

2015-16

Annual Report



Overview

This Annual Report contains audited financial statements. If you experience difficulty accessing this content please contact David Kenny, General Manager, Corporate Planning & Reporting. F&CS-Corporate Planning & Reporting.

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Port Authority of New South Wales thanks all employees whose images of our working ports and waterways have been used to illustrate this report.

Letter of Submission

28 October 2016

The Hon Gladys Berejiklian MP
Treasurer
52 Martin Place
SYDNEY NSW 2000

The Hon Dominic Perrottet MP
Minister for Finance, Services and Property
52 Martin Place
SYDNEY NSW 2000

Dear Ms Berejiklian and Mr Perrottet,

REPORT ON OPERATIONS FOR THE YEAR ENDING 30 JUNE 2016

We are pleased to submit Port Authority of New South Wales' annual report detailing performance, operations and financial results for the year ended 30 June 2016.

The report has been prepared in accordance with the *Annual Reports (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 sincerely,



Mr Nicholas Whitlam
Chairman



Mr Grant Gilfillan
Chief Executive Officer and Director

1 Overview

Port Authority of New South Wales (Port Authority) is a state owned corporation which manages the navigation, security and operational safety needs of commercial shipping in Sydney Harbour, Port Botany, Port Kembla and the ports of Newcastle, Eden and Yamba.

The primary role and responsibilities of Port Authority of New South Wales includes:

- **safe** navigation of shipping movements within each port
- **management** of harbour/port approaches and channels
- **pilotage** (marine pilot safely navigating a ship in and out of a port)
- **port** security
- **safety** of port operations
- **emergency** response including the clean-up of spills in the marine environment
- **administration** of the dangerous goods regulation contained in Part 11 of the repealed *Dangerous Goods Regulation 1999* preserved by the *Work Health and Safety Regulation 2011*

Port Authority owns and manages common user berths at Glebe Island, White Bay and the Overseas Passenger Terminal. Port Authority also provides land on long term lease adjacent berths on Glebe Island.

Sydney Harbour cruise facilities at the Overseas Passenger Terminal, at Circular Quay and White Bay Cruise Terminal are owned and managed by Port Authority.

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Highlights

2.1 Port corporations' amalgamation

Port Authority of New South Wales began operating on 1 July 2014 with the amalgamation of the Sydney, Newcastle and Port Kembla port corporations under a single management structure.

The restructure of assets, rights and liabilities of port corporations was made under Orders set out in section 19 Schedule 4 of the *Port Assets (Authorised Transactions) Act 2012* (NSW).

The legislation facilitated the consolidation of the Sydney, Newcastle and Port Kembla port corporations to a single state owned corporation (SOC), nominated by the State as Newcastle Port Corporation, trading as Port Authority of New South Wales.

The financial year 2015-16 saw its second full year of amalgamated operation as Port Authority of New South Wales.

2.2 Cruise

Sydney is Australia's only port with two world-class contemporary cruise facilities. It can now accommodate some of the world's largest and newest cruise ships carrying up to 5000 passengers.

A record 311 ships visited Sydney during 2015-16 – bringing more than half a million passengers to our shores. This is up from 281 ships in 2014-15.

In 2016-17, 336 cruise ship calls are scheduled to visit Sydney, including 10 new maiden voyages. This includes *Ovation of the Seas*, which will bring a record 5000 passengers to Sydney when she arrives in December 2016.

On 25 November 2015, P&O Cruises welcomed two new cruise ships (*Pacific Aria* and *Pacific Eden*) into its fleet, meeting up with three more of its vessels (*Pacific Jewel*, *Pacific Dawn* and *Pacific Pearl*). This was the first time that five cruise ships have been in Sydney on the same day.

Three days later, on 28 November 2015, the two largest cruise ships in Australia, *Voyager of the Seas* and *Explorer of the Seas* completed back-to-back turnarounds within 24 hours, moving almost 14,000 people through the Overseas Passenger Terminal (OPT) – the single biggest day, and a new milestone for Sydney.

On 13 February 2016, for the first time ever, two boutique cruise ships, *Azamara Quest* and *Le Soleal*, berthed and turned passengers around simultaneously at the OPT. On three different occasions during the year, two cruise ships moored at White Bay terminals 4 and 5 respectively shared the White Bay Cruise Terminal to complete their turnaround operations simultaneously.



A familiar sight in Sydney Harbour – Port Authority tug *Shirley Smith* passing by Sydney's iconic Opera House

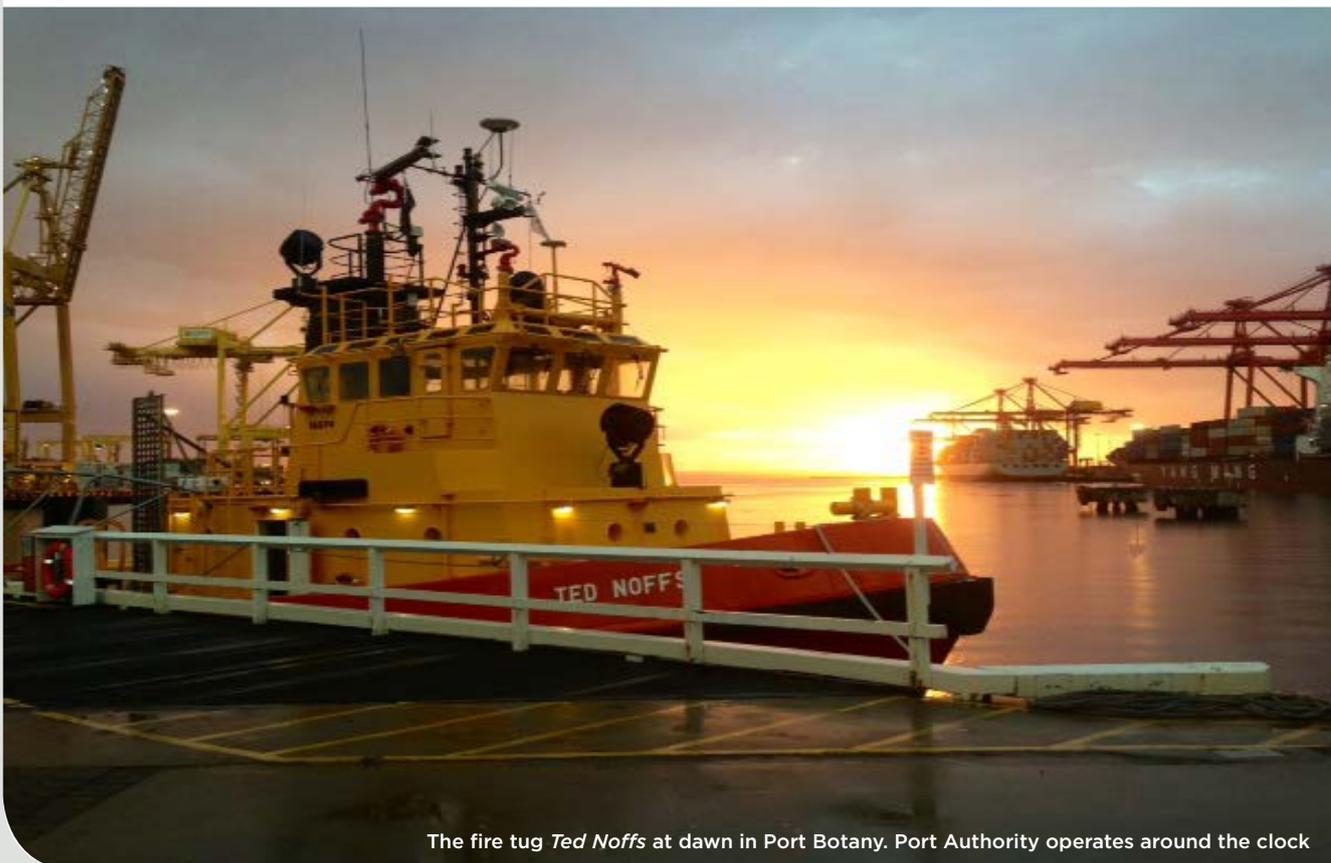
2.3 Projects

A key project for Port Authority is the Southern Mooring Bollard project. This involves the installation of two 150-tonne mooring bollards at Circular Quay west to accommodate larger and next-generation vessels with higher mooring loadings, including the *Ovation of the Seas*, at the OPT (see page 35).

Another key project is the Port Authority's involvement in advising government on the options for future port activity on Glebe Island as part of the Bays Precinct Transformation Program. Port Authority's work to date supports the view that retaining a materials handling facility on Glebe

Island provides an opportunity to maximise strategic and economic benefits to NSW through future-proofing the critical construction materials supply chain required for building tomorrow's Sydney, as well as protecting the future of Sydney's harbour economy by protecting its hidden engine room – its working harbour (see page 33).

Port of Eden has a wharf extension project. Port of Eden has been granted \$44 million in funding from the Australian and NSW governments and the Bega Valley Shire Council for important new wharf extension projects to support and drive its projected growth in scheduled cruise ship visits.



The fire tug *Ted Noffs* at dawn in Port Botany. Port Authority operates around the clock

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Summary review of operations

3.1 Financial performance

In 2015–16, Port Authority exceeded its financial targets and can report earnings of \$25.7 million (earnings before interest, taxes, depreciation, and amortisation: EBITDA) – up \$8 million on the previous financial year. This can be attributed to continued discipline in the management of cost controls and strong business growth.

3.2 Marine Operations

Sydney

Sydney Port Operations continued to deliver a high standard of marine operations during 2015–16, with almost 4500 pilot movements in Sydney and almost 3000 ship escorts in Sydney and Port Botany, all aided by the upgraded Vessel Traffic Service based at Botany Bay.

Pilot Vessel *Alvina* had an extensive refit to service these increased operations, and a new roster for shift workers for Sydney was also implemented.

Port Authority's two fire tugs were busy throughout the year on a range of activities, including a number of civic welcoming duties.

Port Authority responded to 362 maritime incidents during the year, including reports on pollution, booming operations, towage and vessel assists, firefighting and a number of cruise ship passenger medical evacuations. Teams were also engaged in a series of important strategic exercises and ongoing emergency training programs.

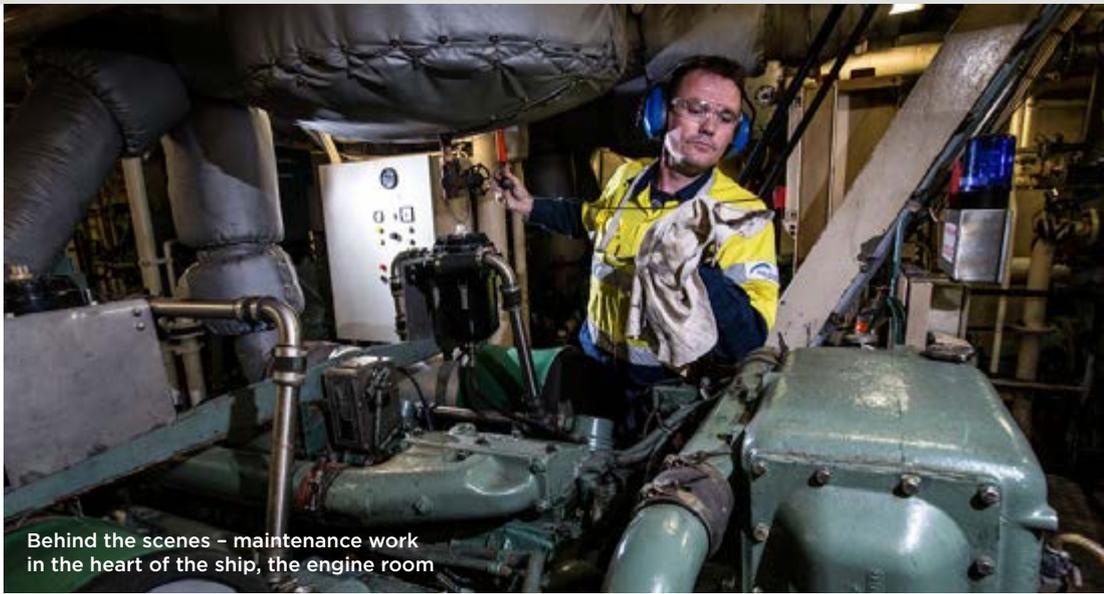
The highly respected survey team was in great demand by government and non-government entities, trialling new three-dimensional multibeam technology equipment – and in the process discovering a historic propeller from an early 1900s ship in Sydney Harbour (see pages 25 and 53).

Newcastle

There were 2177 trade vessel visits, a one per cent reduction on trade vessel visits from 2014–15. A total of 4508 pilotage movements were undertaken, including 3696 by helicopter transfer.

Port of Newcastle predominately facilitates coal exports but also imports and exports more than 40 other commodities including aluminium, minerals, fertilisers, fuels, grains and steel.

A total of 10 cruise ships called to Newcastle in 2015–16 including *Celebrity Solstice* in March 2016. This is an increase on the nine cruise ships visits in 2014–15.



Behind the scenes – maintenance work in the heart of the ship, the engine room

Port Kembla

In 2015-16, there were 870 trade vessel visits to Port Kembla. Shipping numbers were stable in comparison to 2014-15. The port managed 1776 pilot movements to and from commercial vessels.

Port Kembla has a diversified trade base including motor vehicle imports, general and break bulk cargoes, steel, containers, gypsum, soda ash, fertilisers, iron ore, iron sands, coke, coal, copper concentrate, clinker, sulphuric acid and oil products. It is also the principal grain export port for producers in Southern and South-Western NSW.

Port of Eden

Port Authority looks forward to continuing growth in the number of cruise ships visiting this deep water harbour, with approval granted for the building of an extended wharf.

There were 69 total vessel visits to Port of Eden during 2015-16. The biggest user of the port was the Royal Australian Navy (30), followed by cargo ships for logs and wood chips (22) and cruise ships (8). In 2016-17, cruise ship visits will increase to 14 scheduled visits.

Commodities traded at Port of Eden include wood chip and logs. The Port of Eden is also home to a fishing and navy fleet.

In the coming years, cruise ships will no longer have to anchor in the harbour, and berthing will make it an easier destination for larger ships, passengers, and support services – and economically better for the local community.

Port of Yamba

Australia's eastern-most seaport, Port of Yamba, is now under the responsibility of the Newcastle Harbour Master.

In 2015-16, there were 18 ship visits to Port Yamba. Shipping numbers were slightly down in comparison to 2014-15.

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Port highlights

The tables below present a monthly breakdown of figures for 2015-16 and totals for 2015-16 and 2014-15 across the different Port Authority ports. Last year's figures are provided for comparison.

Total vessel visits (trade and cruise visits), all ports, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015-16	TOTAL 2014-15
Port Botany/Kurnell	141	140	147	140	144	136	134	135	148	144	145	146	1,700	1,674
Sydney Harbour/Gove Cove*	91	67	90	99	110	119	116	120	109	97	86	65	1,169	1,083
Newcastle	184	193	153	174	170	202	183	184	208	183	175	178	2,187	2,209
Port Kembla	64	71	74	77	71	74	68	70	77	75	70	79	870	870
Eden/Yamba	3	13	5	10	6	9	6	13	6	4	5	7	87	91
TOTAL	483	484	469	500	501	540	507	522	548	503	481	475	6,013	5,927

Note: Includes visits at both Port Authority's berths and privately owned terminals.

*Includes commercial and service provider vessels (such as bunker vessels *Anatoma* and *Destine*).

Trade vessel visits, all ports, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015-16	TOTAL 2014-15
Port Botany/Kurnell	141	140	147	140	144	136	134	135	148	144	145	146	1,700	1,674
Sydney Harbour/Gove Cove*	81	61	74	73	72	83	74	75	78	70	69	48	858	802
Newcastle	184	193	153	174	168	202	181	181	206	183	174	178	2,177	2,200
Port Kembla	64	71	74	77	71	74	68	70	77	75	70	79	870	870
Eden/Yamba	3	13	5	10	4	8	5	10	5	4	5	7	79	88
TOTAL	473	478	453	474	459	503	462	471	514	476	463	458	5,684	5,634

Note: Includes visits at both Port Authority's berths and privately owned terminals.

* Includes commercial and service provider vessels (such as bunker vessels *Anatoma* and *Destine*).

Cruise ship visits, all ports, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015-16	TOTAL 2014-15
Sydney Overseas Passenger Terminal	6	2	8	20	20	24	22	24	23	17	7	9	182	171
Sydney White Bay*	3	4	8	6	12	12	18	17	7	10	10	8	115	100
Sydney other	1	0	0	0	6	0	2	4	1	0	0	0	14	10
Newcastle	0	0	0	0	2	0	2	3	2	0	1	0	10	9
Eden	0	0	0	0	2	1	1	3	1	0	0	0	8	3
TOTAL	10	6	16	26	42	37	45	51	34	27	18	17	329	293

*Includes visits at both White Bay Cruise Terminal and White Bay 4.

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Chairman's report



This report, covering the financial year ended 30 June 2016, is the second annual report for the Port Authority of New South Wales. Over the year, the Board of the Port Authority has focussed on our business priorities – safety, cost control and our ‘social licence to operate’ – and two overriding strategic issues:

- **Cruise capacity; and**
- **The Bays Precinct Transformation Program.**

Cruise capacity

The Port Authority has been working with a Steering Group, being led by the Department of Premier and Cabinet, to develop a 25-year cruise plan for Sydney Harbour. Essentially this involves reviewing and enhancing cruise capacity east of Sydney Harbour Bridge.

We have also been looking at other opportunities to address cruise capacity constraints within our own existing facilities.

A good example of this is the initiative to have two boutique cruise ships dock simultaneously at the Overseas Passenger Terminal (OPT). This occurred for the first time in February when both *Azamara Quest* and *Le Soleal* docked at the OPT and operations to disembark and embark cruise passengers ran in parallel. This was a significant milestone for the cruise industry, highlighting Sydney's place as the premier cruise destination in Australia, and demonstrating the flexibility of our existing facilities.

The Port Authority is now looking at a proposal to introduce a secondary timeslot at the OPT and have two ships turn around in a day – thereby providing more capacity at that terminal outside of traditional hours and turnaround times. This proposal upsets some standard cruise industry procedures and practices but is gaining industry support.

The Bays Precinct Transformation Program

There has been much debate during the year around the future of the Glebe Island and White Bay port precinct. At its heart is The Bays Precinct Transformation Program, a program being led by UrbanGrowth NSW.

The Port Authority has been looking at options that maximise the strategic and economic opportunities at Glebe Island by integrating a port (specifically our materials handling capability) into part of the footprint of a proposed ‘innovation district’ on Glebe Island.

This not only delivers the NSW Government's innovative vision for the Bays Precinct, but it also future-proofs the supply chain for delivery of essential construction materials to the central business district and the harbour's surrounds. It also protects Sydney's harbour economy by retaining its hidden engine room – the so called 'working harbour' (Sydney's working harbour capacity includes barges that refuel our ferries and the staging of our New Year's Eve fireworks).

Pricing and profitability

The Port Authority is responsible for assets worth more than \$400 million. We presently earn less than one per cent per annum on these assets, and that is clearly inadequate. Since amalgamation in 2014, we have implemented a program of severe cost constraint, and that will continue. We are an entity that was originally budgeted to run at a loss. In order to achieve a reasonable return on equity and assets we will continue to monitor and review prices for our services, and we will consult closely with stakeholders as we do so.

In 2015-16 the Independent Pricing and Regulatory Tribunal (IPART) commenced its review into the maximum fees and site occupation charging arrangements paid by the cruise industry in Sydney. A draft report issued by IPART in late July 2016 confirms that Port Authority is operating and maintaining its cruise terminals in an efficient manner.

Along with the NSW Government, Port Authority will take the IPART review under advice and continue to work with cruise lines and stakeholders to balance the need to provide an appropriate return on state-owned assets with the need to support the continuing growth in the cruise industry.

Governance

The Port Authority Board is now at full strength. With the appointment of Zorana Bull in March 2016, we now have seven members – six non-executive plus the Chief Executive Officer (CEO). An engineer by training, with a wealth of experience in the infrastructure and transport sectors, Ms Bull brings strong strategic, commercial and analytical skills to the boardroom.

Grant Gilfillan was first appointed CEO of Sydney Ports Corporation in 2008. He continued in that role after the lease of Port Botany's landside activities, and assumed the further role of CEO of Newcastle Port Corporation. When, two years ago, the three port corporations were combined into one, Mr Gilfillan continued as CEO of the new Port Authority. With the landside activities in Newcastle, Port Botany and Port Kembla excised from the continuing Port Authority, however, the Port Authority had emerged as a substantially different entity from any of its predecessors. With that in mind, and with Mr Gilfillan's latest contract coming to an end, in early 2016 the Board thought it appropriate to advertise the position of Chief Executive Officer; a comprehensive interviewing process for the position ensued. On the Board's recommendation, the NSW Government has now approved the re-appointment of Mr Gilfillan to a new contract. He will also continue to serve as a Director.



Nicholas Whitlam

Chairman
Port Authority of New South Wales

27 September 2016

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Chief Executive Officer's report



Welcome to the 2015-16 Annual Report of Port Authority of New South Wales.

As we come to the end of our second year as an amalgamated entity of the Sydney, Newcastle and Port Kembla port corporations, I am happy to report that we have made great strides in consolidating our business and refocussing our strategy. In particular, I am very pleased that safety has become embedded as a fundamental driver of our business and is increasingly becoming a normal part of our daily routines rather than a special activity. Our journey is to 'Zero Harm'.

We have had much success in improving our financial performance, growing our business and cementing our role as a Port Authority that stands shoulder to shoulder with the owners of the main port assets, in delivering quality port and supply chain services.

This year we exceeded our financial targets and can report earnings of \$25.7 million (earnings before interest, taxes, depreciation, and amortization: EBITDA) - up \$8 million on the previous financial year. This can be attributed to continued discipline in the management of our controllable costs and strong business growth.

Cruise has delivered sustained high growth for our business and will continue to grow strongly and provide significant economic benefit to New South Wales.

During 2015-16, a record 311 cruise ships visited Sydney - 30 more than the previous year - bringing more than half a million passengers to our city's shores.

The financial year 2016-17 is set to be even bigger, with 336 ships scheduled to visit Sydney, including 10 maiden voyages. This includes *Ovation of the Seas*, which will bring a record 5000 passengers to Sydney when she arrives in December 2016. Work is currently underway to install a new mooring bollard at the southern end of Circular Quay in time for this ship's arrival and for future next-generation mega-liners.

Similarly, eight cruise ships visited Port Eden in 2015-16, with 14 scheduled for 2016-17. Growth in cruising to Eden presents an exciting opportunity for our business as well as a welcome stimulus to small business and the local economy of the South Coast. A highlight of the year was the announcement of Australian and NSW governments and Bega Valley Shire Council funding for a 95-metre extension to the Snug Cove breakwater wharf to allow the berthing of cruise ships over 300 metres in length. A further \$29 million in funding from the State government brings the total promised for the project to \$44 million.

Across our ports – Yamba, Newcastle, Sydney, Port Kembla and Eden – Marine Operations continue to be our core function. Every day our people are involved in hundreds of on-water activities in our ports, including piloting, marine pollution prevention and response, vessel traffic management, firefighting operations and emergency towage. Our people also routinely check the transfer of dangerous goods on our waters and, on average, safely navigate 12 vessels each day into or out of our ports.

Our working harbour and ports are what make NSW a truly unique place to work and live – and they have been operating as such since the arrival of the First Fleet. It is this notion that steeps our organisation in history, and drives us to maintain the last few precious working berths in Sydney Harbour.

A significant focus for our business this financial year has been around the future of the Glebe Island and White Bay port precinct. While it is clear that the area, with its close proximity to the city and the evolving Bays Precinct next door, cannot remain as it is, Sydney also cannot afford to lose its last remaining deep water berths which efficiently handle so much of the raw construction materials driving our current infrastructure boom.

Finally, I would like to thank my staff for their tremendous professionalism, passion and commitment to all that they do as we continue to refocus and establish our business. What we have achieved in the short time since amalgamation is truly remarkable.



