.

Our commerce and logistics team have scheduled a number of visits to key regional areas during 2005–06 to foster new relationships with key export customers.

Port users help us to meet their needs

During the year the Sydney Ports Users Consultative Group, which comprises representatives from key user and industry groups, met regularly under the able chairmanship of Mr Brian O'Dea of CP Ships to consider the full range of relevant issues, from infrastructure and operational matters to security and government regulation.

Valuable input on cargo issues: The Group's Sydney Ports Cargo Facilitation Committee, an important body in maintaining efficient daily port operations, met monthly during the year. Among the matters the Committee reviewed were:

- repositioning of surplus empty containers from Sydney
- changes to Customs reporting
- operational matters at stevedore container terminals, and
- port development at Port Botany and Sydney Harbour.

The First Port Club of Port Botany users met monthly to discuss matters of importance to businesses and residents, including activities in the bay, changes to regulations and developments which would impact on the bay.

Left: Botany Bay sailing regatta
Above: Vineyard – central west NSW,
product exported through Sydney's ports



International links that are vital to Sydney's ports

Sydney Ports strengthened relationships by welcoming representatives of these international ports and organisations during the year:

- Malaysian Transport
- Port of Tianjin, China
- Port of Ishikari Bay, Japan
- New Port, Japan
- Waterfront Vitalisation and Environment Research Centre, Japan
- Shenzhen Ports and Harbour Association, China
- Port of Guangzhou, China
- Port of Spain, Trinidad
- Port of San Diego, USA, and
- Nagoya Port Authority, Japan.

We continued to develop beneficial international links during the year, including our port partnerships with Georgia Ports, Yokkaichi Port Authority and the Port of Los Angeles.

During the year, a staff member from the Port of Yokkaichi visited on an exchange program. As well, representatives of Sydney Ports visited Shanghai to present a paper on the proposed Port Botany expansion to the International Association of Ports and Harbours Biennial Conference.

Sydney Ports actively works with the community

Sydney Ports continued its community, educational, environmental and heritage activities through the year. We supported industry initiatives and worked with communities from around the ports, and progressed our staff-initiated community care program.

We supported State Chamber of Commerce activities, to the benefit of the business community of NSW.

Key consultations held: During the year representatives of the Corporation met regularly with the Port Botany Neighbourhood Consultative Group and briefed other community groups on port operations and port planning issues at Botany Bay and Sydney Harbour.

We began consultations with residents, industry and State and local authorities on the proposed development of the Enfield Intermodal Logistics Centre.



Practical community support: We sponsored events during the year to support communities living in or near our ports, and urban or regional bodies associated with the ports' operations. They included:

- Rozelle Citizen and Young Citizen of the Year Awards
- Father John Therry's Balmain Art and Craft Show
- Moree Cotton Cup
- Festival of the Sails, Kurnell
- Nicholson Street Public School Fete
- Bankstown City Export Awards
- Botany Bay Sailing Regatta, and
- Botany Bay Police Local Area Command operational vehicle.

The Corporation's Community Care Program focused during the year on greater staff participation. Sydney Ports' volunteers were active in the program, taking up opportunities to visit beneficiaries of the program such as Glebe Primary School. In January 2004 a cross-functional team of volunteers from Sydney Ports took a group of 15 students from the Glebe Child Care Centre on a tour of Sydney Harbour as a part of their school holiday program. The children were shown the highlights of the harbour and given a tour of the *Shirley Smith* by marine operations staff.

Art show raises school funds: A notable event was our hosting of the Joseph Varga School's art exhibition in May 2005 at the Overseas Passenger Terminal. The week-long display attracted significant interest and generated much-needed funds for the school. This specialised non-government school is one of the major beneficiaries of our Community Care Program, which we support through our partnership with United Way.

Above from left: Children from Glebe Child Care Centre on a tour of the *Shirley Smith*, Sydney Harbour; Sydney Ports volunteer helpers at the Joseph Varga School art show, May 2005

Encouraging, rewarding and developing our people





During the year the Corporation continued to develop the skills of staff members in highly diverse roles such as marine operations, engineering, planning, environmental protection, administration, communications, commerce and finance.

The Corporation continued the *Bravo!* program, introduced in the previous year. This reward and recognition program encourages staff members to nominate their peers for an award, based on outstanding achievement in any aspect of their work. The four winners for the year were:

Mike Gartenfield, a Port Officer, for developing and implementing a training program for the safe and effective operation of the bulk liquids berth at Port Botany.

Gary Swilks, from the Projects team, for his work over two years as site manager and project manager of major redevelopment works at Glebe Island.

Sharon Lloyd, from SPS, for her professionalism and enthusiasm in adapting to change resulting from new SPS processes.

Paul McFarlane and **Nic Power**, IT professionals, for their continued efforts to ensure that the Corporation's information systems function to their full potential.

Enterprise agreements successfully concluded

During the year Sydney Ports signed a new three-year enterprise agreement with Corporation staff, and concluded the first such agreement with SPS employees. Negotiations were also concluded for a new transitional Launch Crew Agreement for 2004–06.

Unions, staff and management worked together to achieve the agreements, which will continue to encourage team performance and provide opportunities for recognition within the organisation.

A vital test of fitness: Another important aspect of the agreements was the continued inclusion of random alcohol testing and the commitment to the development of a drug testing regime for employees in safety-sensitive areas.

These terms of the agreement help the Corporation to maintain a safe workplace with minimal lost-time injuries as we work towards our goal of zero accidents or injuries.



Under an innovative aspect of the agreements, employees can buy or sell annual and long-service leave entitlements, fostering flexible working arrangements. The Corporation increased paid maternity leave from nine weeks to fourteen weeks, in line with NSW public sector policy, and introduced one week of paid paternity leave.

Leaders recognised and young talent fostered

The Corporation continued to roll out a leadership program, developed last year, to senior managers. With the demand for skilled professional staff outstripping supply in most industries, we are focussed on the retention of our people in key roles.

We launched a Young Professionals group to encourage participation and feedback from different levels within the organisation and to recognise talent from within for development.

These initiatives will ensure that the Corporation has an appropriate mix of skills and experience to match evolving business and organisational needs.

Measures to maintain and improve our sound safety record

During the financial year, we had one minor lost-time injury compared with five in the previous year. We thoroughly investigated the incident and reported near misses to minimise risks for the future.

Keeping staff safe: The unannounced alcohol testing that continued as an additional measure for safety-sensitive functions helped maintain our workplace safety standards. The Corporation conducted tests of operations staff and SPS employees. A small number of breaches identified are being managed under the Unannounced Alcohol Testing Policy.

The Corporation consulted staff members regularly on OHS matters during the year. The 19 representatives on the OHS Consultative Committee all attended Workcover-accredited OHS Committee Representative Training this year. The Committee, chaired by a staff representative, met regularly to consider OHS issues affecting the organisation. Members of the Committee actively consulted other employees, discussed the issues they raised and ensured that they were resolved.



Earning a low-claim bonus: The Corporation's commitment to safety was recognised and rewarded by the NSW State Government's Premium Discount Scheme. The scheme provides insurance discounts for organisations achieving a nominated level of sound OH&S practices and results. During the year the Corporation received a premium discount of 10 per cent, the maximum available in the second year of the scheme, following Sydney Ports' receiving the maximum possible discount in 2003–04.

Business units conducted safety risk assessments during the year to identify risks and develop and implement mitigation strategies. We provided OH&S induction for new staff members during their first week of employment.

In 2005–06, we will continue to strengthen our safety culture by:

- developing and implementing an integrated safety management system, and
- educating all employees on the importance of identifying and reviewing safety risks.

Risks well managed on internal and external measures

Our risk management system, which is consistent with AS/NZS 4360:1999 and tailored to the unique responsibilities of managing the ports of Sydney Harbour and Port Botany, was reviewed internally and externally during the year.

The 2004–05 internal assessment and the external certification audit were satisfactory. The reviews confirmed that our risk strategies were relevant and appropriate to our objectives for the successful management of the ports.

During the year we decided to establish a safety and risk section within the Corporation in the near future. This will be responsible for such matters as external benchmarking of our processes.

Board of Directors

David Field FAICD Chairman

Mr. Field has extensive Board Chairmanship, Non Executive Director (NED) and Chief Executive experience gained from a 30 year career within the International Trade/Shipping Industry. He has had wide commercial experience at both International and National level.

Mr. Field was appointed by the NSW State Government as Chairman of the Board of the Sydney Ports Corporation in 1998 and was reappointed in December 2001 and again in 2004. He is Chairman of the Corporation's Remuneration Committee and a member of the Audit and Risk Management Committee. He is also a Non Executive Director of Sydney Pilot Service Pty Ltd.

Other Board appointments include The Merchant Navy War Memorial Fund Limited, the Royal Exchange of Sydney and a Trustee of the Sydney Bethel Union.

He is a Group Chairman within the CEO Circle that brings together Chief Executives and Heads of Divisions of large organisations for mutual advice and to share experience. Mr. Field is also Executive Director of the Australian and Asia Pacific Search and Selection Company Carmichael Fisher and specialises in Executive Search, Interim Executive and Board of Director Appointments.

From June 2001 to mid 2003 David was Australian Head of the Interim Executive Practice of another International Executive Search firm. He also joined the Board of Director Practice in late 2002. From November 2002 to January 2003 he was simultaneously Managing Partner of that firm's two Korean offices during a

period of structural change. In his former corporate career he was with the UK-owned Swire Group for 20 years based in Australia and the Far East. He left Swire's to join Blue Star Line (Aust) Pty Ltd, a subsidiary of The Vestey Group, UK. In 1996 he was appointed Managing Director/CEO of Blue Star Line (Aust) Pty Limited and Chairman of Blue Star Line (Asia) Pty Limited. Responsibilities covered: Australia, Far East, South East Asia, Sub-Continent, and the Middle East and shared responsibility for the company's substantial East and West Coast North American shipping interests.

He is a Fellow (FAICD) of the Australian Institute of Company Directors and is a member or closely associated with a range of business organisations including State Chamber of Commerce, NSW Technology Showcase, Australian Human Resources Institute (AHRI), Australian National Maritime Museum and Shipping Australia Limited.

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

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 Chairman of the Sydney Pilot Service Pty Ltd and is a member of the Audit and Risk Management Committee of Sydney Ports Corporation.



Left to right: Ken Murray, Michael Sullivan, Vic Smith, Sibylle Krieger, Greg Martin, David Field, Arlene Tansey.

Sibylle Krieger LLB (Hons), LLM (Columbia University, New York), GAICD
Director

Ms Krieger is a commercial lawyer with over 25 years experience. During that time she has undertaken corporate advisory and dispute resolution work and has also spent several years involved with professional staff selection, induction and evaluation in two large commercial law firms. In more recent years Ms Krieger has been involved with regulated industries, government agencies and government-owned corporations as an outside adviser. Ms Krieger was appointed to the Sydney Ports Corporation Board in late 2002 and is a member of the Remuneration Committee of the Board.

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 Ltd. He is Managing Director of property and

investment company Yarrum K Holdings, Director of BM Computer Solutions, President of a major registered licensed club and a Member of the Randwick Racecourse Trust Board. Mr Murray is Deputy Chairman of the Sydney Pilot Service Pty Ltd and has 34 years experience in the stevedoring industry.

Vic Smith MAICD
Director

Mr Smith is a government relations consultant and a former Mayor of South Sydney City Council. He is a Director of Cricket NSW and a former Director of NRMA. He is the former Vice-Chairman of South Sydney Development Corporation and a former Director of the Southern Sydney Waste Board. He is a Paul Harris Fellow of Rotary International, given for services to the community and is a member of the Australian Institute of Company Directors. He is a member of the Audit and Risk Management Committee of Sydney Ports Corporation and a member of the Remuneration Committee of the Board.

Michael Sullivan AAICD
Staff Director

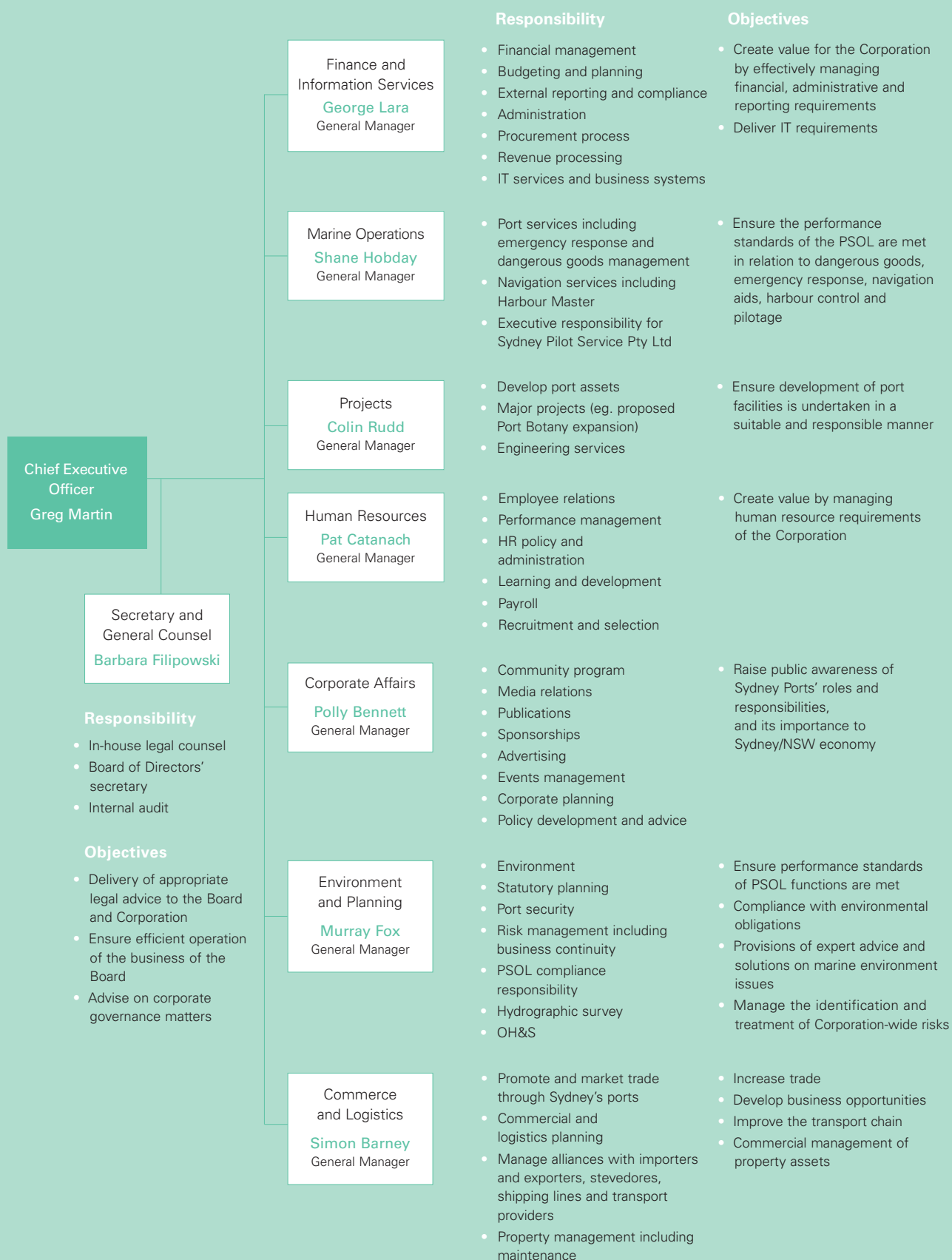
Mr Sullivan was elected to the position of Staff Director by the staff of the Corporation in July 2002 and subsequently re-elected in 2005. He joined the Maritime Services Board in 1977 where he was initially employed in the statistical section. He held a variety of positions within Head office until transferring to marine operations in 1991 as a port officer. Mr Sullivan is also president of The Ports Golf Club.

