Sydney Ports Corporation

Annual Report

2013/14

SYDNEY PORTS
FIRST PORT, FUTURE PORT

27 October 2014

The Hon Andrew Constance, MP
Treasurer
GPO Box 5341
SYDNEY NSW 2001

The Hon Dominic Perrottet, MP
Minister for Finance and Services
GPO Box 5341
SYDNEY NSW 2001

Dear Messrs Constance and Perrottet,

This annual report covers Sydney Ports Corporation's operations and statement of accounts for the year ended 30 June 2014, in accordance with the provisions of the *Annual Report (Statutory Bodies) Act 1984* and the applicable provisions of the *Public Finance and Audit Act 1983* and the *State Owned Corporations Act 1989*, and is submitted for presentation to Parliament.

Yours faithfully,

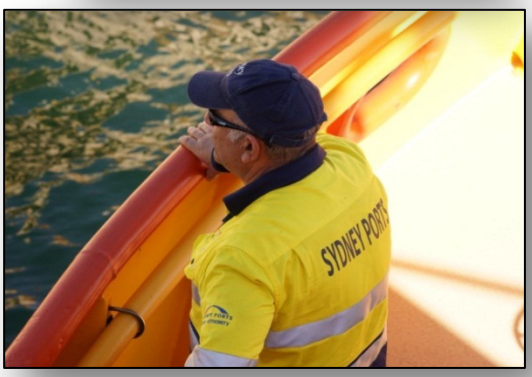
Mr Nicholas Whitlam
Chairman

Mr Grant Gilfillan
Chief Executive Officer and Director


PILOT
PILOT


Queen Victoria


PILOT


SYDNEY PORTS

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1 Highlights

Core business:

- Sydney Ports' core business is:
  - Pilotage, navigation and safety on Sydney Harbour, Port Botany, Yamba and Eden
  - Cruise, dry bulk and oil shipping on Sydney Harbour
  - Cruise terminal assets at Circular Quay (Overseas Passenger Terminal) and White Bay
  - Dry bulk facilities at Glebe Island

Port corporations' merger:

- Sydney, Newcastle and Port Kembla port corporations will amalgamate on 1 July 2014 under a single management structure, governance and operational responsibilities
- The single corporation, to be known as Port Authority of New South Wales, will deliver a more efficient and robust ports business model with the benefits of commercial discipline provided under the state-owned corporation model

Shipping:

- Total chargeable ship visits (all ports) for 2013/14 was 2,468

Cruise:

- Cruise ship visits totalled 263 (261 in Sydney and two in Eden)
- Continuing growth supported by three cruise ships (up from two) making Sydney their home port, year round
- Revised site occupation charge for cruise ships providing a more acceptable return on investment in cruise facilities

Infrastructure:

- White Bay Cruise Terminal successfully completed its first full year of operations, hosting 119 cruise ship visits
- Work begins on two Overseas Passenger Terminal upgrade projects

Sustainability:

- Ongoing progress in environmental research and monitoring programs
- Continuing improvements to vehicle fleet fuel efficiency and economy.

2 Overview

Sydney Ports manages the commercial ports of Sydney Harbour, Botany Bay, Yamba and Eden.

Through the conditions stipulated in our Port Safety Operating Licence (PSOL), the Corporation's responsibilities include:

- Role of Harbour Master
- Management of harbour approaches and channels
- Safety of navigation and shipping movements
- Pilotage
- Port security
- Safety of operations
- Management of dangerous goods regulations for the port areas
- Contingency planning for and emergency response to marine based incidents and emergencies
- The clean-up of environmental spills

Sydney Ports also oversees cruise, dry bulk and oil shipping on Sydney Harbour and manages the berths and facilities at the Overseas Passenger Terminal, White Bay and Glebe Island.

3 Summary review of operations

Sydney Ports Corporation (Sydney Ports) operates as a State Owned Corporation in accordance with the *State Owned Corporations Act 1989.*

During 2013/14, Sydney Ports began major infrastructure projects at its Overseas Passenger Terminal (OPT) at Circular Quay and marked the first full year of operations for the White Bay Cruise Terminal (WBCT) at Balmain.

Major projects on which progress was reported in our 2012/13 annual report, including the second Bulk Liquids Berth (BLB2) at Port Botany and the Intermodal Logistics Centre at Enfield, were transferred in June 2013 to Ports NSW as part of the 99 year lease of Port Botany landside operations.

Cruise

Sydney remains the only port in Australia with two dedicated cruise facilities. When operating at capacity, using both White Bay berths (4 and 5) and the OPT, Sydney can comfortably host three cruise ships simultaneously. Additional mooring facilities are available on the buoys at Athol Bay and Point Piper.

2013/14 saw 261 cruise ship visits to Sydney, 142 to the OPT and 119 to White Bay, as well as two to the port of Eden on the far South Coast.

With the White Bay facility complete and operating successfully, Sydney Ports is now focussed on upgrading the OPT. Two major infrastructure projects will see the terminal building refurbished and its wharf extended by approximately sixty metres. Together, both projects will increase the efficiency and capacity of the iconic facility, allowing it to more comfortably host the new generation of cruise ships, their passengers and crews, now visiting in increasing numbers.

Sydney Ports continues to work with local community organisations and councils as it develops and delivers these projects.

2013/14 was also an award winning year for our cruise area, with Sydney voted Best International Cruise Port for the ninth consecutive year and the WBCT winning major design awards both at home and overseas.

Marine Operations managed close to 4,600 pilot transfers during the year, maintained its ongoing work of surveys and security patrols, audited a wide range of marine activities involving oil, gas, chemicals and dangerous goods and continued its annual program of emergency response exercises conducted jointly with other agencies.

The team also played a leading role in the planning, coordination and emergency response contingency for the Royal Australian Navy's International Fleet Review.

All marine operations activities are focused on the delivery of our commitment to maintain a safe and environmentally sustainable harbour and delivery of a timely and effective response to water-based incidents and emergencies.

Examples during 2013/14 included our role in the multi-agency response to the major building fire at the Barangaroo construction site.

In the area of **Sustainability,** our focus continued to be on environmental monitoring, resource efficiency and community consultation on port projects.

The work of community consultation was further enhanced this year with the addition to our team of a dedicated Community Engagement Manager to develop and maintain an ongoing dialogue with residents, businesses and agencies likely to be impacted by our development projects or port activities and provide timely and relevant responses to their enquiries or complaints.

June this year saw the Minister for Roads and Freight announce the amalgamation of the Sydney, Newcastle and Port Kembla port corporations into a single State Owned Corporation to operate from 1 July 2014 as Port Authority of New South Wales.

4 Trade highlights

2013/14 trade highlights reflect the first full year of trading for Sydney Ports Corporation since the long-term leasing of the Port Botany container and bulk liquids berths from 31 May 2013.

2013/14	
Total trade1	1.570 million mass tonnes

Ship Visits

2013/14	
Total chargeable vessel visits (all ports)	2,468
Total passenger ship visits (Sydney)	261

Historical Trade

Total Trade[2]		Total Bulk Liquids, Gas & Oil and Dry Bulk[3]	
2007/08 to 2013/14	(Million Mass Tonnes)	2007/08 to 2013/14	(Million Mass Tonnes)
2007/08	17.439	2007/08	2.871
2008/09	17.487	2008/09	2.849
2009/10	17.721	2009/10	2.780
2010/11	18.925	2010/11	3.092
2011/12	19.386	2011/12	3.478
2012/13	18.493	2012/13	3.645
2013/14*	1.570	2013/14	1.345

- The long term lease of Port Botany assets occurred on 31 May 2013. No containerised and non-containerised trade numbers are quoted in this annual report as this trade pertains to berths leased by NSW Ports since 1 June 2013.

Chargeable Vessel Visits 2013/14

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Port Botany	130	133	141	195	221	198	146	124	141	143	145	137	1,854
Sydney Harbour	44	41	35	55	51	55	56	54	58	39	33	28	549
Sydney Total	174	174	176	250	272	253	202	178	199	182	178	165	2,403
Eden & Yamba	7	8	4	8	5	3	4	5	5	3	8	5	65*
Total	**181**	**182**	**180**	**258**	**277**	**256**	**206**	**183**	**204**	**185**	**186**	**170**	**2,468**

Footnote 1: **Total Trade** – Numbers only for Sydney Ports' facilities, including regional ports of Eden & Yamba.