Grant Gilfillan

Chief Executive Officer and Director

27 September 2016

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Board of Directors



Left to right: Gerard Sutton (AO), Zorana Bull, Grant Gilfillan (Chief Executive Officer), Penny Bingham-Hall, Nicolas Whitlam (Chairman), Patricia Forsythe, Robert Dunn.

NICHOLAS WHITLAM

AB *cum laude* Harvard, M.Sc. London

Chairman

**Chairman, Nominations Committee
Member, Audit and Risk Committee
Member, Remuneration and Human
Resources Committee**

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Nicholas Whitlam became Chairman of Port Authority of New South Wales.

He had previously chaired each of the constituent corporations: Sydney (from 2013), Newcastle (from 2013) and Port Kembla (from 2005).

A career banker, Nicholas's employment has embraced most aspects of banking, insurance and superannuation. He has worked in London, New York and Hong Kong for major financial institutions and was formerly Chief Executive Officer of the State Bank of New South Wales, President of the NRMA and Chairman of Insurance Australia Group.

ZORANA BULL

BA (Hons) Oxford, M.A. (Eng. Econ. & Mgmt) Oxford, FAICD

**Director
Member, Remuneration and Human
Resources Committee**

Zorana Bull was appointed as a Director of Port Authority of New South Wales in March 2016.

Zorana is a Non-Executive Director of AirRoad Pty Ltd, Guide Dogs NSW/ACT, Fancy Engineering Ltd and Healthshare NSW. She is also the Managing Director of strategy and management consulting firm Altura Partners Pty Ltd and an Executive Director of engineering consulting firm In Total Control (Aust.) Pty Ltd.

She was previously a Partner with international consulting firm PA Consulting Group, with postings in Europe and Asia Pacific, and Chief Operating Officer of the Australian business. During this time, she specialised in strategy development, restructuring and performance turnaround. She holds a Master's degree from Oxford University in Engineering, Economics and Management.

Prior board appointments have included Moorebank Intermodal Company Ltd and Australian Centre for Eye Health.

PENNY BINGHAM-HALL

B.A. (Ind. Des) UTS, FAICD, SF (Fin.)

**Director
Chairman, Remuneration and Human
Resources Committee
Member, Audit and Risk Committee**

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Penny Bingham-Hall became a Director of Port Authority of New South Wales. She had previously been a Director of Sydney Ports Corporation from 2012.

Penny is also a Director of BlueScope Steel, Dexus Funds Management Limited (responsible entity for the Dexus Property Group), Macquarie Specialised Asset Management and Taronga Conservation Society Australia. She is also a Director of SCEGGS Darlinghurst school and a member of Chief Executive Women.

Penny spent more than 20 years in a variety of executive roles with Leighton Holdings prior to retiring from the company at the end of 2009. She has previously been a director of Australia Post and held positions with industry and community organisations including Chairman of Advocacy Services Australia, Deputy Chairman of the Tourism and Transport Forum, and a Director of Infrastructure Partnerships Australia and the Global Foundation.

ROBERT DUNN

B.A. Hons Macquarie University, MAICD

Director**Chairman, Audit and Risk Committee**

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Robert Dunn became a Director of Port Authority of New South Wales. He had previously been a Director of Sydney Ports Corporation from 2012.

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

Robert is a member of the Chartered Accountants Australia and New Zealand.

Robert is a former Finance Director of Patrick Corporation, a position he held for 14 years. He has also worked for Dart Corporation and Price Waterhouse, with postings in London and New York respectively.

THE HONOURABLE**PATRICIA FORSYTHE**

B.A. Dip.Ed. University Newcastle, GAICD

Director**Member, Audit and Risk Committee**

Patricia Forsythe was appointed as a Director of Port Authority of New South Wales in February 2015.

Patricia has been the Executive Director of the Sydney Business Chamber since 2006. She represents the Chamber on a number of NSW Government committees. She also represents the Chamber on the City of Sydney Retail Advisory Panel and the Sydney Airport Planning Coordination Forum.

In addition to her role at the Sydney Business Chamber, Patricia serves on a number of boards in the government and not-for-profit sectors: Business Events Sydney; Board of Studies, Teaching and Educational Standards NSW; Destination NSW; Council of Macquarie University; and Cricket NSW.

Prior board appointments have included the Hunter Development Corporation and Hunter Medical Research Institute. She was also previously a member of the Advisory Board of the University of Technology Sydney (UTS) Business School and an Honorary Associate of the Graduate School of Government at Sydney University.

Patricia served as a Member of the NSW Legislative Council from 1991 to 2006. From 1995 to 2005 she served on the Opposition frontbench, in a number of shadow portfolios.

GRANT GILFILLAN

B.A.Sc., University of South Australia,
MAICD

**Chief Executive Officer
Director**

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Grant Gilfillan became Chief Executive Officer and a Director of Port Authority of New South Wales. He had previously been Chief Executive Officer of Sydney Ports Corporation (from 2008) and Newcastle Port Corporation (from 2013).

Before joining Sydney Ports Corporation in 2008, Grant worked in Africa, the Middle East and Europe (Romania) as a Senior Vice President, Managing Director and General Manager for DP World. Prior to this he served as Director of Operations for P&O Ports, Australia and New Zealand and as Managing Director of CSX World Terminals in Australia. Prior to that Grant was a mining engineer and mine manager in the NSW Hunter Valley and the north-west of Western Australia.

Grant served as President of the International Association of Ports and Harbours (IAPH) from April 2013 to June 2015.

Mr Gilfillan is currently serving as a Director on the Board of Lyttelton Port Company in Christchurch, New Zealand.

GERARD SUTTON AO

B.E. (Hons) UNSW, M.Eng.Sc. UNSW,
PhD CUA

**Director
Member, Remuneration and Human
Resources Committee
Member, Nominations Committee**

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Professor Gerard Sutton became a Director of Port Authority of New South Wales. He had previously been a Director of Port Kembla Port Corporation from 2012.

Gerard is a former Vice-Chancellor of the University of Wollongong and a former Chairman of Universities Australia.

He is currently the Chairman of the AARNet Board (Australian universities' telecommunications company), a Director of Think Pty Ltd and a member of Illawarra Shoalhaven Local Health Board, RDA Illawarra, University of Sunshine Coast Council and Illawarra TAFE Advisory Council.

8

Executive team



Grant Gilfillan

B.A.Sc. University of South Australia, MAIDC

Chief Executive Officer

(See Board biography on page 19.)



Kell Dillon

Dip. Marine Studies, Assoc. Dip. Mgmt Royal Australian Navy

Chief Operating Officer Port Kembla and Eden, Harbour Master Port Kembla

- Marine operations
- Pilotage
- Regional ports and administration



Emma Fensom

MBA (AGSM), B.Bus. Newcastle University

Chief Operating Officer Newcastle and Yamba

- Marine operations
- Pilotage
- Regional ports and administration



Philip Holliday

B.Sc. (Hons) University of Teesside

Chief Operating Officer and Harbour Master, Sydney

- Marine operations
- Planning
- Pilotage
- Survey services
- Cruise



Lawrence Ho

B.Ec. (Accounting) University of Sydney, FCPA, MBA (Macquarie Graduate School of Management)

Chief Financial Officer and Chief Risk Officer

- Corporate planning and reporting
- Company Secretary
- Corporate Services



Alison Nolan

B.Comm. (HR & IR) University of Western Sydney

Executive General Manager, Human Resources and Corporate Affairs

- Organisational development
- Human resources systems
- Recruitment and talent management
- Remuneration and rewards
- Industrial relations
- Government relations
- Internal and external communication



Garry Voutos

Executive General Manager, Information Technology

- IT strategy and operations
- Cyber security



Joe James

B.Sc. (Molecular Genetics), LLB University of NSW

Executive General Manager, Commercial, Technical and Legal

- Property and commercial
- Projects and sustainability
- Asset management
- Legal counsel



Ralph Keats

General Manager, Work Health and Safety

- Work, Health and Safety strategy
- Systems, policy, training, performance, culture and audit

9

Objectives and values

Our objectives

- A reputation as the best managed and best governed State Owned Corporation in New South Wales
- A robust and sustainable port business
- A culture which strives for excellence.

Our values

- We will be honest, open, caring and accountable.
- We will act with courage and integrity, and strive for excellence in all that we do.



10

Sydney and Port Botany

10.1 Trade vessel visits

Trade vessel visits to Sydney Harbour and Port Botany, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015-16	TOTAL 2014-15
Port Botany/ Kurnell	141	140	147	140	144	136	134	135	148	144	145	146	1,700	1,674
Sydney Harbour/ Gore Cove*	81	61	74	73	72	83	74	75	78	70	69	48	858	802
TOTAL	222	201	221	213	216	219	208	210	225	214	214	194	2,558	2,476

Note: Includes visits at both Port Authority's berths and privately owned terminals.

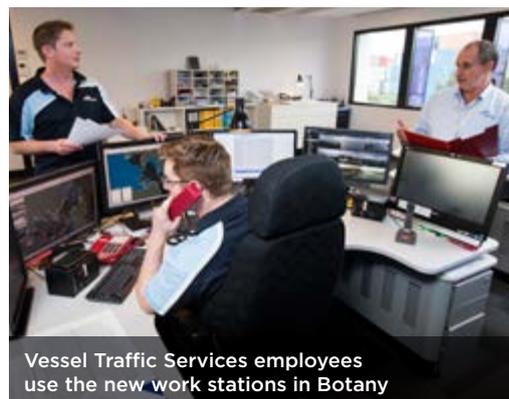
* Includes commercial and service provider vessels (such as bunker vessels *Anatoma* and *Destine*).

10.2 Marine Operations

Marine Operations continued its high standard of operations during 2015-16, promoting the safe movement of commercial vessels operating on Sydney Harbour and Port Botany.

During the reporting year, the Marine Operations division in Sydney Harbour and Botany Bay:

- Managed 4441 pilot movements to and from commercial ships – an average of 12 per day.
- Provided 2979 ship escorts in Sydney and Port Botany.
- Completed 1413 bulk dangerous goods transfer checks.
- Undertook 527 work permit audits.
- Responded to 362 calls to reports of pollution or fire, boom operations or vessels needing assistance or towage.
- Conducted five fire-tug water displays.
- Carried out navigation and security patrols in Sydney and Port Botany.



Vessel Traffic Services (VTS) monitors the safe navigation of vessels through radar and radio tracking and provides navigational information and vessel traffic organisation services to ensure navigational safety and environmental integrity of Port Authority – Sydney, in line with International Association of Lighthouse Authorities guidelines.

In May 2016, three new work stations were installed at VTS Operational Centre at Brotherson House, Botany Bay. The requirement for new desks inspired a re-evaluation and review of how the operational centre layout was working, with the benefit of five

years of operations since it was relocated from Sydney. The outcome is a more functional and professional operational centre.

By the end of 2016, new wall display screens will be installed – signifying the final stage of the upgrade.

A backup and emergency VTS centre operates at Moore's Wharf, to ensure systems are always available.

Pilot vessel *Alvina*

The *Alvina* is an actively used marine pilot cutter and it is important that the vessel is regularly refurbished to ensure the safety and comfort of the crew and passengers.

During this year's major refurbishment, the vessel's key structures, the fendering and hull, were refurbished.

When a pilot cutter comes alongside a ship during a pilot exchange at sea, the fendering on the deck rim absorbs the impact, so it is important that this material is robust and adaptive.

The *Alvina's* hull coating was stripped back, minor repairs to the hull undertaken and a new gel coat applied. This work ensured the ongoing integrity of the hull and the vessel's smooth performance and sea-keeping abilities were of the highest standard.

Marine Operations roster, Sydney

Crews on Port Authority's vessels operate on a continuous 24/7 roster. A new roster was implemented during the reporting year. The new roster facilitates a predictable routine, enabling improved transparency and fatigue management of the Sydney crews. It is anticipated that during the 2016-17 reporting year a roster software management system will be implemented.

Water displays

Port Authority's two fire tugs *Ted Noffs* and *Shirley Smith* participated in a range of on-water activities during the year. This included the five P&O Cruises passenger ship days on Sydney Harbour, New Year's Eve festivities, Australia Day and a ceremonial salute for ships arriving in Sydney Harbour on their maiden voyages.

External contract surveys

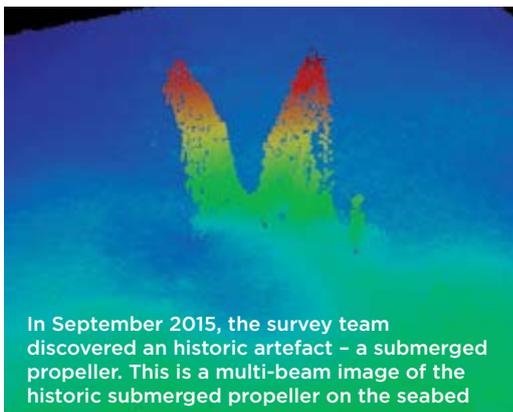
Over the past financial year, the Hydrographic Survey team has continued to be a highly regarded and sought after specialist team. In addition to completing Port Authority Port Safety Operating Licence surveys in Port Jackson, Port Botany, Port of Yamba and Port of Eden, the Hydrographic Survey team also completed contract bathymetric surveys for a number of government and non-government agencies. Examples include Viva Energy, Caltex, NSW Ports, Clarence Valley Council, Department of Primary Industries – Crown Lands NSW, and Roads and Maritime Services NSW.

Historic propeller found in Sydney Main Channel

In December 2015, the Port Authority survey team purchased a new Teledyne Reson T50-P multi-beam echo sounder system. The survey team was selected as one of only two teams in the world to beta test the unit for six months prior to its purchase.

During the trial of the multi-beam from September to November 2015, the team completed a routine Port Safety Operating Licence (PSOL) survey of the main channel between Goat Island and the Harbour Bridge. This survey highlighted a large obstruction which had been previously charted – but the new multi-beam gave improved data resolution and Port Authority investigated further.

A dive inspection confirmed the obstruction was a propeller covered in thick fishing nets. The NSW Heritage Office was notified and an archaeological inspection was carried out to determine the heritage significance of the propeller which is thought to have been lost in the early 1900s. See page 53 for further details.



In September 2015, the survey team discovered an historic artefact – a submerged propeller. This is a multi-beam image of the historic submerged propeller on the seabed

10.3 Emergency response

Port Authority's emergency response assets include highly trained staff and a variety of response equipment and vessels equipped to respond to incidents. During the 2015-16 reporting year, Marine Operations (Sydney) responded to a number of maritime incidents including:

- 147 reports of pollution
- 146 booming operations
- 31 emergency towage and vessel assists
- 8 firefighting operations
- supporting a number of medical evacuations from cruise ships.

On-the-job training, real life response and a number of external training courses assisted in keeping the skills and knowledge of the Marine Operations team up to date and ready to respond and combat maritime incidents. This and cross training with other agencies on a regular basis is paramount to enable Port Authority to meet its obligations.

Examples of responses in 2015-16 are described below.

Woolloomooloo Finger Wharf and Marina vessel fire, July 2015:

Two large pleasure vessels were well alight when Port Authority vessels with NSW Fire and Rescue teams arrived. They worked cohesively together with shore-based fire units to extinguish the fires and stopped them from spreading to the wooden finger wharf.

Boat shed fire on the Parramatta River, August 2015:

A Port Authority vessel with firefighting pack on board responded and extinguished the fully flame-engulfed boat shed. Containment booms were then deployed for debris recovery.

Large charter boat with engine failure, January 2016:

A Port Authority marine team responded to a charter vessel engine failure; it rafted up and safely towed the boat alongside to a public wharf without incident.

D'Albora Marina at Rushcutters Bay, diesel spillage into Sydney Harbour, May 2016:

Port Authority response teams contained the spill and stopped it from spreading, by quickly deploying containment booms. The teams were involved in the clean-up of spilt product over some three days.



In July 2015, Port Authority attended the Woolloomooloo Finger Wharf, assisting NSW Fire and Rescue in extinguishing the fire

Exercises and training

During the reporting year, Port Authority participated in a number of exercises, to test response plans and meet its obligations under the Port Safety Operating Licence. These exercises were carried out in conjunction with other state agencies and port users from around Australia, to effectively prepare for various incidents that may happen, under different state response plans. Training of staff was ongoing through the reporting year.

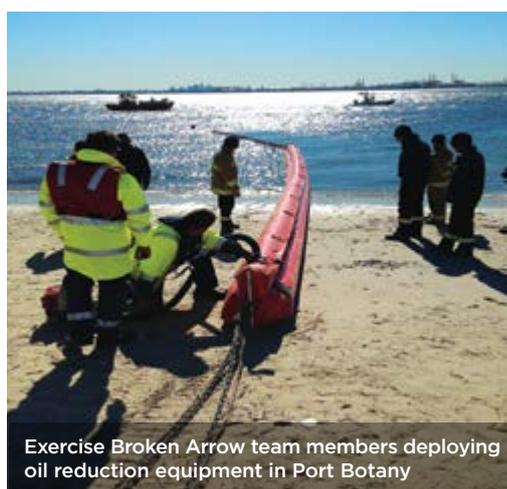
Exercises in which Port Authority participated during 2015–16 are described below.

Exercise Broken Arrow, July 2015:

The State exercise 'Broken Arrow' was hosted by Port Authority. The table-top portion of the exercise and Incident Control Centre were run out of Sydney and various other agencies across NSW were involved. The aim of the exercise was to test the NSW State Waters Marine Oil and Chemical Spill Contingency Plan and related Memoranda of Understanding and guidelines as they apply to state-level incidents that cross state waters and Inland water jurisdictions.



Exercise Broken Arrow team members in the incident control room



Exercise Broken Arrow team members deploying oil reduction equipment in Port Botany

Exercise Crystal, March and June 2016:

This two-part exercise involved Port Authority and major oil firm VIVA, to combat a mock refined-product spill in Sydney Harbour. A forward incident control team was established at VIVA Energy offices in Gore Cove and staffed with Port Authority, VIVA Energy and NSW Fire and Rescue incident response personnel. This involved a deployment (part A) of some 400 metres of boom sealing off Gore Cove from Sydney Harbour. Part B required a deployment of some 850 metres of boom to seal off a larger area, thus further protecting greater Sydney Harbour from potential impact.

Exercise Nautical Twilight, 6 June 2016:

NSW hosted the 2016 National Plan exercise incorporating the State exercise. This was held at Port Authority premises in Newcastle. The exercise focused on chemical response and wider recovery components – exercising the recently developed NSW Fire and Rescue and Australian Maritime Safety Authority (AMSA) Level 2 National Hazardous and Noxious Substance response capability.

Wildlife container

The State agency Transport for NSW has its own transportable facility for training and response – a purpose-built seven-metre shipping container carrying specialist equipment and consumables to treat oil impacted wildlife. The facility is kept on standby in Sydney and can be rapidly deployed by rail, road or ship to the site of an incident on the NSW coast.

Port Authority actively supports Transport for NSW with wildlife support training by:

- transporting the wildlife container for spill response
- undertaking its setup
- providing training support as required.

In 2015-16, three training sessions utilising the wildlife container were provided in Port Macquarie, Port Kembla and Coffs Harbour.



Wildlife impacted by oil spills are cleaned and released (images supplied by Transport for NSW, November 2015)

10.4 Cruise in Sydney Harbour

Cruise ship visits to Sydney Harbour, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015- 16	TOTAL 2014- 15
Sydney Overseas Passenger Terminal	6	2	8	20	20	24	22	24	23	17	7	9	182	171
Sydney White Bay*	3	4	8	6	12	12	18	17	7	10	10	8	115	100
Sydney other	1	0	0	0	6	0	2	4	1	0	0	0	14	10
TOTAL	10	6	16	26	38	36	42	45	31	27	17	17	311	281

* Sydney White Bay includes both White Bay Cruise Terminal and White Bay 4.

Total passenger exchange in Sydney Harbour split by passenger terminal, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015- 16	TOTAL 2014- 15
Sydney Overseas Passenger Terminal	26,161	8,191	32,377	89,472	101,994	133,546	129,227	121,048	124,832	91,659	29,626	37,540	925,673	812,563
Sydney White Bay*	12,052	14,069	30,090	22,274	39,269	36,913	60,662	51,648	24,285	35,112	33,566	23,710	383,650	338,595
TOTAL	38,213	22,260	62,467	111,746	141,263	170,459	189,889	172,696	149,117	126,771	63,192	61,250	1,309,323	1,151,158

Note: Includes both debarked and embarked passengers.

* Sydney White Bay includes both White Bay Terminal and White Bay 4.

Total passenger exchange in Sydney Harbour, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL
2014-15	25,774	40,483	63,197	114,266	126,190	170,577	173,713	142,626	148,440	76,572	20,529	48,791	1,151,158
2015-16	38,213	22,260	62,467	111,746	141,263	170,459	189,889	172,696	149,117	126,771	63,192	61,250	1,309,323

Note: Includes both debarked and embarked passengers.



Double docking – both the Overseas Passenger Terminal and White Bay Cruise Terminal were at full capacity for the first time in February 2016

As home of the iconic Sydney Harbour Bridge, Sydney Opera House and Bondi Beach, Sydney remains a must-do on the bucket list for cruisers worldwide. Sydney will soon be able to accommodate some of the world's largest passenger cruise ships with the installation of an additional Southern Mooring Bollard at the Overseas Passenger Terminal (OPT) to ensure their safety alongside.

Cruise terminal assets are predominantly utilised during the peak season from October to April. During the 2015-16 peak season, the OPT was occupied 76 per cent of available days compared to White Bay Cruise Terminal (WBCT) at 61 per cent. On an annualised basis, the OPT is occupied 54 per cent of available days compared to WBCT at 63 per cent. There is clearly existing additional capacity at White Bay for the domestic, home port sector.

Growth and statistics

In 2015-16:

- The Overseas Passenger Terminal at Circular Quay, White Bay Cruise Terminal, White Bay 4 and non-terminal moorings hosted 311 cruise ship visits (up from 281 in 2014-15).
- Almost 1.31 million passengers passed through the terminals (up from 1.15 million in 2014-15).

In 2016-17, 336 cruise ship calls are scheduled to visit Sydney, including 10 new maiden voyages.

Season highlight

On 25 November 2015, P&O Cruises presented a five-ship spectacular in welcoming two new cruise ships (*Pacific Aria* and *Pacific Eden*) into their existing fleet, which included *Pacific Pearl*, *Pacific Jewel* and *Pacific Dawn*. This was the first time that five cruise ships had been in Sydney Harbour on the same day.

Operational efficiencies

On 28 November 2015, the two largest ships in Australia, *Voyager of the Seas* and *Explorer of the Seas* completed back-to-back turnarounds within 24 hours, moving almost 14,000 people through the OPT – making it the single biggest turnaround at the cruise terminal on record.

With the implementation of a new southern forecourt drop-off lane for private vehicles, landside efficiencies have been achieved during the disembarkation process, as well as providing an enhanced guest experience.

On 13 February 2016, for the first time ever, two cruise ships, *Azamara Quest* and *Le Soleal*, berthed simultaneously at the OPT. On three different occasions during the year, two cruise ships berthed at White Bay 4 and 5 sharing the White Bay Cruise Terminal to complete their turnaround operations simultaneously.

Maiden visits

There were eight maiden visits in 2015–16, with the highlights being *Explorer of the Seas* (currently Australia's largest passenger ship) and *Superstar Virgo*.

In December 2016, Sydney will welcome the largest ever cruise ship to visit Australia. Royal Caribbean Lines' Quantum class *Ovation of the Seas* will call the OPT home, turning around eight times before the season finishes.

Transport solutions

In the first half of 2015–16, Port Authority worked with a private charter ferry operator to implement a ferry service on each cruise ship day to ensure improved access for all passengers to and from WBCT. The charter ferry service operates on cruise ships days only dropping off and collecting passengers at Circular Quay.

Community initiative

Port Authority has recognised the importance of cruise ships to the local community and its key role in this, by initiating a partnership with Leichardt Municipal Council (now Inner West Council) to provide a free shuttle bus service from WBCT to Darling Street, Balmain to highlight Balmain's attractions to visiting international transit guests.