Arlene Tansey FAICD
Director

Ms Tansey joined ANZ Banking Group in July 1999 and is currently Head of Manufacturing, Institutional Bank. Her clients include some of ANZ's largest Industrials and Materials companies. Previous roles have included Director, Corporate Portfolio Management where Ms Tansey handled some of the largest restructuring opportunities for ANZ and Head of Telco, Media & Entertainment. She spent over four years at Macquarie Bank working in the Project & Structured Finance Division after a career in the United States in Investment Banking and Law. Ms Tansey holds a Doctor of Jurisprudence from the University of Southern California Law Center, a Masters in Business Administration from New York University, with a major in Finance and International Business and a Bachelors degree in Business Administration. She is also a Director of Snowy Hydro Limited and Police & Community Youth Clubs. Ms Tansey was appointed to the Sydney Ports Corporation Board in late 2002. She is the Chair of the Audit and Risk Management Committee of Sydney Ports Corporation.



Management structure



Sydney Harbour port facilities



August 2005

KEY

- A Overseas Passenger Terminal
- B Patrick Corporation
- C Wharf 8 Passenger Terminal
- D White Bay
- E Penrice Soda Products

- F Australian Amalgamated Terminals
- G Cement Australia
- H Sugar Australia
- I Gypsum Resources Australia

- ② Berth Numbers
- Sydney Ports' Property

Port Botany port facilities



KEY

- A** Smith Bros Trade & Transport Pty Ltd
- B** Vopak Terminals
- C** Orica Australia Pty Ltd
- D** Elgas
- E** Terminals Pty Ltd
- F** Origin Energy LPG Limited

- G** Patrick Port Services
- J** P&O Ports
- K** Patrick Corporation
- L** Caltex Petroleum Pty Ltd
- M** Australian Customs Services
- N** Bettervale Pty Ltd
- O** Randwick City Council

- 1** Berth Numbers
- Sydney Ports' Property

August 2005

Enfield – proposed Intermodal Logistics Centre site



□ Sydney Ports Corporation boundary

Cooks River Rail Yards

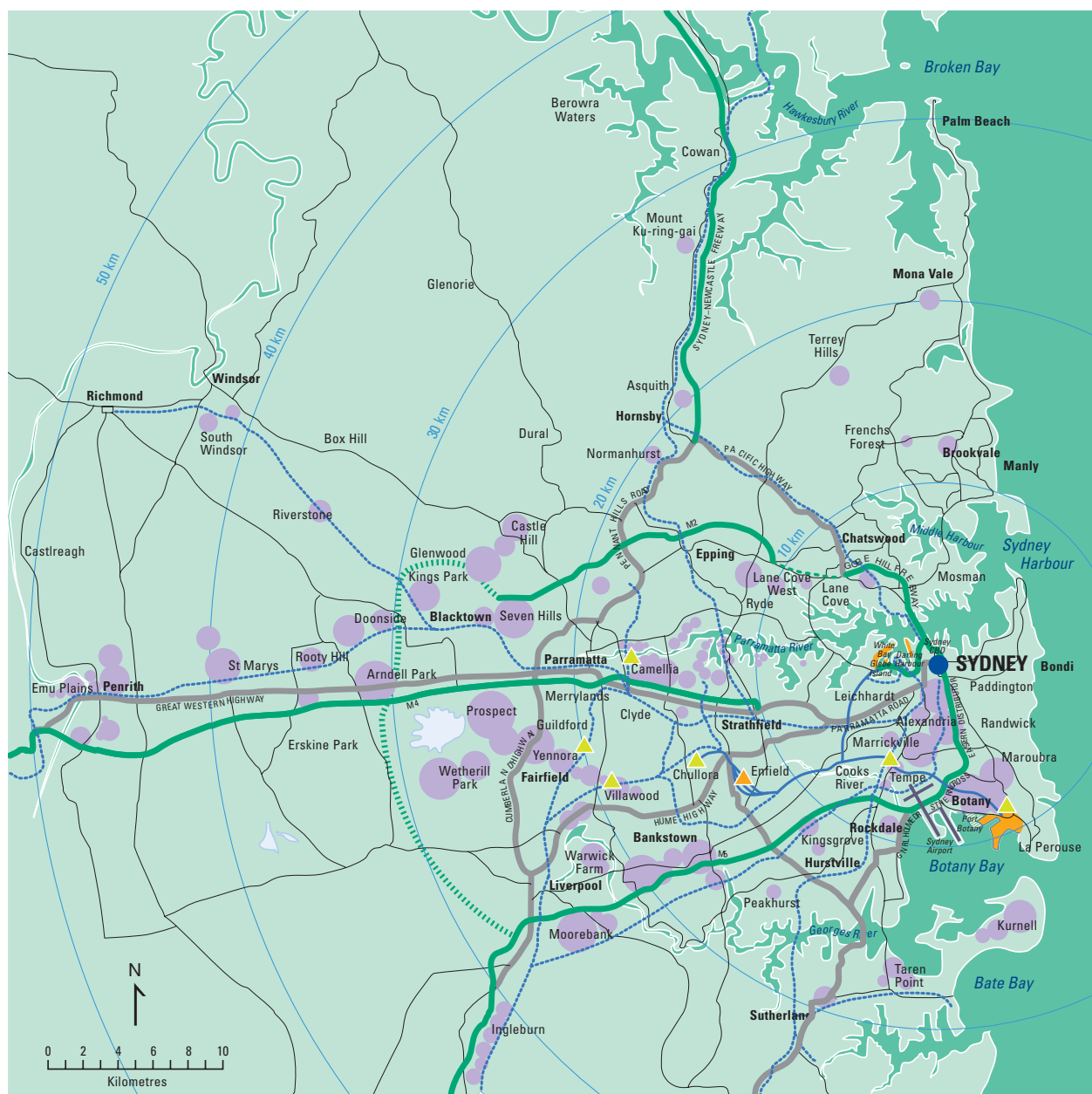


□ Sydney Ports Corporation boundary

NSW road and rail links



Metropolitan road and rail links



-  Motorways
-  Main roads
-  Rail lines
-  Dedicated rail freight line
-  Intermodal Terminals
-  Industrial zones
-  Port facilities
-  Enfield site
-  Port Botany development area
-  Roads under construction

Port Botany expansion



The proposal as approved by the New South Wales Minister for Planning in October 2005

Source: NSW Department of Planning, October 2005

Port Botany expansion



Bay-wide perspective of expansion, identifying areas for investigation of fifth berth

Key roles, objectives and results

Sydney Ports Corporation in brief

Sydney Ports Corporation was established in 1995, under 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.

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
- Challenge barriers and impediments to progress, and
- Exceed 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.

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

Sydney Ports Corporation

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 2004–05 against the targets for the year and the results for 2003–04 reveals:

	2004–05 actual \$M	2004–05 target \$M	2003–04 actual \$M
Financial indicators			
Shareholder Value Added (SVA)	+18.1	+8.6	+12.8
Debt level	171.4	173.9	170.3
Operating profit before income tax equivalent	61.4	46.6	51.8
Tax equivalent expense	18.9	15.9	16.6
Operating profit after income tax equivalent	42.5	30.7	35.2
Income tax equivalent payable	19.6	15.8	16.7
Dividend payable	18.9	15.3	17.6
Operational indicators			
Throughput (million mass tonnes)	25.9	25.5	25.1
Per cent of trade growth	3.0%	n/a	6.4%
TEUs ('000)	1,376	1,313	1,270
Per cent of TEU growth	8.4	n/a	9.4
Ship visits	2,434	2,405	2,408
Total gross tonnage (millions)	66.5	65.7	64.1
Human resource indicators			
Staff numbers	197	199	199
Average sick leave per employee (excluding long-term illness)	2.43	2.5	2.34
Staff training (\$'000)	248	378	406
Number of lost time work accidents	1	3	5

Sydney Ports Corporation

Environment indicators

The environmental performance of Sydney Ports during 2004–05 is shown in the following table. These environmental performance measures reflect Sydney Ports' regulatory risk management performance.

Indicator	Achieved	2004–05 Target	Comments
Regulatory Compliance			
– Number of regulatory notices/actions taken against Sydney Ports	Nil	Nil	During 2004–05, Sydney Ports successfully sought a further environment protection license from the EPA, to allow the handling of bulk liquid cargoes through White Bay port facilities.
– Number of EPA penalty actions taken against Sydney's port customers	Nil	Nil	A number of port users hold environment protection licenses from the EPA for cargo handling and storage activities. These licenses impose a range of monitoring requirements and performance standards which are regularly reviewed.
Incident Management & Response			
– Noise complaints per 100 vessel visits at:	Complaints/100 visits:	No increase on 2003–04	Noise complaints are distributed for response and investigation as required, and trends are monitored by Sydney Ports. During 2004–05 noise complaints from White Bay decreased due to the relocation of container handling activity.
– Darling Harbour:	1.1		
– Glebe Island/White Bay:	3.4		
– Botany Bay:	0.3		
– Number of pollution incidents generated from Sydney Ports' own activities	Nil	Nil	During 2004–05 Sydney Ports implemented a program of workplace inspections, to identify and prevent the occurrence of safety and environmental incidents.
– Number of port-related pollution incidents per 100 vessel visits in:	Incidents/100 visits:		The occurrence of pollution incidents from commercial vessels – although outside the control of Sydney Ports – is an important indicator of the sustainability of port operations. These incidents could include marine pollution, air emissions, littering or other occurrences.
– Sydney Harbour:	3.9	0	
– Botany Bay:	1.5	0	
– Total annual number of pollution incidents attended by Sydney Ports, in Sydney Harbour and Botany Bay	225	No target to be set*	Sydney Ports has an important role in cleaning up marine pollution events, regardless of whether the pollution is sourced from the above port-related pollution incidents, or pollution arising from land run-off, commercial or recreational vessels. During 2004–05 Sydney Ports invested some \$11.5 million in emergency response preparedness and equipment to prevent pollution and protect the marine environment.
– Vessel-related pollution incidents, as a percentage of total annual marine pollution reports**	1.3%	0	Three of the above incidents were ship sourced pollution incidents, and all were very minor.
– Number of annual emergency response exercises	3	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.

Sydney Ports Corporation

Environment indicators

Indicator	Achieved	2004–05 Target	Comments
Monitoring & Regulatory Enforcement			
– Safety audits conducted by Sydney Ports on all bulk oil, gas and chemical vessels	3,267 audits undertaken (all relevant vessels)	All vessels audited as standard procedure	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	360 audits undertaken at terminal facilities	Terminals audited as standard procedure	Approximately 4 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. During 2004–05, Sydney Ports issued 871 penalty notices for infringements of dangerous goods requirements.
– Inspections undertaken by Sydney Ports for all refuelling activities	1,183 inspections completed	All refuelling inspected as standard procedure	The 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%	During 2004–05, Sydney Ports launched one prosecution under the <i>Marine Pollution Act</i> . No penalty infringement notices were issued for marine pollution incidents. Four of the five cases in judgement 2004–05 were determined in Sydney Ports' favour. As at 1 July 2005, six prosecutions previously launched by Sydney Ports remained 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.

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

Port users and stakeholders

Key Role No. 1: Manage and develop port facilities and services to cater for existing and future trade needs

Goal	Strategy	KPI	Results
Expansion of Port Botany container terminal to handle projected increases in container trade for at least the next 20 years as demand is due to exceed capacity by 2010.	Manage Commission of Inquiry and EIS approval process.	Achieve satisfactory conditions of consent and key State and Federal project approvals by February 2005.	Pending DA determination*
		Obtain approval from NSW State Government for funding and related matters by May 2005.	Pending DA determination*
	Develop a strategy to optimise delivery certainty of key outcomes.	Clearly defined, logical contract strategy and packaging that will optimise competition and provide scope for innovation by July 2004.	Strategy prepared Pending DA determination*
	Commence procurement process and enabling works for major contract(s).	Efficient procurement of major design consultancies, investigation works and major works contracts – industry acceptance, no probity issues, compliance with overall project timeframe and budget.	Pending DA determination*
		Commence on-site works by December 2005.	Pending DA determination*
To undertake strategic land acquisitions, disposals, and developments which enhance the value of the port.	To identify/progress potential land for acquisition e.g. Cooks River Rail Yards, Alcatel (Port Botany).	Due diligence is completed and properties acquired if relevant criteria are satisfied.	Implemented Purchase to be finalised 2005–06**
	To identify potential land for development and prepare appropriate case for financial expenditure.	Development proposals assessed against performance measures and developed where all relevant criteria are satisfied.	Implemented and ongoing
	Delivery of capital maintenance and upgrade works.	Delivery of capital program on-time, on-budget and to required standards.	Implemented and ongoing

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

Goal	Strategy	KPI	Results
Long-term plan for Working Harbour precincts in Sydney.	Influence DIPNR's Master Plan for Darling Harbour precinct.	Appropriate and due consideration to port requirements including retention of cruise, ferry and emergency response facilities.	Ongoing
	Identify and pursue future uses for WB 3-6.	New tenants identified who meet trade requirements and long-term port interests.	Achieved and ongoing
	Assist in the relocation of the Hanson facilities to WB.	Agreement reached for relocation by December 2004.	Under review 2005–06
Effective management of SPC leases which acknowledges the requirements of trade, tenants, environment and financial.	Continue to build strong relations with tenants.	Positive feedback from Stakeholder survey by September 2004.	Ongoing
	Clear objectives for the outcome of lease negotiations.	Leases negotiated and agreed, meeting set objectives.	Ongoing

* At the time of going to print the DA for Port Botany Expansion had been determined.

** At the time of going to print the acquisition of the Cooks River Rail Yards site had been finalised.

Port users and stakeholders

Key Role No. 2: Facilitate trade by providing competitive advantage to importers, exporters and the port related supply chain

Goal	Strategy	KPI	Results
Rail Governance – rail access to the port is efficient and competitive, resulting in the increased use of rail.	Remain active in the Australian Rail Track Corporation (ARTC) takeover of the NSW interstate and freight rail lines.	Final ARTC agreement takes account of port requirements (by July 2004).	Achieved
	Build relationship with new RailCorp.	RailCorp supportive of port requirements – ongoing.	Achieved and ongoing
	Continue to drive rail agenda through the Botany Rail Steering Group (BRSB).	BRSB successful in improving operations and communications at Botany (including use of rail windows).	Achieved and ongoing
	Continue to build relationships with all freight rail operators.	Proactive relationships with freight rail operators – ongoing.	Achieved and ongoing
	Develop options for port rail control from Enfield to Botany.	Options for port rail control developed, evaluated and promoted as appropriate (by June 2005), following development of Inteplan rail model.	Ongoing
Stevedores – proactive relationship which improves the competitive positioning of Sydney and maximises the value to SPC.	Negotiate new lease with Patrick at Port Botany taking account of strategic initiatives and long-term revenue objectives.	New Patrick lease that meets strategic initiatives and long-term revenue objectives (by September 2004).	Not finalised Ongoing
	Negotiate with P&O at Port Botany terms and requirements for possible lease extension.	Agreed position regarding P&O lease terms.	Ongoing
Enfield – develop a commercially viable Logistics Centre at Enfield that serves port trade requirements (NB also contributes to Key Role No. 1).	Develop and Promote Logistics Centre concept plan.	Concept plan endorsed by industry.	Finalised concept
	Gain approval to restart EIS (via Metro Freight Strategy work).	Government endorsement to recommence EIS process (by April 2004).	Achieved
	Deliver an EIS that satisfies planning requirements, meets commercial objectives and acknowledges community issues.	Comprehensive EIS lodged (by December 2004).	Assessments finalised. Pending NSW State Government advice