Footnote 2: **Historical Total Trade** – Trade through privately owned berths at Kurnell, Gore Cove and Blackwattle Bay from 2007/08; Eden Woodchip berth from 2011/12 and Port Botany (container terminals and bulk liquids berths) from June 2013 have been excluded.

Footnote 3: **Historical Total bulk liquids, gas & oil and dry bulk** – Trade through privately owned berths at Kurnell, Gore Cove and Blackwattle Bay from 2007/08 and Port Botany (Bulk Liquids Berths) from June 2013 have been excluded.

*Breakdown: Eden 46 & Yamba 19

5 Chairman's report

Nicholas Whitlam

2013/14 was good year for Sydney Ports Corporation.

It began in the wake of the long-term leasing of our landside assets at Port Botany ("the Transaction") and ended with the amalgamation of the business of Sydney Ports with those of Newcastle Port Corporation and Port Kembla Port Corporation.

Accordingly, from 1 July 2014 all the commercial ports in New South Wales will be controlled by a single State-owned corporation - Port Authority of New South Wales.

Following the lease of the landside assets of Port Botany in the previous financial year, Sydney Ports continued to be responsible, through 2013/14, for navigation and pilotage services in Port Botany, Sydney Harbour, Eden and Yamba. There was a record number of trade vessel and cruise ship visits to these ports through the year.

The net loss, before tax, from our continuing operations was $1.0 million as compared to a loss of $3.8 million in 2012/13.

These results include revenue amounting to $2.1 million in 2013/14 (and $34.2 million in 2012/13) from the Barangaroo Delivery Authority, representing the recovery of construction costs for the White Bay Cruise Terminal. Excluding these recoveries, the underlying result for 2013/14 was a net loss, before tax, of $3.1 million (compared to a loss of $38 million in 2012/13).

The improved result was supported by the introduction this year of a per passenger charge for all cruise ships using Sydney Ports' cruise terminals. It also reflects the reimbursement of $7.8 million of Port Botany Landside Improvement Strategy (PBLIS) operating and capital expenditure - following the decision by the NSW Department of Premier and Cabinet that PBLIS should be funded by Transport for NSW.

The remaining improvement in the underlying after tax loss reflects the effort made to maximise commercial opportunities from our assets, to focus on cost reduction and to develop an organisational structure more appropriate to our business, post the Transaction.

Indeed, the first half of the reporting year saw the completion of a substantial restructure of Sydney Ports. This had a two-fold aim:

1. to produce a better fit for the Corporation's responsibilities post the Transaction; (These responsibilities are pilotage, navigation, safety and emergency response on Sydney Harbour, Port Botany, Yamba and Eden; and in Sydney, cruise, dry bulk shipping and tankers delivering fuel to Gore Cove); and
2. to put Sydney Ports in the best possible position to identify and develop new opportunities for our assets.

The most important of these new opportunities is Glebe Island, Sydney's last remaining deep-water port able to handle bulk goods (such as gypsum, cement, aggregates, sugar, salt, oils, lubricants and tallow) that supply the city's construction, food and beverage industries.

For this reason, the New South Wales Government has identified Glebe Island and the neighbouring White Bay as vital to Sydney's economy. They are to be maintained as elements of a working port while neighbouring harbour-side land is freed up for public access.

The temporary Exhibition Centre located on Glebe Island is scheduled to move out in 2017 and it is then that the new Port Authority will reinvigorate and further develop Glebe Island and parts of White Bay as elements of a working port.

Our major capital project this year has been the upgrading the iconic Overseas Passenger Terminal in Circular Quay. By extending the wharf and substantially improving the building's ability to process passengers and provisions, the project will ensure the terminal can comfortably accommodate larger cruise ships. Such vessels are now visiting Sydney more often than ever before as Sydney is regularly identified as one of the world's top cruise destinations.

Behind the scenes, much work was done in the second half of 2013/14 with the Newcastle Port Corporation - preparing for the long-term leasing of Newcastle's landside operations and for its subsequent amalgamation with the businesses of Sydney Ports Corporation and Port Kembla Port Corporation. Grant Gilfillan served as CEO of Newcastle Port Corporation from 1 October 2013 and I became Chairman of that Corporation later that month.

The amalgamation of the three port corporation businesses as the Port Authority of New South Wales took place on 1 July 2014. From that point, senior executives from Sydney, Port Kembla and Newcastle report to Grant Gilfillan as CEO; he, in turn, reports to a single board which I chair. Members of the board and executive come from each of the three former entities, bringing with them great experience and important continuity.

On the ground, there will be little change. The new Authority will provide the same marine-based services in each port (including harbour master, navigation, emergency response and safety responsibilities), our staff will be employed under their existing conditions and continue to do the same jobs as before and from the same locations.

What will change is that we will become a State-wide port corporation with the opportunity and promise to improve overall efficiency and add value to what we do. We will learn from each other and, for example, in the case of a major incident or emergency, be in a position to provide a whole-of-organisation response that will embrace all of the new Authority's equipment, knowledge and experience.

With the amalgamation of the three businesses now behind us, let me put on record my sincere thanks to the staff of all three corporations for their patience, resilience and commitment to our future. I also pay tribute to each of the boards. The planning, documentation and due diligence involved in putting together the three businesses has been extraordinary. And it has been achieved while still fulfilling all regular day-to-day functions and responsibilities of the individual corporations in a most satisfactory manner.

Personally, I believe this is an exciting time in the history of the State's ports.

On behalf of the Sydney Ports Board, I take this opportunity to thank our management and staff for their efforts during the year and especially for their hard work, dedication and professionalism throughout the ongoing change. Sydney Ports has achieved much as Australia's 'First Port' and the tradition will continue as we join with our new colleagues as part of the new Port Authority of New South Wales.

Nicholas Whitlam
Chairman

6 Chief Executive Officer's report

Grant Gilfillan

Our first full year post the Transaction, saw a strong financial performance, with earnings before interest, taxes and other costs well up on forecasts. This result was due to a series of measured strategies including a reduction of more than 20% in our controllable expenses.

Safety performance improved with one Lost Time Injury for the year, down from the three of the previous year. Our target remains zero and the work to further increase the level of activity and commitment of everyone to safety is ongoing.

The landscape in which we operate at the end of 2013/14 has changed markedly from that at the start of the reporting year. This is a direct result of the leasing, in May 2013, of our assets and operations at Port Botany and with them many of the infrastructure projects on which I reported last year. These include Port Botany's second Bulk Liquids Berth (BLB2) and construction of the Intermodal Logistics Centre at Enfield. And as also foreshadowed in my report last year, our Port Botany Landside Improvement Strategy (PBLIS) team has moved to Transport for NSW.

Consequently, Sydney Ports has undergone a substantial restructure to better support our newly defined core business and plans for ongoing development. Our employee numbers have been reduced significantly, largely through transfer to the private lessee or voluntary redundancy, while many roles within the business have been eliminated or redefined with some staff moving to new or different positions.

Through all the change, it has been business as usual in the delivery of our primary functions of harbour master, navigation, emergency response and safety in Sydney, Port Botany, Yamba and Eden and our cruise and dry bulk operations in Sydney.

April 2014 marked the first full year of operations for the White Bay Cruise Terminal, during which its innovative and energy conserving design was recognised both locally and overseas. In June, the terminal won three categories in this year's NSW Architecture Awards – Public Architecture, Sustainable Architecture and the NSW COLORBOND® Award for Steel Architecture. That followed its naming as Transport Building of the Year at the 2013 World Architecture Festival in Singapore, all of which we are very proud.

Having set such a very high standard for the cruise terminal at White Bay, our focus, now, is on its sister terminal at Circular Quay. Built in the late 1950s and renovated only twice since then, the last time around the Year 2000, the Overseas Passenger Terminal was in urgent need of an upgrade and facelift.