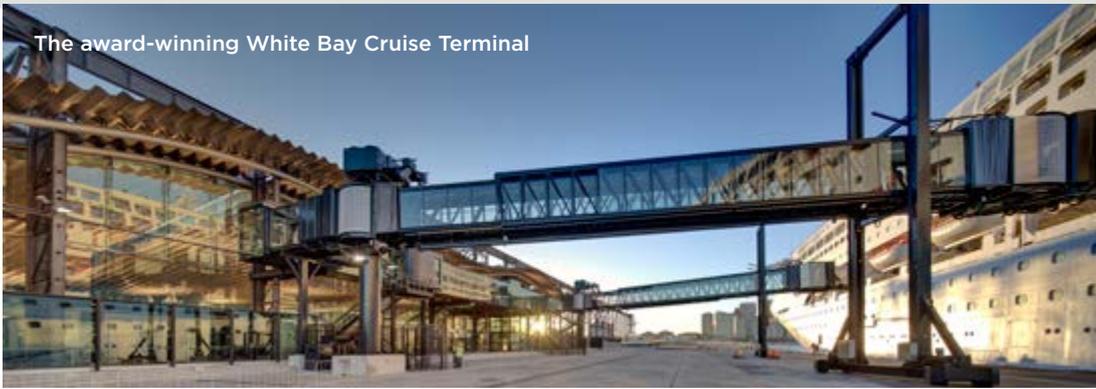
Volunteer program

Port Authority led the implementation of a voluntary welcome program with Destination New South Wales and City of Sydney to ensure information staff are provided at all terminals, promoting Sydney as a destination to International visitors.

Corporate support

Port Authority's commitment to develop Sydney as a cruise destination will extend later in 2016 with the sponsorship of the Australian Cruise Association annual conference. This will be held at the OPT from 7–9 September 2016, to celebrate its 20th year, attracting guest speakers from all over the world, and will showcase Sydney as the home of cruising.

The award-winning White Bay Cruise Terminal



Review of maximum fees and charges for cruise ships in Sydney Harbour

During 2015-16, Port Authority has been involved in an Independent Pricing and Regulatory Tribunal (IPART) of New South Wales review into maximum fees and charges for cruise ships in Sydney Harbour. The IPART review offers a unique opportunity for the independent scrutiny of the full suite of Port Authority related charges applicable to the cruise industry – including navigation services, pilotage, cruise terminal and mooring charges in Sydney.

Port Authority welcomes the release of the IPART review as a process to advise government and industry on pricing. As part of this process the Port Authority presented at the IPART public hearing and submitted a response to IPART's draft report titled Recommendations on cruise ship charges in Sydney dated 26 July 2016, in August 2016.

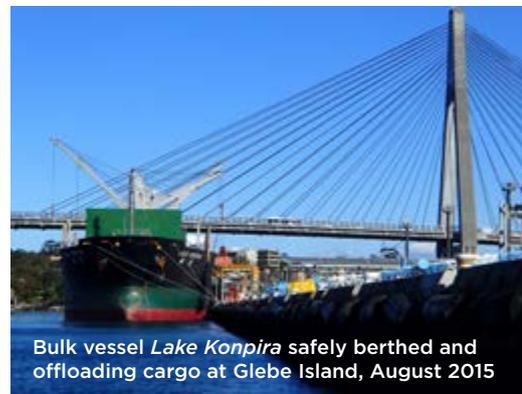
The 25-year cruise plan

Port Authority is engaged in a whole-of-state-government analysis of the forecast demand and economic value of cruise to the State. This is being led by the Department of Premier and Cabinet. The analysis is also focusing on identifying infrastructure options for a new cruise terminal to the east of Sydney Harbour Bridge.

10.5 Glebe Island and White Bay

The port precinct at Glebe Island and White Bay currently provides critical port supply-chain capability for essential construction materials and other valuable economic goods. These construction materials are required to support the annual inner-city construction task typical of a global and growing city such as Sydney.

Port Authority forecasts that annual construction material throughput at Glebe Island could grow significantly over the next 30 years.



Bulk vessel *Lake Konpira* safely berthed and offloading cargo at Glebe Island, August 2015

Glebe Island and White Bay also provide essential operational capability for Sydney's harbour economy. They provide staging areas for on-water construction and events, as well as berthing facilities for commercial shipping and harbour service providers (such as tugs, refuelling vessels and waste-removal barges) and other strategic ocean-going users such as Royal Australian Navy and Australian and international research vessels.

Despite growing demand for use of the port supply chain and working harbour capability, in practice, long-term binding commitments by Port Authority have not been possible without potentially impacting and/or limiting future land uses that government is considering through the Bays Precinct Renewal process.

The future of Glebe Island/ White Bay

Port Authority has been working with the NSW Government in exploring the proposed innovation district on Glebe Island, including the consideration of:

- retention of ongoing port and/ or maritime uses, integrated with technology and innovation, at Glebe Island
- relocation of port activity from Glebe Island to other locations.

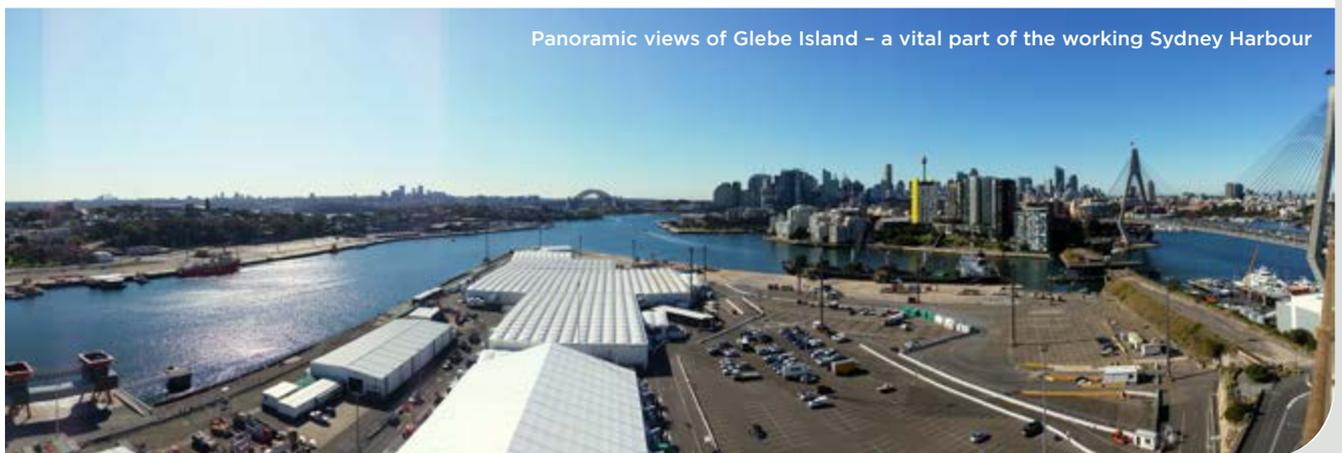
There are global exemplars where integration of urban renewal and transport logistics has occurred, including the Hudson Yard Development in New York and the Battersea Power Station Development in London.

Port Authority believes integrating a materials handling facility into the footprint of the proposed innovation

district on Glebe Island provides the opportunity to maximise the strategic and economic benefits to NSW through:

- future-proofing the critical construction materials supply chain required for building tomorrow's Sydney. Integration avoids additional social, environmental and economic cost to the economy which would occur if the Sydney road network is clogged up by some estimated 450,000 annual truck movements if these materials were to be shipped through other ports
- protecting the future of Sydney's harbour economy by protecting its hidden engine room – its working harbour.

Port Authority is also scoping opportunities for an additional sand importation proponent and potential operations to provide a marine export option to remove millions of tonnes of construction and tunnelling spoil from inner city project areas. It should be noted that the sand importation and potentially the spoil export facilities would provide the lowest cost, lowest impact supply chain options to support construction material and spoil removal needs of major infrastructure projects in the inner city.



Panoramic views of Glebe Island – a vital part of the working Sydney Harbour

10.6 Security

Port Authority's commitment to the security of its waterways, assets and infrastructure is at the forefront of its responsibility. Security is a continuous 24/7 operation that protects and monitors:

- the waterways and shipping channels of Sydney Harbour, Port Botany, Newcastle, Port Kembla, Port of Eden and the Clarence River at Yamba
- two world-class cruise terminals – the Overseas Passenger Terminal at Circular Quay and the White Bay Cruise Terminal at White Bay
- wharfs at White Bay and Glebe Island – used for dry bulk and import/export operations
- Port Botany Boat ramp
- Port service providers who operate within the waterways to service the industry.

In 2015-16, a number of improvements were made to improve security capability. These included:

- increasing closed circuit television (CCTV) footprint by adding additional cameras and upgrading old ones
- improving CCTV systems by merging the server onto a singular platform
- improving liaison and information sharing with external law enforcement
- improving access control processes for the cruise terminals
- providing a successful security setup to facilitate the inaugural days where two cruise ships berthed simultaneously at the OPT

- undertaking an industry-wide risk assessment of one of Sydney's iconic landmarks, the OPT.

Port Authority is continually monitoring facilities, undergoing security exercises and drills and keeping up to date with latest world events and changes that alter the landscape of the industry.

Port Authority maintains a strong working cohesion with Australian Government regulators, the Office of Transport Security, and has welcomed and successfully passed external audits.

Globally the security environment is continually changing, resulting in significant challenges for operations within the industry. Port Authority is constantly evolving to ensure it is best placed to meet those challenges.

The year ahead

In 2016-17 some of the initiatives that will be undertaken to ensure improved performance include:

- Review where technology can be used to improve security systems – namely access control.
- Further increase CCTV coverage.
- Continue improving Maritime Security Plans.
- Broaden Port Authority's security exercise scenario and external stakeholder involvement.

As the organisation's knowledge and experience continues to grow, so too does the security protection of its people, assets and the general public.



The recently upgraded Overseas Passenger Terminal at Circular Quay will host the largest cruise ships in the world. To ensure safe docking of these super-vessels, the Southern Mooring Bollard project is underway

10.7 Capital projects

Southern Mooring Bollard project

Royal Caribbean Lines' (RCL) decision to position *Ovation of the Seas* in Sydney during the forthcoming cruise season was made after the completion of the Overseas Passenger Terminal upgrade. The new Southern Mooring Bollard will provide additional mooring capacity and will complement the terminal upgrade in October 2016.

The decision by RCL to seasonally deploy Quantum class ships to Sydney for the 2016-17 cruise season demonstrates the level of confidence the cruise lines have in the ability of the re-developed Overseas Passenger Terminal to handle passenger exchanges in the order of 5000 passengers.

The Southern Mooring Bollard project involves the installation of two 150-tonne mooring bollards to accommodate larger/next generation vessels, with higher bollard loadings, at the Overseas Passenger Terminal.

In order to minimise impacts of construction works in the high traffic Circular Quay precinct, the works are being undertaken after the popular VIVID event that involves the activation of Circular Quay, but prior to the peak of the 2016-17 cruise season (commencing October 2016).

Foreshore Beach Groynes project

This project will address beach erosion and stabilise sand movements – including inundation of Sydney Water stormwater pipes at Foreshore Beach, Botany – with the construction of three groynes made of fibre-reinforced plastic sheet piles and rock armour. Additionally, the groynes will help to enhance the natural environment by protecting seagrass beds from any further damage from sand inundation and to foster natural growth. The project commenced in June 2016 and construction will be complete in late 2016.

10.8 Community engagement

Community meetings

During the reporting year, Port Authority continued to:

- Chair quarterly Glebe Island and White Bay Community Liaison Group meetings. This meeting is attended by community representatives, port tenants, City of Sydney and Leichhardt Municipal Council (now Inner West Council).
- Attend bi-monthly WBCT agency and community meetings – which includes representatives from community, Inner West Council, Environment Protection Authority, Department of Health and Department of Planning and Environment. The group meets to discuss impacts from cruise ships berthed at WBCT.
- Attend quarterly Port Botany Community Consultative Committee meetings that are run by NSW Ports. Although no longer the landowner of Port Botany, Port Authority continues to attend to provide information on matters relating to community assets that remain under its management including the Port Botany Boat Ramp, Penrhyn Estuary and Foreshore Beach.

Community complaints and enquiries

During 2015-16, Port Authority received 208 complaints (up from 175 in 2014-15). Most complaints were related to noise and ship emissions associated with the White Bay Cruise Terminal and helicopter noise at Honeysuckle, Newcastle. All complaints are registered in a central data base.

A more proactive approach to complaint management is being adopted with the appointment of Service NSW, particularly during peak cruise season. This includes:

- contacting a ship and ships' agent ahead of their arrival into White Bay to remind them of their responsibilities
- briefing onsite security and duty cruise terminal managers about reporting and managing noise, and in particular non-safety related PA announcements and music
- ensuring Service NSW is adequately briefed about the complaint reporting process ahead of a ships' arrival.

Community research

Jetty Research, on behalf of Port Authority, undertook research in June 2016 within the residential areas of Balmain and Jackson's Landing. The purpose of the research was to help Port Authority to better understand community perceptions and attitudes about a working harbour and working port. At time of writing, the report on the research findings was yet to be finalised.

Community events

Australia Day

As a major sponsor for Australia Day, Port Authority opened the Overseas Passenger Terminal at Circular Quay for the first time for visitors on Australia Day. The Overseas Passenger Terminal was host to the Citizenship Ceremony run by City of Sydney on the Northern Forecourt, as well as the Coming to Australia exhibition from the Australian National Maritime Museum. The Overseas Passenger Terminal offered a unique location for people to come inside and watch many of the activities going on around Circular Quay and on the Harbour. Port Authority also played a role on Sydney Harbour with tug boat *Shirley Smith* leading the Australia Day Ferry Race.

VIVID Sydney

During VIVID Sydney 2016, Port Authority displayed an augmented reality video in the Overseas Passenger Terminal. The video took visitors on a journey through the history of the Overseas Passenger Terminal site, starting with the arrival of First Fleet through to wartime and immigration to today as a premier cruise destination. More than 15,000 visitors viewed the video during VIVID.



VIVID 2016. Visitors enjoy an interactive historical journey of the Overseas Passenger Terminal

11 Newcastle

11.1 Overview

Port Authority in Newcastle is managed by the Chief Operating Officer.

Port Authority is responsible in Newcastle for the following functions:

- pilotage services and the Harbour Master (including publishing of channel depths)
- Vessel Traffic Information Centre (VTIC)
- Port Safety Operating Licence functions including:
 - incident reporting
 - emergency response
 - notifications for dangerous goods, bunkering and hot works
- regulator of Port Authority roles and responsibilities under the Hunter Coal Export Framework arrangements
- inductions for access to Port Authority sites in Newcastle
- participant in the Hunter Valley Coal Chain Coordinator
- approval and administration of local knowledge certificates
- management of Nobby's Headland
- maintenance of Macquarie Pier
- asset management.

11.2 Marine Operations

Marine Operations has maintained its high standard of service delivery during 2015-16, promoting the safe and efficient movement of commercial vessels operating on the Port of Newcastle.

During the reporting year Marine Operations:

- Conducted 8270 pilot transfers to and from commercial ships, berths or helicopter pad – an average of 22.6 pilot transfers per day.
- Actioned 349 bulk dangerous goods notifications.
- Actioned 167 work permit notifications.
- Actioned 380 bunker notifications.
- Responded to 10 calls reporting pollution.
- Carried out navigation and environmental patrols within the Port of Newcastle.

11.3 Summary review of operations

Trade vessel visits to Newcastle, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015- 16	TOTAL 2014- 15
Newcastle	184	193	153	174	168	202	181	181	206	183	174	178	2,177	2,200

In 2015-16 there were 2177 trade vessel visits to the Port of Newcastle, a slight (1 per cent) reduction on trade vessel visits in 2014/5.

A total of 4508 pilotages were performed - 3696 of these by helicopter, 746 by cutter and 66 by launch.

Cruise ship visits to Newcastle, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015- 16	TOTAL 2014- 15
Newcastle	0	0	0	0	2	0	2	3	2	0	1	0	10	9

A total of 10 cruise ships called to Newcastle in 2015-16 including *Celebrity Solstice* in March 2016. At 317.2 metres in length overall, it is the longest ship to visit the port during the period.

Port of Newcastle anticipates six cruise ships will visit in 2016-17.

Vessel Traffic Information Centre

The Vessel Traffic Information Centre (VTIC) has operated within the Port of Newcastle since 2002.

The VTIC provided a high level of service that facilitates the safe operation and the efficiency of movements within the port limits. The VTIC vigilantly monitors for potential or developing situations that can affect port user safety, the environment or port movements and operations.

The VTIC is the interconnecting interface of the whole operation. It is a conduit for communication not only within the organisation, but also to and from other port stakeholders and visitors, as well as for the community in general.

To achieve this, the VTIC answered or processed over 364,000 emails, radio communications and telephone calls in 2015-16.

In March 2016, the two radio consoles were upgraded to the DX-Altus radio management system. This incorporated touch screen operations, and improved recording and playback capability.

Emergency response

Port Authority's emergency response team includes highly trained staff (from across all sections of the Newcastle Operation) and a variety of response equipment and vessels equipped to respond to incidents. During the 2015-16 reporting year, Marine Operations responded to a number of maritime incidents, including 10 reports of suspected pollution.

On-the-job training, real life response and a number of external training courses assisted in keeping the skills and knowledge of the Emergency Response team up to date and ready to respond to maritime incidents. This and cross training with other agencies on a regular basis is paramount to enabling Port Authority to meet its obligations.

Port Authority purchased 300 metres of Grintec Rapid self-inflatable boom to complement its existing assets. The boom has a 0.45 metre freeboard and can be deployed using less people than the existing inflating booms.

Exercises and training

During the reporting year, Port Authority participated in a number of exercises, to test response plans and meet its obligations under the Port Safety Operating Licence (PSOL). Training of employees was ongoing through the reporting year.

Exercises in which Port Authority – Newcastle employees participated during 2015-16 are described next.

Exercise Broken Arrow, July 2015:

Officers from Newcastle participated in the State exercise 'Broken Arrow' hosted by Port Authority. The aim of the exercise was to test the NSW State Waters Marine Oil and Chemical Spill Contingency Plan and related Memoranda of Understanding and guidelines as they apply to state-level incidents that cross state waters and inland water jurisdictions.

Annual Oil Spill Exercise, December

2015: Port Authority conducted its annual oil spill exercise to meet its obligations under the PSOL. There were two phases to the exercise – a desktop activity which included initiating the local Incident Control Centre, and equipment deployment. Both phases achieve the goals set by the exercise director.

Exercise Nautical Twilight, 6 June

2016: NSW hosted the 2016 National Plan exercise incorporating the State Exercise. This was held at Port Authority premises in Newcastle. The exercise focused on chemical response and wider recovery components, exercising the recently developed NSW Fire and Rescue and Australian Maritime Safety Authority (AMSA) Level 2 National Hazardous and Noxious Substance response capability.

The second phase on this exercise will be conducted in August 2016.

State Response Team Workshop

Twelve attendees from Port Authority participated in the State Response Team Workshop held in Port Macquarie in August 2015.

The workshop was conducted by Transport for NSW. The team received updates on State Arrangements, National Plans, functional areas, Australasian Inter-Service Incident Management System (AIIMS) overview and implications for Oil Spill Response Incident Control System (OSRICS), and the present incident response structure. Reviews of recent exercises in New South Wales and Victoria and the cross-border exercise held in Queensland found the media to be of critical importance during an incident and highlighted the ongoing need for Media Liaison Officers.

A number of Port Authority staff completed external training to enhance skills. Several of these courses were competency based.

Ongoing training continues, with field training and familiarisation with other response agencies (law enforcement and emergency service providers) to support multi-agency tasking and awareness.

Development and projects

The Port of Yamba was included in the responsibility of the Chief Operating Officer for Newcastle and in the responsibility of the Newcastle Harbour Master. The role of dedicated Harbour Master Yamba was dissolved.

Other major projects conducted by Port Authority in 2015-16 include a new automatic identification system for Yamba, oil response equipment (boom), three new outboard engines for the two launch vessels (Brian Cecil and Response 1), two additional portable pilot units (PPUs) and VTIC radio replacement; and work commenced on the Cornish Boat Dock refurbishment. A range of minor capital projects were also undertaken.

Port Authority attended the State Response Team Workshop in Port Macquarie, sharing knowledge and gaining insight into emergency operations



Community

Port Authority has a long history of involvement in supporting community groups and facilitating appropriate local events, and this continued throughout 2015-16. Support included Mission to Seafarers Newcastle, Hunter Business Awards, Hunter TAFE and other local charities. Port Authority also provided access to Macquarie Pier for the annual Mother's Day run. Newcastle Now, a local small business group, also receives support from Port Authority.

Most recently, Port Authority has become involved in the Port Welfare Committee. This group was formed to provide an overarching management of all of the local groups providing support to seafarers. The goal of this group is eliminate duplication of support and provide the best support available.

In addition to providing support for local community groups, Port Authority participates in and facilitates a number of community liaison groups including:

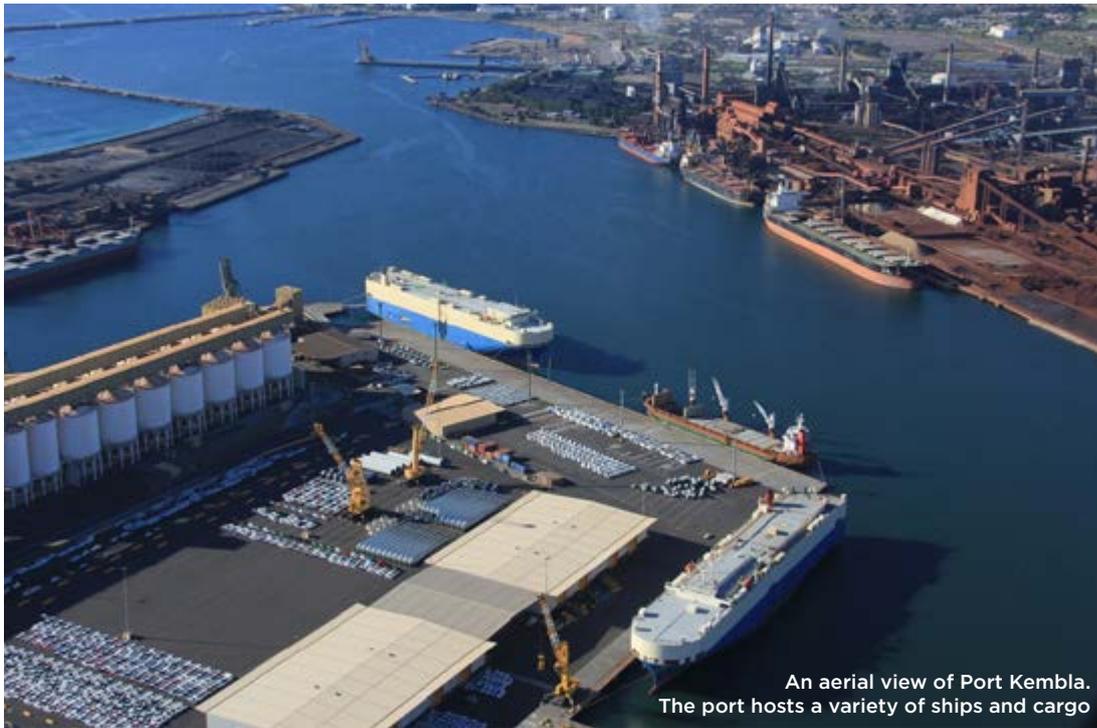
- Port User group
- Port of Newcastle Community Liaison group
- Helicopter Liaison group.

11.4 The year ahead

Port Authority will apply to the Australian Maritime Safety Authority for a licence to operate the current Vessel Traffic Information as a licenced Vessel Traffic Service. VTS accreditation with AMSA ensures VTS operations are being operated at an internationally recognised standard.