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

Goal	Strategy	KPI	Results
Enfield (continued)	Manage approval process.	Planning approval (by June 2005).	Pending advice
	Develop and implement delivery strategy that meets commercial imperatives and environmental requirements.	Industry and commercial endorsement of project.	Ongoing
	Ensure internal project team is clear on project objectives and individual roles and focussed on delivery.	Well-performing project team (that meets the above).	Achieved
Effective relationship with industry.	Provide information that is responsive to the business needs of lessees and shipping companies in a timely manner.	Undertake a stakeholder survey by September 2004.	Delayed
	Prioritise and target visitation program.	Visitation program completed.	Achieved
Effective relationship with all tiers of Government.	To improve profile and influence with Government.	Receive required support from Government for SPC initiatives.	Ongoing
	Provide input to NSW State Government on port-related activities.	Port requirements acknowledged in NSW State Government decision-making process.	Ongoing
Commercial pricing that takes into account trade forecasts, financial targets and competitive issues.	Complete pricing review.	Submitted to Government for approval.	In progress
		Price changes implemented with appropriate notification.	
		Communication strategy implemented.	
Improve efficiencies of the transport chain.	Work closely with rail operators, road transport providers, stevedores, depot operators and shipping lines to overcome inefficiencies in the transport chain.	Agreed action plan to resolve specific inefficiencies in the transport chain.	Achieved
	Positive relations with industry maintained to ensure ongoing efficiencies of transport chain through peak pre-Christmas season.	Peak pre-Christmas season handled with no complaints from port users to Government.	Achieved
	Proactively address community issues relating to land transport operations.	Improved community understanding of the transport chain and the port's influence.	Achieved and ongoing

Safety and navigation

Key Role No. 3: Manage the navigational and operational safety needs of commercial shipping

Goal	Strategy	KPI	Results
Provide a high quality sustainable pilotage service.	Effective pilot service operations.	No significant delays to shipping through pilotage.	Achieved
	Effective working relationship with pilots.	Feedback from Board.	Achieved
	Review means of pilot transfer, including the condition of pilot vessels.	PV 3 upgraded by February 2005.	Achieved
		Finalise a strategy for implementing a single pilot boarding ground by July 2004.	Ongoing
	Continue review of cost and pricing structure to ensure a sustainable business.	Meet financial targets.	Achieved
	Develop and implement succession plan for pilots.	Trained pilots available to deliver service.	Achieved and ongoing
Continued achievement of PSOL requirements.	Maintain quality systems and operations to ensure PSOL performance met.	Meet the performance measures in the licence and the requirements of relevant legislation. Ensure no major non-conformances from audit.	Achieved

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

Environment and community

Key Role No. 4: Protect the environment and have regard to the interest of the community

Goal	Strategy	KPI	Results
Ensure all SPC's environmental and planning responsibilities continue to be fulfilled.	Implement systems and practices to address environmental and planning initiatives and risks.	Successful audit of environmental practices. Feedback from stakeholders supportive of systems and practices.	Achieved
	Actively work with port users in responding to environmental and planning regulatory obligations.	Develop and progressively implement guidelines for port development by December 2004.	Ongoing
Strengthen relationship with neighbours and community.	Continued implementation of Community Awareness Program.	Feedback demonstrates success of the implementation of the Community Awareness Program.	Ongoing
Provide feedback to stakeholders on environmental performance and increase awareness of SPC environmental practices.	Promote environmental management and achievements via: <ul style="list-style-type: none"> • website • publications • sponsorship • consultation, and • media. 	Positive stakeholder feedback acknowledging SPC's environmental performance by September 2004.	Delayed

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

Finance

Key Role No. 5: Deliver profitable business growth

Goal	Strategy	KPI	Results
Effective asset management.	Continue to manage the assets to maximise return and to enhance shareholder value.	Maintenance program is in place and adhered to.	Achieved
	Maintain appropriate asset insurance.	Insurance program is in place by due renewal dates.	Achieved
	Continue to acquire assets which provide acceptable return on acquisition.	Acquisitions of assets meet return on investment and other hurdle rates.	Ongoing
		Consistent use of Total Asset Management (TAM) procedures.	Achieved
Shareholder value optimised.	Financial and economic evaluation of investment proposals against agreed financial hurdles.	SVA target achieved.	Achieved
		SCI agreed with shareholders.	Achieved
	Ongoing management of balance sheet, profit and loss and cashflow including: <ul style="list-style-type: none"> • ongoing pricing reviews • budgetary and other cost controls, and • capital and debt management. 	Other agreed financial targets achieved including profitability, returns on equity and debt servicing ratios.	Achieved
Achieve an acceptable capital structure position that will help meet the financial commitments of the business.	Review and determine optimal capital structure, including the ongoing refinement of financial models and assessing funding arrangements for approved major projects.	Formulate recommendations and advise as to desired financial benchmarks and capital position.	Achieved
		Achieve suitable credit ratings.	Achieved
		Agreed on a distribution and capital structure framework with Treasury, acceptable to the shareholders and the future requirements of SPC.	Achieved
		Growth and development plans not unreasonably inhibited by capital structure.	Achieved

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

People

Key Role No. 6: Learning and growth – our people

Goal	Strategy	KPI	Results
Staff committed to a 'safety' culture.	Continue education sessions to operational employees on the importance of identifying and reporting incidents e.g. Gangway Steering Committee.	Team and shift meetings include a regular agenda item on safety issues e.g. <ul style="list-style-type: none"> • incident reporting • risk assessment process, and • risk mitigation. 	Achieved and ongoing
	Continue education sessions to operational employees on the importance and process for identifying 'risk' and developing strategies to mitigate 'risk' in the work place.	Risk responsibilities incorporated into all position descriptions. Education program rolled out.	Achieved and ongoing
	Review and recommend an approach to 'Fitness for Work' incorporating new hires and existing employees.	Medical Testing program that reflects the differing needs of the Business.	Achieved and ongoing
Enterprise Agreement(s) that meet the needs of the business and motivate staff to higher levels of achievement.	To negotiate and agree appropriate working arrangements that support the achievement of business goals as well as meeting the needs of staff.	Implementation of outcomes of EA as per agreed timetable and meeting business needs.	Achieved
Satisfied and committed staff to deliver business results.	Grow professional skills and build satisfaction.	<ul style="list-style-type: none"> • Individual Training Plans in place • effective expenditure on training • per person for Operational Units • plans/opportunities in place that provide continued development • succession planning in place • staff feedback • implemented by October 2004 • scheme implemented by July 2004 • program in place by December 2004 • improved internal communications, and • positive feedback from staff. 	Achieved
	Maximise potential input from Projects and SPC management teams – optimise scope for team development.	Increased staff participation across the organisation and improved project management skill-base.	Achieved and ongoing
	Objectives established with employees – linked to Business Unit Plans and to the Corporate Plan.	Bi-annual performance review feedback sessions in place.	Achieved and ongoing

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

Managing our business

Key Role No. 7: Business operations

Goal	Strategy	KPI	Results
Improve Port Security to meet the requirements of the ISPS Code and Commonwealth legislation.	Complete Port Security Risk Assessment and Security Plans and implement recommended security measures.	Security Plans approved by 1 July 2004 and security measures implemented in accordance with the program.	Achieved and ongoing
Provide a safe workplace.	Continue to review and implement safety procedures for operations, assets and maintenance.	Compliance with OH&S Act and Regulations.	Achieved and ongoing
	Implementation of Contractor Management Framework.	All contractors (small, medium and large) have been advised of SPC requirements.	Achieved and ongoing
	Work place inspections conducted regularly.	Registrar of inspections maintained and issues identified are resolved.	Achieved and ongoing
Aim to make ShIPS the industry-standard vessel management system nation-wide.	Ongoing marketing of ShIPS and further development of the commercial venture that SPC has with its partner in order to sell the system to other ports, both nationally and internationally.	ShIPS is sold to, and successfully maintained on behalf of, other ports.	Ongoing
Delivery of corporate-wide applications which will deliver a higher level of corporate capability and meet business needs.	Implement a strategy which delivers organisation-wide cultural change to implement these applications.	Achieve buy-in, acceptance and take-up of these initiatives.	Achieved and ongoing
	The delivery of a CRM/CMS system to enhance corporate capability and to meet the agreed requirements of contact and event management.	Business case completed and priorities agreed.	Achieved
		Business "champions" identified.	Achieved
		Project structure agreed and implemented.	Achieved
		Project delivered successfully.	Achieved
	The delivery of an integrated, on-line, data warehouse and reporting system (known internally as SOLAR) to enhance corporate capability and meet the identified information requirements of SPC.	Business case completed and priorities agreed.	Achieved

Sydney Ports Corporation

Strategies to promote Key Roles 2004–05

Goal	Strategy	KPI	Results
Delivery of corporate-wide applications which will deliver a higher level of corporate capability and meet business needs, (continued).	The delivery of a document management system to enhance corporate capability and meet the identified document management requirements of SPC.	Business “champions” identified.	Achieved
		Project structure agreed and implemented.	Achieved
		Project delivered successfully.	Achieved
		Business case completed and priorities agreed.	Ongoing
Provide IT services that add value to and meet business needs.	Business system and information needs identified, prioritised and delivered as agreed, in order to facilitate processes and provide/build the information assets.	Upgrade SAP or deliver new Finance and HR systems by December 2004.	Achieved (HR Systems)
		Provide acceptable support and maintenance for both infrastructure and applications.	Ongoing
		Provision of support services to agreed levels of standard.	Achieved
		Explore opportunities for the provision of e-commerce services to industry stakeholders and customers.	Ongoing
Meet high standards of Corporate Governance and maintain process of continuous improvement in this area.	Compliance with all applicable legal requirements (eg. SOC Act, PCWM Act, PF&A Act) and government policies in respect of SOC's supported by appropriate plans and policies.	Risk Management strategy in place and periodically audited.	Achieved
		Crisis management plan in place and periodically tested.	Achieved
		Informed debriefing process for all incidents.	Achieved
		Internal audit program in place.	Achieved
		No breaches of the applicable laws or Government policies identified.	Achieved
		No material adverse findings in respect of corporate governance made by the external auditor.	Achieved
		No material adverse findings in respect of the annual financial accounts made by the external auditor.	Achieved

Sydney Ports Corporation

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Sydney Ports Corporation

Statement of Financial Performance for the year ended 30 June 2005

	Note(s)	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Revenue from ordinary activities	2	155,611	140,489	147,090	132,374
Borrowing costs expense	3	13,533	13,423	13,533	13,423
Other expenses from ordinary activities	3	80,663	75,277	72,282	67,536
Total expenditure from ordinary activities		94,196	88,700	85,815	80,959
Profit from ordinary activities before income tax equivalent expense		61,415	51,789	61,275	51,415
Income tax equivalent expense relating to ordinary activities	4 (a)	18,864	16,610	18,822	16,498
Net profit attributable to members of Sydney Ports Corporation		42,551	35,179	42,453	34,917
Net increase in asset revaluation reserve	15	125,332	—	125,332	—
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		—	—	—	—
Total changes in equity other than those resulting from transactions with owners as owners		167,883	35,179	167,785	34,917

Sydney Pilot Service Pty Ltd (SPS) Revenue from Ordinary Activities for the year was \$9.523 million (\$9.096 million in 2003–04) which represented 6.1% (6.5% in 2003–04) of Consolidated Revenue from Ordinary Activities. SPS net profit after income tax equivalent expense was \$0.098 million (\$0.262 million in 2003–04).

Sydney Ports Corporation

Statement of Financial Position as at 30 June 2005

	Note(s)	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Current assets					
Cash assets	21 (a)	2,739	1,658	2,289	1,554
Receivables	5	12,788	13,849	12,286	13,298
Inventories	6	29	29	—	—
Other financial assets	7	80,348	56,434	80,348	56,236
Other	8	509	1,045	346	717
Total current assets		96,413	73,015	95,269	71,805
Non-current assets					
Receivables	5	137	274	139	289
Property, plant and equipment	10	850,030	728,719	847,010	726,505
Deferred tax equivalent assets	4 (c)	5,978	5,488	5,978	5,488
Other	9	12,023	8,400	14,693	10,070
Total non-current assets		868,168	742,881	867,820	742,352
Total assets		964,581	815,896	963,089	814,157
Current liabilities					
Payables	11	17,643	23,787	16,782	22,821
Interest-bearing liabilities	12	—	—	—	—
Current tax equivalent liabilities	4 (b) and 13	6,195	4,009	6,195	4,009
Provisions	14	22,811	21,160	22,735	20,962
Total current liabilities		46,649	48,956	45,712	47,792
Non-current liabilities					
Non-current payables	11	—	—	232	260
Interest-bearing liabilities	12	171,371	170,255	171,371	170,255
Deferred tax equivalent liabilities	4 (d) and 13	4,013	4,219	4,013	4,219
Provisions	14	6,540	6,330	6,183	5,827
Total non-current liabilities		181,924	180,804	181,799	180,561
Total liabilities		228,573	229,760	227,511	228,353
Net assets		736,008	586,136	735,578	585,804
Equity					
Contributed equity	15	125,542	125,542	125,542	125,542
Reserves	15	468,053	342,721	468,053	342,721
Retained profits	15	142,413	117,873	141,983	117,541
Total equity	15	736,008	586,136	735,578	585,804

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

Sydney Ports Corporation

Statement of Cash Flows for the year ended 30 June 2005

	Note(s)	Consolidated 2005 \$000 Inflow/ (Outflow)	Consolidated 2004 \$000 Inflow/ (Outflow)	Corporation 2005 \$000 Inflow/ (Outflow)	Corporation 2004 \$000 Inflow/ (Outflow)
Cash flows from operating activities					
Cash receipts in the course of operations		164,070	156,252	154,457	147,345
Cash payments in the course of operations		(85,589)	(75,007)	(76,028)	(66,739)
Interest received		3,375	1,938	3,406	1,930
Borrowing costs		(12,205)	(12,232)	(12,205)	(12,232)
Income tax equivalent received from subsidiary		—	—	85	—
Income tax equivalent paid	13	(17,374)	(18,053)	(17,374)	(17,821)
Net cash provided by operating activities	21(b)	52,277	52,898	52,341	52,483
Cash flows from investing activities					
Payments for property, plant and equipment		(10,182)	(14,842)	(9,394)	(13,423)
Proceeds from sale of property, plant and equipment		525	592	525	592
Loan to subsidiary		—	—	(1,000)	(550)
Net cash used in investing activities		(9,657)	(14,250)	(9,869)	(13,381)
Cash flows from financing activities					
Dividends paid	14	(17,625)	(13,157)	(17,625)	(13,157)
Net cash used in financing activities		(17,625)	(13,157)	(17,625)	(13,157)
Net increase/(decrease) in cash held		24,995	25,491	24,847	25,945
Cash at the beginning of the financial year		58,092	32,601	57,790	31,845
Cash at the end of the financial year	21(a)	83,087	58,092	82,637	57,790

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

Note 1 – Summary of significant accounting policies

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

a) Basis of Accounting

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus views and the *Public Finance and Audit Act 1983* and the *Regulations 2000*.

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, which are shown at valuation, and superannuation, which is shown at actuarially assessed present value. The accounting policies adopted are consistent with those of the previous year. 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 2000*. The exemptions are from disclosing amounts set aside to any provision for known commitments, the amount appropriated for repayment for loans, advances, debentures and deposits, material items of income and expenditure on a program or activity basis (summary required), and where non-current asset values exceed replacement cost.

The Corporation had one controlled entity during the year ended 30 June 2005, being the Sydney Pilot Service Pty Ltd, which commenced operations on 26 October 2002 as a wholly owned subsidiary. The operating results of the Sydney Pilot Service Pty Ltd have been included in the consolidated Statement of Financial Performance since that date.

b) Principles of Consolidation

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.

c) Cash in the Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks (net of any outstanding bank overdraft) and short-term investments in securities with the NSW Treasury Corporation, which are classified under current assets. Cash at the end of the period, as shown in the Statement of Cash Flows, is reconciled to the relevant items in the Statement of Financial Position (refer to note 21a).

d) Bad and doubtful debts

Bad debts are written off against the provision for doubtful debts after thorough investigation and exhaustion of recovery processes. Regular reviews were conducted during the year to determine the adequacy of the level of the provision for doubtful debts.

e) Inventories

Inventories have been valued at the lower of cost and net realisable value on an item-by-item basis.

f) Other financial assets (investments)

Investments are carried at net fair value. Interest revenue is recognised when receivable.

g) Operating leases

Operating lease assets are not capitalised and rental payments are recognised as an expense in the period in which they are consumed.

h) Valuation of property, plant and equipment

In accordance with Australian Accounting Standard AASB 1041, *Revaluation of Non-Current Assets*, all property, plant and equipment (subject to materiality) is reviewed regularly to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date.