We are doing this by opening up much of the building's interior to improve the flow of passengers and provisioning operations, upgrading passenger amenities including lifts and escalators and improving access to the precinct for taxis dropping off and picking up cruise passengers and trucks delivering supplies. A second, parallel project is extending the northern section of the terminal's wharf by around sixty metres, constructing a permanent mooring dolphin in Campbells Cove to the building's north and new mooring bollard to its south, upgrading berth fendering along the length of the wharf and installing new cathodic protection.

It's all designed to ensure the OPT can more comfortably accommodate the larger cruise ships, their passengers and crews now visiting more often and, ultimately, to maintain our reputation as a world class cruise destination, as evidenced late in 2013 when Sydney was voted world's Best Cruise Port for the ninth consecutive year.

2013/14 saw the successful implementation of a new charging regime for cruise services at the OPT and White Bay to align with the multi-million dollar capital investment Sydney Ports is making at both facilities. The per passenger site occupation charge will help ensure this segment of our business remains commercially sound and facilitate further investment as the cruise sector continues to experience strong growth.

As the reporting year draws to a close, we are beginning negotiations with the NSW Environment Protection Authority (EPA) and shipping industry to reduce emissions from vessels using our ports, particularly in Sydney and Port Botany. While some progress has been made towards meeting global marine pollution prevention (MARPOL) standards, more needs to be done.

With other countries ahead of us in their pollution reduction initiatives, the issue is how quickly can we achieve meaningful reductions here in ways that are both sensible and sustainable. Our hope is that by all parties working together, we can identify and implement measures to reduce emissions and improve air quality in the shortest practicable timeframe.

Finally, I would like to thank Sydney Ports' staff for their commitment and effort throughout what has been a year of significant and sometimes difficult change. Your positive approach and professionalism is appreciated by both the executive and the Board.

While change will continue into the new reporting year with the amalgamation of the Sydney, Newcastle and Port Kembla port corporations into the one Port Authority of New South Wales, we will begin moving into a time of ideas, development and growth as we focus on our future. Front and centre will be finalising the upgrade of the Overseas Passenger Terminal and developing, to their fullest potential, our facilities at Glebe Island, home to Sydney Harbour's last remaining deep water berths for trade in dry bulk goods, oils and lubricants.

Grant Gilfillan
Chief Executive Officer and Director

7 Board of Directors

Left to right: Michael Sullivan, Penny Bingham-Hall, Nicholas Whitlam, Grant Gilfillan (Chief Executive Officer), Robert Dunn.

NICHOLAS WHITLAM

AB *cum laude* (Harvard), MSc (London)

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

Nicholas Whitlam was appointed Chairman of Sydney Ports Corporation in March 2013. During 2013-14, Mr Whitlam was also Chairman of Newcastle Port Corporation and Port Kembla Port Corporation and CEO of Port Kembla Port Corporation.

A career banker, Mr Whitlam's career has embraced most aspects of banking, insurance and superannuation. He has worked in London, New York and Hong Kong for major financial institutions and is a former CEO of the State Bank of New South Wales, a former President of the NRMA and Chairman of Insurance Australia Group.

GRANT GILFILLAN

B.App.Sc, MAICD

Chief Executive Officer and Director

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

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

Mr Gilfillan was appointed in April 2013 to a two year term as President of the International Association of Ports and Harbours (IAPH). He is also ex officio Chairman of the Association's Board of Directors and Executive Committee.

PENNY BINGHAM-HALL

BA (Ind. Des), FAICD, SF (Fin)

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

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

Ms Bingham-Hall is also a Director of Port Kembla Port Corporation, Newcastle Port Corporation (trading as Port Authority of New South Wales), BlueScope Steel, Dexus Funds Management Limited (responsible entity for the Dexus Property Group) and Taronga Conservation Society Australia.

She has spent more than 20 years in a variety of executive roles with Leighton Holdings prior to retiring from the company at the end of 2009.

Ms Bingham-Hall is also a Director of SCEGGS Darlinghurst and was the inaugural Chairman of Advocacy Services Australia (the fiduciary company for the Tourism and Transport Forum and Infrastructure Partnerships Australia) until the end of 2011.

She has also previously held non-executive directorships with other industry and community organisations, including Australia Post, the VisAsia Council of the Art Gallery of NSW, the Global Foundation and the Australian Council for Infrastructure Development.

ROBERT DUNN

BA Hons

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

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

Mr Dunn is also a Director of Port Kembla Port Corporation and Newcastle Port Corporation (trading as Port Authority of New South Wales).

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

Mr Dunn is a member of the Institute of Chartered Accountants in Australia and a Director of BaptistCare NSW and ACT Limited, a major provider of aged care and community services.

Mr Dunn 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.

MICHAEL SULLIVAN

AAICD

Staff Director

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

He joined the Maritime Services Board in 1977 and has held a variety of positions within head office until transferring to marine operations in 1991 as a port officer.

Mr Sullivan's extensive operational and head office experience provided a sound basis for his contribution as Staff Director to the Board.

8 Executive team

Grant Gilfillan
B.App.Sc, MAICD
Chief Executive Officer

Captain Philip Holliday
BSc (Hons)
Executive General Manager
Marine Services & Harbour Master

- Marine Operations
- Planning
- Pilot
- Vessel Traffic Services
- Survey Services
- Cruise
- Regional Ports & Admin

Lawrence Ho
BEc (Accounting), CPA, MBA
Chief Financial Officer

- Corporate Planning & Reporting
- Financial Services
- Company Secretary
- Corporate Services
- Human Resources
- Information Technology

Joe James
Executive General Manager
Commercial, Technical & Legal

- Property & Commercial
- Technical & Shared Services
- Asset Management
- Legal Counsel

Bob de la Lande
General Manager
Corporate Affairs

- Policy
- Ministerial Liaison
- Communications

9 Vision, roles and values

Sydney Ports Corporation brings a sharp commercial focus and customer responsiveness to the international shipping and transport networks of New South Wales.

Vision

Sydney Ports aspires to be a leader in world-class, efficient and sustainable ports and logistics networks. We aim to achieve this by:

- providing leadership in planning and executing all aspects of port-related logistics, infrastructure and operating models in ways that optimise efficiency for industry and enhance social outcomes for citizens
- developing objectives and processes that better integrate political, social and technical outcomes
- delivering projects to enhance the State of NSW's net investment in port infrastructure
- demonstrating to our stakeholders that we are continuing to meet their short and long term objectives

Roles

Sydney Ports' main roles are to:

- manage, develop and operate port facilities and services to cater for existing and future trade and cruise industry needs
- manage the navigational, pilotage, security and operational safety needs of commercial shipping
- protect the environment and have regard to the interests of our community
- deliver profitable business growth.

Values

Sydney Ports appreciates the importance of being a good corporate citizen and values the relationships we share with our customers, government, our employees and the community.

As an employer, we respect individual worth, value the contribution of all our people and provide them with a safe working environment.

In servicing customers, Sydney Ports is always reliable, professional and courteous.

As an organisation we are progressive, encourage alternative solutions to complex issues and always strive to exceed expectations.

Customer Service Charter

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

We do this through our four 'pillars' of customer service:

- **Standards**
  We will behave with integrity and be above board in our business dealings and relationships
- **Engagement**
  We are committed to proactive forms of engagement with our customers

- **Consistency**
  We will be consistent in our approach and processes
- **Timeliness**
  We will respond to enquiries and issues in a timely and effective manner.

10 Cruise

The cruise industry continues to boom in Sydney with strong domestic growth supported by world class facilities. In December 2013, readers of the prestigious Cruise Passenger Magazine voted Sydney Best International Cruise Port for the ninth consecutive year, as the number of cruise ship visits continued to rise. With the White Bay Cruise Terminal, opened in April 2013, setting a new standard for international cruise facilities, work began in May 2014 to refurbish the Overseas Passenger Terminal (OPT) at Circular Quay.