12

Port Kembla



An aerial view of Port Kembla. The port hosts a variety of ships and cargo

12.1 Overview

Port Authority in Port Kembla is managed by the Chief Operating Officer and Harbour Master.

Port Authority is responsible in Port Kembla for the following functions:

- Harbour Master functions
- port Marine Operations including the operations of the Vessel Traffic Information Centre and Pilotage service
- Port Safety Operating Licence functions, including dangerous goods, surveys and the maintenance of navigation aids
- emergency response and security for the waterside of the port.

The port:

- Serves the needs of regional industries such as coal (export) and steel (import of raw materials and export of steel products).
- Is the principal grain export port for producers in southern and south-western NSW.
- Is the major port for vehicle imports into NSW.
- Also handles a number of other commodities and cargoes.

12.2 Marine Operations

During the reporting period, Port Authority:

- Managed 1776 pilot movements to and from commercial vessels.
- Undertook annual hydrographic surveys for 100 per cent of port channels and berthing boxes.
- Carried out navigation and security patrols.
- Audited a wide range of marine activities involving issuing work permits and inspections of dangerous and bulk cargoes.
- Maintained emergency response capabilities and continued its annual program of emergency

response exercises conducted jointly with other agencies.

All Marine Operations activities focussed on the delivery of commitment to maintain a safe and environmentally sustainable port and a timely and effective response to water-based incidents and emergencies.



The vessel *Kestrel* returns to Port Kembla after safely transferring a pilot to a ship at sea

12.3 Summary review of operations

Trade vessel visits to Port Kembla, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015-16	TOTAL 2014-15
Port Kembla	63	72	70	71	71	68	63	71	71	82	71	77	850	867

Shipping numbers were down slightly in comparison to 2014-15, with 850 vessel visits.



A pilot safely transferring onto a bulk carrier off Port Kembla

Vessel Traffic Information Centre

All Port Kembla Vessel Traffic Information Centre (VTIC) staff are trained to international standards and continue to provide a high quality service for port and shipping management in the Port of Port Kembla.

A major project undertaken this year was the commissioning of a new electronic and automated state-board, which provides high quality display of information to both VTIC operators and registered port stakeholders through the CPorts shipping management system.

Exercises and training

Port Authority is an active member of the local, regional and State emergency response committees, and undertakes regular exercises with other government agencies and port stakeholders.



Oil and chemical spill response exercise, May 2016

12.4 Community



Two competitors in the 2015 Billy Cart Derby

Port Authority was once again a major sponsor for the Port Kembla Billy Cart Derby. This is hosted by the local Chamber of Commerce and has become a major regional event, attracting thousands of spectators every year. The history of the Derby dates back to 1940, and Port Authority is proud to have been involved once again in this fabulous community event held in the main street of Port Kembla.

Port Authority is also a proud major sponsor of the Port Kembla Mission to Seafarers and the Port Kembla Surf Club.

12.5 The year ahead

Port Authority will continue to provide high quality Marine Operations and emergency response activities in the Port of Port Kembla and adjacent response areas. Additionally, there are planned capital works upgrades to CCTV, emergency response equipment and software enhancements to the CPorts shipping managements system.

13 Port of Eden

13.1 Overview

Port Authority in Eden is managed by the Harbour Master.

After an internal management re-structure in late 2015, the Port of Eden now reports to the Chief Operating Officer of Port Kembla.

Eden is situated midway from Sydney to Melbourne, on the Sapphire Coast. Its harbour, Twofold Bay, is the third deepest natural harbour in the world.

Port Authority is responsible in Eden for the following functions:

- Harbour Master and 24-hour pilotage services

- management of Snug Cove and the Royal Australian Navy's multi-purpose berth
- Port Safety Operating Licence functions, including dangerous goods, surveys and the maintenance of navigation aids
- emergency response and security for the designated Maritime Security Zones within the port.

The Port of Eden services the needs of regional industries including forestry exports, fishing, the Royal Australian Navy and is an emerging cruise ship destination.

There are three wharves in the Eden port precinct and Port Authority also owns and manages an eight-hectare cargo storage facility.

13.2 Summary review of operations

Total vessel visits (trade and cruise) to Port of Eden, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015-16	TOTAL 2014-15
Eden	2	7	5	7	4	8	4	12	4	4	5	7	69	68

Note: Includes visits at both Port Authority's berths and privately owned terminals.

The total number of vessel calls to Eden during 2015-16 was 69, 39 of which were chargeable. The largest users of the port during the reporting year was the Royal Australian Navy (30), which is a non-chargeable user, plus cargo ships for logs and wood chips (22) and cruise ships (8).

Cruise ship visits to Port of Eden, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015-16	TOTAL 2014-15
Eden	0	0	0	0	2	1	1	3	1	0	0	0	8	3



In 2015-16, there were eight cruise ship visits compared to three in 2014-15. There were four maiden voyages, including the 2000-passenger *Noordam* from the Holland America cruise line.

In 2016-17, cruise ship visits will increase to 14 scheduled visits. There will be four maiden voyages including the *Black Watch*, which is using Eden as its first Australian port of call. In April 2017 Oceania Cruises will also be making their first visit to Eden with the *MV Sirena*.

13.3 Port development

A highlight of 2015-16 was the announcement of a 95-metre extension to the Snug Cove breakwater wharf to allow the berthing of cruise ships over 300 metres in length.

The extension project will cost a total of \$44 million, which includes a \$32 million NSW Government contribution, \$10 million from the Australian Government and \$2 million from the Bega Valley Shire Council.

Construction of the extension will be managed by NSW Department of Primary Industries – Lands. Work is expected to commence in 2017 and be completed by late 2018.

The extension will allow cruise ships to berth in Snug Cove instead of having to anchor in the harbour and ferry passengers to and from shore by tender. This will make Eden an even more attractive cruise destination and is expected to significantly boost the local economy.

13.4 Sponsorship

Port Authority sponsors the Eden Whale Festival, a celebration of the migration of humpback and other whales along the New South Wales Sapphire Coast. The festival is an important local community event that attracts tourists from NSW and Victoria.

13.5 Other highlights

In June 2016, the berth owned by Australian Natural Wood Exports (ANWE) was significantly damaged in a storm caused by an east coast low. Port Authority provided technical and operational support to ANWE to assist the company in temporarily relocating its operations to load ships at the Royal Australian Navy's (RAN) multi-purpose berth, while repairs to ANWE's wharf were being undertaken.



Vessel loading softwood logs at the RAN multi-purpose berth at Twofold Bay in Eden

13.6 The year ahead

There are planned upgrades to the Port of Eden's operational capabilities through greater integration with the Port of Port Kembla's Vessel Traffic Information Centre to enhance out-of-hours and emergency response.



Bird's-eye view of the operations base at Eden

14 Port of Yamba

14.1 Overview

Located at the mouth of the Clarence River, the Port of Yamba is Australia's easternmost sea port. Operating on a continuous 24/7 basis, the port has a dedicated pilotage service. The Port of Yamba operation is also responsible for Port Safety Operating Licence functions including incident reporting, emergency response, permit notifications for dangerous goods, bunkering and licensing for hot works (any works that could result in a fire or works in a combustible environment).

During the reporting period, Port Authority – Newcastle assumed stewardship of the Port of Yamba. The Harbour Master based in Newcastle is also the appointed Harbour Master for Yamba.

Port Authority owns Goodwood Island Wharf, which can accommodate vessels up to 120 metres in length, plus a small tug wharf, a pontoon and a large shed.

14.2 Summary review of operations

Trade vessel visits to Port of Yamba, 2015-16

	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	TOTAL 2015- 16	TOTAL 2014- 15
Yamba	1	6	0	3	2	1	2	1	2	0	0	0	18	23

The total number of vessel calls to Yamba during 2015-16 was 18, of which 14 were chargeable.

A total of 36 pilotages were performed and all were chargeable. The majority of these vessel calls were for ship repair at Harwood Island.

14.3 Port development

The construction of the new Harwood Bridge for the Pacific Highway duplication at Goodwood Island, commencing November 2016, may provide work going forward.

Once the ship repair contractor, located in the Port of Yamba, repairs its collapsed ship's cradle, there will likely be an increase in vessel calls for ship repair, some of which will require pilotage.

15 Sustainability

15.1 Introduction

Port Authority views sustainability as a fundamental corporate responsibility to deliver on its long-term commitment to provide for, and minimise risk to, the environment, its staff, the community, future trade and growth of its ports.

Port Authority aims to integrate sustainability into all of its business decisions and activities and, to that end, works with an established sustainability policy to help guide decisions.

In response, Port Authority has worked closely with cruise lines and ships' masters to develop and implement a number of noise mitigation strategies that are particular to the WBCT environment. Port Authority is also working collaboratively with the Department of Planning and Environment by exploring possible longer-term noise mitigation solutions as outlined in the Noise Impact Mitigation Strategy.

15.2 Management of port impacts

Significant infrastructure, such as the Glebe Island and White Bay port precinct and the Overseas Passenger Terminal, provides substantial benefits to the State.

The Port Authority of New South Wales understands the importance of maintaining its 'social license to operate' by managing issues such as noise or air emissions, that may impact on those living and working nearby.

Noise

Noise issues for Port Authority have largely been focussed on the White Bay Cruise Terminal (WBCT) and more specifically, the cruise ships berthing at this facility. Since WBCT opened in April 2013, extensive monitoring has found that noise from cruise ships at berth sometimes exceeds the relevant noise limits.

Under the strategy, Port Authority has investigated the potential noise mitigation benefits of options including:

- a noise barrier or noise wall
- connecting to shore-side power
- various operational and/or physical changes to noise generating equipment on a cruise ship
- noise attenuation treatment of residences.

Port Authority continues to work closely with Department of Planning and Environment on these investigations, as well as finalising the strategy in order to implement the agreed noise mitigation measures.

Air quality

In September 2015, after consulting with the NSW Environmental Protection Agency, Port Authority commenced continuous 24/7 air quality monitoring in the residential area adjacent to the WBCT (Balmain). The monitored parameters include sulphur dioxide (SO₂), particulate matter less than 2.5 micrometres in diameter (PM_{2.5}), wind speed and wind direction. The data is available in near-real time on a public website and monthly reports are also produced and published on the [Port Authority website](#).

The monitoring has indicated that sulphur dioxide (SO₂) and particulate (PM_{2.5}) levels are very low. Port Authority supports the further air emission benefits from the introduction of the Protection of the Environment Operations (Clean Air) Amendment (Cruise Ships) Regulation 2015, which required cruise ships at berth to use low sulphur fuel (0.1 per cent sulphur or better) whilst at berth from 1 October 2015.

From 1 October 2015, the NSW Government introduced regulatory requirements for the use of low sulphur fuel (0.1 per cent or less) by cruise ships at berth in Sydney Harbour. An amendment to the *Protection of the Sea (Prevention of Pollution from Ships) Act 1983 (Cth)* effective January 2016 has made the NSW legislation inoperative. Port Authority commends the decision by the cruise industry to comply voluntarily with the NSW low sulphur fuel requirements, while the Australian and NSW governments are considering a number of possible solutions to enable re-instatement of the NSW legislation.

Air quality monitoring will continue into 2016–17, and Port Authority will continue to work with the cruise industry and the Environmental Protection Authority (EPA) on better air emission outcomes.

15.3 Community sponsorships

Involvement with local communities through the reporting year included sponsorship of the annual Balmain and Rozelle Family Fun Day that supports research into childhood cancer.

15.4 Penrhyn Estuary

In early 2012, Port Authority began a five-year, \$3million environmental program to monitor Penrhyn Estuary and evaluate the success of the environmental enhancement works, which were carried out as part of the Port Botany Expansion Project. The primary objectives of the enhancement works are to:

- Expand the existing shore-bird habitat to attract increasing numbers of migratory birds.
- Create seagrass habitat.
- Expand the area of salt marsh habitat.
- Provide controlled public access and so minimise disturbance within the estuary.

Opportunities to reduce or eliminate disturbances to shore birds in Penrhyn Estuary continued to be investigated. Predator control activities, focusing mainly on foxes, continued throughout the year as well as management of weed and mangrove invasion.

15.5 Vehicle and marine fleet

Port Authority did not replace any vehicles or purchase new vehicles in 2015-16. This marked the third full year of use of Port Authority's hybrid vehicle for general staff use.

Port Authority implemented a Computerised Maintenance Management System which is driving a renewed focus on preventative maintenance and a re-assessment of maintenance schedules of assets, such as its marine fleet. This in turn is expected to drive greater efficiencies and reduce waste.

15.6 Energy and waste

In accordance with the NSW Government's Resource Efficiency Policy, in 2015-16 Port Authority:

- Used on-line workflows and approvals to reduce paper usage in offices.
- Implemented recycling programs for waste paper, employee-generated recyclables (such as glass, plastic, metal) and toner cartridges.
- Purchased low-waste products and products with recycled content, including most office paper, which is Australian Forestry Standard 80 per cent recycled.

In addition, Port Authority's contractors are required to minimise waste generated by construction projects and maintenance activities and identify areas where re-use of materials and recycling can be undertaken.

The financial year 2015-16 again saw Port Authority participate in Earth Hour, on 19 March 2016, ensuring that all non-essential lights at its facilities in Sydney, Newcastle, Port Kembla, Eden and Yamba were turned off.

15.7 Environmental notices

There were no environmental notices issued against Port Authority during the year, maintaining its exemplary record of the past seven years.

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Heritage

Port Authority of New South Wales is committed to preserving its port heritage and maritime history. All projects and significant port maintenance works are assessed for potential heritage impacts and existing heritage assets are inspected and maintained.

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

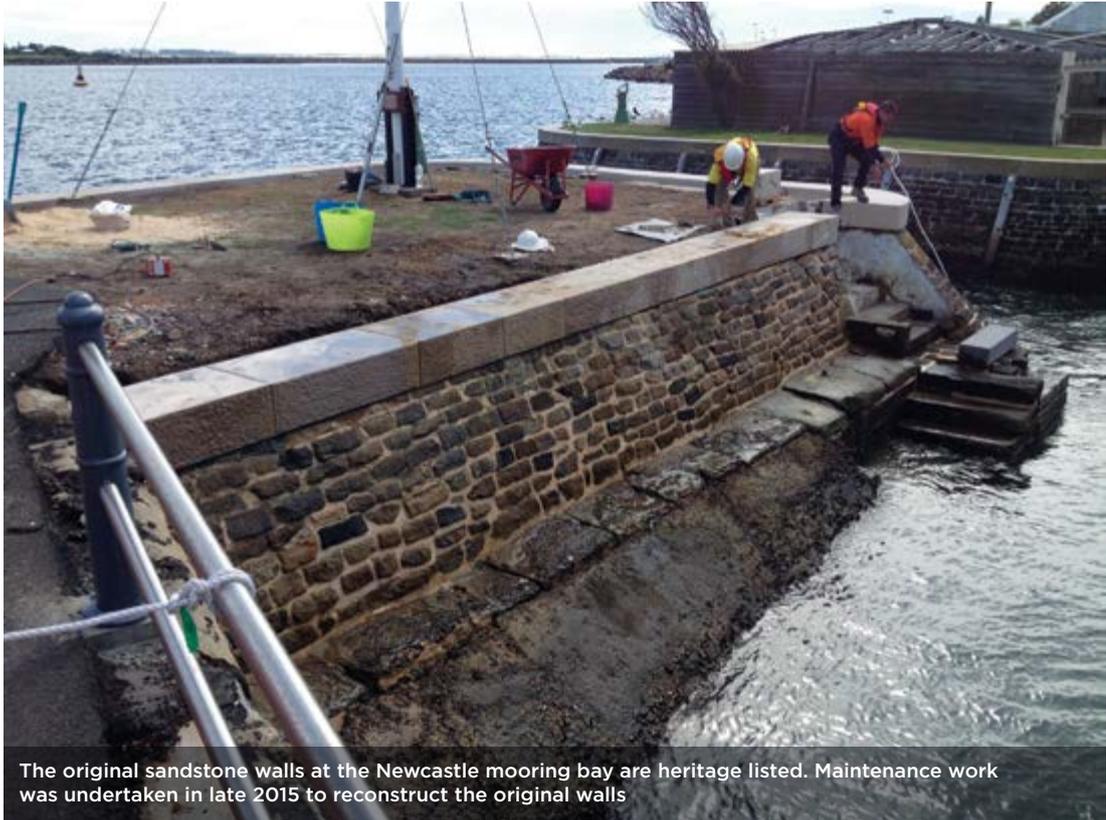
In 2015-16, Port Authority added two mooring anchors to its Section 170 Register. The mooring anchors were recovered from Sydney Harbour during the 1990s and are now located and on display at Moore's Wharf in Walsh Bay. The anchors are good examples of relatively rare specialised mooring anchors (Admiralty pattern) used in Sydney Harbour and elsewhere along the NSW coast in the nineteenth and twentieth centuries and were assessed as being of local heritage significance.



Rare heritage items like this ship's anchor, recovered from Sydney Harbour in the 1990s, are proudly on display in the Moore's Wharf compound in Sydney

After identifying a large ship propeller during survey work conducted on Sydney Harbour (see page 25), Port Authority commissioned a maritime archaeological assessment. The propeller lies in 13-14 metres of water to the west of Sydney Harbour Bridge. The assessment determined that the propeller has state heritage significance as a rare and representative example of a class of large, ocean-going ship propellers consistent with a style dating from the 1880s and that it had fallen into obsolescence and disuse by probably no later than the first decade of the twentieth century. Port Authority made a recommendation to the NSW Heritage Council that the propeller be nominated for listing on the NSW State Heritage Register and that Roads and Maritime Services includes the propeller on its Section 170 Register of heritage assets as the relevant landowner.

Port Authority actively inspects and maintains its heritage assets. In 2015-16, works commenced on repairing sandstone walls of the boat harbour (part of the heritage listed pilot station boat harbour and boat sheds) in Newcastle. Port Authority continues to update its heritage register and ensure that available information is accurate.



The original sandstone walls at the Newcastle mooring bay are heritage listed. Maintenance work was undertaken in late 2015 to reconstruct the original walls

In addition, any possible heritage items of port and maritime significance identified during the year or through development assessment processes are investigated for potential inclusion on the Register. A number of moveable items of potential heritage value

at the Port Authority office in Eden were assessed in June 2016. The report is expected in July 2016 and any items deemed to be of heritage significance will be managed in accordance with the requirements of the *Heritage Act 1977*.

17

Financial Statements

Newcastle Port Corporation

(Trading as Port Authority of New South Wales)

Financial statements

For the year ended 30 June 2016

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Director's declaration

For the year ended 30 June 2016

Newcastle Port Corporation (Trading as Port Authority of New South Wales)

DIRECTORS' DECLARATION For the year ended 30 June 2016

In the opinion of the Directors of Newcastle Port Corporation (trading as Port Authority of New South Wales):

1. Pursuant to section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, the accompanying financial statements and notes:
 - (a) exhibit a true and fair view of the financial position of the Corporation at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date.
 - (b) comply with applicable Australian Accounting Standards and Australian Accounting Interpretations, other mandatory and statutory reporting requirements including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the *State Owned Corporations Act 1989*.
2. There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
3. Pursuant to Clause 7 of the *Public Finance and Audit Regulation 2015*, we are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.



Chairman
N.R. Whitlam
Date: 13 September 2016



Chief Executive Officer and Director
J.G. Gilfillan
Date: 13 September 2016

Independent auditor's report

For the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Newcastle Port Corporation (trading as Port Authority of New South Wales)

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Newcastle Port Corporation (trading as Port Authority of New South Wales) (the Corporation) which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.
- comply with International Financial Reporting Standards as disclosed in Note 2(b).

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Corporation in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

Independent auditor's report *continued*

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors must assess the ability of the Corporation to continue as a going concern unless they intend to liquidate the Corporation or cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Caroline Karakatsanis
Director, Financial Audit Services

13 September 2016
SYDNEY

Statement of comprehensive income

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
<u>Continuing operations</u>			
Revenue			
Revenue from operating activities	3	114,796	104,212
Other revenue	3	28,500	28,076
Total revenue from continuing operations		143,296	132,288
Expenses			
Employee benefits expense	4	(61,714)	(60,993)
Depreciation and amortisation expense	4	(23,325)	(20,576)
Other expenses	4	(50,586)	(48,505)
Finance costs	4	(836)	(585)
Total expenses from continuing operations		(136,461)	(130,659)
Net loss on sale of property, plant and equipment		(85)	(2)
Profit before income tax equivalent expense		6,750	1,627
Income tax equivalent benefit	5	292	93
Net profit for the year		7,042	1,720
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Superannuation actuarial (losses) / gains	14(a)	(25,833)	3,604
Income tax equivalent expense on post employment benefit actuarial (losses) / gain	14(a)	7,750	(1,081)
Fair value revaluation of property, plant and equipment	14(c)	13,812	14,922
Income tax equivalent expense on revaluation of property, plant and equipment	14(c)	(4,143)	(4,488)
Other comprehensive income for the year, net of income tax equivalent expense		(8,414)	12,957
Total comprehensive income for the year		(1,372)	14,677

The accompanying notes form a part of the financial statements.

Statement of financial position

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
ASSETS			
Current assets			
Cash and cash equivalents	6	1,406	1,058
Trade and other receivables	7	20,697	17,651
Income tax equivalent receivable	5	-	88
Total current assets		22,103	18,797
Non-current assets			
Receivables	7	78,804	74,114
Property, plant and equipment	8(a)	438,048	443,349
Investment property	9	7,527	7,307
Intangible assets	10	917	955
Deferred tax equivalent assets	5	26,611	17,831
Total non-current assets		551,907	543,556
TOTAL ASSETS		574,010	562,353
LIABILITIES			
Current liabilities			
Trade and other payables	11	12,526	17,313
Interest-bearing loans and borrowings	13	2,000	17,783
Income tax equivalent payable		2,814	-
Provisions	12	29,180	27,088
Total current liabilities		46,520	62,184
Non-current liabilities			
Other liabilities	11	3,827	1,228
Interest-bearing loans and borrowings	13	-	4,836
Deferred tax equivalent liabilities	5	47,614	45,144
Provisions	12	2,771	2,300
Post-employment benefits	15	65,274	37,285
Total non-current liabilities		119,486	90,793
TOTAL LIABILITIES		166,006	152,977
NET ASSETS		408,004	409,376
EQUITY			
Contributed equity	14	165,768	165,768
Reserves	14	25,389	15,722
Retained earnings	14	216,847	227,886
TOTAL EQUITY		408,004	409,376

The accompanying notes form a part of the financial statements.

Statement of changes in equity

For the year ended 30 June 2016

	Note	Contributed equity \$000	Asset revaluation reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2014		165,768	5,288	(116,770)	54,286
Profit for the year after tax		-	-	1,720	1,720
Other comprehensive income		-	10,434	2,523	12,957
Total comprehensive income for the year	14(a),(c)	-	10,434	4,243	14,677
Transactions with owners in their capacity as owners:					
Ports amalgamation – transfer from Sydney Ports Corporation 1 July 2014	24	-	-	319,791	319,791
Ports amalgamation – transfer from Port Kembla Port Corporation 1 July 2014	24	-	-	20,622	20,622
Balance at 30 June 2015		165,768	15,722	227,886	409,376
Profit for the year after tax		-	-	7,042	7,042
Other comprehensive income		-	9,667	(18,081)	(8,414)
Total comprehensive income for the year	14(a),(c)	-	9,667	(11,039)	(1,372)
Balance at 30 June 2016		165,768	25,389	216,847	408,004

The accompanying notes form a part of the financial statements.