The most recent comprehensive revaluation by the Corporation was completed at 30 June 2005 and was based on an independent assessment. The revaluation complied with Australian Accounting Standard AASB 1041, *Revaluation of Non-Current Assets* as well as the Accounting Policy for the Valuation of Physical Non-Current Assets at Fair Value issued by NSW Treasury.

The revaluation included the following guidelines:

- No less than 95 per cent in value of the total physical non-current assets were valued based on values at 30 June 2004.
- 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.

Note 1 – Summary of significant accounting policies (continued)

- Property, plant and equipment (excluding land) are 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 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.

i) Capitalisation of property, plant and equipment

Property, plant and equipment in excess of \$1,000 is 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 Statement of Financial Position.

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 in accordance with Australian Accounting Standard AAS4, Depreciation of Non-Current Assets. Land assets have been treated as non-depreciable. The remaining useful lives of assets were reassessed during the year with no changes required. The expected design lives of new depreciable assets at 30 June 2005 are:

- | | |
|------------------------------------|-----------------|
| – Buildings | 10 to 50 years |
| – Roadways | 5 to 20 years |
| – Wharves, jetties and breakwaters | 10 to 100 years |
| – Plant | 2 to 40 years |

k) Retirement benefits (superannuation)

The consolidated entity contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to Pillar Administration and other employee-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 employee superannuation and are expensed in the Statement of Financial Performance.

l) Interest-bearing liabilities

Interest-bearing liabilities are carried at their face value after deducting any unamortised discount or adding any unamortised premium. Any discount or premium is deferred and amortised over the term of the loan.

m) Employee benefits

Benefits for annual leave have been provided at the amount expected to be paid when the liabilities are settled. Appropriate on-costs are included. 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 using market yields at the reporting date on national government bonds and terms to maturity that match, as closely as possible, the estimated future cash outflows. Appropriate on-costs are included. The portion expected to be settled within 12 months of the reporting date is recognised as the current provision; the portion expected to be settled more than 12 months from the reporting date is recognised as the 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.

Note 1 – Summary of significant accounting policies (continued)

n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from the rendering of a service is recognised on the delivery of the service to the customer.
- Interest revenue is recognised when receivable.
- The Corporation's superannuation liabilities are currently in an over-funded position (refer note 9). Any increase in over-funding during a year is recognised as revenue in the Statement of Financial Performance.
- Proceeds from the sale of assets are recognised upon the delivery of the assets to the purchaser.
- Government capital grant revenue is recognised when received.
- Assets received at no cost are recorded at their fair value when received, and this amount is included in revenue.
- 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.

o) Income Tax Equivalent

Income tax equivalent is required to be paid to the NSW State 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.

The financial statements apply the principles of tax-effect accounting. The income tax equivalent expense in the Statement of Financial Performance represents the tax equivalent on the pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation equivalent purposes. The deferred tax equivalent assets and liabilities include the tax equivalent effect of differences between income and expense items recognised in different accounting periods for accounting and tax equivalent purposes. These are calculated at the tax equivalent rates expected to apply when the differences reverse. The components of the deferred tax equivalent assets and liabilities are shown in note 4.

The consolidated entity entered the tax consolidation regime at 1 July 2003. As a consequence, the Corporation, as the head entity in the consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entity in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable, under an accounting sharing agreement between the tax consolidated entities, are recognised separately 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.

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 1 – Summary of significant accounting policies (continued)

p) 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, in accordance with Australian Accounting Standard AASB1044 *Provisions, Contingent Liabilities and Contingent Assets*, and NSW Treasury's Financial Distribution Policy for Government Businesses, the dividend for the financial year is set aside as a provision in the Statement of Financial Position.

q) Financial instruments

Financial instruments give rise to positions that are financial assets of either the consolidated entity or its counterparty and financial liabilities (or equity instruments) of the other party. These include cash, receivables, investments, creditors, interest-bearing liabilities and derivative financial instruments (futures contracts). In accordance with AAS33, *Presentation and Disclosure of Financial Instruments*, information is disclosed in note 16 for the credit risk and interest rate risk of financial instruments. All such amounts are carried in the accounts at net fair value unless otherwise stated. The specific accounting policy for each class of such financial instrument is stated as follows:

Classes of instruments recorded at cost comprise:

- cash
- receivables
- payables, and
- interest-bearing liabilities.

Classes of instruments recorded at market or net fair value comprise:

- investments, and
- derivative financial instruments.

All financial instruments, including revenue, expenses or other cash flows arising from instruments, are recognised on an accrual basis.

r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an expense item. Receivables and payables are stated with the amount of GST included. Accrual items are also shown in the Statement of Financial Position inclusive of GST where applicable.

The net amount of GST owing to the ATO, or refundable from the ATO, is shown as a Payable or Receivable in the Statement of Financial Position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the ATO is classified as operating cash flows.

s) Rounding amounts to the nearest thousand dollars

In the financial statements, all amounts are recorded in Australian Dollars and have been rounded to the nearest thousand dollars (shown as \$000).

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 2 – Revenue from ordinary activities

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Revenue from operating activities				
Port revenue	97,988	93,319	89,296	85,035
Rental revenue	35,084	31,196	35,304	31,415
	133,072	124,515	124,600	116,450
Other Revenue				
Interest received	3,377	1,938	3,406	1,930
Asset contributions	74	—	74	—
Increase in retirement benefits	3,580	2,404	3,580	2,404
Land tax recovered	4,733	4,941	4,733	4,941
Other recoveries	8,310	4,537	8,351	4,625
Miscellaneous sources	2,465	2,154	2,346	2,024
	22,539	15,974	22,490	15,924
Total revenue from ordinary activities	155,611	140,489	147,090	132,374

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

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 3 – Expenditure from ordinary activities

	Note(s)	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Salaries and wages		22,590	21,019	17,388	16,205
Employee benefits expense:					
Annual leave	14	2,153	2,044	1,468	1,486
Long-service leave	14	853	1,053	838	912
Retirement benefits (superannuation) – defined benefit	9	—	173	—	173
Retirement benefits (superannuation) – accumulation		765	636	522	416
Other expenses from ordinary activities:					
Service contractors		14,106	11,978	13,768	11,576
Utilities and communications		2,557	2,204	2,532	2,182
Indirect taxes		8,780	8,920	8,367	8,477
Depreciation	10	13,829	13,270	13,645	13,157
Doubtful debts	5 (b) and (c)	90	(9)	88	(10)
Auditors' remuneration from review of the financial reports		149	127	126	110
Directors' remuneration	23	316	314	297	295
Consultants' fees		—	—	—	—
Rental on operating leases		1,849	1,852	1,742	1,742
Net loss on sale of property, plant and equipment		33	29	33	29
Insurance		2,626	2,321	2,043	1,980
Materials		1,198	1,232	881	923
Other operations and services		8,769	8,114	8,544	7,883
Other expenses from ordinary activities		80,663	75,277	72,282	67,536
Borrowing costs expense		13,533	13,423	13,533	13,423
Total expenditure from ordinary activities		94,196	88,700	85,815	80,959

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 4 – Taxation

Note(s)	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
(a) Income tax equivalent expense				
The difference between income tax equivalent expense provided in the financial statements and the prima facie income tax equivalent expense is reconciled as follows:				
Profit on ordinary activities before income tax equivalent	61,415	51,789	61,275	51,415
Prima facie tax thereon at 30%	18,425	15,537	18,383	15,425
Add/(less) tax effect of permanent and other differences:				
Entertainment expenses	15	28	15	28
Depreciation not deductible	1,524	1,461	1,524	1,461
Superannuation not deductible	(1,087)	(669)	(1,087)	(669)
Other	(13)	253	(13)	253
Total income tax equivalent attributable to operating profit	18,864	16,610	18,822	16,498
Total income tax equivalent comprises movements in:				
Current tax equivalent liabilities	19,560	16,910	19,560	16,910
Deferred tax equivalent liabilities	(206)	(152)	(206)	(152)
Deferred tax equivalent assets	(490)	(148)	(490)	(148)
Tax equivalent related to subsidiary	—	—	(42)	(112)
	18,864	16,610	18,822	16,498
(b) Current tax equivalent liabilities				
Opening balance	4,009	5,152	4,009	4,990
Income tax equivalent paid	(17,374)	(18,053)	(17,374)	(17,821)
Over provision for income tax equivalent in prior years	(13)	251	(13)	251
Tax equivalent related to subsidiary	—	—	27	85
Income tax equivalent payable on operating profit	19,573	16,659	19,546	16,504
Closing balance	6,195	4,009	6,195	4,009

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 4 – Taxation (continued)

Note(s)	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
(c) Deferred tax equivalent assets				
Attributable to timing differences:				
Provisions for employee entitlements	3,057	2,870	2,927	2,749
Accrued expenditure	1,008	833	922	710
Other	1,913	1,785	1,897	1,769
Tax equivalent related to subsidiary	—	—	232	260
	5,978	5,488	5,978	5,488
(d) Deferred tax equivalent liabilities				
Attributable to timing differences:				
Depreciation	3,348	3,645	3,356	3,647
Income receivable	660	574	650	557
Prepaid expenditure	5	—	5	—
Tax equivalent related to subsidiary	—	—	2	15
13	4,013	4,219	4,013	4,219

Note 5 – Receivables

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Current				
Trade debtors	6,216	7,274	5,659	6,638
Other debtors	4,186	4,189	4,236	4,264
Tax related receivable from subsidiary	—	—	27	85
Accrued income (a)	2,664	2,576	2,627	2,488
	13,066	14,039	12,549	13,475
Less: Provision for doubtful debts (b)	(278)	(190)	(263)	(177)
	12,788	13,849	12,286	13,298
Non-Current				
Trade debtors	140	280	140	280
Tax related receivable from subsidiary	—	—	2	15
	140	280	142	295
Less: Provision for doubtful debts (c)	(3)	(6)	(3)	(6)
	137	274	139	289

Based on a review of debtors, an appropriate provision is carried for doubtful debts.

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 5 – Receivables (continued)

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
(a) Accrued income comprises:				
Operating income	2,662	2,575	2,627	2,488
Bank interest	2	1	—	—
Total accrued income	2,664	2,576	2,627	2,488
(b) Provision for doubtful debts – Current				
Opening balance	190	206	177	194
Add: Current year's charge	93	(7)	91	(8)
	283	199	268	186
Less: Bad debts written off	(5)	(9)	(5)	(9)
Closing balance	278	190	263	177
(c) Provision for doubtful debts – Non-current				
Opening balance	6	8	6	8
Add: Current year's charge	(3)	(2)	(3)	(2)
	3	6	3	6
Less: Bad debts written off	—	—	—	—
Closing balance	3	6	3	6

Note 6 – Inventories

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Stores and materials:				
– at the lower of cost and net realisable value.	29	29	—	—
	29	29	—	—

Note 7 – Other financial assets

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
The investments are:				
Cash Facility Trust	80,348	56,434	80,348	56,236
	80,348	56,434	80,348	56,236

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.

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 8 – Other current assets

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Prepayments				
Operating expenditure prepayments	509	1,045	346	717
	509	1,045	346	717

Note 9 – Other non-current assets

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Retirement benefits (superannuation)	12,023	8,400	12,023	8,400
Investment in subsidiary company	—	—	1,120	1,120
Loan to subsidiary	—	—	1,550	550
	12,023	8,400	14,693	10,070

Retirement Benefits (superannuation)

At 30 June 2005, the Corporation's superannuation position for defined benefit schemes is:

	Total Liability \$000	2005 Total Funding \$000	Net Asset \$000	Total Liability \$000	2004 Total Funding \$000	Net Asset \$000
State Superannuation Scheme	27,991	38,401	10,410	26,767	33,925	7,158
State Authorities Superannuation Scheme	8,668	9,910	1,242	8,114	9,040	926
State Authorities Non-Contributory Superannuation Scheme	2,935	3,306	371	2,733	3,049	316
	39,594	51,617	12,023	37,614	46,014	8,400

The 30 June 2005 superannuation liability assessment was undertaken by the SAS Trustee Corporation's (STC) actuary (Mercer) and is based on actual membership data at 31 March 2005 (for all funds) extrapolated to 30 June 2005. The actuary has met the requirements of Australian Accounting Standard AAS25, Financial Reporting by Superannuation Plans, by applying a "market-determined, risk-adjusted discount rate" as the valuation interest rate in the calculation of the value of accrued benefits.

Assumptions adopted by the actuary in the valuation of the funds at 30 June 2005 are:

	%
Rate of investment return	7.0
Rate of salary increase	4.0
Rate of increase in CPI	2.5

The STC 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 30 June 2005. An application has been made for a continuance of the funding holiday to 30 June 2006. The funding holiday does not apply to certain employees.

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 10 – Property, plant and equipment

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Carrying Amounts				
Land and buildings (at fair value)	677,545	554,696	677,545	554,696
Less Accumulated Depreciation	(57,666)	(45,825)	(57,666)	(45,825)
	619,879	508,871	619,879	508,871
Roadways (at fair value)	15,922	16,269	15,922	16,269
Less Accumulated Depreciation	(7,630)	(7,835)	(7,630)	(7,835)
	8,292	8,434	8,292	8,434
Wharves, jetties and breakwaters (at fair value)	367,422	341,351	367,422	341,351
Less: Accumulated depreciation	(182,623)	(163,680)	(182,623)	(163,680)
	184,799	177,672	184,799	177,672
Plant (at fair value)	40,244	36,250	36,972	33,940
Less: Accumulated depreciation	(18,129)	(15,306)	(17,793)	(15,154)
	22,115	20,944	19,179	18,786
Construction in progress	14,945	12,798	14,861	12,742
Total property, plant and equipment	850,030	728,719	847,010	726,505

	Land and Buildings \$000	Roadways \$000	Wharves, Jetties and Breakwaters \$000	Plant \$000	2005 Total \$000
Movement in property, plant and equipment – Consolidated					
Opening balance	508,871	8,434	177,672	20,944	715,921
Add: Revaluation	112,132	659	13,440	—	126,231
Acquisitions	—	—	—	—	—
From construction in progress	1,917	2	145	5,427	7,491
	622,920	9,095	191,257	26,371	849,643
Less: Depreciation charge	(2,925)	(803)	(6,458)	(3,643)	(13,829)
Disposals	—	—	—	(558)	(558)
Write-offs	(116)	—	—	(55)	(171)
Other	—	—	—	—	—
Closing balance	619,879	8,292	184,799	22,115	835,085

Sydney Ports Corporation
Notes to and forming part of the financial statements

Note 10 – Property, plant and equipment (continued)

	Land and Buildings	Roadways	Wharves, Jetties and Breakwaters	Plant	2005 Total
	\$000	\$000	\$000	\$000	\$000
Movement in property, plant and equipment – Corporation					
Opening balance	508,871	8,434	177,672	18,786	713,763
Add: Revaluation	112,132	659	13,440	—	126,231
Acquisitions	—	—	—	—	—
From construction in progress	1,917	2	145	4,465	6,529
	622,920	9,095	191,257	23,251	846,523
Less: Depreciation charge:	(2,925)	(803)	(6,458)	(3,459)	(13,645)
Disposals	—	—	—	(558)	(558)
Write-offs	(116)	—	—	(55)	(171)
Other	—	—	—	—	—
Closing balance	619,879	8,292	184,799	19,179	832,149

	Consolidated 2005 \$000	Corporation 2005 \$000
Movement in construction in progress:		
Opening balance	12,798	12,742
Add: Acquisitions	9,638	8,648
	22,436	21,390
Less: To property, plant and equipment	(7,491)	(6,529)
Closing balance	14,945	14,861

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Sale of property, plant and equipment:				
Property, plant and equipment	922	961	922	961
Less: Accumulated depreciation	(364)	(340)	(364)	(340)
	558	621	558	621
Less: Proceeds from sale	(525)	(592)	(525)	(592)
Net loss/(profit) on sale	33	29	33	29

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 10 – Property, plant and equipment (continued)

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Assets leased to external parties under operating leases:				
At carrying value:				
Land and buildings	460,985	285,914	460,985	285,914
Wharves, jetties and breakwaters	51,123	55,819	51,123	55,819
Plant	1,363	343	1,363	343
Total carrying value of leased assets	513,471	342,076	513,471	342,076

Note 11 – Payables

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Current				
Trade creditors	189	1,171	163	1,117
Other creditors	13,024	14,586	12,189	13,674
Income received in advance	4,430	8,030	4,430	8,030
	17,643	23,787	16,782	22,821
Non-current				
Tax related payable from subsidiary	—	—	232	260
	—	—	232	260

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 12 – Interest-bearing liabilities

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Current				
Unsecured loans from NSW Treasury Corporation	—	—	—	—
Non-current				
Unsecured loans from NSW Treasury Corporation	171,371	170,255	171,371	170,255
Total interest-bearing liabilities	171,371	170,255	171,371	170,255
Repayment of these loans is guaranteed by the Crown. Amounts shown are capital values.				
Amount payable for interest-bearing liabilities:				
Payable no later than one year	—	—	—	—
Payable later than one, not later than five years	37,470	56,133	37,470	56,133
Payable later than five years	133,901	114,122	133,901	114,122
Total interest-bearing liabilities	171,371	170,255	171,371	170,255

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. At 30 June 2005, \$15 million of the \$40 million had been drawn down (\$15 million of the \$40 million at 30 June 2004).