In another record cruise season, the reporting year saw 261 cruise ship visits to Sydney and Sydney Ports' operations team disembarking and embarking more than 1.2 million passengers. With 240 ship visits in 2012/13, 199 in 2011/12 and 153 in 2010/11, that's an average annual growth over the three years of more than 23.5%.

Once again, February was the season's busiest month as Sydney hosted a record 39 cruise ship visits, surpassing the previous record of 36 visits set during February 2013.

Growth was supported by the home porting of the Carnival Spirit, which joined the Pacific Pearl and Pacific Jewel as cruise ships making Sydney their base for the entire year. Other arrivals included the spectacular return of the Queen Mary 2 and Queen Elizabeth and frequent visits throughout the summer by the Celebrity Solstice.

In its first full year of operations, the White Bay Cruise Terminal hosted 119 cruise ship visits and won design awards on both the local and world stages. These included the Public Architecture, Sustainable Architecture and COLORBOND® Award for Steel Architecture categories at the 2014 NSW Architecture Awards and Transport Building of the Year at the 2013 World Architecture Festival.

With the completion of the White Bay terminal, Sydney Ports is now focussed on its sister facility at Circular Quay. The OPT's last major upgrade was completed in 2001, so work is needed to ensure the iconic terminal maintains both its reputation as a world-class facility and ability to meet the needs of the ever-growing cruise industry.

Cruise ships visiting the OPT are expanding in both size and capacity. With cruise schedules requiring same-day turnarounds, passengers must be processed more quickly, traffic management improved and more space given to vehicles arriving with supplies.

The building upgrade and wharf extension projects now under way will do this by increasing both the efficiency and capacity of the terminal, giving it the ability to turn around smoothly, in under a day, ships carrying more than four thousand passengers.

From 1 July 2014, the site occupation charge for cruise ships will rise from $20 to $25 per passenger per 24 hour period.

11 Marine Services

Marine Services maintained its high standard of operations during 2013/14, supporting the continued increase in the size and number of commercial vessels operating on Sydney Harbour, Port Botany, Yamba and Eden.

The Operations division in Sydney managed 4,588 pilot transfers, an average approaching 13 a day.

Also during the year, Marine Services conducted regular routine port surveys and security patrols and audited a wide range of marine activities on Sydney Harbour and Port Botany, including:

- 4,192 audits of vessels transferring oil, gas and chemicals
- 1,674 dangerous goods audits resulting in 676 penalty notices
- 754 audits of vessels on which work was being carried out.

These audits are designed to maintain our commitment to a safe and environmentally sustainable harbour and ensure dangerous goods in containers, whether on vessels or in stevedore terminals, are transported within strict international regulations.

Sydney Ports played a significant role in one of the year's maritime highlights, the Royal Australian Navy's International Fleet Review that saw 16 tall ships and around 40 warships from 18 countries converge on Sydney Harbour to commemorate the centenary of the Royal Australian Navy Fleet's first entry into the port.

Our personnel and assets were an integral part of the planning, coordination and emergency response contingency for the successful week of activities that took place in October 2013.

At Port Botany, November 2013 marked the successful berthing of the first commercial seagoing vessel at the newly commissioned third container terminal. Designed and constructed by Sydney Ports Corporation, the facility is now operated by NSW Ports as part of its 99 year lease of Port Botany's landside operations.

The announcement by Caltex of the closure and transition to storage facility of its refinery at Kurnell was followed by significant dredging and construction within Port Botany. The close cooperation and involvement of Sydney Ports & Caltex personnel ensured routine shipping operations within the port remained unaffected as these works were carried out.

Sydney Ports' operational staff also continued to provide planning and logistics support to the annual Sydney to Hobart Yacht Race start as well as the New Year's Eve, Australia Day & Vivid celebrations.

12 Emergency response

Operations

Sydney Ports Corporation provides around-the-clock monitoring of Sydney Harbour and Botany Bay to ensure the safe movement of cargo and passenger vessels and deliver an effective response to incidents and emergencies on and around our waterways.

For Sydney Ports' Marine Operations staff, the reporting year saw no major safety or environmental incidents.

Sydney Ports maintains purpose-designed vessels to assist with its response to all incidents and emergencies on Sydney Harbour and Botany Bay. These include two dedicated fire-fighting tugs - one on each waterway - plus a fleet of smaller vessels designed for use in confined or shallow waters.

The response to any incident is often multi-faceted, meaning Marine Operations personnel are trained to deliver a wide range of response options during any call-out. These can include dealing with an initial marine incident, such as a vessel fire, followed by any aftermath issues such as oil or fuel spills.

During the 2013/14 reporting year, Marine Services responded to 358 marine incidents including:

- 225 pollution events
- 33 vessel assists or emergency towages
- 12 fire-fighting operations.

Sydney Ports' well planned and tested processes ensured the response to all reported incidents, whether a routine query or declared emergency, was both fast and effective.

Examples include Sydney Ports' fire tug Ted Noffs' call-out in March 2014 to the major building fire at the Barangaroo construction site. Working from a nearby wharf, the Ted Noffs became a critical additional source of water for the firefighting effort, pumping thousands of litres of seawater a minute to Fire & Rescue appliances on the fire ground via 300 metres of hose line.

The cohesive joint response was a product of the familiarisation sessions Sydney Ports and Fire & Rescue NSW personnel regularly conduct.

Exercises

Every year, Sydney Ports plans, runs and participates in exercises to demonstrate its readiness to provide an instant and effective response to any marine based incident on Sydney Harbour, Port Botany and along ninety kilometres of the NSW coast.

Conducted jointly with other agencies, these exercises serve also to satisfy conditions of Sydney Ports' Port Safety Operating Licence (PSOL). Exercises organised by Sydney Ports, or in which the Corporation participated during 2013/14 include:

- ***Sooty Tern*, October 2013** (Transport for NSW)
  Tested the State marine pollution response to a spill on the waters and shoreline of Lord Howe Island, including the complexities and management of the impact of a spill on a World Heritage Status environment.
- ***Bakar*, November 2013** (Sydney Ports Corporation and Shell)
  Tested the response to a fire aboard a tanker at Shell's Gove Cove terminal and a refined product spill into Sydney Harbour. The exercise focused on the multi-agency response to two major incidents simultaneously and assessed the emergency plans that deal with this.
- ***Frank*, May 2014** (Sydney Ports Corporation and multi agencies)
  Tested the Sydney Harbour Marine Emergency Sub-plan. This involved a passenger vessel casualty on Sydney Harbour and the multi-agency response to deal, quickly and effectively, with a number of critical situations.
- ***Terminal-in-Stinct*, March 2014** (Sydney Ports Corporation and Caltex)
  Assessed the capability of responsible organisations to respond to a refined product spill on the waters of Botany Bay and possible impact on the shoreline surrounds.

Also during the reporting year, Sydney Ports' Marine Operations staff:

- Participated in and supported the Australian Federal Police Tactical Marine Response Group and Australian Customs and Border Protection Service by way of on-water exercises
- Serviced and repaired containment booms designed to protect Royal Australian Navy ships berthed in Sydney Harbour from marine based spills and to contain spills from Navy ships
- Demonstrated with the National Parks and Wildlife Service the effectiveness of equipment held by Sydney Ports for the protection and cleaning of wildlife affected by environmental spills
- Attended internal and external training courses designed to advance and supplement the skills of our operational personnel

13 Security

With its state-significant infrastructure and around-the-clock operations, Sydney Ports maintains a strong focus on the security of its assets, wellbeing of its employees and safety of the public. We do this through continuous monitoring of facilities, reviewing and updating security plans and risk assessments and ensuring work is carried out safely.

There were no major security issues at any Sydney Ports facility in 2013/14.

The Federal Office of Transport Security (OTS) requires that Maritime Security Plans for port facilities are reviewed every five years. Sydney Ports maintains plans for Sydney Harbour and Port Botany, its cruise terminals at Circular Quay and White Bay, common user facilities at White Bay and Glebe Island and port service providers. Sydney Ports is also responsible for the security plans for the Port of Clarence (Yamba) in the state's north and Port of Eden in the far south.