Statement of cash flows

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
Net cash flows from operating activities			
Receipts from customers		152,311	140,073
Payments to suppliers and employees		(123,234)	(122,352)
Interest received		23	256
Borrowing costs paid		(1,579)	(1,288)
Income tax equivalent received / (paid)		491	(3,306)
Net cash flows received from operating activities	6(c)	28,012	13,383
Net cash flows used in investing activities			
Purchase of property, plant and equipment		(7,460)	(65,056)
Proceeds from sale of property, plant and equipment		230	99
Net cash flows (used in) investing activities		(7,230)	(64,957)
Net cash flows used in financing activities			
Proceeds from borrowings		-	22,740
Repayment of borrowings		(20,434)	-
Dividends paid		-	(15,000)
Net cash flows (used in) / received from financing activities		(20,434)	7,740
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		1,058	25,877
<i>Cash transferred in as a result of ports amalgamation</i>			
Cash transfer from Sydney Ports Corporation	24	-	13,202
Cash transfer from Port Kembla Port Corporation	24	-	5,813
Cash and cash equivalents at the end of the year	6	1,406	1,058

The accompanying notes form a part of the financial statements.

Notes to the financial statements

For the year ended 30 June 2016

Note 1 Corporate Information

The financial statements of Newcastle Port Corporation trading as Port Authority of New South Wales (the 'Corporation') for the year ended 30 June 2016 are authorised for issue in accordance with a resolution of the Directors on 13 September 2016.

Newcastle Port Corporation is a state-owned corporation, incorporated by the New South Wales State Government under the *State Owned Corporations Act 1989* and is domiciled in New South Wales, Australia with its principal office at 100 Wharf Road, Newcastle NSW 2300, Australia. The Corporation assessed its status and determined that it is a 'for profit' public sector entity for financial reporting purposes.

(a) Ports amalgamation on 1 July 2014

On 7 April 2014 the NSW Budget Committee of Cabinet approved the amalgamation of Sydney Ports Corporation and Port Kembla Port Corporation into Newcastle Port Corporation as provided for in the Ports Assets (Authorised Transactions) Act 2012. On 23 June 2014 the Treasurer signed Ministerial Orders transferring the assets, rights and liabilities of Sydney Ports Corporation and Port Kembla Port Corporation into Newcastle Port Corporation effective from 1 July 2014. An additional Ministerial Order of the same date was signed transferring the staff employed in Sydney Ports Corporation and Port Kembla Port Corporation into Newcastle Port Corporation effective from 1 July 2014. On 1 July 2014 the Minister for Roads and Freight announced the start of operations of the amalgamated state owned corporation trading as Port Authority of New South Wales.

The Port Authority of New South Wales is responsible for all commercial marine functions in the ports of Newcastle, Sydney Harbour, Botany Bay, Port Kembla, Eden and Yamba. These functions include the provision of Harbour Masters to the ports, pilotage and navigation services, and port safety functions as prescribed in the Port Safety Operating Licence. These port safety functions include the provision and maintenance of navigation aids, marine pollution emergency response and administering the legislation concerning the handling, transportation and storage of dangerous goods within the jurisdiction of the ports. The Port Authority of New South Wales is also the regulator of the Hunter Coal Export Framework and a participant in the Hunter Valley Coal Chain Co-ordinator.

In addition to these commercial marine functions in the six ports, the Port Authority of New South Wales is responsible for the overall management of business activities and related assets in Sydney Harbour - predominantly cruise activities at its two facilities, the Overseas Passenger Terminal at Circular Quay and the White Bay Cruise Terminal at White Bay. Other business activities include management of the dry bulk facility at Glebe Island.

Both Sydney Ports Corporation and Port Kembla Port Corporation ceased operations on 1 July 2014 and were dissolved on 1 September 2016.

Note 2 Summary of significant accounting policies

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

Note 2 *continued*

(a) Basis of preparation

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

- (i) Australian Accounting Standards and Australian Accounting Interpretations;
- (ii) the *Public Finance and Audit Act 1983*;
- (iii) the *Public Finance and Audit Regulation 2015*;
- (iv) the *State Owned Corporations Act 1989*; and
- (v) NSW Treasurer's Directions.

Except for cashflow information, the financial statements have been prepared on an accrual accounting basis using historical cost accounting conventions unless stated otherwise. Assets and liabilities stated at fair value include property, plant and equipment, investment property, cash and cash equivalents and defined benefits provisions.

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

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

(b) Compliance with IFRS

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

(c) New accounting standards and interpretations

The Corporation has adopted the new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) Interpretations as and when they became applicable during the year. Their adoption did not result in changes in accounting policies, disclosures and prior year comparatives.

The Corporation has consistently applied the accounting policies as set out in note (d) to note (y) to all periods presented in the financial statements.

Australian Accounting Standards and Interpretations, issued by the AASB, that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the annual reporting year ended 30 June 2016. The impact in the period of initial application in the Corporation's financial statements is not known or reasonably estimable.

(d) Cash and cash equivalents

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

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

The value of the funds on deposit in the TCorp Hour-Glass Cash Facility Trust is at fair value.

Note 2 *continued*

(e) Trade and other receivables

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

(f) Property, plant and equipment

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

(i) Valuation of property, plant and equipment

Property, plant and equipment is valued at fair value in accordance with Australian Accounting Standards and the NSW Treasury Policy Paper on Valuation of Physical Non-Current Assets (TPP 14-01). Property, plant and equipment is measured on an existing use basis where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market

Note 2 *continued*

buying price, the best indicator of which is the replacement cost of the asset's remaining future economic benefits. Where an asset is specialised, or the market buying price and market selling price differ materially because the asset is usually bought and sold in different markets, or the asset would only be sold as part of the sale of the cash-generating operation of which the asset is a part, fair value is measured at market buying price. The best indicator of an asset's market buying price is the replacement cost of the asset's remaining future economic benefits. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. Also refer to note 16 for further information regarding fair value.

(ii) Valuation of land

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

(iii) Valuation of specialised plant and infrastructure

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

(iv) Valuation of buildings

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

(v) Revaluation of property, plant and equipment

Revaluations are made with sufficient regularity to ensure that the carrying amount of property, plant and equipment does not materially differ from fair value at the reporting date. Land and buildings are subject to comprehensive valuation at least every 3 years. Where the Corporation revalues non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and accumulated depreciation are separately restated.

Interim revaluations will be conducted between comprehensive revaluations when cumulative changes to indicators / indices suggest fair value may differ materially from the carrying value. The Corporation will undertake an interim management revaluation when cumulative increases / decreases in indicators / indices are generally less than or equal to 20%. It will undertake an interim formal revaluation where there has been a cumulative increase / decrease in indicators / indices generally greater than 20%.

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

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

Note 2 *continued*

The most recent revaluation of property, plant and equipment by the Corporation was completed at 30 June 2016. The valuation of land and buildings at 30 June 2016 was re-assessed by applying an appropriate externally supplied construction index to the comprehensive external valuation undertaken at 30 June 2015. The valuations of specialised assets were re-assessed by applying an appropriate externally supplied construction index to the comprehensive external valuation of specialised assets undertaken at 30 June 2012.

(vi) Impairment

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

(vii) Fair value measurement of non-financial assets

The Corporation categorises its non-financial assets under the fair value hierarchy based on valuation technique. Assets included in construction in progress are normally recognised at historical cost (level 3) and these assets are transferred to property, plant and equipment when ready for use as intended by management. The transfer to property, plant and equipment may trigger a transfer between different levels of the fair value hierarchy depending on the valuation techniques used for the transferred asset. Unless there is a change in valuation technique, the asset categorisation under the fair value hierarchy is not expected to change.

(viii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit and loss.

(g) Intangible assets

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

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

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

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

Note 2 *continued*

(h) Depreciation and amortisation of assets

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

The useful lives of each category of depreciable assets are:

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

(i) Capitalisation of assets

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

(j) Recoverable amount of assets

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

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

(k) Finance lease receivable

Costs incurred for capital dredging (harbour deepening) of channels were previously recognised as prepaid licence fees with the licensor being NSW Roads and Maritime Services. As part of the long term leases in 2013 and 2014 as detailed in note 7(a), two revised Channel User Licence Agreements with NSW Roads and Maritime Services were executed in 2013 and one executed in 2014. The Corporation considers these agreements to represent finance leases. For further details refer to note 7(a).

Note 2 *continued*

(l) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit and loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period in which the property is derecognised.

(m) Trade and other payables

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

(n) Interest-bearing loans and borrowings

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

(o) Borrowing costs

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

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

(p) Provisions

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

Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and can be measured reliably. The expense relating to any provision is recognised in the statement of comprehensive income net of any

Note 2 *continued*

reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Onerous contracts

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

(q) Employee benefits

(i) Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date and are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

(ii) Annual leave

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits*. The Corporation has assessed and determined that the effect of discounting is immaterial to annual leave.

The annual leave provision is presented as a current liability as the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

(iii) Long service leave

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

(iv) Retirement benefits obligations

The Corporation contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to nominated funds. The Corporation contributes to defined benefit plans and defined contribution plans.

A liability or asset for the defined benefit superannuation plans is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligations at the reporting date less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligations is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit valuation method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Note 2 *continued*

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

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

Past service costs are recognised immediately in profit or loss.

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

(v) Termination benefits

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

(r) Operating Leases

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

(i) Operating leases

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

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

(ii) Lease incentives

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

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

Note 2 *continued*

(s) Contributed equity

Ordinary shares are classified as equity.

The *State Owned Corporations Act 1989* requires the Corporation to have two voting shareholding Ministers. Each shareholder must, at all times, have an equal number of shares in the Corporation. At 30 June 2016, the shares were held by the Treasurer (The Hon. Gladys Berejiklian, MP) and the Minister for Finance, Services and Property (The Hon. Dominic Perrottet, MP).

(t) Equity transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector entities and “equity appropriations” are designated or required by Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to “Accumulated Funds”. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the entity recognises the asset at the transferor’s carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

(u) Revenue recognition

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

(i) Port revenue

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

(ii) Navigation recharge revenue

Navigation recharge revenue is recognised in accordance with the Port Services Agreements entered into between the Corporation and NSW Ports and Port of Newcastle.

(iii) Rental revenue

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

(iv) Interest revenue

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

(v) Retirement benefits income

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

Note 2 *continued*

(vi) Sale of assets

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

(vii) Assets received free of charge

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

(viii) Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

(v) Income tax equivalent and other taxes

Income tax equivalent is required to be paid to the NSW Government in accordance with Section 20T of the *State Owned Corporations Act 1989*. The payments are equivalent to the amounts that would be payable under the normal income tax law of the Commonwealth.

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

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

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

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

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

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

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

Note 2 *continued*

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

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

Other taxes

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

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

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

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

(w) Dividend

The Corporation reviews its financial performance for the accounting period and recommends to its shareholders an appropriate dividend payment in light of the current financial position and longer-term financial commitments. Under NSW Treasury's Financial Distribution Policy for Government Businesses, the Corporation prepares a Statement of Corporate Intent which is an agreement between the relevant Ministers and the Board. This agreement establishes the dividend policy to apply for the year and sets a target dividend, if any, for the business. The present obligation to pay a dividend is established when the shareholders' approval of the dividend is received. Subsequent to the approval, there will be no further variation of the dividend amount.

(x) Contingent assets and contingent liabilities

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

Note 2 *continued*

(y) Significant accounting judgements, estimates and assumptions

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

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

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

(i) Impairment of non-financial assets

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

(ii) Valuation of property, plant and equipment

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

(iii) Valuation of residual interest in leased assets

The fair value of the Corporation's residual interest in the assets leased to private operators has been determined by independent specialist valuers in prior years.

(iv) Superannuation

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

(v) Taxation

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

Note 3 Revenue

	Note	2016 \$000	2015 \$000
Continuing operations			
<i>Revenue from operating activities</i>			
Port revenue		100,212	90,292
Rental revenue		14,584	13,920
		114,796	104,212
<i>Other revenue</i>			
Interest from bank and other		80	253
Finance lease income		5,133	4,798
Land tax recoverable from tenants		144	142
Investment property revaluation gain	9	220	239
Revaluation increments – property, plant and equipment	8(d)(i)	60	-
Recovery of Penrhyn Estuary services		1,947	1,922
Navigation recharge		10,569	10,464
Recoverable security		4,257	4,065
Other recoveries		3,692	4,294
Other revenue		2,398	1,899
		28,500	28,076
Total revenue from continuing operations		143,296	132,288

Note 4 Expenses

	Note	2016 \$000	2015 \$000
Continuing operations			
<i>Employee benefits expense</i>			
Salaries and wages		47,513	47,164
Annual leave		5,267	4,956
Long service leave		1,945	1,772
Retirement benefits – defined benefit		2,110	2,496
Retirement benefits – accumulation		4,879	4,605
		61,714	60,993
<i>Depreciation and amortisation expense</i>			
Depreciation	8(d)(i)	22,935	20,107
Amortisation of intangible assets	10	390	469
		23,325	20,576
<i>Other expenses</i>			
Service contractors		21,722	19,915
Indirect taxes		6,123	6,013
Utilities and communications		3,343	3,736
Insurance		2,636	3,104
Legal costs		188	404
Legal disputes		1,500	-
Materials		1,345	1,421
Minimum lease payments – operating leases		3,343	4,142
Revaluation decrements – property, plant and equipment	8(d)(i)	45	177
Directors' remuneration	22	387	374
Auditors' remuneration – audit of financial statements	23	247	309
(Reversal of) / Impairment of property, plant and equipment	8(d)(i)	(168)	350
Consultancy fees	20	3	72
Channel fees		5,342	5,078
Other operations and services		4,530	3,410
		50,586	48,505
<i>Finance costs</i>			
Finance cost on loans and borrowings		795	483
Unwinding of discount on provisions		33	88
Other finance costs		8	14
		836	585
Total expenses from continuing operations		136,461	130,659

Note 5 Income tax equivalent expense

	2016 \$000	2015 \$000
Income tax equivalent expense / (benefit)		
Current tax	2,411	327
Deferred tax	(2,703)	(420)
	<u>(292)</u>	<u>(93)</u>
Deferred tax		
<i>Deferred income tax equivalent expense included in income tax equivalent expense comprises:</i>		
Decrease in deferred tax assets	(1,030)	765
(Decrease) in deferred tax liabilities	(1,673)	(1,185)
	<u>(2,703)</u>	<u>(420)</u>
Deferred tax equivalent assets		
Underfunded defined benefits superannuation	19,582	11,186
Leave entitlements	5,802	5,390
Carried forward tax loss	-	776
Other	1,227	479
	<u>26,611</u>	<u>17,831</u>
Deferred tax equivalent liabilities		
<i>The balance comprises temporary differences attributable to:</i>		
Depreciation and revalued property, plant and equipment	43,965	40,914
Future assessable income	3,355	3,856
Other	294	374
	<u>47,614</u>	<u>45,144</u>

Note 5 *continued*

	2016 \$000	2015 \$000
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 before income tax equivalent expense from continuing operations	6,750	1,627
Prima facie tax thereon at 30%	2,025	488
Add tax effect of items with differential accounting / tax treatment:		
Add items not deductible	469	44
Subtract items not assessable	(1,540)	(1,511)
Adjustments in respect of current income tax equivalent expense of prior year	(1,209)	812
Recoupment of unrealised capital losses	(32)	-
Other non-deductible expenses	(5)	74
Total income tax equivalent expense / (benefit) attributable to operating profit	(292)	(93)
Amounts recognised directly in equity		
Net deferred tax debited directly to equity	3,607	5,569
Movement in income tax equivalent payable / (receivable)		
Balance at the beginning of the financial year	(88)	2,891
Current income tax equivalent	2,411	327
Payments	491	(3,306)
Balance at the end of the year	2,814	(88)

Note 5 *continued*

<u>Movement in deferred tax equivalent assets</u>				
	Opening balance	Charges to income	Charges to equity	Closing balance
	\$000	\$000	\$000	\$000
Leave entitlements	5,390	412	-	5,802
Underfunded defined benefits superannuation	11,186	646	7,750	19,582
Carried forward tax loss	776	(776)	-	-
Other	479	748	-	1,227
	17,831	1,030	7,750	26,611

Movement in deferred tax equivalent liabilities

Depreciation, revaluation and derecognition of property, plant and equipment	40,914	(1,092)	4,143	43,965
Future assessable income	3,856	(501)	-	3,355
Other	374	(80)	-	294
	45,144	(1,673)	4,143	47,614

Unrealised capital losses

As at 30 June 2016 there is no unrecognised deferred tax asset. In 2015, a deferred tax asset amount of \$0.322 million was not recognised for primarily unrealised capital losses. It has been fully utilised during 2016.

Note 6 Cash and cash equivalents

	2016	2015
	\$000	\$000
Cash at bank and in hand	1,406	1,058
TCorp Hour-Glass Cash Facility Trust	-	-
Cash and cash equivalents	1,406	1,058

(a) Reconciliation to the statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and in hand and funds on deposit in the TCorp Hour-Glass Cash Facility Trust. Cash and cash equivalents at 30 June 2016 and 30 June 2015, as shown in the statement of cash flows, are reconciled to these items in the statement of financial position.

(b) TCorp Hour-Glass Cash Facility Trust

The Corporation places funds on deposit in the TCorp Hour-Glass Cash Facility Trust. These funds are represented by a number of units in the managed facility. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines. These funds are generally able to be redeemed with up to 24 hours prior notice. The value of the funds on deposit represents the share of the value of the underlying assets of the facility and is stated at fair value. The value of the funds is at fair value.

Note 6 *continued*

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

	2016	2015
	\$000	\$000
Net profit after income tax equivalent expense	7,042	1,720
Adjustments for:		
Depreciation and amortisation expense	23,325	20,576
Investment property revaluation gain	(220)	(239)
Amortisation of discount on interest-bearing loans and borrowings	(185)	(121)
Net revaluation (increments) / decrements – property, plant and equipment	(15)	177
Net loss on sale of property, plant and equipment (Reversal of) / impairment of property, plant and equipment	85	2
Write-off of property, plant and equipment	(168)	350
Finance lease income	550	238
	<u>(5,133)</u>	<u>(4,798)</u>
	25,281	17,905
Changes in assets and liabilities applicable to operating activities		
(Increase) / decrease in trade and other receivables	(2,600)	220
Decrease / (increase) in income tax equivalent receivable	88	(88)
(Increase) / decrease in deferred tax equivalent assets	(1,030)	765
(Decrease) in deferred tax equivalent liabilities	(1,673)	(1,184)
Increase / (decrease) in income tax equivalent payable	2,814	(2,891)
Increase / (decrease) in trade and other payables	413	(3,464)
Increase / (decrease) in provisions	2,563	(304)
Increase in other liabilities	2,156	2,424
Net cash flows received from operating activities	28,012	13,383

Note 7 Trade and other receivables

	Note	2016 \$000	2015 \$000
Current			
Trade receivables		7,098	6,674
Other receivables		7,812	3,989
		14,910	10,663
Allowance for impairment	7(b)	-	-
		14,910	10,663
Prepayments		1,366	1,054
Lease incentive receivable		443	708
Accrued income		3,978	5,226
		20,697	17,651
Non-current			
Lease incentive receivable		-	443
Finance lease receivable	7(a)	78,804	73,671
		78,804	74,114

(a) Finance lease receivable

Finance lease – Newcastle

The Corporation previously incurred costs to dredge Newcastle Port in creating a channel for ships to enter the wharf area. As part of the long term lease transaction, a Channel User License Deed with NSW Roads and Maritime Services was executed on 20 December 2013. The Corporation considers this agreement to represent a finance lease.

On expiry of the 98 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds on expiry of the 98 year lease. No further payments will be received, and a residual asset will be accreted over the 98 year term of the lease with total unearned finance income as at 30 June 2016 of \$19.924 billion. The initial value of the residual interest was recognised at \$30.215 million in May 2014. In this financial year, the Corporation has recognised \$2.224 million (2015: \$2.082 million) finance lease income from the accretion of the finance lease receivable.

The valuation of the residual interest was carried out by external advisers as at 30 June 2014. Management will regularly re-assess its carrying value in future periods, which will depend upon specific factors such as the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions. No significant factors were identified during the year that resulted in significant changes to the valuation.

Finance lease - Botany Bay

Sydney Ports Corporation, amalgamated into Newcastle Port Corporation (trading as Port Authority of New South Wales) effective from 1 July 2014, previously incurred costs to dredge Botany Bay, thereby creating a channel for ships to enter the wharf area. As part of

Note 7 *continued*

the long term lease transaction, a revised Channel User Licence Agreement with NSW Roads and Maritime Services was executed. The agreement represents a finance lease.

On expiry of the 99 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the value of its net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to the Corporation on expiry of the 99 year term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease with total unearned finance income as at 30 June 2016 estimated at \$17.491 billion. The initial value of the residual interest was recognised at \$20.443 million in May 2013. In this financial year, the Corporation has recognised \$1.664 million (2015: \$1.553 million) finance lease income from the accretion of the finance lease receivable.

Finance lease – Port Kembla

Port Kembla Port Corporation, amalgamated into Newcastle Port Corporation (trading as Port Authority of New South Wales) effective from 1 July 2014, previously incurred costs to dredge Port Kembla in creating a channel for ships to enter the wharf area. As part of the long term lease transaction, a revised Channel User Licence Agreement with NSW Roads and Maritime Services was executed. The agreement represents a finance lease.

On expiry of the 99 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to the Corporation on expiry of the 99 year lease term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease with total unearned finance income as at 30 June 2016 estimated at \$13.086 billion. The initial value of the residual interest was recognised at \$15.294 million in May 2013. In this financial year, the Corporation has recognised \$1.245 million (2015: \$1.163 million) finance lease income from the accretion of the finance lease receivable.

The valuation of the residual interest in Botany Bay and Port Kembla was carried out by external advisers as at 30 June 2013. Management will regularly re-assess its carrying value in future periods, which will depend upon specific factors such as the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions. No significant factors were identified during the year that resulted in significant changes to the valuation.

(b) Allowance for impairment

Trade receivables are on terms from 7 to 28 days. Other receivables are on terms from 7 to 14 day terms. Receivables are non-interest bearing.

An allowance for impairment is recognised when there is objective evidence that an individual receivable is impaired. No impairment charges have been recognised by the Corporation in both years.

Note 7 *continued*

Movements in the allowance for impairment were as follows:

	2016 \$000	2015 \$000
Balance at 1 July	-	-
Transfer from Sydney Ports Corporation	-	73
Current year charge	-	-
Amounts written off	-	(73)
Closing balance	<u>-</u>	<u>-</u>

At each reporting date, the ageing analysis of trade and other receivables is as follows:

	Total \$000	Not due \$000	0-30 days PDNI* \$000	0-30 days CI* \$000	31-60 days PDNI* \$000	31-60 days CI* \$000	60+ days PDNI* \$000	60+ days CI* \$000
2016	14,910	12,876	1,522	-	361	-	151	-
2015	10,663	9,058	1,178	-	246	-	181	-

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

Trade and other receivables past due but not considered impaired are \$2.034 million (2015: \$1.605 million). Payment terms on these amounts have not been re-negotiated and direct contact has been made with the relevant debtors to ensure that payment will be received in full.

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

(c) Fair value and credit risk

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

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

Note 8 Property, plant and equipment

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

At fair value	2016 \$000	2015 \$000
Land and buildings (gross carrying amount)	290,344	272,955
Accumulated depreciation	(8,799)	(4,738)
Net carrying amount	281,545	268,217
Roadways and bridges (gross carrying amount)	11,624	11,265
Accumulated depreciation	(1,454)	(717)
Net carrying amount	10,170	10,548
Wharves, jetties and breakwaters (gross carrying amount)	74,703	73,544
Accumulated depreciation	(18,929)	(9,660)
Net carrying amount	55,774	63,884
Plant (gross carrying amount)	107,151	101,333
Accumulated depreciation	(18,347)	(11,077)
Net carrying amount	88,804	90,256
Construction in progress		
- Land and buildings	155	7,425
- Roadways and bridges	-	127
- Wharves, jetties and breakwaters	555	215
- Plant	1,045	2,677
Total construction in progress	1,755	10,444
Total property, plant and equipment at fair value (net carrying amount)	438,048	443,349

(b) Revaluation of property, plant and equipment

Land and building

An independent valuer (RHAS - an Aon Company) provided gross values for land and buildings at 30 June 2015. Their values are appropriately indexed at 30 June 2016 using externally provided rates ranged from 1% to 10%.