Note 13 – Tax equivalent liabilities

	Note	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Current					
Current tax equivalent liabilities	4 (b)	6,195	4,009	6,195	4,009
Non-current					
Deferred tax equivalent liabilities	4 (d)	4,013	4,219	4,013	4,219

Movement in tax liabilities (consolidated)	Balance 30 June 2004 \$000	Current charge to revenue \$000	Payments \$000	Balance 30 June 2005 \$000
Current				
Current tax equivalent liabilities	4,009	19,560	(17,374)	6,195
Non-current				
Deferred tax equivalent liabilities	4,219	(206)	—	4,013

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 14 – Provisions

	Note(s)	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Current					
Dividend	15	18,910	17,625	18,910	17,625
Employee benefits, including on-costs		3,901	3,535	3,825	3,337
		22,811	21,160	22,735	20,962
Non-current					
Employee benefits, including on-costs		6,540	6,330	6,183	5,827
		6,540	6,330	6,183	5,827

Movement in provisions (Consolidated)	Balance 30 June 2004 \$000	Current charge against revenue \$000	Payments \$000	Other transfers \$000	Balance 30 June 2005 \$000
Current					
Dividend	17,625	18,910	(17,625)	—	18,910
Employee benefits, including on-costs:					
Annual leave	2,634	2,153	(1,811)	(114)	2,862
Long-service leave	703	643	(559)	—	787
Voluntary separations	198	462	(408)	—	252
	21,160	22,168	(20,403)	(114)	22,811
Non-current					
Employee benefits, including on-costs:					
Long-service leave	6,330	210	—	—	6,540
	6,330	210	—	—	6,540

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 15 – Equity

The State Owned Corporations Act 1989 requires the Corporation to have two voting shareholders: the Treasurer and another Minister. Each shareholder must, at all times, have an equal number of shares in the Corporation.

As at 30 June 2005, the shares were held by the Corporation's voting shareholders: The Hon. A.J. Refshauge, MP, and The Hon. J.J. Della Bosca, MLC.

	Note(s)	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Equity					
Contributed equity		125,542	125,542	125,542	125,542
Reserves		468,053	342,721	468,053	342,721
Retained profits		142,413	117,873	141,983	117,541
Total equity at the end of the financial year		736,008	586,136	735,578	585,804
Movement in contributed equity					
Opening balance		125,542	125,542	125,542	125,542
Add / less movement		—	—	—	—
Closing balance		125,542	125,542	125,542	125,542
Movement in asset revaluation reserve					
Opening balance		342,721	342,721	342,721	342,721
Add: Revaluation		126,231	—	126,231	—
Less: Assets disposed		(899)	—	(899)	—
Closing balance		468,053	342,721	468,053	342,721
Movement in retained profits					
Opening balance		117,873	100,319	117,541	100,249
Add: Net profit after income tax		42,551	35,179	42,453	34,917
Add: Revaluation reserve on assets disposed		899	—	899	—
		161,323	135,498	160,893	135,166
Less: Dividends provided for or paid	14	(18,910)	(17,625)	(18,910)	(17,625)
Closing balance		142,413	117,873	141,983	117,541

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 16 – Financial instruments

a) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The consolidated entity's exposure to interest rate risk and the effective interest rates of financial assets and liabilities, both recognised and unrecognised at the reporting date, are as follows:

2005 Financial instruments	Floating interest rate	Fixed Interest rate maturing in:			Non- interest bearing	Total carrying amount as per the statement of financial position	Weighted average effective interest rate*
		1 year or less	Over 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
Financial assets							
Cash	2,737	—	—	—	2	2,739	4.82%
Receivables	653	—	—	—	11,544	12,197	1.17%
Investments	80,348	—	—	—	—	80,348	5.59%
Total financial assets	83,738	—	—	—	11,546	95,284	
Financial liabilities							
Payables	—	—	—	—	11,969	11,969	n/a
Interest-bearing liabilities	—	—	37,470	133,901	—	171,371	7.40%
Total financial liabilities	—	—	37,470	133,901	11,969	183,340	
Off-balance-sheet financial instruments							
Derivative financial instruments**	—	—	8,800	6,800	—	—	
Interest rate swaps nominal value	—	—	—	—	—	—	

* Weighted average effective interest rate was computed on a monthly basis.

** Notional principal amounts for futures contracts.

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 16 – Financial instruments (continued)

2004

Financial instruments	Floating interest rate	Fixed Interest rate maturing in:			Non- interest bearing	Total carrying amount as per the statement of financial position	Weighted average effective interest rate*
		1 year or less	Over 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
Financial assets							
Cash	1,656	—	—	—	2	1,658	4.54%
Receivables	1,337	—	—	—	11,957	13,294	2.81%
Investments	56,434	—	—	—	—	56,434	5.23%
Total financial assets	59,427	—	—	—	11,959	71,386	
Financial liabilities							
Payables	—	—	—	—	14,268	14,268	n/a
Interest-bearing liabilities	—	—	56,133	114,122	—	170,255	7.27%
Total financial liabilities	—	—	56,133	114,122	14,268	184,523	
Off-balance-sheet financial instruments							
Derivative financial instruments – receivable**	—	—	—	—	—	—	
Interest rate swaps nominal value	—	—	2,100	—	—	—	

* Weighted average effective interest rate was computed on a monthly basis.

** Notional principal amounts for futures contracts.

Note 16 – Financial instruments (continued)

b) Credit risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge their financial obligation. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

Trade debtors are due within 28 days of service date. Pilotage debtors are due within 21 days of invoice date. Miscellaneous debtors are due within seven days of invoice date. Lease rental payments are payable on or before the due date as stated in each lease agreement. Trade and other creditors are settled within 28 days of invoice date.

Credit risk by classification of counter-party:

	Governments		Banks		Other		Total	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Financial assets								
Cash	663	564	2,076	1,094	—	—	2,739	1,658
Receivables	619	543	2	1	11,576	12,750	12,197	13,294
Investments	80,348	56,434	—	—	—	—	80,348	56,434
Total financial assets	81,630	57,541	2,078	1,095	11,576	12,750	95,284	71,386

The only significant concentration of credit risk arises from investments with NSW TCorp, which represent 84 per cent of total financial assets (79 per cent at 30 June 2004). The largest single debtor included in receivables totals \$0.473 million (\$0.619 million at 30 June 2004) and is 0.49 per cent of total financial assets (0.87 per cent at 30 June 2004).

c) Net fair value

All financial instruments are carried at net fair value unless stated otherwise. The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, which are carried at balance date on a basis other than net fair value, are as follows:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Financial assets				
Cash	2,739	1,658	2,739	1,658
Receivables	12,197	13,294	12,197	13,294
Investments	80,348	56,434	80,348	56,434
Total financial assets	95,284	71,386	95,284	71,386
Financial liabilities				
Creditors	11,969	14,268	11,969	14,268
Interest-bearing liabilities	171,371	170,255	182,529	177,837
Total financial liabilities	183,340	184,523	194,498	192,105

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 16 – Financial instruments (continued)

d) Derivative financial instruments

The nature of the consolidated entity's business gives rise to gaps in maturity of its cash flows and to exposures arising from possible changes in the re-pricing of financial positions on their maturity. The identifiable risks that arise from such gaps, exposures and policies have been established to prudentially monitor and limit those risks. In managing such risks, derivative financial instruments have been used. These instruments are managed by NSW Treasury Corporation.

A derivative financial instrument is a contract or agreement whose value is derived from the value of the underlying instrument, reference rate or index. Derivative financial instruments (futures contracts) are used to alter and modify the natural risks inherent in the statement of financial position. Futures contracts are used to hedge financial exposures arising from interest-bearing liabilities, thereby limiting the risk that changes in interest rates will adversely affect profit. These are managed and executed by NSW Treasury Corporation.

Net exposure

The market values of transactions in derivative financial instruments outstanding at year-end are as follows:

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Derivative financial instruments payable/(receivable)				
Exchange traded futures (market value)	(10)	—	(10)	—

Note 17 – Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2005 but not otherwise brought to account have been assessed at \$1.749 million including GST (\$0.049 million including GST at 30 June 2004). The \$1.749 million includes input tax credits of \$0.159 million (\$0.004 million at 30 June 2004) 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	850	—	—
Roadways	—	—	—
Wharves, jetties and breakwaters	—	—	—
Plant	899	—	—
Total including GST	1,749	—	—

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 18 – Operating lease commitments

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Payable				
Operating lease expenditure commitments contracted for at balance date, but not recognised in the financial statements, are payable as follows:				
Not later than one year	1,575	1,594	1,572	1,591
Later than one and not later than five years	3,295	4,599	3,293	4,594
Later than five years	—	—	—	—
Total including GST	4,870	6,193	4,865	6,185

The above total includes input tax credits of \$0.443 million (\$0.563 million at 30 June 2004) that are expected to be recoverable from the Australian Taxation Office. The expenditure commitments relate to rent, computers and office equipment.

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Receivable				
Operating lease minimum income commitments for non-cancellable leases not recognised in the financial statements are receivable as follows:				
Not later than one year	36,386	24,363	36,386	24,363
Later than one and not later than five years	83,770	78,054	83,770	78,054
Later than five years	164,215	161,882	164,215	161,882
Total including GST	284,371	264,299	284,371	264,299

The above includes GST output tax of \$25.746 million (\$24.027 million at 30 June 2004) 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 19 – Contingent liabilities and contingent assets

The estimated value of liability claims against the consolidated entity at 30 June 2005 is \$0.250 million (\$0.310 million at 30 June 2004). The estimated recovery (contingent assets) is nil (\$0.060 million as at 30 June 2004).

Note 20 – Consultancy fees

Total fees paid and payable to consultants engaged in capital and operating projects during the year was \$0.150 million (nil in 2003–04).

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 21 – Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks (net of any outstanding bank overdraft) and short-term investments in money market instruments which are classified as current assets. Cash at 30 June 2005, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated 2005 \$000	Consolidated 2004 \$000	Corporation 2005 \$000	Corporation 2004 \$000
Cash assets	2,739	1,658	2,289	1,554
Other financial assets (current investments)	80,348	56,434	80,348	56,236
Cash at the end of the financial year	83,087	58,092	82,637	57,790
(b) Reconciliation of profit on ordinary activities after income tax equivalent to net cash provided by operating activities				
Profit on ordinary activities after income tax equivalent	42,551	35,179	42,453	34,917
Depreciation	13,829	13,270	13,645	13,157
Amortisation of discount on interest-bearing liabilities	149	505	149	505
Net loss/(profit) on sale of interest-bearing liabilities	967	342	967	342
Net loss/(profit) on sale of non-current assets	33	29	33	29
Assets written off	171	10	171	7
	57,700	49,335	57,418	48,957
Net movement in assets and liabilities applicable to operating activities				
(Increase)/decrease in receivables	1,098	1,012	1,040	1,000
(Increase)/decrease in inventories	—	33	—	—
(Increase)/decrease in other assets	(3,577)	(2,071)	(3,742)	(2,036)
(Decrease)/increase in payables	(5,500)	5,314	(5,199)	5,256
(Decrease)/increase in provisions	2,556	(725)	2,824	(694)
Net cash provided by operating activities	52,277	52,898	52,341	52,483

The Corporation had the following credit facilities in place at 30 June 2005:

- 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.

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 22 – Controlled entity

The consolidated financial statements at 30 June 2005 include the following controlled entity. The financial years for the controlled entity are the same as those for the parent entity.

Name of Controlled Entity	Note(s)	Place of Incorporation	Percentage of shares held at 30 June 2005
Sydney Pilot Service Pty Ltd	(a)	Australia	100

Key figures for the Corporation and its controlled entity:

	Total revenue from ordinary activities		Profit (loss) from ordinary activities before income tax expense		Total property, plant and equipment at 30 June	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Sydney Ports Corporation	147,090	132,374	61,275	51,415	847,010	726,505
Sydney Pilot Service Pty Ltd	9,523	9,096	140	374	3,020	2,214

Note 23 – Directors' remuneration and loans

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 \$0.297 million (\$0.295 million in 2003–04). Directors' remuneration for the subsidiary company for the year was \$0.019 million (\$0.019 million in 2003–04). Three Directors of the Corporation were also Directors of the subsidiary company. During the year no loans were made to Directors.

Note 24 – Related party transactions

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 2004–05 a loan of \$1.000 million was provided to the subsidiary company by the Corporation (\$0.550 million in 2003–04).

Other Transactions

During the financial year a number of transactions occurred between the Corporation and the subsidiary company. 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.

Directors

Details of Directors' remuneration are set out in note 23. No transactions occurred by the consolidated entity with Director-related entities. Three Directors of the Corporation were also Directors of the subsidiary company.

Note 25 – Events occurring after reporting date

In accordance with Australian Accounting Standard AAS8, *Events Occurring After Reporting Date*, the following information is provided:

On 10 October 2005 the NSW State Government announced car imports currently being handled in Sydney Harbour's Glebe Island will relocate to Port Kembla from late 2008. A subsequent NSW State Government announcement on the same day stated that "Port lands at Glebe Island and White Bay will remain a dedicated maritime precinct..." At this time it is not possible to quantify or value the longer term effects of these announcements, including the effect on the current lease arrangements or the valuation of the Corporation's Sydney Harbour property.

Following the Corporation's Environmental Impact Study application for the expansion of Port Botany, the NSW State Government announced on 14 October 2005 the approval for the construction of a new 51-hectare four berth terminal at Brotherson Dock North, Port Botany to provide for growth in container trade. In addition, the NSW State Government has agreed to examine the best location for a fifth berth to be included as part of the development. The conditions of the approval are currently being reviewed and assessed.

Note 26 – Segment Reporting

In accordance with AASB1005, *Segment Reporting*, the following information is provided:

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 27 – AASB 1047 *Disclosing the impacts of adopting Australian equivalents to international financial reporting standards*

The Corporation will apply the Australian equivalents to International Financial Reporting Standards (AIFRS) from 2005–06. The following strategy is being implemented to manage the transition to AIFRS:

- A project team has been established and is overseeing the transition.
- A detailed diagnostic review of all accounting policies and procedures to identify differences between current accounting standards and AIFRS has been carried out by Ernst & Young.
- Advising the Board of progress throughout the project and of the major areas of impact identified.
- Preparing a balance sheet at 1 July 2004 under AIFRS for comparative purposes.
- Preparing financial statements under AIFRS for 2004–05 for comparative purposes.
- Identifying system changes required.
- Meeting NSW Treasury target dates for the completion of certain tasks.
- Providing staff with internal and external training.

To date, the following progress has been made:

- Issues affecting the Corporation that were identified in the detailed diagnostic review have been researched and the appropriate changes are ready for implementation.
- The Board has continued to receive updates throughout the project.
- The final opening balance sheet at 1 July 2004 under AIFRS has been signed off by Ernst & Young.
- System changes have been identified and are being modified as required.
- To date, all NSW Treasury target dates have been met. The final opening balance sheet at 1 July 2004 under AIFRS has been forwarded to NSW Treasury.
- Ernst & Young has conducted internal training courses for relevant staff on specific areas of change. Staff members have also attended external training courses. Relevant staff also attended NSW Treasury's seminar on 2 June 2005.
- The Audit Office of NSW has reviewed the Corporation's readiness and opening balance sheet at 1 July 2004.