Changes in Sydney Ports' operational focus during the reporting year saw the closure, on 29 November 2013, of the Maritime Security Identification Card (MISC) centre. As a result, the security plans for the MSIC centre were revoked. There were no other changes to the plans during 2013-14.

External audits were completed during the year on the Yamba, Eden, White Bay, Glebe Island, Port Botany and Sydney Harbour Maritime Security Plans.

Security exercises were conducted at Yamba, Eden and Sydney from which various actions were identified. As a result, an assessment of each plan was conducted and improvements developed and incorporated into standing security procedures.

Sydney Ports continued to communicate and consult with stakeholders on security issues relevant to all its ports through its Port Security committee. The committee facilitates the exchange of security information amongst its members, ensuring all are aware of potential issues and that any response is fully informed and co-ordinated. Membership includes representatives of port tenants, port service providers, the NSW Police Force, Customs, Quarantine, Defence, the Commonwealth Attorney General's Department and OTS.

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

14 Facilities

With Sydney's population expected to grow by nearly 1.2 million over the next 25 years, Sydney Ports is continually evaluating the capacity of our ports and developing the strategies necessary to meet future needs. We do this by working in partnership with port users, stakeholder groups, industry bodies and all levels of government to develop land, acquire strategic assets and enhance current facilities.

2013/14 saw the completion of a very successful first year of operations for our White Bay Cruise Terminal and the start of major works to upgrade its sister cruise facility, the Overseas Passenger Terminal (OPT) at Circular Quay.

Some minor works to further enhance operations at **White Bay** began this year and will be completed in October, before the 2014/15 cruise season gets fully up to speed. They include extending the taxi queuing facility and modifying the area reserved for baggage handling during cruise ship visits.

With White Bay setting new standards for cruise terminals (as evidenced by it being judged World Transport Building of the Year at the 2013 World Architecture Awards in Singapore and, locally, winning the 2014 NSW Architecture Awards for Public Architecture, Sustainable Architecture and the COLOURBOND® Award for Steel Architecture), our focus now is on refurbishing the iconic **Overseas Passenger Terminal**.

This is happening through two major projects that will upgrade the terminal building and extend the wharf so the facility can more comfortably accommodate the larger cruise ships now visiting more frequently.

The refurbishment will deliver:

- additional space to improve the flow of passengers and provisioning operations
- upgraded passenger amenities including additional and refurbished lifts and escalators
- improved access to the precinct for taxis dropping off and picking up passengers and trucks delivering fresh provisions and stores.

The second project is:

- extending the wharf by around sixty metres
- installing a permanent mooring dolphin in Campbell's Cove, new mooring bollard to the terminal's south and upgraded berth fendering
- delivering a program of cathodic protection.

Much of the works will be carried out during the cruise low season and the terminal will remain open to cruise ships throughout.

15 Cruise terminals

Sydney is the only port in Australia with two, world-class cruise passenger facilities, the iconic Overseas Passenger Terminal (OPT) at Circular Quay and the White Bay Cruise Terminal just west of the Harbour Bridge at Balmain. As the first anniversary of White Bay's opening was marked in April 2014, work was about to begin on an important upgrade of its sister terminal at the Quay.

The White Bay terminal's vast, open arrivals and departures halls can cater for up to 2,400 cruise passengers at a time, and the ability to use the adjoining White Bay 4 berth and OPT means Sydney can now comfortably berth three cruise ships simultaneously.

White Bay hosted 119 cruise ship visits during the reporting year along with five functions and one film shoot held on days ships weren't in port. Also on non-ship days, the waterfront around the terminal is now open to members of the public, allowing pedestrians and cyclists to enjoy the area's open spaces and spectacular city views for the first time in close to half a century.

Very few cities can boast a harbour as spectacular as ours, complete with cruise terminal right at their front door, big reasons why 2013 saw Sydney voted World's Best Cruise Port for the ninth consecutive year by readers of the prestigious Cruise Passenger Magazine. To sustain this reputation Sydney Ports recognises that the passenger experience at both terminals must match the views visitors and those returning home from the sea enjoy as they arrive.

The OPT has served the cruise industry well since its last upgrade for the 2000 Olympics, but with annual cruise growth over recent year at record levels, a major upgrade is necessary to improve its efficiency and capacity to comfortably host the larger ships, their passengers and crews, now becoming regular visitors.

Consisting of two projects, the upgrade will see major improvements to the terminal building, a sixty metre extension at the northern end of the wharf and installation of a new mooring dolphin in Campbells Cove. Beginning in May 2014, these works are expected to be completed early in 2015.

The upgrade will not change the shape of our iconic terminal building but create more space inside the existing structure to improve passenger flows and baggage processing and provide more comfortable surroundings for cruise passengers. Changes outside will streamline the movement of traffic around the building for taxis dropping off or picking up passengers and trucks arriving to replenish ships' stores.

With the OPT a long-standing part of the Circular Quay fabric, award winning Architects Johnson-Pilton-Walker (JPW) have produced designs that require only subtle changes to the building's external appearance.

Sydney company Watpac, already familiar with the sensitivities of Circular Quay having delivered the 2012 redevelopment of the neighbouring Museum of Contemporary Art, won the terminal upgrade tender while Waterways Constructions is building the wharf extension and new mooring dolphin.

Mitigation measures are in place to minimise the impact of construction on the Circular Quay precinct, maintain vessel access to Campbells Cove and allow the terminal to remain open to cruise ships throughout the upgrade works.

16 Ports of Yamba and Eden

Sydney Ports Corporation has responsibility for navigation and safety in the ports of Yamba on the NSW North Coast and Eden in the far south.

Port of Yamba

Located at the mouth of the Clarence River, downstream from Grafton, the port of Yamba is Australia's easternmost sea port. The river hides bars and shoals that require navigation lights and markers, regular dredging, maintenance and surveying every four to five years.

Sydney Ports operates on a 24 hour basis and has a designated harbour master and pilotage service. The port owns Goodwood Island wharf that can accommodate vessels up to 120 metres in length along with a small tug wharf and pontoon.

Traditionally, Yamba handled wood products, explosives, building products, small quantities of fuel and general cargo. It was also the provisioning point for vessels servicing Norfolk Island and part of a trade link to New Zealand and various Pacific Islands. However this trade has slowed.

The total number of vessel visits in Yamba in 2013/14 was 22, 19 of which were chargeable. The main calls in the port during 2013/14 were tugs (8) delivering plant for bridge maintenance works along the Clarence River along with vessels and barges heading for repair at Harwood Marine (5). Total trade through the port in 2013/14 was 1,792 mass tonnes, down from 3,667 mass tonnes in 2012/13.

The 203/14 reporting year saw a steady number of large barges calling in for maintenance at the local slipway that can uniquely service vessels with a wide beam. With vessels arriving to load or unload cargo or for maintenance, layup or transit upriver, Yamba provides several piloted movements for each vessel call.

Port of Eden

The Port of Eden is the southernmost deep water harbour in NSW and is equidistant between Sydney and Melbourne. The port provides a harbour master, 24 hour pilotage services, management of a naval wharf as well as port security functions. There are three wharves in the Eden port precinct; a privately owned woodchip terminal, multi-user Navy wharf and breakwater wharf. The port also owns and manages an eight hectare cargo storage facility.

Total trade through the port in 2013/14 was 800,803 mass tonnes, down from the 984,378 mass tonnes in 2012/13. The total number of vessel visits in Eden during 2013/14 was 75, of which 46 were chargeable. The largest users of the port during 2013/14 were dry bulk ships for loggers & wood chippers (30), Royal Australian Navy (29), passenger ships (2) and
'other' (10).

Recent projects include the importation of large turbines destined for the Boco Rock wind farm in the southern NSW hinterland. Discussions are also ongoing with logistics firms regarding the export of iron ore from East Gippsland in Victoria.

In 2013/14, Bega Valley Shire Council submitted an application to the Federal Department of Infrastructure & Regional Development (DI&RD) to finance the extension of the existing breakwater wharf to cater for vessels up to 260 metres in length. This would include cruise ships that currently moor in the bay requiring passengers to be ferried to and from shore, encouraging increased cruise ship visits with the potential to invigorate the local economy. Project funding has been allocated and a proponent and project owner assigned.