The values of roadways and bridges and wharves, jetties and breakwaters were appropriately indexed at 30 June 2016 using externally provided rates ranged from 0.75% to 1.5%. As for the roadways and bridges, wharves, jetties and breakwaters transferred from Sydney Ports Corporation on 1 July 2014, a quantity and construction cost consultant (MDA Australia Pty Limited) provided gross values at 30 June 2012. The indexes applied to these values were 3% and 2% at 30 June 2014 and 2013 respectively before they were transferred to the Corporation on 1 July 2014. The index applied to them was 2.32% at 30 June 2015.

Note 8 *continued*

The Corporation's qualified engineers assessed the remaining useful lives of each asset. Based on these assessments, all assets are recorded at fair value. The assets that were not revalued due to materiality are also shown at fair value as the written-down value approximates fair value.

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

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

At cost	2016 \$000	2015 \$000
Land and buildings (gross carrying amount)	262,281	258,093
Accumulated depreciation	(7,853)	(4,091)
Net carrying amount	254,428	254,002
Roadways and bridges (gross carrying amount)	11,337	11,063
Accumulated depreciation	(1,556)	(857)
Net carrying amount	9,781	10,206
Wharves, jetties and breakwaters (gross carrying amount)	71,430	71,341
Accumulated depreciation	(17,751)	(8,967)
Net carrying amount	53,679	62,374
Plant (gross carrying amount)	107,916	102,125
Accumulated depreciation	(19,317)	(12,058)
Net carrying amount	88,599	90,067
Construction in progress	1,755	10,444
Total property, plant and equipment (at cost)	408,242	427,093

Note 8 *continued*

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

	Note	Land and buildings \$000	Roadways and bridges \$000	Wharves, jetties and breakwaters \$000	Plant \$000	Total \$000
Balance at 1 July 2015		268,217	10,548	63,884	90,256	432,905
Additions		-	-	-	162	162
Revaluation increments recognised in other comprehensive income	14(c)	12,931	75	806	-	13,812
Revaluation increments recognised in profit or loss	3	60	-	-	-	60
Revaluation decrements recognised in profit or loss	4	(45)	-	-	-	(45)
Reversal of impairment	4	138	-	-	30	168
Transfer from construction in progress	8(d)(ii)	4,544	273	90	8,287	13,194
		285,845	10,896	64,780	98,735	460,256
Depreciation charge	4	(3,956)	(726)	(9,006)	(9,247)	(22,935)
Write-offs		(344)	-	-	(206)	(550)
Disposals		-	-	-	(478)	(478)
Balance at 30 June 2016		281,545	10,170	55,774	88,804	436,293

	Note	Land and buildings \$000	Roadways and bridges \$000	Wharves, jetties and breakwaters \$000	Plant \$000	Total \$000
Balance at 1 July 2014		13,751	81	1,377	5,924	21,133
Transfer from Sydney Ports Corporation on 1 July 2014		227,881	10,859	57,713	54,135	350,588
Transfer from Port Kembla Port Corporation on 1 July 2014		5	-	-	1,431	1,436
Additions		-	-	-	27	27
Revaluation increments recognised in other comprehensive income	14(c)	13,408	291	1,261	-	14,960
Revaluation decrements recognised in profit or loss	4	(158)	(1)	(18)	-	(177)
Impairment	4	(350)	-	-	-	(350)
Reclassifications		9	-	-	(9)	-
Transfer to investment property	9	(6,958)	(7)	-	(103)	(7,068)
Transfer from construction in progress	8(d)(ii)	24,070	17	12,174	36,541	72,802
		271,658	11,240	72,507	97,946	453,351
Depreciation charge	4	(3,333)	(692)	(8,623)	(7,459)	(20,107)
Write-offs		(108)	-	-	(130)	(238)
Disposals		-	-	-	(101)	(101)
Balance at 30 June 2015		268,217	10,548	63,884	90,256	432,905

Note 8 *continued*

(d)(ii) Movement in construction in progress

	Note	2016 \$000	2015 \$000
Balance at 1 July		10,444	512
Additions		4,857	62,115
Transfer from Sydney Ports Corporation		-	18,741
Transfer from Port Kembla Port Corporation		-	1,920
		15,301	83,288
Transfers to property, plant and equipment	8(d)(i)	(13,194)	(72,802)
Transfers to intangible assets	10	(352)	(42)
Closing balance		1,755	10,444

There was no borrowing cost capitalised in both years.

Note 9 Investment property

	2016 \$000	2015 \$000
At fair value		
Land and building	7,527	7,307

Land and building	Note	2016 \$000	2015 \$000
Movements			
Balance at beginning of year		7,307	-
Transfer from property, plant and equipment	8(d)(i)	-	7,068
Gain on revaluation	3	220	239
Balance at end of year		7,527	7,307

The following amounts have been recognised in the statement of comprehensive income:

	2016 \$000	2015 \$000
Rental income	701	689
Direct operating expenses that generated rental income	(363)	(351)
Direct operating expenses that did not generate rental income	-	-
	338	338

The fair value of the Corporation's investment property as at 30 June 2016 has been arrived at on the basis of a valuation carried out by independent valuer (RHAS - an Aon Company) not related to the Corporation. They have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the capitalisation of income approach whereby a yield is applied to the property's income to assess its value.

Further details regarding the fair value measurement of investment property are disclosed in note 16.

Note 10 Intangible assets

	2016 \$000	2015 \$000
Carrying amounts (at cost)		
Software	2,623	2,270
Accumulated amortisation	(1,936)	(1,545)
Net carrying amount	687	725
Easements	230	230
Accumulated amortisation	-	-
Net carrying amount	230	230
Total intangible assets at cost (net carrying amount)	917	955

Movement in intangible assets

	Note	2016 \$000	2015 \$000
Balance at 1 July		955	624
Transfer from Sydney Ports Corporation	24	-	767
Transfer from Port Kembla Port Corporation	24	-	18
Transfer from construction in progress	8(d)(ii)	352	42
Disposals during the year		-	(27)
		1,307	1,424
Amortisation charge	4	(390)	(469)
Closing balance		917	955

Note 11 Trade and other payables

	2016 \$000	2015 \$000
Current		
Trade payables	903	639
Accrued employee benefits	2,623	5,046
Accrued borrowing costs	310	943
Other payables and accruals	6,287	8,166
Maintenance funds liability	537	648
Lease incentive liability	352	298
Income received in advance	1,514	1,573
	12,526	17,313
Non-current		
Income received in advance	2,951	-
Lease incentive liability	876	1,228
	3,827	1,228

(a) Fair value

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

(b) Interest rate and liquidity risk

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

(c) Dividend

There is no dividend proposed or approved for this financial year.

Note 12 Provisions

	2016	2015
	\$000	\$000
Current		
Employee benefits	17,180	16,382
Provision for onerous contracts	-	206
Provision for legal disputes	12,000	10,500
	29,180	27,088
Non-current		
Employee benefits	2,390	1,952
Provision for make good	381	348
	2,771	2,300

Employee benefits

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

Provision for onerous contracts

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

Provision for make good

The provision for make good represents the Corporation's present obligation to make good its premises under the terms of the relevant operating lease contracts.

Provision for legal disputes

There are a number of legal disputes with external parties which have arisen in the normal course of business. The amount recognised represents management's best estimate of the expenditure required to settle the obligations.

Note 12 *continued*

Movement in provisions

	Opening balance \$000	Current charge / (write back) to profit or loss \$000	Payments made \$000	Closing balance \$000
Current				
Employee benefits				
Annual leave	6,106	5,248	(4,722)	6,632
Long service leave	9,738	1,503	(1,057)	10,184
Other employee benefits	170	244	(281)	133
Redundancy payment	368	231	(368)	231
Provision for onerous contracts	206	(206)	-	-
Provision for legal disputes	10,500	1,500	-	12,000
	27,088	8,520	(6,428)	29,180
Non-current				
Employee benefits				
Long service leave	1,952	438	-	2,390
Provision for make good	348	33	-	381
	2,300	471	-	2,771

	Note	2016 \$000	2015 \$000
Annual leave obligations expected to be taken after twelve months	12(i)	1,910	1,176
Long service leave obligations expected to be taken within twelve months	12(ii)	1,057	1,388

(i) Annual leave obligation expected to be taken after twelve months

The entire obligation is presented as current since the Corporation does not have an unconditional right to defer settlement. However based on past experience the Corporation does not expect all employees to take the full amount of accrued leave within the next twelve months.

(ii) Long service leave obligation expected to be taken within twelve months

The current provision for long service leave includes all unconditional entitlements where the Corporation does not have an unconditional right to defer settlement. The amount provided which relates to employees with service less than the qualifying period is disclosed as non current as there is no legal obligation to pay within twelve months.

Note 13 Interest-bearing loans and borrowings

	2016 \$000	2015 \$000
Current		
NSW TCorp borrowings	<u>2,000</u>	<u>17,783</u>
Non current		
NSW TCorp borrowings	<u>-</u>	<u>4,836</u>

(i) Repayments

Borrowings consist of a NSW TCorp Come-and-Go facility, floating and fixed rate loans. The NSW TCorp Come-and-Go facility is at call with payments of interest monthly in arrears. NSW TCorp floating rate loans were characterised by payments of interest either monthly in arrears or at maturity and repayment or rollover of principal at maturity. NSW TCorp fixed rate loans were characterised by payments of coupon interest only and repayment or rollover of principal at maturity. The floating rate loans and fixed rate loans have been fully repaid during the year. All borrowings are secured by NSW Government Guarantee. No assets have been pledged as security for interest-bearing loans and borrowings.

(ii) Fair value

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

(iii) Financial facilities available

The Corporation had the following financing facilities in place at 30 June 2016 and 30 June 2015.

	2016 \$000	2015 \$000
(a) With NSW TCorp:		
A global loan facility inclusive of \$15.000 million Come-and-Go facility		
- Total facility	95,000	95,000
- Amount used	<u>(2,000)</u>	<u>(22,619)</u>
- Amount unused	<u><u>93,000</u></u>	<u><u>72,381</u></u>
(b) With Commonwealth Bank of Australia		
A bank guarantee facility		
- Total facility	6,700	6,700
- Amount used	-	-
- Amount unused	<u><u>6,700</u></u>	<u><u>6,700</u></u>

Note 13 *continued*

The Corporation had a credit card facility for \$0.170 million (2015: \$0.170 million) with the Commonwealth Bank of Australia with the balance cleared monthly.

The Corporation also had a purchasing card facility of \$50,000 (2015: \$50,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

(iv) Classification of liability

The Corporation has Treasurer's approval under the Public Authorities (Financial Arrangements) Act to borrow debt from NSW TCorp up to a total limit of \$95.000 million. The Corporation forms the view that the debt facility takes the nature of an enduring rolling facility whereby the Corporation has discretion to refinance debt within the total approval of the Treasurer and within the agreed terms of the Statement of Corporate Intent. Debt as at 30 June 2016 is classified in accordance with the intended repayment profile. Debt which is forecast to be repaid within 12 months of the reporting date is classified as current. Debt which is forecast to be refinanced within 12 months of the reporting date is disclosed as non current as this matches the planned repayment profile of the debt. The nominal contractual cash flow maturity profile of the debt portfolio is disclosed in note 17(d).

Note 14 Equity

	Note	2016 \$000	2015 \$000
Contributed equity		165,768	165,768
Reserves	14(c)	25,389	15,722
Retained earnings	14(a)	216,847	227,886
		408,004	409,376

Note 14 *continued*

(a) Movements in retained earnings

	Note	2016 \$000	2015 \$000
Balance at 1 July		227,886	(116,770)
Net profit for the year		7,042	1,720
Transfer from revaluation reserve to retained earnings on disposal of revalued assets	14(c)	2	-
Superannuation actuarial (losses) / gains		(25,833)	3,604
Income tax equivalent benefit / (expense) on post employment benefit actuarial gain		7,750	(1,081)
Other comprehensive income		(18,081)	2,523
Net assets transfer from Sydney Ports Corporation on 1 July 2014	24	-	319,791
Net assets transfer from Port Kembla Port Corporation on 1 July 2014	24	-	20,622
Closing balance		216,847	227,886

(b) Nature and purpose of reserves

Asset revaluation reserve

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

(c) Movements in asset revaluation reserve

	Note	2016 \$000	2015 \$000
Balance at 1 July		15,722	5,288
Fair value revaluation of property, plant and equipment	8(d)(i)	13,812	14,960
Transfer from revaluation reserve to retained earnings on disposal of revalued assets	14(a)	(2)	
Other adjustment		-	(38)
Income tax equivalent expense on revaluation of property, plant and equipment		(4,143)	(4,488)
Total other comprehensive income		9,667	10,434
Closing balance		25,389	15,722

Note 15 Defined benefit superannuation schemes

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

Ports amalgamation on 1 July 2014

The following 2015 tables showed the movements of these schemes during that year, including the opening balance represented by the amount carried forward from Newcastle Port Corporation's closing balance as at 30 June 2014. In addition the transfer in from Sydney Ports Corporation and Port Kembla Port Corporation were disclosed as movements during 2015.

Nature of the benefits provided by the fund

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

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed at 30 June 2018.

Note 15 *continued*

Description of other entities’ responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** - The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk** - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

Amounts in the statement of financial position

	2016	2015
	\$000	\$000
Defined benefit liability	65,274	37,285

The defined benefit liability increased by \$27.989 million mainly as a result from the decrease in discount rate from 3.03% to 1.99% during the year. Refer tables (g) for the change of significant actuarial assumptions and (h) for the sensitivity analysis of discount rate.

Note 15 *continued*

(a) Reconciliation of the net defined benefit liability/(asset)

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
At 30 June 2016				
Opening net defined benefit liability/(asset)	6,903	688	29,694	37,285
Current service cost	573	152	281	1,006
Net Interest on the net defined benefit liability	220	22	862	1,104
Actual return on Fund assets less Interest income	(19)	21	(246)	(244)
Actuarial losses	3,763	425	21,889	26,077
Employer contributions	53	15	(22)	46
Closing net defined benefit liability	11,493	1,323	52,458	65,274
	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
At 30 June 2015				
Opening net defined benefit liability/(asset)	1,713	163	(2,365)	(489)
Transfer from Sydney Ports Corporation	5,097	547	28,845	34,489
Transfer from Port Kembla Port Corporation	473	50	3,944	4,467
Current service cost	656	178	419	1,253
Net Interest on the net defined benefit liability	259	27	957	1,243
Removal of asset ceiling due to amalgamation at 1 July 2014	-	-	(3,618)	(3,618)
Actual return on Fund assets less Interest income	(1,674)	(254)	(7,622)	(9,550)
Actuarial losses / (gains)	415	(23)	9,172	9,564
Employer contributions	(36)	-	(38)	(74)
Closing net defined benefit liability	6,903	688	29,694	37,285

Note 15 *continued*

(b) Reconciliation of the defined benefit obligation

	SASS	SANCS	SSS	Total
Year ended 30 June 2016	\$000	\$000	\$000	\$000
Present value of defined benefit obligations at beginning of the year	29,209	3,759	132,373	165,341
Current service costs	573	152	281	1,006
Interest costs	853	109	3,892	4,854
Contributions by participants	218	-	146	364
Actuarial losses	3,763	425	21,889	26,077
Benefits paid	(1,517)	(527)	(4,696)	(6,740)
Taxes, premiums & expenses paid	28	(5)	305	328
Present value of defined benefit obligations at end of the year	33,127	3,913	154,190	191,230

	SASS	SANCS	SSS	Total
Year ended 30 June 2015	\$000	\$000	\$000	\$000
Present value of defined benefit obligations at beginning of the year	4,390	557	25,051	29,998
Transfer from Sydney Ports Corporation	21,469	2,929	85,479	109,877
Transfer from Port Kembla Port Corporation	4,936	726	12,616	18,278
Current service costs	656	178	419	1,253
Interest costs	1,048	144	4,307	5,499
Contributions by participants	299	-	222	521
Actuarial losses / (gains)	415	(23)	9,172	9,564
Benefits paid	(4,727)	(815)	(5,429)	(10,971)
Taxes, premiums & expenses paid	723	63	536	1,322
Present value of defined benefit obligations at end of the year	29,209	3,759	132,373	165,341

Note 15 *continued*

(c) Reconciliation of the fair value of Fund assets

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2016				
Fair value of Fund assets at beginning of the year	22,306	3,071	102,679	128,056
Interest income	633	87	3,030	3,750
Actual return on Fund assets less Interest income	19	(21)	246	244
Employer contributions	(53)	(15)	22	(46)
Contributions by participants	218	-	146	364
Benefits paid	(1,517)	(527)	(4,696)	(6,740)
Taxes, premiums & expenses paid	28	(5)	305	328
Fair value of Fund assets at end of the year	21,634	2,590	101,732	125,956
Year ended 30 June 2015				
Fair value of Fund assets at beginning of the year	2,676	395	31,034	34,105
Transfer in from Sydney Ports Corporation	16,372	2,382	56,634	75,388
Transfer in from Port Kembla Port Corporation	4,463	676	8,672	13,811
Interest income	790	116	3,350	4,256
Actual return on Fund assets less Interest income	1,674	254	7,622	9,550
Employer contributions	36	-	38	74
Contributions by participants	299	-	222	521
Benefits paid	(4,727)	(815)	(5,429)	(10,971)
Taxes, premiums & expenses paid	723	63	536	1,322
Fair value of Fund assets at end of the year	22,306	3,071	102,679	128,056

Note 15 *continued*

(d) Reconciliation of the effect of the asset ceiling

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2016				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-
Year ended 30 June 2015				
Adjustment for effect of asset ceiling at beginning of the year	-	-	3,618	3,618
Removal of asset ceiling due to amalgamation at 1 July 2014	-	-	(3,618)	(3,618)
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

(e) Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. **As such, the disclosures below relate to total assets of the Pooled Fund.**

Asset category	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	\$000	\$000	\$000	\$000
Short term securities	2,044,454	5,960	-	2,050,414
Australian fixed interest	2,725	2,717,865	-	2,720,590
International fixed interest	(1,358)	835,731	-	834,373
Australian equities	9,171,767	549,087	24	9,720,878
International equities	9,026,207	2,078,766	988,694	12,093,667
Property	1,113,253	618,946	1,918,068	3,650,267
Alternatives	470,130	3,122,185	3,523,634	7,115,949
Total (*)	21,827,178	9,928,540	6,430,420	38,186,138

(*) Additional to the assets disclosed above, at 30 June 2016 the Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.83 billion. This gives total estimated assets of \$41.01 billion.

Note 15 *continued*

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The percentage invested in each asset class at the reporting date is:

	2016	2015
Short term securities	5.4%	6.5%
Australian fixed interest	7.1%	6.6%
International fixed interest	2.2%	2.5%
Australian equities	25.5%	25.7%
International equities	31.7%	32.4%
Property	9.6%	8.6%
Alternatives	18.6%	17.7%
Total	100.0%	100.0%

(f) Fair value of the Pooled Fund assets

The fair value of the Pooled Fund assets as at 30 June 2016 include \$189.6 million in NSW government bonds.

(g) Significant actuarial assumptions

	2016	2015
Discount rate	1.99% pa	3.03% pa
Salary increase rate (excluding promotional increases)	Refer (i) below	Refer (i) below
Rate of CPI increase	Refer (ii) below	Refer (ii) below
Pensioner mortality	Refer (iii) below	Refer (iii) below
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund	

(i) Salary increase rate (excluding promotional increases) used by independent fund managers

For 2016, a range of salary increase assumptions was used as follows:

Note 15 *continued*

- 2016/17 to 2018/19: 2.50% pa
- 2019/20 and 2020/2021: 3.50% pa
- 2021/22 to 2025/26: 3.00% pa
- 3.5% pa thereafter.

For 2015, a range of salary increase assumptions was used as follows:

- 2015/16 to 2018/19: 2.5% pa
- 2019/20: 3.5% pa
- 2021/22 to 2024/25: 3.0% pa
- 2024/25 onwards: 3.5% pa

(ii) Rate of CPI increase used by independent fund managers

For 2016, a range of CPI increase assumptions was used as follows:

- 2015/2016: 1.50%
- 2016/2017: 1.75%
- 2017/2018: 2.25%
- 2.50% pa thereafter

For 2015, a range of CPI increase assumptions was used as follows:

- 2015/2016: 2.50%;
- 2016/2017 to 2017/2018: 2.75%;
- 2.50% pa thereafter

(iii) Pensioner mortality

For 2016, the pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

For 2015, the pensioner mortality assumptions were as per the 2012 Actuarial Investigation of the Pooled Fund.

(h) Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	1.99%	0.99%	2.99%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	191,230	222,206	166,225

Note 15 *continued*

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above plus 0.5% pa	As above minus 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	191,230	204,841	178,861

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above plus 0.5% pa	As above minus 0.5% pa
Defined benefit obligation \$'000	191,230	192,233	190,266

	Base case	Scenario G Higher mortality (*)	Scenario H Lower mortality (**)
Defined benefit obligation \$'000	191,230	188,887	194,725

(*) Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021.

(**) Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

(i) Asset-liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

(j) Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Note 15 *continued*

(k) Surplus/deficit

The following is a summary of the 30 June 2016 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2016				
Accrued benefits (*)	23,401	2,982	76,220	102,603
Net market value of Fund assets	(21,634)	(2,590)	(101,732)	(125,956)
Net (surplus)	1,767	392	(25,512)	(23,353)
Year ended 30 June 2015				
Accrued benefits (*)	22,287	2,921	71,390	96,598
Net market value of Fund assets	(22,306)	(3,071)	(102,679)	(128,056)
Net (surplus)	(19)	(150)	(31,289)	(31,458)

(*) There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

(l) Contribution recommendations

There are no recommended contribution rates for the Corporation.

(m) Economic assumptions

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the Pooled Fund are:

Weighted-Average Assumptions	2016	2015
Expected rate of return on Fund assets backing current pension liabilities	7.8%	8.3% pa
Expected rate of return on Fund assets backing other liabilities	6.8%	7.3% pa
Expected salary increase rate	3.0% pa to 30 June 2019, then 3.5% pa thereafter	2.7% pa to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5%	2.5% pa

(n) Expected contributions

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

(o) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.9 years.

Note 15 *continued*

(p) Profit and loss impact

	SASS	SANCS	SSS	Total
2016	\$000	\$000	\$000	\$000
Current service cost	573	152	281	1,006
Net interest	220	22	862	1,104
Past service cost	-	-	-	-
(Gains) / loss on settlement	-	-	-	-
Profit and loss component of the defined benefit cost	793	174	1,143	2,110

	SASS	SANCS	SSS	Total
2015	\$000	\$000	\$000	\$000
Current service cost	656	178	419	1,253
Net interest	259	27	957	1,243
Past service cost	-	-	-	-
(Gains) / loss on settlement	-	-	-	-
Profit and loss component of the defined benefit cost	915	205	1,376	2,496

(q) Other comprehensive income

	SASS	SANCS	SSS	Total
2016	\$000	\$000	\$000	\$000
Actuarial losses on liabilities	3,763	425	21,889	26,077
Actual return on Fund assets less Interest Income	(19)	21	(246)	(244)
Total remeasurement in Other Comprehensive Income	3,744	446	21,643	25,833

	SASS	SANCS	SSS	Total
2015	\$000	\$000	\$000	\$000
Actuarial losses / (gains) on liabilities	415	(23)	9,172	9,564
Actual return on Fund assets less Interest Income	(1,674)	(254)	(7,622)	(9,550)
Removal of asset ceiling due to ports amalgamation on 1 July 2014	-	-	(3,618)	(3,618)
Total remeasurement in Other Comprehensive Income	(1,259)	(277)	(2,068)	(3,604)

Note 16 Fair value measurement of non-financial assets

(a) Fair value hierarchy

The Corporation classifies its non-financial assets into the three levels prescribed under the accounting standard AASB 13 *Fair Value Measurement* per below:

At 30 June 2016

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land and buildings	-	-	281,545	281,545
Roadways and bridges	-	-	10,170	10,170
Wharves, jetties and breakwaters	-	-	55,774	55,774
Investment property (i)	-	7,527	-	7,527
Total	-	7,527	347,489	355,016

For the recurring fair value measurements categorised within level 3, the reconciliation from opening to closing balances is disclosed in note 8(d)(i).