Note 27 – AASB 1047 Disclosing the impacts of adopting Australian equivalents to international financial reporting standards (continued)

The Corporation has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AIFRS requirements are different from existing AASB requirements applying Australian Generally Accepted Accounting Principles (AGAAP). Other impacts are likely to arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as "indicative mandates").

Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AIFRS on the Corporation's equity and profit/loss. The Corporation does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The Corporation's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005–06.

(a) Reconciliation of key aggregates

Reconciliation of equity under existing Standards (AGAAP) to equity under AIFRS:	Note(s)	30 June 2005** \$000	1 July 2004* \$000
Total equity under AGAAP		736,008	586,136
Adjustments to accumulated funds			
Effect of valuing assets individually rather than by class	1	(7,600)	(7,186)
Write back asset revaluation reserve for investment properties	2	311,586	228,150
Defined benefit superannuation adjustment for change in discount rate	3	(12,222)	(6,242)
Tax effect adjustment	4	(88,709)	(65,093)
Adjustments to other reserves			
Effect of valuing assets individually rather than by class	1	7,600	7,186
Write back asset revaluation reserve for investment properties	2	(311,586)	(224,150)
Tax effect adjustment	4	(44,741)	(33,102)
Total equity under AIFRS		590,336	485,699

* adjustments as at the date of transition.

** cumulative adjustments as at date of transition plus the year ended 30 June 2005.

Sydney Ports Corporation

Notes to and forming part of the financial statements

Note 27 – AASB 1047 *Disclosing the impacts of adopting Australian equivalents to international financial reporting standards* (continued)

Reconciliation of surplus under AGAAP to surplus under AIFRS:	Note(s)	Year ended 30 June 2005 \$000
Net profit after income tax equivalent under AGAAP		42,551
Effect of valuing assets individually rather than by class	1	(414)
Income on investment properties from revaluation	2	79,162
Write back of depreciation on investment properties	2	4,274
Defined benefit superannuation	3	(5,980)
Income tax expense	4	(23,616)
Net profit after income tax equivalent under AIFRS		95,977

Notes to tables above

1. AASB 116 *Property, Plant and Equipment* require for-profit entities to recognise revaluation increments and decrements on an individual basis, rather than a class basis. This change will decrease accumulated funds and increase the asset revaluation reserve.
2. Under AASB 140 *Investment Property* and Treasury's indicative mandates, investment property will be recognised at fair value. In contrast to their current treatment as property, plant and equipment, investment property recognised at fair value will not be depreciated and changes in fair value will be recognised in the operating statement rather than the asset revaluation reserve. This means that any asset revaluation reserve balances relating to such property will be written back to accumulated funds.
3. AASB 119 *Employee Benefits* requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. As the Corporation's superannuation obligation is not assumed by the Crown, this will cause a decrease in the defined benefit superannuation asset (currently the Corporation is in an overfunded position). This will also change the quantum of the superannuation expense/income.
4. AASB 112 *Income Taxes* uses a balance sheet approach which requires the differences between the accounting and tax value of assets and liabilities to be recognised as deferred tax assets or liabilities. Current AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to revalued assets that are generally not recognised under current AGAAP. This also changes the quantum and timing of the tax expense.

(b) Financial Instruments

In accordance with NSW Treasury's indicative mandates, the Corporation will apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit/loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

End of audited financial statements

Sydney Ports Corporation

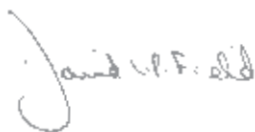
Directors' Statement

In the opinion of the Directors of Sydney Ports Corporation:

1. The Financial Statements and Notes:

- a) Exhibit a true and fair view of the financial position of the Corporation and the consolidated entity at 30 June 2005 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, Urgent Issues Group Consensus Views and 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 2000*.
2. There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable, and
3. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the Financial Statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.



D.L.P. Field
Chairman

Date: 18 October 2005



G.J. Martin
Chief Executive Officer

Date: 18 October 2005

INDEPENDENT AUDIT REPORT
SYDNEY PORTS CORPORATION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Sydney Ports Corporation:

- (a) presents fairly the Corporation's and the consolidated entity's financial position as at 30 June 2005 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of Sydney Ports Corporation. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes for Sydney Ports Corporation and the consolidated entity. The consolidated entity comprises Sydney Ports Corporation and the entities controlled at the year's end or during the financial year.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material misstatement*.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does *not* examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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.



David Jones, FCPA
Director, Financial Audit Services

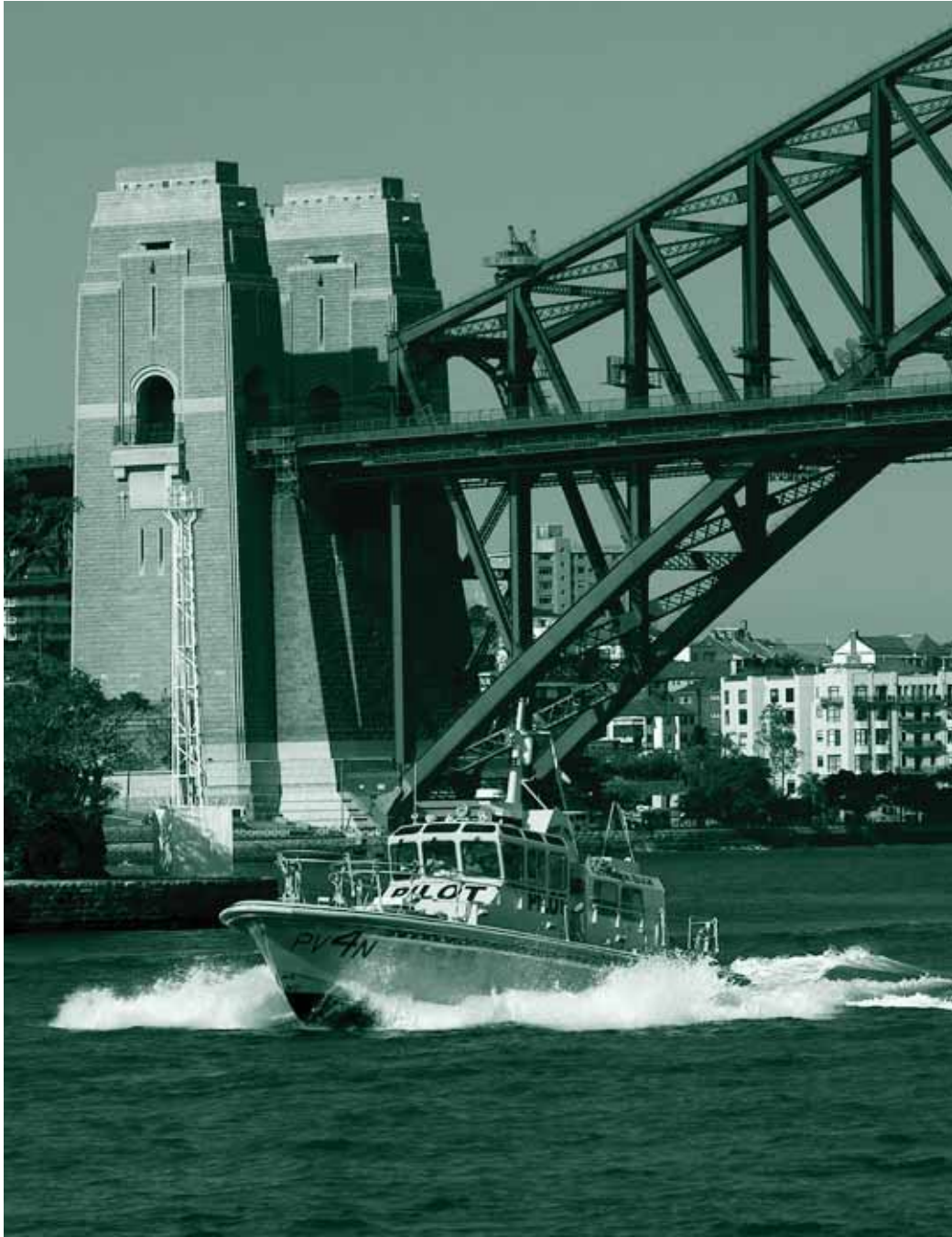
SYDNEY
19 October 2005

Sydney Ports Corporation

Statement of land holdings at 30 June 2005

Land is disclosed in the financial statements under the asset grouping "Land and buildings" within property, plant and equipment. 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 statement of financial position valuations.

	Consolidated 2005 \$000	Corporation 2005 \$000
Land and buildings		
Land	554,063	554,063
Buildings	76,645	76,645
Total	630,708	630,708
Other property, plant and equipment		
Roadways	9,110	9,110
Wharves, jetties and breakwaters	185,414	185,414
Plant	24,798	21,778
Total property, plant and equipment (as per statement of financial position)	850,030	847,010



Sydney Pilot Service Pty Ltd

Financial Statements for the year ended 30 June 2005

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Beginning of audited financial statements

Sydney Pilot Service Pty Ltd

Statement of Financial Performance for the year ended 30 June 2005

	Note(s)	2005 \$000	2004 \$000
Revenue from ordinary activities	2	9,523	9,096
Borrowing costs expense	3	51	20
Other expenses from ordinary activities	3	9,332	8,702
Total expenditure from ordinary activities		9,383	8,722
Profit from ordinary activities before income tax equivalent expense		140	374
Income tax equivalent expense relating to ordinary activities	4 (a)	42	112
Net profit attributable to members of Sydney Pilot Service Pty Ltd		98	262
Total changes in equity other than those resulting from transactions with owners as owners	13	98	262

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

Sydney Pilot Service Pty Ltd

Statement of Financial Position at 30 June 2005

	Note(s)	2005 \$000	2004 \$000
Current assets			
Cash assets	19 (a)	450	104
Receivables	5	632	733
Inventories	6	29	29
Other financial assets	7	—	198
Other	8	163	328
Total current assets		1,274	1,392
Non-current assets			
Receivables	5	232	260
Property, plant and equipment	9	3,020	2,214
Total non-current assets		3,252	2,474
Total assets		4,526	3,866
Current liabilities			
Payables	10	991	1,148
Provisions	12	76	198
Total current liabilities		1,067	1,346
Non-current liabilities			
Payables	10	2	15
Interest-bearing liabilities	11	1,550	550
Provisions	12	357	503
Total non-current liabilities		1,909	1,068
Total liabilities		2,976	2,414
Net assets		1,550	1,452
Equity			
Contributed equity	13	1,120	1,120
Reserves	13	—	—
Retained profits	13	430	332
Total equity	13	1,550	1,452

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

Sydney Pilot Service Pty Ltd

Statement of cash flows for the year ended 30 June 2005

	Note(s)	2005 \$000 Inflow/ (Outflow)	2004 \$000 Inflow/ (Outflow)
Cash flows from operating activities			
Cash receipts in the course of operations		10,558	9,864
Cash payments in the course of operations		(10,506)	(9,225)
Interest received		20	28
Borrowing costs		(51)	(20)
Income tax equivalent paid to parent entity	4 (b)	(85)	(232)
Net cash provided by operating activities	19 (b)	(64)	415
Cash flows from investing activities			
Payments for property, plant and equipment		(788)	(1,419)
Proceeds from sale of property, plant and equipment		—	—
Proceeds from parent entity		—	—
Net cash used in investing activities		(788)	(1,419)
Cash flows from financing activities			
Loan from parent entity		1,000	550
Repayment of borrowings		—	—
Dividends paid		—	—
Net cash used in financing activities		1,000	550
Net increase/(decrease) in cash held		148	(454)
Cash at the beginning of the financial year		302	756
Cash at the end of the financial year	19 (a)	450	302

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

Note 1 – Summary of significant accounting policies

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

a) Basis of accounting

The financial statements are a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus views and the *Public Finance and Audit Act 1983* and the *Regulations 2000*.

Sydney Pilot Service Pty Ltd commenced operations on 26 October 2002 as a wholly owned subsidiary of Sydney Ports Corporation. In this financial report, Sydney Pilot Service Pty Ltd will be referred to as "SPS"; Sydney Ports Corporation as "the Corporation". The economic entity comprising SPS and the Corporation 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. The accounting policies adopted are consistent with those of the previous year. 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.

b) Cash in the Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks (net of any outstanding bank overdraft) and short-term investments in securities with the NSW Treasury Corporation, which are classified under current assets. Cash at the end of the period, as shown in the Statement of Cash Flows, is reconciled to the relevant items in the Statement of Financial Position (refer to note 19a).

c) Bad and doubtful debts

Bad debts are written off against the provision for doubtful debts after thorough investigation and exhaustion of recovery processes. Regular reviews were conducted during the year to determine the adequacy of the level of the provision for doubtful debts.

d) Inventories

Inventories have been valued at the lower of cost and net realisable value on an item-by-item basis.

e) Other financial assets (investments)

Investments are carried at net fair value. Interest revenue is recognised when receivable.

f) Operating leases

Operating lease assets are not capitalised and rental payments are recognised as an expense in the period in which they are consumed.

g) Valuation of 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.

h) Capitalisation of property, plant and equipment

Property, plant and equipment in excess of \$1,000 are capitalised where they are expected to provide future economic benefits for more than one reporting period. Only those assets completed and ready for service are taken into 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 Statement of Financial Position.

i) 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 in accordance with Australian Accounting Standard AAS4, *Depreciation of Non-Current Assets*. The remaining useful lives of assets were reassessed during the year with no changes required. The expected design life of new depreciable assets at 30 June 2005 is:

- Plant: 2 to 40 years.

Note 1 – Summary of significant accounting policies (continued)

j) 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 Statement of Financial Performance.

k) Interest-bearing liabilities

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

l) Employee benefits

Benefits for annual leave have been provided at the amount expected to be paid when the liabilities are settled. Appropriate on-costs are included. 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 using market yields at the reporting date on national government bonds and terms to maturity that match, as closely as possible, the estimated future cash outflows. Appropriate on-costs are included. The portion expected to be settled within 12 months of the reporting date is recognised as the current provision; the portion expected to be settled more than 12 months from the reporting date is recognised as the 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.

m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.
- Interest revenue is recognised when receivable.
- 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, and this amount is included in revenue.
- 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.

Note 1 – Summary of significant accounting policies (continued)

n) Income Tax Equivalent

The consolidated entity entered the tax consolidation regime at 1 July 2003. As a consequence, the Corporation, as the head entity in the consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of SPS as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable, under an accounting sharing agreement between the tax consolidated entities, are recognised separately 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.

o) 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.

p) Financial instruments

Financial instruments give rise to positions that are financial assets of either SPS or its counterparty and financial liabilities (or equity instruments) of the other party. These include cash, receivables, investments, creditors, interest-bearing liabilities and derivative financial instruments (futures contracts). In accordance with AAS33, *Presentation and Disclosure of Financial Instruments*, information is disclosed in note 14 about credit risk and interest rate risk of financial instruments. All such amounts are carried in the accounts at net fair value unless otherwise stated. The specific accounting policy for each class of such financial instruments is stated as follows:

Classes of instruments recorded at cost comprise:

- cash
- receivables, and
- payables.

Classes of instruments recorded at market or net fair value comprise:

- investments, and
- derivative financial instruments.

All financial instruments, including revenue, expenses or other cash flows arising from instruments, are recognised on an accrual basis.

q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an expense item. Receivables and payables are stated with the amount of GST included. Accrual items are also shown in the Statement of Financial Position inclusive of GST where applicable.

The net amount of GST owing to the ATO, or refundable from the ATO, is shown as a Payable or Receivable in the Statement of Financial Position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the ATO is classified as operating cash flow.

r) Rounding amounts to the nearest thousand dollars

In the financial statements, all amounts are recorded in Australian Dollars and have been rounded to the nearest thousand dollars (shown as \$000) unless appropriate to show whole dollars.