17 Sustainability

Sydney Ports' sustainability focus during 2013/14 continued to be on environmental monitoring, resource efficiency and community consultation on port projects.

There were no environmental notices issued against Sydney Ports during the year, maintaining our good record of the past five years.

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

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

Results completed so far are detailed in the annual Port Botany Post Construction Monitoring annual reports. The first report was finalised in September 2013 and the second is currently undergoing review and finalisation.

The second year of post-construction/estuary enhancement monitoring involved close to 4,000 person-hours both on site and in the laboratory. Results demonstrated that the physical conditions necessary for providing roosting and feeding habitat for shorebirds and potential habitat for seagrass had been created successfully, while there were indications that some processes had yet to reach equilibrium.

Importantly, the September 2013 – March 2014 peak period marked the first season during which, for the first time since pre-construction (of the Port Botany Expansion) records, all six target shorebird species were observed in the Penrhyn Estuary. The diversity of migratory species continues to increase in post-construction years, approaching pre-construction conditions, and the target count for two species (Red Knot and Pacific Golden Plover) was met or exceeded, indicating a positive result for the Penrhyn Estuary habitat enhancement works.

As an outcome of the findings of the first annual monitoring report, erosion of the main roosting island was repaired in September 2013 to maximise the environmental outcomes of the project. The management of weed invasion and port lighting as well as campaigns to reduce non-native predators is on-going.

Vehicle fleet: Sydney Ports has reduced the number of vehicles in its fleet to reflect operational requirements and continues to consider fuel efficiency in any required replacement of vehicles. 2013/14 marked the first full year of use of the Corporation's hybrid vehicle for general staff use.

Maritime fleet: Sydney Ports continues to improve vessel efficiency through initiatives including regular maintenance and hull cleaning and the use of updated fuel pump recording software.

Community Liaison: Sydney Ports consulted regularly with the Glebe Island and White Bay Community Liaison Group as well as parts of the wider Balmain and Pyrmont communities on local development and port operational matters. In addition, Sydney Ports continues to take part in the Port Botany Community Consultative Committee, representing our on-going interests in the Penrhyn Estuary, Foreshore Beach and the public boat ramp.

- Involvement with our communities through the reporting year included:
- Sponsorship of Birchgrove Public School to help fund school projects and activities
- Sponsorship of the Balmain Art & Craft Show with proceeds going to the Father John Therry School in Balmain
- Sponsorship of 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.

Waste reduction: Sydney Ports complies with the NSW Government's Waste Reduction and Purchasing Policy (WRAPP), has developed a WRAPP plan and reports biannually on a number of key result areas including:

- Reducing the generation of waste
- Resource recovery
- Use of recycled materials.

Some examples of Sydney Ports' activities in these areas include:

- Implementation of on-line workflows to reduce paper usage in offices
- Recycling programs for waste paper, employee-generated recyclables (e.g. glass, plastic, metal) and toner cartridges.

Sydney Ports' contractors are required to minimise waste generated by construction projects and maintenance activities and identify areas where reuse of materials and recycling can be undertaken. Sydney Ports also purchases low-waste products and products with recycled content, such as most office paper that is Australian Forestry Standard 80% recycled.

Sustainability: Sydney Ports is committed to improved environmental, economic and social sustainability as we pursue future port growth, developments at Glebe Island and White Bay and facilitate the growing cruise industry.

18 Heritage

Sydney Ports is committed to preserving our port heritage and maritime history. To this end, all projects and significant port maintenance works are assessed for potential heritage impacts.

Under the NSW *Heritage Act 1977,* Sydney Ports is required to identify, list and protect heritage items on a Section 170 Heritage and Conservation Register. In 2013/14, there were no new heritage items added to Sydney Ports register.

A comprehensive environmental assessment of the Overseas Passenger Terminal (OPT) Upgrade project was conducted in early 2014. This included an Indigenous and Historic Heritage Assessment, one outcome of which was for a photographic and archival recording of the OPT (Sydney Cove Passenger Terminal – SHI 4560023) to occur prior to the commencement of construction works. In May 2014, Sydney Ports undertook the archival recording of the OPT in accordance with the NSW Heritage Office guideline *How to Prepare Archival Records of Heritage Items*.

The OPT is recognised for its ongoing historical use as a commercial and passenger shipping facility and its early role as a public gateway to the city. The original building was constructed in 1958-1960 and underwent major modifications in 1988 and again around the Sydney Olympics in 2000.

The Indigenous and Historic Heritage Assessment also recommended that an Archaeological Research Design and Methodology (ARDM) be developed in consultation with, and submitted to, the Sydney Harbour Foreshore Authority (SHFA) to obtain a permit under section 139 of the *Heritage Act 1977* prior to excavation works commencing on site. The permit was obtained on 16 May 2014 and on-site excavation works are being managed in accordance with the ARDM, including having an accredited excavation director oversee excavations.

The OPT Upgrade project has also required that the heritage listed Arthur Murch mural (Sydney Cove Passenger Terminal – Mural – SHI 4560024) be removed while construction works occur. An expert was engaged to oversee the removal and storage of the heritage listed mural.

In June 2014, Sydney Ports advised the Heritage Council that the NSW Government confirmed it would proceed with the amalgamation of the Sydney and Port Kembla port corporations into the Newcastle Port Corporation to create a single State Owned Corporation to be known as Port Authority of New South Wales. Consequently, the Heritage Council was advised that all Sydney Ports' section 170 heritage items would be transferred to the Newcastle Port Corporation by vesting orders to take effect 1 July 2014.

A review of Sydney Ports' register is conducted each year. In addition, any possible heritage items of port and maritime significance identified during the year or the through development assessment processes will be investigated for potential inclusion on the register.

19 Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

Contents

Sydney Ports Corporation
Directors' declaration
For the year ended 30 June 2014

In the opinion of the Directors of Sydney Ports Corporation:

1) Pursuant to section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, the accompanying financial statements and notes:

   (a) exhibit a true and fair view of the financial position of the Corporation at 30 June 2014 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date.

   (b) comply with applicable Australian Accounting Standards and Australian Accounting Interpretations, other mandatory and statutory reporting requirements including the *Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and the State Owned Corporations Act 1989.*

2) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and

3) Pursuant to Clause 7 of *the Public Finance and Audit Regulation 2010*, we are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.

Chairman
N.R. Whitlam

Date: 17 September 2014

Director
R.D. Dunn

Date: 17 September 2014

Sydney Ports Corporation
Independent Auditor's Report
For the year ended 30 June 2014

INDEPENDENT AUDITOR'S REPORT

Sydney Ports Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Ports Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2014, 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 2(c).

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

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, 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 the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

In Note 2(c), directors state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

C J Giumelli
Director, Financial Audit Services

18 September 2014
SYDNEY

Sydney Ports Corporation
Statement of comprehensive income
For the year ended 30 June 2014

	Note	Corporation 2014 $000	Consolidated 2013 (Restated) $000	Corporation 2013 (Restated) $000
Continuing operations				
Revenue				
Revenue from operating activities	3	80,859	64,988	64,988
Other revenue	3, 7(a)	30,136	46,131	46,131
Total revenue from continuing operations		**110,995**	**111,119**	**111,119**
Expenses				
Employee benefits expense	4(a)	(47,732)	(46,035)	(46,035)
Depreciation and amortisation expense	4(a)	(18,773)	(17,122)	(17,122)
Other expenses	4(a)	(45,103)	(51,548)	(51,568)
Finance costs	4(a)	(342)	(180)	(180)
Total expenses from continuing operations		**(111,950)**	**(114,885)**	**(114,905)**
(Loss) before income tax equivalent expense from continuing operations		**(955)**	**(3,766)**	**(3,786)**
Income tax equivalent (expense) / benefit relating to continuing operations	5(a)	(75)	1,797	1,797
Net loss for the year from continuing operations		**(1,030)**	**(1,969)**	**(1,989)**
Net profit for the year from discontinued operations	4(b)(ii)	-	2,143,752	325,539
Net (loss) / profit for the year		**(1,030)**	**2,141,783**	**323,550**
Other comprehensive income / (expense)				
Items that will not be reclassified to profit or loss:				
Superannuation actuarial gains		2,824	20,763	20,763
Fair value revaluation of property, plant and equipment	9(d)(i)	17,061	424,727	424,727
Release of cash flow hedge reserve	13(c)	-	8,829	8,829
Transferred to finance costs – profit or loss	13(c)	-	1,554	1,554
Transferred to finance costs – construction in progress	13(c)	-	19	19
Income tax equivalent (expense) / benefit on items of other comprehensive income	5(b)	(5,914)	136,939	136,939
Other comprehensive income for the year, net of income tax equivalent expense		13,971	592,831	592,831
Total comprehensive income for the year		12,941	2,734,614	916,381