(i) The assets contributing to earning rental income and held for capital appreciation are recognised as investment property (refer to note 9). Investment property was revalued during the year and resulted in a gain of \$0.220 million (2015: \$0.239 million gain) recognised in profit and loss in this financial year (refer to note 3). Investment property is disclosed in the fair value hierarchy table above as level 2 as only observable inputs were used in the valuation. Details on the valuation basis and inputs used for the valuation are described in note 9.

At 30 June 2015

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land and buildings	-	-	268,217	268,217
Roadways and bridges	-	-	10,548	10,548
Wharves, jetties and breakwaters	-	-	63,884	63,884
Investment property (i)	-	7,307	-	7,307
Total	-	7,307	342,649	349,956

There were no transfers between Level 1 and 2 in both years.

The Corporation uses the following hierarchy for disclosing the fair value of non-financial assets by valuation technique:

- Level 1 - inputs are quoted prices in active markets for identical assets.
- Level 2 - inputs are observable inputs, either directly or indirectly. Inputs are observable using market data. Adjustments to level 2 inputs include factors specific to the asset, including the condition, location or comparability of the asset.
- Level 3 - inputs are unobservable inputs. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly

Note 16 *continued*

higher or lower fair value measurement, the resulting measurement is categorised within Level 3 of the fair value hierarchy.

(b) Valuation techniques, inputs and process

For the non-financial assets classified as level 3 assets (land and buildings, roadways and bridges, wharves, jetties and breakwaters), details on the valuation basis, inputs used for the valuation and process are described in notes 2(f) and 8(b).

(c) Sensitivity analysis of key unobservable inputs in level 3 of the fair value hierarchy

(i) Land

Land is measured using the market approach by reference to a number of industrial, port related use and special use zoned properties. Its measurement is categorised within level 3 of the fair value hierarchy as its fair value is derived by adjusting an observable market input using an unobservable input. The unobservable input is the application of a discount to the value of the land to reflect restrictions on the use of land due to its zoning and use for port purposes. The value of the land can be heavily discounted up to 80%. Any change in the discount rate applied impacts directly on the value of the land. A +/- 5% sensitivity of the discount rate would result in the carrying value of the land being varied by \$9.500 million (2015: \$8.900 million).

(ii) Buildings and infrastructure

Buildings and infrastructure assets are measured at the replacement cost of the asset's remaining future economic benefits. These measurements are categorised within level 3 of the fair value hierarchy as their fair values are derived from unobservable inputs.

Buildings

The fair value of the buildings will increase/decrease if the replacement costs increase/decrease. Replacement cost is derived from estimates of rate per square metre. Another major unobservable input is the estimate of remaining useful lives of the assets. Any change in the estimates of remaining useful lives impacts directly on the value of the buildings.

A +/- 5% sensitivity on the estimates of the remaining useful lives would result in the carrying value of the buildings being varied by \$5.000 million (2015: \$2.300 million).

Infrastructure assets

Infrastructure assets include roadways and bridges, wharves, jetties and breakwaters. The fair value of the infrastructure assets will increase/decrease if the replacement costs increase/decrease. Replacement cost is derived from estimates of cost per unit times per metre. The other major unobservable input is the estimate of remaining useful lives of the assets. Any change in the estimates of remaining useful lives impacts directly on the value of the infrastructure assets.

A +/- 5% sensitivity on the estimates of the remaining useful lives would result in the carrying value of:

- the roadways and bridges being varied by \$0.501 million (2015: \$0.540 million); and
- the wharves, jetties and breakwaters being varied by \$2.800 million (2015: \$2.600 million).

Note 17 Financial risk management objectives and policies

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

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

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

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

(a) Financial instrument categories

			2016 \$000	2015 \$000
Financial assets	Note	Category		
Cash and cash equivalents	6	N/A*	1,406	1,058
Trade and other receivables		Loans and receivables measured at amortised cost	18,490	15,372
Lease incentive receivable	7	Loans and receivables measured at amortised cost	443	1,151
Finance lease receivable	7	Loans and receivables measured at amortised cost	78,804	73,671
			99,143	91,252

Note 17 *continued*

			2016 \$000	2015 \$000
Financial liabilities	Note	Category		
Trade and other payables		Financial liabilities measured at amortised cost	8,186	13,338
Lease incentive liability	11	Financial liabilities measured at amortised cost	1,228	1,526
Interest-bearing loans and borrowings	13	Financial liabilities measured at amortised cost	2,000	22,619
			11,414	37,483
*Not applicable (N/A)				

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

(b) Market risk

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

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

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

(i) Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's borrowings. The balance and composition of the portfolio is governed by a Corporation policy document which requires that the portfolio is appropriately structured to ensure it reflects the forecast borrowing and repayment profile. The policy also limits the type of instruments that can be obtained.

The Corporation did not account for any fixed rate loans at fair value through profit or loss or as available-for-sale. Therefore, for these loans, a change in interest rates would not affect profit and loss or equity. The interest rate risk exposure of the floating rate loans is set out in the following table.

Note 17 *continued*

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

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

	Carrying amount \$000	+1% (100 basis points)		-1% (100 basis points)	
		Post tax impact on profit \$000	Equity \$000	Post tax impact on profit \$000	Equity \$000
At 30 June 2016					
Financial assets					
Cash and cash equivalents	1,406	10	10	(10)	(10)
Financial liabilities					
Interest bearing liabilities	(2,000)	(14)	(14)	14	14
Net exposure	(594)	(4)	(4)	4	4
At 30 June 2015					
Financial assets					
Cash and cash equivalents	1,058	7	7	(7)	(7)
Financial liabilities					
Interest bearing liabilities	(15,350)	(107)	(107)	107	107
Net exposure	(14,292)	(100)	(100)	100	100

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

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

Facility	Investment sectors	Investment Horizon	2016 \$000	2015 \$000
TCorp Hour-Glass Cash Facility Trust	Cash, Money market instruments	Up to 1.5 years	-	-

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

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

TCorp provides sensitivity analysis information for the facility, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The facility is designated at fair value through profit or loss and therefore

Note 17 *continued*

any change in unit price impacts directly on profit. A reasonably possible change is based on the percentage change in unit price, as advised by TCorp, multiplied by the redemption value at 30 June each year for each facility.

	Change in unit price	Post tax impact on profit Higher/(Lower)	
		2016 \$000	2015 \$000
TCorp Hour-Glass Cash Facility Trust	+/-1%	-	-

(c) Credit risk

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

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

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

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

The Corporation is not considered to be materially exposed to a concentration of credit risk to a single trade debtor. The largest single trade debtor included in receivables totals \$5.453 million (2015: \$2.186 million) and is 5.50% of total financial assets (2015: 2.40%).

(d) Liquidity risk

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

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced at reporting date. Amounts owing to suppliers (which are

Note 17 *continued*

unsecured) are settled in accordance with trade terms. If trade terms are not specified, payment is made within 28 days of recognition.

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

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

At 30 June 2016		Interest rate exposure					Contractual Maturity Dates		
		Weighted average effective interest rate	Carrying Value \$000	Nominal amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	< 1 year \$000	1-5 years \$000
Financial liabilities									
Trade and other payables	N/A	8,186	8,186	-	-	8,186	8,186	-	-
Lease incentive liability	N/A	1,228	1,228	-	-	1,228	352	876	-
Interest-bearing loans and borrowings	1.91%	2,000	2,000	-	2,000	-	2,000	-	-
		11,414	11,414	-	2,000	9,414	10,538	876	-

At 30 June 2015		Interest rate exposure					Contractual Maturity Dates		
		Weighted average effective interest rate	Carrying Value \$000	Nominal amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	< 1 year \$000	1-5 years \$000
Financial liabilities									
Trade and other payables	N/A	13,338	13,338	-	-	13,338	13,338	-	-
Lease incentive liability	N/A	1,526	1,526	-	-	1,526	298	1,228	-
Interest-bearing loans and borrowings	2.35%	22,619	23,178	7,269	15,350	-	18,157	5,021	-
		37,483	38,042	7,269	15,350	14,864	31,793	6,249	-

Note 17 *continued*

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost.

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

Financial liabilities	2016	2016	2015	2015
	\$000	\$000	\$000	\$000
	Carrying amount	Fair value	Carrying amount	Fair value
NSW TCorp borrowings	2,000	2,000	22,619	22,690

In the current year, the carrying value of the financial instruments approximates the fair value. In the prior year, the fair values were calculated by discounting the expected future cash flows at prevailing market rates varying from 2.128% to 2.302%.

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

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

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

No financial assets and liabilities were measured at fair value in the statement of financial position at 30 June 2016 and 30 June 2015.

(g) Capital management

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

There are no externally imposed capital requirements.

The Board reviews and agrees policies for managing the capital structure when considering each major project investment and following consultation with NSW Treasury. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders. The gearing ratio at 30 June 2016 was as follows:

Note 17 *continued*

Gearing ratio

	Note	2016 \$000	2015 \$000
Total debt	13	2,000	22,619
Total debt and total equity		410,004	431,995
Gearing ratio		0.49%	5.24%

Note 18 Commitments

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2016 but not otherwise brought to account have been assessed at \$4.616 million including GST (2015: \$4.084 million). The \$4.616 million includes GST input tax credits of \$0.420 million that are expected to be recoverable from the Australian Taxation Office.

Capital commitments contracted at balance date, for the Corporation, are as follows:

	2016 \$000	2015 \$000
Not later than one year	4,616	4,084
Later than one and not later than five years	-	-
Total including GST	4,616	4,084

(b) Operating lease commitments

Operating lease commitments – as lessee

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

Payable	2016 \$000	2015 \$000
Not later than one year	3,726	4,082
Later than one and not later than five years	6,055	7,895
Later than five years	252	252
Total including GST	10,033	12,177

The above total includes GST input tax credits of \$0.646 million (2015: \$0.891 million) that are expected to be recoverable from the Australian Taxation Office. The expenditure commitment relates to rental of office premises, motor vehicles, computers and office equipment, and also includes an expenditure commitment on one lease contract that has become onerous. These leases have remaining terms of between one and twelve years. The lease of office premises has a renewal option included in the contract.

Note 18 *continued*

Operating lease commitments – as lessor

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

	2016 \$000	2015 \$00
Receivable		
Not later than one year	12,426	12,75
Later than one and not later than five years	38,102	28,46
Later than five years	38,626	3,29
Total including GST	89,154	44,50

The above total includes GST output tax of \$8.105 million (2015: \$4.046 million) that is expected to be paid to the Australian Taxation Office. These lease receivables relate to property leases with remaining terms of between one and thirty years.

Leasing arrangements

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

Note 19 Contingencies

The Corporation is subject to various actual and pending claims arising from business operations. It is not in a position to reliably estimate the ultimate outcome of these claims. However, it has regular reviews of these claims, including updates from internal and external legal counsel, to assess the requirement for the accounting recognition or disclosure of these contingencies. The Corporation is of the opinion that it has adequately provided in respect of these claims in accordance with the Australian accounting standards.

Note 20 Consultancy fees

Total fees paid and payable to consultants during the year is \$2,968 (2015: \$72,079).

Note 21 Related party disclosures

(a) Ultimate parent

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

(b) Key management personnel

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

Note 21 *continued*

(c) Transactions with related parties

Terms and conditions of transactions with related parties

Purchases from related parties are made at arm's length at normal market prices and on normal commercial terms. Expenditure paid by the Corporation on behalf of related parties was recovered at cost.

(i) Transactions with Director related entities

Mr Grant Gilfillan is a Director of the Corporation. During the year the Corporation paid membership subscriptions, seminar and conference payments to Ports Australia of \$58,537 (2015: \$16,490) inclusive of GST. Mr Gilfillan is also a Director of Ports Australia. The Corporation also paid membership subscriptions to the International Association of Ports and Harbours of \$10,950 (2015: \$10,140) inclusive of GST, of which Mr Gilfillan is currently an Immediate Past President. There are no outstanding balances with both entities at 30 June 2016.

In 2015, the Corporation received a reimbursement from the Port of Newcastle Lessor Pty Limited for an advisory service paid on its behalf of \$11,000 inclusive of GST. Mr Nicholas Whitlam was the Chairman and Mr Grant Gilfillan was a Director of Port of Newcastle Lessor Pty Limited until 11 July 2014.

Ms Penelope Bingham-Hall is currently a Director of the Corporation. During the year, the Corporation charged \$46,218 (2015: \$26,420) inclusive of GST for the provision of pilotage services to Bluescope Steel Limited, of which Ms Bingham-Hall is also a Director. \$10,022 remained as receivable as at 30 June 2016.

Ms Patricia Forsythe is currently a Director of the Corporation. During the year, the Corporation charged \$100,190 (2015: \$46,110) inclusive of GST for the provision of storage services to Destination NSW, of which Ms Forsythe is also a Director. The Corporation also provided \$100,190 (2015: \$46,110) sponsorship to Destination NSW. There is no outstanding balance at 30 June 2016.

Note 22 Key management personnel

The Corporation defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of the entity, including any Directors. There are 14 (2015: 14) key management personnel in the Corporation during the year.

Compensation for key management personnel

	2016	2015
	\$	\$
Benefit		
Short term employee benefits	3,353,806	2,998,718
Post employment benefits	212,322	187,934
Other long term benefits	-	-
Termination benefits	218,420	-
Total	3,784,548	3,186,652

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 \$0.387 million (2015: \$0.374 million). During the year no loans were made to Directors. Transactions between the Corporation and Director related entities are disclosed in note 21.

Note 23 Auditor's remuneration

	Note	2016	2015
		\$	\$
Fees paid or payable to the Audit Office of New South Wales for services provided in accordance with the <i>Public Finance and Audit Act</i>	4	247,000	309,000

Note 24 Ports amalgamation on 1 July 2014

On 23 June 2014 the NSW Treasurer signed Ministerial Orders transferring the assets, rights and liabilities of Sydney Ports Corporation and Port Kembla Port Corporation to Newcastle Port Corporation effective from 1 July 2014. An additional Ministerial Order of the same date was signed transferring the staff employed in Sydney Ports Corporation and Port Kembla Port Corporation into Newcastle Port Corporation effective from 1 July 2014. On 1 July 2014 the Minister for Roads and Freight announced the start of operations of the amalgamated state owned corporation trading as Port Authority of New South Wales.

The amalgamated revenue earned and expenses incurred during this financial year are fully reflected in the performance of Port Authority of New South Wales. Performance in the prior financial year as individual entities is shown below. If there were any transactions between the three individual entities, those transactions were not eliminated in the following table as they were stand-alone entities before 1 July 2014.

	2014 \$000	2014 \$000	2014 \$000	2014 \$000
	Sydney (i)	Port Kembla (ii)	Newcastle (iii)	Combined
Revenue				
Revenue from operating activities	80,859	5,310	16,278	102,447
Other revenue	30,136	47,923 (iv)	3,507	81,566
Total revenue	110,995	53,233	19,785	184,013
Expenses				
Employee benefits expense	(47,732)	(6,364)	(12,586)	(66,682)
Depreciation and amortisation expense	(18,773)	(364)	(1,158)	(20,295)
Other expenses	(45,103)	(46,168) (iv)	(15,106)	(106,377)
Finance costs	(342)	-	(31)	(373)
Total expenses	(111,950)	(52,896)	(28,881)	(193,727)
Profit (loss) before income tax equivalent expense	(955)	337	(9,096)	(9,714)
Income tax equivalent (expense)/benefit	(75)	266	2,331	2,522
Net profit/(loss) for the year	(1,030)	603	(6,765)	(7,192)

(i) Sydney refers to Sydney Ports Corporation which ceased operation on 1 July 2014.

(ii) Port Kembla refers to Port Kembla Port Corporation which ceased operation on 1 July 2014.

(iii) Newcastle refers to the continuing entity, Newcastle Port Corporation that is trading as Port Authority of New South Wales effective from 1 July 2014.

(iv) In the 2014 financial records of Port Kembla Port Corporation, a payment of \$43.949 million was made to the NSW Treasury Consolidated Fund in the form of an expense to the Crown on 1 July 2013. Subsequently Port Kembla Port Corporation received a government grant amounting to \$43.900 million, accounted for as revenue, which was then followed by a return of capital of \$43.900 million.

Note 24 *continued*

The following table states the assets and liabilities transferred by class from Sydney Ports Corporation and Port Kembla Port Corporation to Newcastle Port Corporation (trading as Port Authority of New South Wales) on 1 July 2014. If there were any transactions / balances between the three individual entities, those transactions / balances were not eliminated in the following table as they were stand-alone entities before 1 July 2014.

At 1 July 2014	Sydney (i)	Port Kembla (ii)	Newcastle (iii)	Combined
	\$000	\$000	\$000	\$000
ASSETS				
Current assets				
Cash and cash equivalents	13,202	5,813	25,877	44,892
Trade and other receivables	14,780	522	4,347	19,649
Total current assets	27,982	6,335	30,224	64,541
Non-current assets				
Receivables	23,166	16,470	30,388	70,024
Property, plant and equipment	369,329	3,356	21,645	394,330
Intangible assets	767	18	624	1,409
Deferred tax equivalent assets	16,318	2,156	1,203	19,677
Total non-current assets	409,580	22,000	53,860	485,440
TOTAL ASSETS	437,562	28,335	84,084	549,981
LIABILITIES				
Current liabilities				
Trade and other payables	18,027	1,393	21,493	40,913
Income tax equivalent payables	-	-	2,891	2,891
Provisions	22,124	1,688	3,683	27,495
Total current liabilities	40,151	3,081	28,067	71,299
Non-current liabilities				
Payables	1,481	-	-	1,481
Deferred tax equivalent liabilities	39,894	51	1,895	41,840
Provisions	1,756	114	327	2,197
Other non-current liabilities	34,489	4,467	(491)*	38,465
Total non-current liabilities	77,620	4,632	1,731	83,983
TOTAL LIABILITIES	117,771	7,713	29,798	155,282
NET ASSETS	319,791	20,622	54,286	394,699

* the amount represents the net defined benefits assets in Newcastle Port Corporation in 2014.

Note 25 Events after the reporting period

Management is not aware of any other events occurring after the balance sheet date requiring disclosure.

END OF AUDITED FINANCIAL STATEMENTS

Statement of land holdings

For the year ended 30 June 2016

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 in terms of the statement of financial position valuations.

	Corporation
	2016
	\$000
Land and buildings	
Land	181,630
Buildings	99,915
Total land and buildings	281,545
Other	
Roadways and bridges	10,170
Wharves, jetties and breakwaters	55,774
Plant	88,804
Construction in progress	1,755
Total other	156,503
Total property, plant and equipment	438,048

18 Statutory Disclosures

18.1 Charter, aims and objectives

Newcastle Port Corporation was constituted under section 6 of the *Ports and Maritime Administration Act 1995* and adopted the trading name 'Port Authority of New South Wales' in July 2014.

Port Authority of New South Wales' principal objectives are set out in section 9 of the *Ports and Maritime Administration Act 1995* and are:

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

Port Authority of New South Wales' principal functions are set out in section 10 of the *Ports and Maritime Administration Act 1995* and are to:

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

18.2 Guarantee of service – Port Safety Operating License

Under section 12(2) of the *Ports and Maritime Administration Act 1995*, the NSW Government granted a Port Safety Operating Licence (PSOL) to Port Authority of New South Wales.

The license issued by the NSW Minister for Roads, Maritime and Freight requires Port Authority to carry out port safety functions which include: monitoring of channel and berth depths, dangerous goods handling, navigation aids operation, pilotage and exemptions from pilotage, port communications, emergency response and vessel arrival systems. A new licence was issued on 1 January 2016, with an expiry date of 31 December 2017.

Under the licence, the various Port Authority port operations exercise and manage port safety functions within the port limits. Within the Sydney port operation this encompasses the port areas of Sydney Harbour and Port Botany. The Newcastle port operation exercises the port safety functions within Newcastle and Yamba, whilst the Port Kembla port operation exercises port safety functions within Port Kembla and Port of Eden. All performance standards of the PSOL were complied with in 2015-16.

18.3 Relevant legislation

Port Authority of New South Wales is a statutory state owned corporation established under the *State Owned Corporations Act 1989 (NSW)* and *Ports and Maritime Administration Act 1995 (NSW)*, and operates in accordance with those Acts.

Other significant legislation affecting Port Authority of New South Wales includes:

- *Biosecurity Act 2015 (Cth)*
- *Environmental Planning and Assessment Act 1979 (NSW)* (through Part 5 of the Act and the *State Environmental Planning Policy (Major Development) 2005*)
- *Marine Safety Act 1998 (NSW)* and associated Regulations
- *Marine Pollution Act 2012 (NSW)* and associated Regulations
- *Maritime Services Act 1935 (NSW)* and associated Regulations
- *Maritime Transport and Offshore Facilities Security Act 2003 (Cth)* and associated Regulations
- *Ports Assets (Authorised Transactions) Act 2012 (NSW)*
- *Protection of the Environment Administration Act 1991 (NSW)*
- *Protection of the Environment Operations Act 1997 (NSW)*
- *Work Health and Safety Act 2011 (NSW)* and associated Regulations.

Port Authority of New South Wales is also subject to a wide variety of other legislation that provides rights to, and imposes obligations on, state owned corporations. These rights and obligations affect Port Authority of New South Wales' governance processes and its commercial and operational activities.

18.4 Changes in Acts and subordinate legislation

The *Biosecurity Act 2015 (Cth)* came into force on 16 June 2016. This legislation created the requirement for vessels that are subject to biosecurity control to enter Australian ports at the first point of entry, or obtain specific permission to enter another port by the Department of Agriculture and Water Resources. Port Authority of New South Wales has obtained determinations for First Point of Entry for the ports of Sydney Harbour for vessels, passengers and imported goods and for specified imported goods in Yamba.

18.5 Economic or other factors affecting achievement of operational objectives

No economic factors affected the achievement by Port Authority of New South Wales of its operational objectives for 2015-16.

18.6 Performance relative to the Statement of Corporate Intent

Port Authority's financial performance for the year was marginally lower than target when compared to the key targets set in its 2015-16 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year was \$25.7 million compared with a budget of \$26.5 million. The main impact on this otherwise positive result based on strong business growth and ongoing discipline with cost control has been the allowance of an additional \$1.5 million for the successful resolution of a long outstanding legal dispute.

18.7 Exemptions for the reporting period provisions

Section 41B(1)(c)(va) of the *Public Finance and Audit Act 1983* and Clause 19 of the Annual Reports (Statutory Bodies) Regulation 2010 require a statutory body to include in its Annual Report statements of all exemptions, omissions, modifications and variations from reporting provisions which have been granted by the Treasurer, which apply to the statutory body.

As a statutory body in competition, the Corporation is exempt from some areas of the *Annual Reports (Statutory Bodies) Act 1984 (ARSBA)*, the *Annual Reports (Statutory Bodies) Regulation 2010 (ARSBR)*, the *Public Finance and Audit Regulation 2010 (PF&AR)*, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit (General) Regulation 1995*.

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

Requirements	Legislative source of requirements
Summary Review of Operations	Clause 7 section 7(1)(a)(iv) ARSBA and Schedule 1 ARSBR
Management and Activities	Schedule 1 ARSBR
Consultants	Schedule 1 ARSBR
Consumer Response	Schedule 1 ARSBR
Disclosure of Controlled Entities	Schedule 1 ARSBR
Report on Risk Management and Insurance Activities	Schedule 1 ARSBR

The following matters are exempt:

Exemptions	Legislative source of requirements
Budgets - outline and details	Section 7(1)(a)(iii) ARSBA and Clause 7 ARSBR
Research and Development	Schedule 1 ARSBR
Human Resources	Schedule 1 ARSBR
Land Disposal	Schedule 1 ARSBR
Payment of Accounts	Schedule 1 ARSBR and Clause 13 PF&AR
Time for Payment of Accounts	Schedule 1 ARSBR and Clause 13 PF&AR
Investment Performance	Clause 12 ARSBR
Liability Management Performance	Clause 13 ARSBR

These exemptions, omissions, modifications and variations have been approved by NSW Treasury and are based on, among other things, commercial sensitivities.