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 2 – Revenue from ordinary activities

	2005 \$000	2004 \$000
Revenue from operating activities		
Pilotage revenue	9,247	8,871
	9,247	8,871
Other revenue		
Interest received	21	28
Miscellaneous sources	255	197
	276	225
Total revenue from ordinary activities	9,523	9,096

Note 3 – Expenditure from ordinary activities

	Note(s)	2005 \$000	2004 \$000
Salaries and wages		5,202	4,814
Employee benefits expense:			
Annual leave	12	685	558
Long-service leave	12	15	141
Retirement benefits (superannuation) – accumulation		243	220
Other expenses from ordinary activities:			
Service contractors		338	402
Utilities and communications		25	22
Indirect taxes		413	443
Depreciation	9	184	113
Doubtful debts	5 (b)	2	1
Auditors' remuneration from review of the financial reports		23	17
Directors' remuneration	20	19	19
Consultants' fees		—	—
Rental on operating leases		326	330
Insurance		583	341
Materials		494	464
Other operations and services		780	817
Other expenses from ordinary activities		9,332	8,702
Borrowing costs expense		51	20
Total expenditure from ordinary activities		9,383	8,722

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 4 – Taxation

	Note(s)	2005 \$000	2004 \$000
(a) Income tax equivalent expense			
The difference between income tax equivalent expense provided in the financial statements and the prima facie income tax equivalent expense is reconciled as follows:			
Profit on ordinary activities before income tax equivalent		140	374
Prima facie tax thereon at 30%		42	112
Add/(less) tax effect of permanent and other differences:		—	—
Total income tax equivalent attributable to operating profit		42	112
Total income tax equivalent comprises movements in:			
Current tax equivalent liabilities		27	155
Deferred tax equivalent liabilities		(13)	8
Deferred tax equivalent assets		28	(51)
		42	112
(b) Current tax equivalent liabilities under Tax Consolidation Agreement			
Opening balance tax payable to parent		85	162
Income tax equivalent paid to parent entity		(85)	(232)
Over provision for income tax equivalent in prior years		—	—
Income tax equivalent payable on operating profit		27	155
Closing balance tax payable to parent	10	27	85
(c) Deferred tax equivalent assets receivable from parent			
Attributable to timing differences:			
Provisions for employee entitlements		130	121
Accrued expenditure		86	123
Other		16	16
Receivable from parent	5	232	260
(d) Deferred tax equivalent liabilities payable to parent			
Attributable to timing differences:			
Depreciation		(8)	(2)
Income receivable		10	17
Payable to parent	10	2	15

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 5 – Receivables

	Note(s)	2005 \$000	2004 \$000
Current			
Trade debtors		557	636
Other debtors		36	10
Accrued income (a)		54	100
		647	746
Less: Provision for doubtful debts (b)		(15)	(13)
		632	733
Non-current			
Tax related receivable	4 (c)	232	260
		232	260
(a) Accrued income comprises:			
Operating income		52	99
Bank interest		2	1
Total accrued income		54	100
(b) Provision for doubtful debts – current			
Opening balance		13	12
Add: Current year's charge		2	1
		15	13
Less: Bad debts written off		—	—
Closing balance		15	13

Based on a review of debtors, an appropriate provision is carried for doubtful debts.

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 6 – Inventories

	2005 \$000	2004 \$000
Stores and materials:		
– at the lower of cost and net realisable value.	29	29
	29	29

Note 7 – Other financial assets

	2005 \$000	2004 \$000
The investment is:		
Cash Facility Trust	—	198
	—	198

SPS 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.

Note 8 – Other current assets

	2005 \$000	2004 \$000
Prepayments		
Operating expenditure prepayments	163	212
Annual leave (paid in advance)	—	116
	163	328

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 9 – Property, plant and equipment

	2005 \$000	2004 \$000
Carrying Amounts		
Plant (at fair value)	3,272	2,310
Less: Accumulated depreciation	(336)	(152)
	2,936	2,158
Add: Construction in progress	84	56
Total property, plant and equipment	3,020	2,214
Movement in property, plant and equipment:		
Plant		
Opening balance	2,158	731
Add: From construction in progress	962	1,543
	3,120	2,274
Less: Depreciation charge	(184)	(113)
Disposals	—	—
Write-offs	—	(3)
Closing balance	2,936	2,158
Movement in construction in progress:		
Opening balance	56	550
Add: Acquisitions	990	1,049
	1,046	1,599
Less: To property, plant and equipment	(962)	(1,543)
Closing balance	84	56

Note 10 – Payables

	Note(s)	2005 \$000	2004 \$000
Current			
Trade creditors		26	54
Other creditors		938	1,009
Tax related payable	4 (b)	27	85
		991	1,148
Non-current			
Tax related payable	4 (d)	2	15
		2	15

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 11 – Interest-bearing liabilities

	2005 \$000	2004 \$000
Non-current		
Loan from parent entity	1,550	550
	1,550	550

During the year SPS received a \$1.000 million loan from the parent entity. There is no maturity date for this loan.

Note 12 – Provisions

	2005 \$000	2004 \$000
Current		
Employee benefits, including on-costs	76	198
	76	198
Non-current		
Employee benefits, including on-costs	357	503
	357	503

Movement in provisions	Balance 30 June 2004 \$000	Current charge against revenue \$000	Payments \$000	Other transfers \$000	Balance 30 June 2005 \$000
Current					
Employee benefits, including on-costs:					
Annual Leave	—	685	(557)	(116)	12
Long-service leave	—	161	(97)	—	64
Voluntary separations	198	34	(232)	—	—
	198	880	(886)	(116)	76
Non-current					
Employee benefits, including on-costs:					
Long-service leave	503	(146)	—	—	357
	503	(146)	—	—	357

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 13 – Equity

SPS was established as a wholly owned subsidiary of the Corporation on 30 July 2002 and commenced operations on 26 October 2002. SPS has one shareholder being Sydney Ports Corporation.

	2005 \$000	2004 \$000
Equity		
Contributed equity	1,120	1,120
Reserves	—	—
Retained profits	430	332
Total equity at the end of the financial year	1,550	1,452
Movement in contributed equity		
Opening balance	1,120	1,120
Add/less movement	—	—
Closing balance	1,120	1,120
Movement in retained profits		
Opening balance	332	70
Add net profit after income tax	98	262
Closing balance	430	332

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 14 – Financial instruments

a) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates. SPS's exposure to interest rate risk and the effective interest rates of financial assets and liabilities, both recognised and unrecognised at the reporting date, are as follows:

2005 Financial instruments	Floating interest rate	Fixed Interest rate maturing in:			Non- interest bearing	Total carrying amount as per the statement of financial position	Weighted average effective interest rate*
		1 year or less	From 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
Financial assets							
Cash	449	—	—	—	1	450	4.58%
Receivables	—	—	—	—	601	601	n/a
Investments	—	—	—	—	—	—	n/a
Total financial assets	449	—	—	—	602	1,051	
Financial liabilities							
Payables	—	—	—	—	791	791	n/a
Interest-bearing liabilities	1,550	—	—	—	—	1,550	5.33%
Total financial liabilities	1,550	—	—	—	791	2,341	
Off-balance-sheet financial instruments							
Derivative financial instruments**	—	—	—	—	—	—	
Interest rate swap nominal value	—	—	—	—	—	—	

* Weighted average effective interest rate was computed on a monthly basis.

** Notional principal amounts for futures contracts.

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 14 – Financial instruments (continued)

2004

Financial instruments	Floating interest rate	Fixed Interest rate maturing in:			Non- interest bearing	Total carrying amount as per the statement of financial position	Weighted average effective interest rate*
		1 year or less	From 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
Financial assets							
Cash	103	—	—	—	1	104	4.39%
Receivables	—	—	—	—	724	724	n/a
Investments	198	—	—	—	—	198	5.23%
Total financial assets	301	—	—	—	725	1,026	
Financial liabilities							
Payables	—	—	—	—	810	810	n/a
Interest-bearing liabilities	550	—	—	—	—	550	5.11%
Total financial liabilities	550	—	—	—	810	1,360	
Off-balance-sheet financial instruments							
Derivative financial instruments**	—	—	—	—	—	—	
Interest rate swap nominal value	—	—	—	—	—	—	

* Weighted average effective interest rate was computed on a monthly basis.

** Notional principal amounts for futures contracts.

Notes to and forming part of the financial statements

Note 14 – Financial instruments (continued)

b) Credit risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge their financial obligation. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

Trade debtors are due within 21 days of invoice date. Miscellaneous debtors are due within seven days of invoice date. Trade and other creditors are settled within 28 days of invoice date.

Credit risk by classification of counter-party:

	Governments		Banks		Other		Total	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Financial assets								
Cash	1	1	449	103	—	—	450	104
Receivables	36	68	2	1	563	655	601	724
Investments	—	198	—	—	—	—	—	198
Total financial assets	37	267	451	104	563	655	1,051	1,026

The only significant concentration of credit risk arises from cash held with the Commonwealth Bank, which is 43 per cent of total financial assets (19 per cent at 30 June 2004 with NSW Treasury Corporation). The largest single debtor included in receivables totals \$0.067 million (\$0.075 million at 30 June 2004) and is 6 per cent of total financial assets (7 per cent at 30 June 2004).

c) Net fair value

All financial instruments are carried at net fair value unless stated otherwise. The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, which are carried at balance date on a basis other than net fair value, are as follows:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Financial assets				
Cash	450	104	450	104
Receivables	601	724	601	724
Investments	—	198	—	198
Total financial assets	1,051	1,026	1,051	1,026
Financial liabilities				
Creditors	791	810	791	810
Interest-bearing liabilities	1,550	550	1,550	550
Total financial liabilities	2,341	1,360	2,341	1,360

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 15 – Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2005 but not otherwise brought to account have been assessed at nil (nil at 30 June 2004).

Note 16 – Operating lease commitments

	2005 \$000	2004 \$000
Payable		
Operating lease expenditure commitments contracted for at balance date, but not recognised in the financial statements are payable as follows:		
Not later than one year	3	3
Later than one and not later than five years	2	5
Later than five years	—	—
Total including GST	5	8

The above total includes input tax credits of \$412.00 (\$673.00 at 30 June 2004) that are expected to be recoverable from the Australian Taxation Office. The expenditure commitments relate to office equipment.

Note 17 – Contingent liabilities and contingent assets

The estimated value of liability claims against SPS at 30 June 2005 is nil (nil at 30 June 2004).

Note 18 – Consultancy fees

No fees were paid or payable to consultants during the year (nil in 2003–04).

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 19 – Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks (net of any outstanding bank overdraft) and short-term investments in money market instruments which are classified as current assets. Cash at 30 June 2005 as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2005 \$000	2004 \$000
Cash assets	450	104
Other financial assets (current investments)	—	198
Cash at the end of the financial year	450	302

(b) Reconciliation of profit on ordinary activities after income tax equivalent to net cash provided by operating activities

Profit on ordinary activities after income tax equivalent	98	262
Depreciation	184	113
Amortisation of discount on interest-bearing liabilities	—	—
Net loss/(profit) on sale of interest-bearing liabilities	—	—
Net loss/(profit) on sale of non-current assets	—	—
Assets written off	—	3
	282	378
Net movement in assets and liabilities applicable to operating activities		
(Increase)/decrease in receivables	150	(352)
(Increase)/decrease in inventories	—	33
(Increase)/decrease in other assets	165	(27)
(Decrease)/increase in payables	(393)	422
(Decrease)/increase in provisions	(268)	(39)
Net cash provided by operating activities	(64)	415

Note 20 – Directors' remuneration and loans

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 \$0.019 million (\$0.019 million in 2003–04). Three Directors of SPS were also directors of the Corporation. During the year no loans were made to Directors.

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 21 – Related party transactions

Wholly owned group

Sydney Ports Corporation established a wholly owned subsidiary, Sydney Pilot Service Pty Ltd, on 30 July 2002 to carry out pilotage services in Sydney Harbour and Botany Bay. SPS commenced operations on 26 October 2002. An injection of capital was made of \$1.120 million in order to purchase assets and fund working capital of the subsidiary. During 2004–05 a loan from the Corporation was received for \$1.000 million (\$0.550 million in 2003–04).

Other transactions

During the financial year a number of transactions occurred between SPS and the Corporation. Expenditure paid by the Corporation on behalf of SPS was recovered at cost. Management, accounting, human resources, information technology and other services were provided to SPS through a management fee based on cost recovery. This amount is included within "Other Operations and Services" in note 3.

Directors

Details of Directors' remuneration are set out in note 20. No transactions occurred between SPS and Director related entities. Three Directors of SPS were also Directors of the Corporation.

Note 22 – Events occurring after reporting date

In accordance with Australian Accounting Standard AAS8, *Events Occurring After Reporting Date*, there are no known events occurring after the reporting date that materially affect the financial statements.

Note 23 – Segment Reporting

In accordance with AASB1005, *Segment Reporting*, the following information is provided:

Business segments: SPS provides some of the services under the business segment of the consolidated entity. This segment is the 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.

Sydney Pilot Service Pty Ltd

Notes to and forming part of the financial statements

Note 24 – AASB 1047, *Disclosing the impacts of adopting Australian equivalents to international financial reporting standards*

SPS will apply the Australian equivalents to International Financial Reporting Standards (AIFRS) from 2005–06. The following strategy is being implemented to manage the transition to AIFRS:

- A project team has been established and is overseeing the transition.
- A detailed diagnostic review of all accounting policies and procedures to identify differences between current accounting standards and AIFRS has been carried out by Ernst & Young.
- Determining whether any system changes are required.
- Meeting NSW Treasury target dates for the completion of certain tasks.
- Providing staff with internal and external training.

To date, the following progress has been made:

- Issues affecting the Corporation that were identified in the detailed diagnostic review have been researched and the appropriate changes are ready for implementation.
- The final opening balance sheet at 1 July 2004 under AIFRS has been signed off by Ernst & Young. No changes were required to be made at 1 July 2004.
- No system changes have been identified.
- To date, all NSW Treasury target dates have been met. The final opening balance sheet at 1 July 2004 under AIFRS has been forwarded to NSW Treasury.
- Ernst & Young has conducted internal training courses for relevant staff on specific areas of change. Staff members have also attended external training courses. Relevant staff also attended NSW Treasury's seminar on 2 June 2005.
- The Audit Office of NSW has reviewed SPS's readiness and opening balance sheet at 1 July 2004.

There are no changes to equity under existing Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS at transition date (1 July 2004) or at 30 June 2005.

There are no changes to the surplus under AGAAP to the surplus under AIFRS for the year ended 30 June 2005.

Financial Instruments

In accordance with NSW Treasury's indicative mandates, SPS will apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit/loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

End of audited financial statements

Sydney Pilot Service Pty Ltd

Directors' Statement

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

1. The Financial Statements and Notes:

- a) Exhibit a true and fair view of the financial position of Sydney Pilot Service Pty Ltd at 30 June 2005 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, Urgent Issues Group Consensus Views and 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 2000*.

2. 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

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

Signed in accordance with a resolution of the Directors.



G.J. Martin
Chairman

Date: 18 October 2005



S.D. Hobday
Director

Date: 18 October 2005



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT SYDNEY PILOT SERVICE PTY LTD

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Sydney Pilot Service Pty Ltd:

- (a) presents fairly Sydney Pilots Service Pty Ltd's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of Sydney Pilot Service Pty Ltd. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an Independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Sydney Pilot Service Pty Ltd,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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.

David Jones, FCA
Director, Financial Audit Services

SYDNEY
19 October 2005



Sydney Ports Corporation

Statutory disclosures 2005

Funds granted to non-government community organisations

The following payments were made to non-government community organisations in 2004–05.

	\$
La Perouse Precinct Committee	500.00
Malcolm Sargent Cancer Fund for Children	1,200.00
St Vincents & Mater Health Sydney (Cancer Research)	1,000.00
Mission to Seafarers	2,500.00
MSB RSL Sub Branch	500.00
United Way Sydney 2004–05	25,000.00
United Way Sydney 2003–04 (paid 2004–05)	25,000.00
UN Refugee Agency	1,600.00
Rotary Club	100.00
Sydney Cancer Foundation	2,500.00

Annual Report Cost

The total external cost incurred in the production of 2,000 copies of the Sydney Ports Corporation 2005 Annual Report including the Sydney Pilot Service's (SPS) financial statements was \$60,000.