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

Sydney Ports Corporation
Statement of financial position
As at 30 June 2014

	Note	Corporation 2014 $000	Corporation 2013 (Restated) $000	Corporation 1 July 2012 (Restated) $000
ASSETS				
Current assets				
Cash and cash equivalents	6	13,202	64,756	92,829
Trade and other receivables	7	14,780	12,861	41,823
Assets held for sale / distribution	8	1,109	-	2,600
Total current assets		**29,091**	**77,617**	**137,252**
Non-current assets				
Receivables	7	23,166	21,022	124,389
Property, plant and equipment	9(a)	369,329	351,165	1,809,160
Intangible assets	10	767	3,468	4,088
Deferred tax equivalent assets	5(d)	16,318	23,012	25,640
Total non-current assets		**409,580**	**398,667**	**1,963,277**
TOTAL ASSETS		**438,671**	**476,284**	**2,100,529**
LIABILITIES				
Current liabilities				
Trade and other payables	11	18,027	20,407	73,394
Income tax equivalent payable		-	7,838	5,249
Provisions	12	22,124	58,009	13,438
Total current liabilities		**40,151**	**86,254**	**92,081**
Non-current liabilities				
Payables	11	1,481	3,095	3,603
Interest-bearing loans and borrowings		-	-	604,574
Deferred tax equivalent liabilities	5(d)	39,894	40,358	226,113
Provisions	12	1,756	3,622	3,012
Other non-current liabilities	14	34,489	34,996	52,851
Total non-current liabilities		**77,620**	**82,071**	**890,153**
TOTAL LIABILITIES		**117,771**	**168,325**	**982,234**
NET ASSETS		**320,900**	**307,959**	**1,118,295**
EQUITY				
Contributed equity	13	125,542	125,542	125,542
Reserves	13	177,945	166,133	508,708
Retained earnings	13	17,413	16,284	484,045
TOTAL EQUITY		**320,900**	**307,959**	**1,118,295**

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

Sydney Ports Corporation
Statement of changes in equity
For the year ended 30 June 2014

	Note	Contributed equity $000	Asset revaluation reserve $000	Cash-flow hedge reserve $000	Retained earnings $000	Total $000
CORPORATION						
Balance at 1 July 2012 (as previously reported)		**125,542**	**515,989**	**(7,281)**	**489,332**	**1,123,582**
Revised AASB 119 adjustment		-	-	-	(5,287)	(5,287)
Balance at 1 July 2012 (restated)		**125,542**	**515,989**	**(7,281)**	**484,045**	**1,118,295**
Profit for the year after tax		-	-	-	323,550	323,550
Other comprehensive income	13(a),(c)	-	571,016	7,281	14,534	592,831
Total comprehensive income for the year		**-**	**571,016**	**7,281**	**338,084**	**916,381**
Transactions with owners in their capacity as owners:						
Transfer on disposal of assets	13(c)	-	(920,872)	-	920,872	-
Dividend provided for	13(a)	-	-	-	(33,747)	(33,747)
Distribution to Restart NSW	13(a)(i)	-	-	-	(171,361)	(171,361)
Distribution to Ports Assets Ministerial Holding Corporation	13(a)(ii)	-	-	-	(123,530)	(123,530)
Forgiveness of intercompany loan balances	13(a)(iii)	-	-	-	19,146	19,146
Write down of investment recognised in equity	13(a)(iv)	-	-	-	(1,417,225)	(1,417,225)
Balance at 30 June 2013 (Restated)		**125,542**	**166,133**	**-**	**16,284**	**307,959**
(Loss) for the year after tax		-	-	-	(1,030)	(1,030)
Other comprehensive income	13(a),(c)	-	11,812	-	2,159	13,971
Total comprehensive income for the year		**-**	**11,812**	**-**	**1,129**	**12,941**
Balance at 30 June 2014		**125,542**	**177,945**	**-**	**17,413**	**320,900**

CONSOLIDATED						
Balance at 1 July 2012 (as previously reported)		125,542	515,989	(7,281)	489,332	1,123,582
Revised AASB 119 adjustment		-	-	-	(5,287)	(5,287)
Balance at 1 July 2012 (restated)		**125,542**	**515,989**	**(7,281)**	**484,045**	**1,118,295**
Profit for the year after tax		-	-	-	2,141,783	2,141,783
Other comprehensive income	13(a),(c)	-	571,016	7,281	14,534	592,831
Total comprehensive income for the year		**-**	**571,016**	**7,281**	**2,156,317**	**2,734,614**
Transactions with owners in their capacity as owners:						
Transfers on disposal of assets	13(c)	-	(920,872)	-	920,872	-
Dividend provided for	13(a)	-	-	-	(33,747)	(33,747)
Distribution to Restart NSW	13(a)(i)	-	-	-	(3,387,673)	(3,387,673)
Distribution to Ports Assets Ministerial Holding Corporation	13(a)(ii)	-	-	-	(123,530)	(123,530)
Balance at 30 June 2013 (Restated)		**125,542**	**166,133**	**-**	**16,284**	**307,959**

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

Sydney Ports Corporation
Statement of cash flows
For the year ended 30 June 2014

	Note	Corporation 2014 $000	Consolidated 2013 $000
Net cash flows from operating activities			
Receipts from customers		114,803	331,734
Payments to suppliers and employees		(107,012)	(160,339)
Interest received		909	2,696
Borrowing costs paid		(3,446)	(38,104)
Income tax equivalent paid		(7,591)	(29,700)
Net cash flows (used in) / received from operating activities	**6(d)**	**(2,337)**	**106,287**
Net cash flows used in investing activities			
Purchase of property, plant and equipment		(16,634)	(160,527)
Proceeds from sale of property, plant and equipment		1,164	3,167
Net cash flows used in investing activities		**(15,470)**	**(157,360)**
Net cash flows used in financing activities			
Proceeds from borrowings		-	23,000
Dividends paid		(33,747)	-
Net cash flows (used in) / received from financing activities		**(33,747)**	**23,000**
Net decrease in cash and cash equivalents		**(51,554)**	**(28,073)**
Cash and cash equivalents at the beginning of the financial year		64,756	92,829
Cash and cash equivalents at the end of the financial year	**6**	**13,202**	**64,756**

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

The Corporation did not maintain a separate bank account for the subsidiary companies for the year ended 30 June 2013. Cash balances arising during the course of day-to-day trading were held by the Corporation. Expenditure incurred by the subsidiary companies was also settled in cash on its behalf by the Corporation.

Accordingly, the operating, investing or financing cash flows arising from the Corporation were not separately disclosed for the year ended 30 June 2013.

Sydney Ports Corporation
Notes to the financial statements

Note 1. Corporate information

The financial statements of Sydney Ports Corporation ('the 'Corporation') for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 17 September 2014.

Sydney Ports Corporation is a state-owned corporation, incorporated by the New South Wales State Government under the State Owned Corporations Act 1989 and is domiciled in New South Wales, Australia. The Corporation assessed its status and determined that it is a 'for profit' public sector entity from 1 July 2005 for financial reporting purposes.

The nature of the operations and principal activities of the Corporation is the management of port facilities for the shipping community including the provision of navigational and operational safety needs of commercial shipping in the geographical location of New South Wales, Australia with its principal office at 20 Windmill Street, Walsh Bay, NSW 2000, Australia.