There have otherwise been no exemptions, omissions, modifications or variations for the reporting period.

18.8 Response to significant issues raised by the Auditor General

There were no significant issues raised by the Auditor General in the 2015-16 financial year audit. Port Authority of New South Wales' response to any significant issues raised by the Auditor General in the 2016-17 financial year audit will be included in the 2016-17 Annual Report.

18.9 Government Information (Public Access) Act 2009

Port Authority of New South Wales is required to report annually on its obligations under the *Government Information (Public Access) Act 2009* (the Act). The following information is required to be reported under the Act for the period 1 July 2015 to 30 June 2016.

During the reporting period, Port Authority received six formal access applications. No applications were withdrawn.

Port Authority granted access to five applications. In three instances all information was provided to the extent available. In the other two instances some information was redacted because of a public interest against disclosure.

The following tables disclose statistics as required by Schedule 2 of the *Government Information (Public Access) Amendment Regulation 2010*.

Number of applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with an application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	2	2	0	1	0	0	0	0
Members of the public (other)	1	0	0	0	0	0	0	0

Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with an application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal Information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	3	2	0	1	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

*A 'personal information application' is an access application for personal information (as defined in Clause 4 of Schedule 4 to the *Government Information (Public Access) Act 2009*) about the applicant (the applicant being an individual).

Invalid applications

Reason for Invalidity	No. of applications
Application does not comply with formal requirements (s 41 of the Act)	0
Application is for excluded information of the agency (s 43 of the Act)	0
Application contravenes a restraint order (s 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the *Government Information (Public Access) Act 2009*.

Reason for invalidity	No. of times consideration used*
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional Privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies to the table below.

Other public interest considerations against disclosure: matters listed in table to section 14 of the *Government Information (Public Access) Act 2009*

	No. of occasions when application not successful (in part)
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under Interstate Freedom of Information legislation	0

Timeliness

	No. of applications
Decided within the statutory timeframe (20 days plus any extensions)	3
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	1
Total	6

Number of applications reviewed under Part 5 of the *Government Information (Public Access) Act 2009* (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under s. 93 of the Act	0	0	0
Review by NSW Civil Administration Tribunal	0	1	1
Total	0	1	1

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Applications for review under Part 5 of the *Government Information (Public Access) Act 2009* (by type of applicant)

	No. of applications for review
Applications by access applicants	1
Applications by persons whom information the subject of access application relates (see s. 54 of the Act)	0

Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	No. of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

18.10 Corporate governance

Good corporate governance creates and sustains an ethical and legal environment which recognises the interests of all stakeholders in a corporation. The Board of Port Authority is responsible for overall corporate governance of the corporation and has adopted corporate governance practices and procedures that are appropriate to manage Port Authority in the best interests of the Voting Shareholders and other stakeholders.

Port Authority complies with each of the recommendations in the *NSW Treasury Guidelines for Boards of Government Businesses*. This report outlines Port Authority's governance practices during 2015–16.

18.11 Role of the Board

The Board is responsible for overseeing the business and commercial affairs of Port Authority including:

- approving the strategy
- approving the business and financial objectives
- monitoring business and financial performance
- reviewing performance and remuneration of executive management
- reviewing the risk management and internal control framework
- recommending to the Portfolio Minister the appointment and removal of the Chief Executive Officer
- reviewing any reporting to voting shareholders.

The Chief Executive Officer is responsible for the day-to-day management of the operation of Port Authority in accordance with the general policies and specific directions of the Board. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's role and responsibilities to each key stakeholder are set out in Port Authority's Board Charter which is available on the Corporate Governance section of the [Port Authority website](#).

18.12 Board committees

To assist the Board in discharging its functions and to allow a more detailed analysis of the specialised areas of finance, risk, audit, remuneration, human resources and governance, the following committees were operational during 2015-16:

- Audit and Risk Committee
- Remuneration and Human Resources Committee
- Nominations Committee.

Each committee has a clear charter setting out its roles, responsibilities and delegated authority from the Board. The Board Charter and all Board Committee Charters are reviewed on a regular basis and updated to remain relevant to the Corporation.

Audit and Risk Committee

The Chairman of the Audit and Risk Committee is Robert Dunn. Robert is an independent non-executive Director, who is not the Chairman of the Board. Other members of the Committee as at 30 June 2016 were Penny Bingham-Hall, Patricia Forsythe and Nicholas Whitlam, who were each independent, non-executive Directors.

The Audit and Risk Committee was established by the Port Authority Board on 1 July 2014. Each member of the Committee is financially literate and has knowledge of the business. Robert Dunn has qualifications and experience in accounting. The Board considers the mix of skills and experience on the Audit and Risk Committee appropriate to meet the responsibilities of its charter.

The Committee is responsible for oversight and review of:

- financial control and reporting
- risk management
- debt structure and debt instruments
- accounting policies
- internal controls
- compliance with taxation and other applicable laws and regulations
- integrity and performance of the internal audit function, including appointing the Internal Auditor
- external auditor's audits, management letter and management's responses.

The Committee met five times during 2015-16. A copy of the Audit and Risk Committee Charter is available in the Corporate Governance section of the [Port Authority website](#).

Remuneration and Human Resources Committee

The Chairman of the Remuneration and Human Resources Committee is Penny Bingham-Hall. Penny is an independent non-executive Director, who is not the Chairman of the Board. Other members of the Committee are Gerard Sutton, Nicholas Whitlam and Zorana Bull, who are each independent, non-executive Directors.

The Remuneration and Human Resources Committee was established by the Port Authority Board on 1 July 2014. The Remuneration and Human Resources Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to:

- overall remuneration strategy and remuneration policies for the Chief Executive Officer and Executive Management, including review of remuneration trends across the marketplace
- performance of the Chief Executive Officer and Executive Management
- employment terms and conditions of the Chief Executive Officer and Executive Management.

During 2015-16, the Remuneration and Human Resources Committee reviewed executive salaries and performance arrangements, including those of the Chief Executive Officer. The Committee considered and recommended the Corporate Goals for 2015-16, and reviewed and evaluated the performance of the Chief Executive Officer and the Executive Management team against agreed performance goals for the 2014-15 year. The Committee oversaw human resource management including succession planning, diversity, talent development and staff engagement.

The Committee met eight times during 2015-16. A copy of the Remuneration and Human Resources Committee Charter is available in the Corporate Governance section of the [Port Authority website](#).

Nominations Committee

The Chairman of the Nominations Committee is Nicholas Whitlam. Nicholas is an independent non-executive Director. The other member of the Committee is Gerard Sutton, who is also an independent non-executive Director.

The Nominations Committee was established by Port Authority Board on 1 July 2014. The Committee meets on an as-required basis and is responsible for assisting the Port Authority Board in fulfilling its corporate governance responsibilities with regard to Board composition. This includes assessing the necessary and desirable skills and experience of Directors, ensuring Directors have the appropriate mix of competencies, and identifying skills and experience to fill those gaps and overseeing induction and continuing education of Directors.

The Committee did not meet during 2015-16. A copy of the Nominations Committee Charter is available in the Corporate Governance section of the [Port Authority website](#).

18.13 Code of Conduct

Port Authority of New South Wales' Code of Conduct outlines general business ethics and acceptable standards of professional behaviour expected of all directors, employees and contractors. The Code of Conduct, which is given to all new employees as part of their induction, makes everyone accountable for their own decisions and conduct.

The Code covers personal and professional behaviour, fraud and corruption responsibilities including policies on accepting of gifts and benefits, ethics and conflicts of interest requirements. Employees are encouraged to report any suspected breaches and those who do are protected as outlined in the Internal Reporting Policy.

The Code of Conduct is available to all employees on Port Authority's intranet. It also works alongside other more detailed policies including the Fraud and Corruption Policy, Disciplinary Policy and Internal Reporting Policy.

The Board receives a summary of any breaches and resulting actions on an annual basis, however any significant breaches must be reported immediately to the Chairman.

A copy of the Code of Conduct is available in the Corporate Governance section of the [Port Authority website](#).

18.14 Risk management

Port Authority of New South Wales uses an Enterprise Risk Management system to ensure risks are identified and managed in a considered and timely manner. The Enterprise Risk Management system is consistent with the Australian/New Zealand Standard of Risk Management (AS/NZS/ISO 31000:2009). It is underpinned by a Risk Management Policy and a risk management procedure.

This system encompasses all the activities Port Authority is responsible for under the *Ports and Maritime Administration Act 1995* in addition to corporate-wide strategic risks.

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

- coordinated by the Chief Risk Officer (the Chief Risk Officer for Port Authority is the Chief Financial Officer)
- managed by the Executive Management Team

- overseen, in the first instance, by the Audit and Risk Committee and subsequently by the Board.

The strategic risk profile is reviewed monthly by the Executive Management Team and quarterly by the Audit and Risk Committee on a formal basis to:

- assess the effectiveness of risk mitigation strategies
- ensure that any new or emerging risks are identified and captured
- ensure that any previously identified strategic risks and mitigating actions are monitored.

Operational risks are reviewed through a formalised risk assessment process that is conducted within Divisions and coordinated by the Departmental Risk Management Representatives. The operational risk profile is reviewed monthly by the Executive Management Team to ensure that any new or emerging operational risks are identified and captured and that any previously identified risks and mitigating actions are monitored.

18.15 Insurance activities

In conjunction with the Enterprise Risk Management system, Port Authority maintains an annual insurance program, part renewed on 30 June and part on 31 December each year. The renewal process is reviewed by the Audit and Risk Committee and the Board in June each year. Port Authority utilises the services of an insurance broker to provide and advise on Directors' and Officers' cover and Port Liability cover procured in the private sector. Port

Authority is a member agency of the Treasury Managed Fund for other cover.

The key policies within the insurance program provide comprehensive coverage across all Port Authority operations including Directors' and Officers' liability, Port Liability, Public Liability Property Damage, Motor Vehicle, Travel, Workers' Compensation and financial loss policies such as Professional Indemnity.

During the year, Port Authority continued to administer Directors' and Officers' Liability insurance for directors of Sydney Ports Corporation and Port Kembla Port Corporation.

18.16 Board composition

Under the *State Owned Corporations Act 1989 (NSW)*, Port Authority Board is required to have a minimum of three and a maximum of seven Directors. The Voting Shareholders appoint the Chairman, who is currently Nicholas Whitlam. Nicholas is an independent Director and his role is clearly separated from the role of the Chief Executive Officer, Grant Gilfillan. Nicholas was appointed as Chairman of Port Authority Board effective 1 July 2014. He was previously Chairman of Newcastle Port Corporation, Sydney Ports Corporation and Port Kembla Port Corporation, prior to their amalgamation on 1 July 2014 to form Port Authority of New South Wales. The Chairman is responsible for leading the Board and facilitating its effective functioning.

18.17 Chief Executive Officer

Grant Gilfillan was appointed as Chief Executive Officer of Port Authority effective 1 July 2014. He was previously Chief Executive Officer of Newcastle Port Corporation and Sydney Ports Corporation, prior to the formation of Port Authority of New South Wales on 1 July 2014.

As set out in the *State Owned Corporations Act 1989 (NSW)*, the Chief Executive Officer was appointed by the Governor on the recommendation of the Portfolio Minister, following a recommendation from the Board.

The Chief Executive Officer is responsible for the day-to-day management of the operation of Port Authority in accordance with the general policies and specific directions of the Board.

Grant Gilfillan was separately appointed as a Director of Port Authority Board effective 21 July 2014.

18.18 Board independence

All Directors are expected to exercise independent judgment when making Board decisions. It is the approach and attitude of each non-executive Director that is critical to determining independence and this must be considered in relation to each Director while taking into account all other relevant factors. This will include an assessment against the independence recommendations in the guidelines which cover whether the Director:

- is employed, or has been employed in a senior management position by the business, and there has not been a period of at least three years between ceasing that employment and serving on the Board
- has, within the last three years, been a principal of a material professional adviser or consultant to the business, or an employee materially associated with the service provided
- is a material supplier or customer of the business, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has a material contractual relationship with the business other than as a Director of the business.

Note: 'Material' means greater than five per cent of the Corporation's gross revenues.

The independence of each Director is reviewed on a regular basis to ensure circumstances that may affect the independent status of a Director have not changed.

Grant Gilfillan, as both a Director and the Chief Executive Officer, is not considered independent. All other Directors are considered independent.

18.19 Access to information and independent professional advice

Each Director has the right of access to all Port Authority's information and employees. Further, the Board and each individual Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor. Advice can be sought to assist Directors in carrying out their responsibilities and is at Port Authority's expense. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

18.20 Conflict of interest

Port Authority maintains a conflicts register which registers any interests of Directors that may potentially conflict with their duties as a Director of Port Authority, including other board positions. Directors are required to update this register on an ongoing basis as circumstances change.

In relation to specific Board decisions, the Board complies with Clause 2, Schedule 10 of the *State Owned Corporations Act 1989 (NSW)*. A Director cannot take part in discussions or vote on a matter in which that Director has a material personal interest, unless the Board resolves that the interest does not disqualify the Director. There have been no related-party transactions between Port Authority and any Director during the year.

18.21 Other board memberships

NSW Treasury Guidelines for Boards of Government Businesses recommend that Directors should not hold directorships of more than three government boards. None of Port Authority's Directors has exceeded this limit.

18.22 Board meetings and their conduct

The Board of Directors of Port Authority meets on a monthly basis and more regularly as circumstances require. During 2015-16, the Board met 13 times. The independent non-executive Directors on the Board meet on a regular basis to discuss any matters that should be discussed without executive management and non-independent Directors present.

The Company Secretary is responsible for providing administrative and corporate governance support to the Board of Directors. This includes ensuring that the Board receives papers for Board and Committee meetings in advance of each meeting and attendance at Board and Committee meetings to take minutes. The Company Secretary is appointed and removed by resolution of the Board. Regina Abood (B.Com., FGIA) is the current Company Secretary of Port Authority.

The attendance by Directors at Board and Committee meetings during the year is listed in sections 18.23 and 18.24.

18.23 Attendance at Board meetings 2015-16

	Board meetings		Term of appointment	
	A	B		
N. Whitlam	13	13	1 July 2014- 30 June 2017	
G. Gilfillan	11	11	1 July 2014- 30 September 2016	
P. Bingham-Hall	13	12	1 July 2014- 31 December 2016	
Z. Bull	6	5	2 March 2016- 1 March 2019	Appointed 2 March 2016
R. Dunn	13	13	1 July 2014- 30 June 2017	
P. Forsythe	13	13	2 February 2015- 1 February 2018	
G. Sutton	13	11	1 July 2014- 31 December 2016	

A: number of meetings eligible to attend during year.

B: number of meetings attended.

18.24 Attendance at committee meetings 2015-16

Directors who are not members of committees are invited to attend committee meetings and are entitled to receive papers of committee meetings on request. Attendance below only includes attendance of appointed committee members and does not reflect attendance at meetings by Directors who are not committee members.

	Audit and Risk Committee		Remuneration and Human Resources Committee		Nominations Committee	
	A	B	A	B	A	B
N. Whitlam	5	5	8	8	0	0
G. Gilfillan	-	-	-	-	-	-
P. Bingham-Hall	5	5	8	8	-	-
Z. Bull	-	-	3	2	-	-
R. Dunn	5	5	-	-	-	-
P. Forsythe	5	5				-
G. Sutton	-	-	8	7	0	0

A: number of meetings eligible to attend during year.

B: number of meetings attended.

18.25 Director remuneration, appointment and education

When appointed, Directors are provided with a letter of appointment from the Voting Shareholders specifying their term of appointment and remuneration. In addition, Port Authority provides new Directors with an induction pack of information to assist them in understanding Port Authority's business and the requirements of the role. Information provided includes:

- previous Board minutes
- copies of relevant legislation
- the Code of Conduct
- the most recent Annual Report
- Board profiles and contact details
- Board and Committee charters
- Statement of Corporate Intent.

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

In addition, new Directors are provided with access to an induction program which includes a series of meetings with the Chairman, Chief Executive Officer and key executives, to gain an understanding of Port Authority's:

- strategy, objectives and business
- industry in which it operates
- corporate governance practices
- current financial and business performance
- key executives
- remuneration strategy
- risk management framework.

All other Directors are encouraged to continue their education with practical director skill courses, site visits and briefings on issues relevant to Port Authority's operations. During the year, the Directors' continuing education program included:

- visits to Port Authority sites
- Work Health and Safety briefing
- attendance at specific courses or conferences where appropriate, funded by Port Authority.

The remuneration for Directors of Port Authority is determined by the Voting Shareholders.

18.26 Board performance

The Board believes it is important to evaluate its own performance and that of each Director on a regular basis. A preferred methodology was agreed by the Board in July 2015, with a review undertaken during November 2015.

18.27 Equity, diversity and inclusion

Port Authority supports the principles of equity, diversity and inclusion. We continue to create an environment that is fair and inclusive and where diversity is valued and unlawful harassment and discrimination in any form are considered unacceptable.

The policy confirms the organisation's commitment to fair and equitable business practices and is complimented by its Discrimination, Harassment and Workplace Bullying Policy that defines unacceptable behaviours and the anticipated consequences if such behaviour continue to occur in the workplace. The Grievance Policy ensures the confidential, timely and effective resolution of any workplace grievance or dispute.

To demonstrate its commitment to cultural diversity, Port Authority operates a recruitment, selection and promotion strategy based solely on merit. This year, employees were recruited from a broad range of backgrounds and we are always looking to build on our inclusive workplace.

Port Authority is in the process of reviewing its policies and programs surrounding diversity, inclusion and harassment and workplace bullying. This will include the development of specific employee training and program initiatives to increase employee participation and understanding of the importance of these policies and practices in the workplace to continue Port Authority's sustained business success.

Diversity and Inclusion will be a focus area for Port Authority during 2016-17. A new Diversity Policy will be implemented in 2016.

As a state owned corporation, Port Authority measures itself against the NSW Government benchmarks as outlined by the NSW Public Service Commission. Information is collected biannually through the Workforce Profile that monitors data centred on age, gender, ethnic and cultural backgrounds and employment information including hours worked and mobility. Data collection is anonymous with employees having the right to request that their data be withheld from the collection. Approximately 30 per cent of employees have requested that their data be withheld. Where there is insufficient information supplied or the numbers are too low a 'N/A' (not available) is displayed.

EEO group	Percentage of total staff at 30 June (excluding casual staff)		
	Benchmark/target	2015	2016
Women	50%	19.4%	21.3%
Aboriginal people and Torres Strait Islanders	2.6%	0.3%	0.3%
People whose first language was not English	19%	9.6%	7.8%
People with a disability	No benchmark	6.2%	0.3%
People with a disability requiring work-related adjustment	1.5%	0.0%	0.0%

EEO group	Distribution index (excluding casual staff)*		
	Benchmark/target	2015	2016
Women	100	88	80
Aboriginal people and Torres Strait Islanders	100	N/A	N/A
People whose first language was not English	100	102	97
People with a disability	100	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A

*A distribution index of 100 indicates that the centre of distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for the other staff. The more pronounced this tendency is, the lower the index will be. An index more than 100 indicates that the EEO group is less concentrated at the lower salary levels.

18.28 Work Health and Safety

Safety has become embedded as a fundamental driver of our business and is increasingly becoming a normal part of our daily routines rather than a special activity.

2015-16 has been a year of consolidation for Work Health and Safety (WHS), improving safe systems of work and investing in WHS training for all employees. The strategy for increasing safety leadership and improving safety management systems continues.

There were no prosecutions against Port Authority relating to any breach of the *Work Health and Safety Act 2011* during the year.

Work Health and Safety Committee meetings, WHS representatives and WHS consultation processes are in place and working throughout the operational areas of Port Authority.

The Work Health and Safety performance for 2015-16 includes each of Port Authority's operations in Sydney, Newcastle, Port Kembla, Eden and Yamba. The WHS performance is summarised in the table below which includes the historical Lost Time Injury and Medical Treatment Injury performance.

Port Authority Work Health and Safety Statistics

	2014-15	2015-16
Number of events reported	306	365
Lost Time Injuries	7	7
Medical Treatment Injuries	7	12
Lost Time Injury frequency rate	11.74	10.83
Workplace safety inspections	163	106
Percentage of planned Work Health and Safety consultations meetings held	92%	100%

Notes: A 'Lost Time Injury' is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one shift or more as the result of an injury. A 'Medical Treatment Injury' is an illness or injury that required treatment from a doctor that resulted in any form of restriction in the ability to perform full duties. 'Lost Time Injury frequency rate' is calculated as the number of lost time injuries per million man hours worked. There were no fatalities in the seven Lost Time Injuries listed in 2015/2016.

18.29 Overseas travel by Port Authority of New South Wales employees

Overseas travel by Port Authority employees 2015-16

Name	Date	Destination	Purpose
Joe James Executive General Manager, Commercial, Technical and Legal	4-13 May 2016	San Francisco, Seattle, Boston, Philadelphia and New York, USA	To attend the United States-Australia Exchange on Innovation Ecosystems. This was to help facilitate the development of the Port Options Study for Glebe Island (see page 33).
Peter Dwyer Harbour Master Newcastle and Yamba	29 May - 2 June 2016	Vancouver, Canada	To attend the 10th International Harbour Master's Congress and present a paper called Mitigating Risk Pilot Training Systems.
John McKenna General Manager, Cruise Robert Rybanic Manager Cruise Operations	8-12 June 2016	Singapore	To observe operations for the arrival of Ovation of the Seas into the Port of Singapore, and in particular, management of passenger turnaround. This was in preparation for the cruise ship coming to Sydney on 15 December 2016.

18.30 Funds granted to non-government community organisations

There were no funds granted to non-government community organisations in 2015-16.

18.31 Community engagement/consumer response

In May 2016, Service NSW was appointed to manage Port Authority's community complaints and enquiries on a 24/7 basis. This appointment ensures community complaints are managed in real-time at any time of the day or night.

All complaints and enquiries are registered on one consolidated database.
All complaints are responded to within three business days.

The contact details are (02) 9296 4962 or enquiries@portauthoritiesnsw.com.au

18.32 Publications

During the reporting year, Port Authority published the following publications:

- Cruise Schedules
- Dangerous Notices to Mariners
- Goods Management Guidelines
- Harbour Master's Directions
- Port Authority of New South Wales Annual Report 2014-15
- Schedules of Port Charges effective 1 July 2015
- Statement of Corporate Intent 2015-16.

The Port Authority website www.portauthoritynsw.com.au was also updated to provide information to stakeholders and the community.

18.33 Annual Report cost

The total cost of producing (editing and design services) the Port Authority of New South Wales Annual Report 2015-16 was \$27,750. The report is available at www.portauthoritynsw.com.au.

18.34 Waste Reduction and Purchasing Policy

Reporting on waste reduction and purchasing is no longer required due to a change in the Annual Reports Regulation in September 2015.

18.35 Land disposal

Port Authority of New South Wales did not dispose of any land assets of value greater than \$5 million during the period 1 July 2015-30 June 2016.

18.36 Executive positions

Executives with remuneration equal to or exceeding the equivalent of SES level 1.

At 30 June 2016 there were 9 executives with remuneration equal to or exceeding the equivalent SES level 1, 7 males and two females. The gender ratio of male to female is 7:2

SES level	30 June 2016	30 June 2015	Gender 2016		Average total Remuneration Package in Band
			Male	Female	
Level 4	1	1	1	0	\$609,902
Level 3	5	5	4	1	\$369,164
Level 2	3	2	2	1	\$256,368
Gender Ratio, Male to Female	7:02	8:01			

18.37 Public interest disclosures

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

	1 July 2015–30 June 2016
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	0
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	0

Port Authority has adopted an internal reporting policy that is consistent with the NSW Ombudsman's model policy, which applies across all Port Authority sites. PID awareness training will be conducted across the entire staff of Port Authority during the 2016-17 year and will be incorporated into new employee induction programs.



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