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* require a statutory body to include in its annual report statements of all exemptions, omissions, modifications and variations from reporting provisions which have been granted by the Treasurer 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	<i>Public Finance & Audit Regulation 2000</i> (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

Sydney Ports Corporation

Statutory disclosures 2005

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
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 PF&AR
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 2004–05 report.

2004–2005 Performance relative to the Statement of Corporate Intent

The material deviations from targets in the 2004–05 Statement of Corporate Intent are:

Increased Shareholder Value Added (SVA) as a result of Net Operating Profit After Tax (NOPAT) increasing due to growth in trade volumes.

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 2003–04 and 2004–05.

During the reporting period, no requests were transferred to another organisation or agency. No requests were carried forward to the reporting period 2004–05.

No reviews were requested either internally, to the Ombudsman or to the District Court during the reporting period.

Sydney Ports Corporation

Statutory disclosures 2005

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FOI applications and applications determined

	Personal		Other		Total	
	2004	2005	2004	2005	2004	2005
New	0	0	1	0	1	0
Completed	0	0	1	0	1	0
Granted in full	0	0	1	0	1	0
Refused (Exempt)	0	0	0	0	0	0
Information sought not held (application fees refunded)	0	0	0	0	0	0
Total processed	0	0	1	0	1	0

Days to process FOI applications

Elapsed time	Personal		Other	
	2004	2005	2004	2005
0–21 days	0	0	0	0
22–35 days	0	0	0	0
Over 35 days	0	0	1	0

Processing time

Processing hours	Personal		Other	
	2004	2005	2004	2005
0–10 hours	0	0	1	0
11–20 hours	0	0	0	0
Greater than 20 hours	0	0	0	0

During the period no Ministerial Certificates were issued, no formal consultations requested, no 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 which is observed by all staff and prescribes standards of behaviour and moral requirements expected of 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.

Sydney Ports Corporation

Statutory disclosures 2005

EEO Report

Sydney Ports Corporation is an equal employment opportunity employer. The Corporation has in place an EEO policy and the SPC Code of Conduct which prescribes the Corporation's commitment to EEO. These documents are easily available to all employees. Vacant positions are advertised internally and externally where appropriate. Recruitment and selection is based on EEO Policy and non-discriminatory principles.

The table below is a summary of our overall employee numbers and recruitment undertakings.

Overall employee number	Total number of female employees	Number of vacancies appointed	Number of female appointments	Number of NESB appointments
197	45 (22.84%)	13	7 (53.85%)	5 (38.46%)

Of the 45 women in permanent employment within the Corporation, three hold executive positions. The remaining 42 women are employed in managerial, professional/technical, supervisory or administrative roles.

There are a number of conditions of employment of all employees. These include flexible hours of work, aged and dependent care leave, sick leave, income protection insurance, personal leave, part-time work, study assistance and learning and development programs.

Female employees (including NESB) attended a total of 1,496 hours of training during the 2004–05 financial year. This is an average of 33 hours per female employee. NESB employees (including females and males) attended a total of 2,041 hours of training during the same period.

Total training cost for the Corporation was \$248,280. Training cost for female NESB employees was \$23,927 and \$50,317 for male NESB employees. A total of \$100,690 for all female including NESB employees was expended for the year. The total training cost for female and NESB employees accounts for 40.56 per cent of the total training costs.

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

Occupational Health and Safety

Sydney Ports has a commitment to providing a safe workplace for its employees and raising awareness of workplace occupational health and safety issues.

This commitment is achieved through workplace consultation with employees and hazard identification and risk assessment. In addition a number of other programs improve workplace safety.

A major initiative pursued by Sydney Ports Corporation in 2004–05 has been voluntary participation in the Premium Discount Scheme (PDS), a New South Wales Government initiative. In order to achieve this objective Sydney Ports Corporation commissioned an independent WorkCover accredited auditor to conduct the occupational health and safety audits required for the PDS.

Successful achievement of the audit targets has resulted in significant savings on Sydney Ports Corporation workers compensation premium. The PDS benchmarks criteria have had a longer term impact on business, encouraging innovative work practices and consultation between management and employees, and fostering a company wide culture of continuous improvement of occupational health and safety and safe work practices.

One lost time injury was sustained during the 2004–05 reporting period.

Reporting period	2001–02	2002–03	2003–04	2004–05
Number of lost time injuries	3	3	5	1

There has been an 80 per cent reduction in the number of lost time injuries during the reporting period. Sydney Ports Corporation actively investigates each incident and implements risk mitigation strategies.

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The one prosecution, (commenced in 2001) was finalised during the year under the Occupational Health and Safety Act relating to an accident that occurred in 2001. Since 2001, however, a number of changes have been introduced. The requirements of the PDS Audit have been achieved for two years running signifying the Corporation's commitment to safety and occupational health. Risk Assessments have been conducted and mitigation strategies implemented.

The Corporation has 19 fully trained OHS Committee Representatives who undertake active consultation with staff. The Occupational Health and Safety Consultative Committee continued its meetings on a regular basis, to monitor the overall performance of occupational health and safety initiatives, policies, procedures, processes and training, and to identify opportunities for the promotion and improvement of safe work practices.

Status Report on Ethnic Affairs Priority Statement

The Corporation is committed to both equity and diversity in the workplace.

In 2004–05 a number of initiatives contributed to the integration of equity and diversity at work. Achievements included:

- engagement of employees based on merit based recruitment practices.
- recruitment from a broad range of ethnic and cultural backgrounds through the engagement of seven women and five employees from non-english speaking background.
- employees continue to be encouraged to use their language skills through the payment of Community Language Classification Allowance.
- performance feedback and development opportunities continued to be applied consistently throughout the organisation to ensure equity in access to learning and development opportunities.
- work has commenced on the generation of an on-line learning and development strategy to further enhance opportunities for learning programs in management, leadership and a range of other programs.
- Sydney Ports has prepared a pamphlet in other languages to provide information to the community.
- provision of religious and cultural holidays.

The Corporation will continue to support cultural diversity throughout 2005–06. In addition and where required, translation services will be available to assist in communicating with the community.

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.

The plan details strategies for:

- (a) reducing the generation of waste (waste avoidance and minimisation)
- (b) resource recovery (waste reuse and recycling)
- (c) use of recycled materials (purchase of recycled content material), and
- (d) establishing a benchmark quantifying waste generated and recycled.

(a) Reducing the generation of waste (waste avoidance and minimisation)

Sydney Ports has a number of strategies in place to reduce the generation of pre-printed forms such as purchase orders and some invoices.

- installation of document centres thereby reducing the number of individual desk printers and associated consumables such as toner cartridges
- double sided printing where it is practicable
- e-mail as the preferred means of internal communication
- development of an Employee Self Service system whereby a number of Human Resources related issues and policies can be accessed online, and
- employees' pay details available in electronic format thereby eliminating paper based pay advice slips.

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(b) Resource recovery (waste re-use and recycling)

Sydney Ports is actively involved in recycling activities undertaken by the building managers whereby waste produced by employees on a daily basis is separated into paper and other (food, etc) and recycled. Other paper waste generated is collected and recycled by a private contractor.

Eighty five percent (85%) of toner cartridges are recycled.

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.

Sydney Ports has recycled varying demolition/construction generated material including steel, sandstone, concrete, rock and mixed waste. This material was reused for projects such as Lady Robinson Beach Restoration, construction of retaining walls and as general fill for roadworks.

(c) The use of recycled material (purchase of recycled – content materials)

Sydney Ports Corporation purchases low-waste products and products with recycled content where it is consistent with sound commercial practice and such products meet technical and operating standards.

Paper purchased with recycled content accounted for 26 per cent of the total plain paper purchased during 2004–05. Sydney Ports is working to further increase the purchase of recycled content paper in the 2005–06 year.

Other paper/cardboard based products with recycled content purchased during 2004–05 include lever arch board 100 per cent, suspension files 85 per cent, note books/pads and envelopes 61 per cent. Sixty seven percent (67 per cent) of toner cartridges purchased by Sydney Ports during the 2004/2005 year contained recycled materials (remanufactured units).

(d) Establishing a benchmark for quantifying waste generated and recycled

Sydney Ports undertook a Waste Audit during August 2003 to establish a benchmark for future measurement of waste generated and recycled. The Waste Audit Report was submitted to Resources NSW as part of the 2001–2003 WRAPP Report.

Publications

During the year, in addition to the Annual Report 2005, Sydney Ports Corporation printed and distributed the following publications:

- *Corporate Plan 2004–2008*
- *Port Security Newsletter* (A newsletter to staff informing them of current port security issues)
- *Ship & Shore Newsletter* (a quarterly newsletter to staff on the general activities of the Corporation and its employees)
- *Port Focus* (A newsletter outlining Corporation and customer activities distributed three times a year)
- *IT Update* (A newsletter to staff updating them on progress in the Information Services Unit)
- *Environment Report 2005* (A report on the Corporations environmental responsibilities and activities), and
- *Enfield Newsletter* (A newsletter to stakeholders and community about the proposed Intermodal Logistics Centre at Enfield).

The Sydney Ports Corporation website www.sydneyports.com.au was upgraded to include more information for customers and the general public.

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Consultancy fees

Total fees paid and payable to consultants engaged in capital and operating projects during the year was \$0.150 million (nil in 2003–04).

The main purpose of the engagements were:

- Financial advisory services.
- Advise on rail governance models for port operations.

Relevant legislation

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

Other significant legislation affecting the Corporation includes:

- *Dangerous Goods (General) Regulation 1999*
- *Marine Pollution Act 1987 and associated regulation*
- *Management of Waters and Waterside Lands Regulation – NSW*
- *Marine Pilotage Licensing Regulation 1995*
- *Marine Services Act 1935*
- *Navigation Act 1901*
- *Protection of the Environment Operations Act 1997*, and
- *Australian Maritime Transport Security Act 2003*.

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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 are selected in accordance with the procedures set out in the *Ports Corporatisation and Waterways Management 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 statements of the Corporation and risk management.
- The Remuneration Committee considers remuneration policies and practices, the remuneration of the executive management group and merit recognition arrangements.

The majority of the Corporation's staff are 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	
D.L.P. Field	11	10	4 December 2001 – 3 December 2004, 4 December 2004 – 3 December 2006
S. Kreiger	11	11	16 October 2002 – 15 October 2005
G.J. Martin	11	11	12 May 2004 – 15 April 2007
K.A.J. Murray	11	11	9 March 2004 – 8 March 2006
V.J. Smith	11	11	24 February 2004 – 31 December 2005
M. Sullivan	11	11	1 October 2002 – 30 September 2005
A. Tansey	11	10	16 October 2002 – 15 October 2005

A = Number of meetings eligible to attend during term or since appointment announced.

B = Number of meetings attended.

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Overseas travel July 2004 – June 2005

Name	Date	Destination	Purpose
Simon Barney	14–24 September 2004	Malaysia, Singapore, Hong Kong, China and Japan	Trade development visit and stakeholder briefings
Phil Rosser	14–24 September 2004	Malaysia, Singapore, Hong Kong, China and Japan	Trade development visit and stakeholder briefings
David Field	20–31 May 2005	China, Hong Kong	IAPH Biennial Conference and trade development and port operations visit
Colin Rudd	20–31 May 2005	China, Hong Kong	IAPH Biennial Conference, presenting paper on behalf of CEO and trade development and port operations visit

Salary Reporting

In reporting salaries for SES level 5 and above, the following information is provided for the year ended 30 June 2005.

Band	Total Positions as at 30th June 2005	Total employment cost range	Incentive range subject to performance against set objectives
1	1	\$290,000 – \$390,000	\$60,000 – \$90,000
2	3	\$190,000 – \$290,000	\$30,000 – \$60,000

Staff who are Members of External Committees

Association of Australian Port and Marine Authorities and Sub-Committees

Greg Martin – President from 2001

Australia Day Council

Bart Pacheco – Operations Advisor
Jenny Jones – Operations Co-ordinator

Australian Logistics Council

Simon Barney

Botany and Eastern Regional Environment Protection Association

Lisa Smith

Botany Bay Business Enterprise Centre

Shane Hobday – Director

Botany Bay Coastal Management Committee

Colin Rudd
Bruce Royds

Botany Rail Steering Group

Simon Barney – Chairman
Morgan Noon

Bulk Liquids Industry Association

Murray Fox

Caltex Australia Limited/Sydney Ports Co-ordination Committee

Roy Garth
Bart Pacheco

Commercial Vessels Users Group

Bart Pacheco

Cruise Down Under

Phil Rosser – Deputy Chairman

International Association of Ports and Harbors

Greg Martin – Director
Tony Navaratne – Ports and Planning Construction Committee

International Harbour Masters Association

Bart Pacheco

Major Hazard Inter-Agency Committee

Roy Garth

Maritime Industry Group

Bart Pacheco

Navigators and Navigation Pilotage Committee

Bart Pacheco

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Staff who are Members of External Committees (continued)

New Year's Eve Committee

Bart Pacheco
Jenny Jones

Orica Groundwater Community Liaison Committee

Lisa Smith
Christa Sams

Permanent Committee on Tides and Mean Sea Level

Gary Batman

Port Botany Emergency Plan Committee and Sub-Committees

Shane Hobday – Chairman
Jim Pullin

Port Botany Neighbourhood Consultative Group

Murray Fox
Polly Bennett
Colin Rudd
Lisa Smith

Sea Freight Council

Simon Barney

Shell Gore Bay Community Consultative Committee

Murray Fox

Standards Australia Committee on Maritime Structures

Tony Navaratne

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

Roy Garth

State Committee of the National Plan to Combat Pollution of the Sea by Oil

Bart Pacheco

Sydney Cruise Industry Forum

Phil Rosser – Chairman
Jenny Jones

Sydney Harbour Executive

Murray Fox
Marika Calfas

Sydney-to-Hobart Yacht Race Committee

Bart Pacheco

Sydney Ports Cargo Facilitation Committee

Morgan Noon
Daniel Cavallo
Jenny Jones
Denis Dillon
Shane Hobday

Sydney Ports Security Committee

Murray Fox
Shane Hobday
Sarah Hartson
Kim Bailey
Jim Pullin
Jenny Jones
Peter Shepherd
Bart Pacheco

Sydney Ports Users Consultative Group

Greg Martin
Simon Barney
Phil Rosser

The Export Centre Management Committee

Gerry McCormack

The Missions to Seafarers

Shane Hobday – Director

United Way Allocations Committee

Pat Catanach

White Bay/Glebe Island Noise Reference Committee

Lisa Smith – Chairman
Polly Bennett
Christa Sams

Internal committees

Executive Management Committee

Occupational Health and Safety Committee

Sydney Ports Corporation Consultative Committee

Gangway Steering Committee

Risk Management Committee

Information Services Corporate Projects Committee

Security Steering Committee

Executive Safety Committee

Sydney Ports Corporation

Glossary

ACCC	Australian Competition and Consumer Commission
ARTC	Australian Rail Track Corporation
CCTV	Closed Circuit Television
CEO	Chief Executive Officer
COI	Commission of Inquiry
FIAB	Freight Infrastructure Advisory Board
Intermodal	A terminal for interchange of containers on/off trucks/trains
ISO	International Standards Organisation
ISPS	International Ship and Port Security Code
IT	Information Technology
M	million/millions
MSIC	Maritime Security Identification Card
MTSOFA	Maritime Transport Security and Offshore Facilities Act
NSW	New South Wales (Eastern State of Australia)
OH&S	Occupational Health and Safety
PSOL	Port Safety Operating Licence
PSC	Port Security Committee
RODIS	Realtime Oceanographic Data Information System
RTA	Roads and Traffic Authority
ShIPS	Sydney's Integrated Port System
SPC	Sydney Ports Corporation
SPS	Sydney Pilot Service Pty Ltd
Sydney Harbour	The commercial port areas of Glebe Island and White Bay, Darling Harbour and the overseas passenger Terminal at Circular Quay
TEU/TEUs	Twenty-foot equivalent unit



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