(a) Long-term lease of the Port Botany Package

On 27 July 2012 the New South Wales Government announced its intention to proceed with the long-term lease of the assets owned by the Corporation at Port Botany, Enfield Intermodal Logistics Centre and Cooks River Empty Container Park (together, the 'Port Botany Package') in order to fund priority infrastructure projects across New South Wales.

In order to facilitate this transaction, on 12 December 2012 the Corporation incorporated two wholly owned subsidiary companies being Port Botany Operations Pty Limited (as trustee for the Port Botany Unit Trust) and Port Botany Lessor Pty Limited.

On 14 December 2012 a number of statutory vesting orders under the Ports Assets (Authorised Transaction) Act 2012 (NSW) were received from the Treasurer of New South Wales, transferring specific assets, rights and liabilities relating to the Corporation owned assets at Port Botany, Enfield and Cooks River from the Corporation to the Port Botany Unit Trust and Port Botany Lessor Pty Limited. The vesting orders became effective on 1 January 2013.

On 31 May 2013 the Port Botany Unit Trust and Port Botany Operations Pty Limited (as its trustee company) were sold to the successful bidder. On the same date, the assets held by Port Botany Lessor Pty Limited were leased under a 99 year finance lease to the successful bidder and Port Botany Lessor Pty Limited was subsequently transferred to the Ports Assets Ministerial Holding Corporation (a NSW government agency) for nil consideration.

Note 2. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Australian Accounting Standards and Australian Accounting Interpretations;
(ii) the *Public Finance and Audit Act 1983*;
(iii) the *Public Finance and Audit Regulation 2010*;
(iv) the *State Owned Corporations Act 1989*; and
(v) NSW Treasurer's Directions.

The financial statements have been prepared on an accrual accounting basis using historical cost accounting conventions unless stated otherwise. Assets and liabilities stated at fair value include property, plant and equipment, assets held for sale, cash and cash equivalents and defined benefits provisions.

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous 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) Basis of consolidation at 30 June 2013

At 30 June 2013, the Corporation no longer held an interest in either the Port Botany Unit Trust, its Trustee company (Port Botany Operations Pty Limited) or Port Botany Lessor Pty Limited. The Statement of Financial Position at 30 June 2013 was therefore prepared on a single entity basis.

(c) Compliance with IFRS

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

(d) New accounting standards and interpretations

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

The adoption of the amendments resulted in changes in accounting policies, disclosures and prior year comparatives as noted below:

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13.*
- AASB 119 *Employee Benefits* (September 2011) and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)*.

The adoption of the below amendments did not result in changes in accounting policies, disclosures and prior year comparatives:

- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.*
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2).
- AASB 2012-10 Amendments to Australian Accounting Standards – *Transition Guidance and Other Amendments.*

AASB 119 *Employee Benefits*

This revised standard changes the recognition and measurement of defined benefit superannuation plan expenses and termination benefits, and the disclosure for employee benefits. These changes are applied retrospectively.

Under the revised standard, the net interest expense (income) on the net defined benefit liability (asset) is calculated by multiplying the net defined benefit liability (asset) by a single discount rate rather than the expected rate of return on assets. As a result of adopting the amended AASB 119 *Employee Benefits*, the amount of net defined benefit expense recognised in the profit or loss before tax in 2013 was $4.288 million higher than the amount that would have been recognised under the previous standard. In addition a $6.943 million superannuation actuarial gain is recognised as re-measurement in other comprehensive income. In 2014 the net defined benefit expense was provided by Pillar Administration under the revised standard and the Corporation has recognised it accordingly. The amount for the net defined benefit expense in 2014 under the previous standard is disclosed in Note 14(o).

Under the revised standard, the annual leave provision meets the definition of other long term employee benefits because it is not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. As a result of the change in the standard, the long term portion of the annual leave provision is required to be discounted to present value. The Corporation has assessed and determined that the effect of the discounting is immaterial.

Except for the changes above, the Corporation has consistently applied the accounting policies as set out in Note (e) to Note (x) 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 2014.

(e) Cash and cash equivalents

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

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

The value of the funds on deposit in the TCorp Hour-Glass Cash Facility Trust can increase or decrease depending on market conditions and is marked to market through profit or loss in the statement of comprehensive income.

(f) Trade and other receivables

Trade receivables are on 28 day terms while other receivables range from 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.

(g) Property, plant and equipment

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

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the replacement cost of the asset's remaining future economic benefits. Where an asset is specialised, or the market buying price and market selling price differ materially because the asset is usually bought and sold in different markets, or the asset would only be sold as part of the sale of the cash-generating operation of which the asset is a part, fair value is measured at market buying price. The best indicator of an asset's market buying price is the replacement cost of the asset's remaining future economic benefits. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

(ii) Valuation of land

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

(iii) Valuation of specialised plant and infrastructure

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

(iv) Valuation of buildings

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

(v) Revaluation of property, plant and equipment

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

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

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

The most recent revaluation of property, plant and equipment by the Corporation was completed at 30 June 2014. Valuation of land at 30 June 2014 was re-assessed by applying an appropriate externally supplied index to the comprehensive external valuation of land received by the Corporation from Land and Property Information at 30 June 2013. The valuation of specialised assets was 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 or 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.

(h) Intangible assets

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

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

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

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

(i) 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 40 years
- Wharves, jetties and breakwaters 4 to 40 years
- Plant 3 to 40 years
- Intangibles – software 3 to 10 years

(j) Capitalisation of assets

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

(k) 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.

(l) Finance lease receivable

Costs incurred for capital dredging (harbour deepening) of channels were previously recognised as a prepaid licence fee with the licensor being NSW Roads and Maritime Services. As part of the long term lease of the Port Botany Package as detailed in Note 1(a), a revised Channel User Licence Agreement with Roads and Maritime Services was executed. The Corporation considers this agreement to represent a finance lease and therefore has recognised a finance lease receivable with a 99 year term equal to the value of its net investment in the lease on 1 June 2013. For further details refer to Note 7(a).

(m) Assets held for sale / distribution

Assets (or disposal groups comprising assets and liabilities) whose carrying amounts are expected to be recovered primarily through sale (or distribution) rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Corporation's accounting policies. Thereafter, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, not depreciated, reclassified from non-current to current and separately presented in the statement of financial position. An impairment loss is recognised in profit or loss for any initial and subsequent write down from the carrying amount measured immediately before reclassification or re-measurement to fair value less costs to sell.

A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

(n) 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.

(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 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 the 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 the 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.

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

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

Past service costs are recognised immediately in profit or loss.

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) Leases

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

(i) Operating leases

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

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

(ii) Finance leases

The Corporation has recognised a finance lease receivable equal to its net investment in the lease executed with the purchaser of the Port Botany Package. For further details refer to Note 7(a).

In the prior year, the Corporation's subsidiary, Port Botany Lessor Pty Limited, entered into a 99 year finance lease as a lessor. The de-recognition of land and affixed property, plant and equipment subject to the lease was treated as a disposal.

(iii) Lease incentives

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

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

(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 2014, the shares were held by the Treasurer (The Hon. Andrew Constance, MP) and the Minister for Finance and Services (The Hon. Dominic Perrottet, MP).

(t) Revenue recognition

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

(i) Port revenue

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

(ii) Rental revenue

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

(iii) Interest revenue

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

(iv) Retirement benefits income

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

(v) Sale of assets

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

(vi) Assets received free of charge

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

(u) Income tax equivalent and other taxes

Income tax equivalent is required to be paid to the NSW Government in accordance with Section 20T of the *State Owned Corporations Act 1989*. The payments are equivalent to the amounts that would be payable under the normal income tax law of the Commonwealth. The National Tax Equivalent Regime was established on 1 July 2001, with the Australian Taxation Office administering the tax equivalent scheme across Australia.

Current tax assets and liabilities for the current and prior 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.

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.

Tax consolidation

The consolidated entity entered the tax consolidation regime on 1 July 2003. As a consequence, the Corporation, as the head entity in the consolidated tax group, recognised current tax payable for the tax group. Amounts receivable or payable under a tax sharing agreement between the tax consolidated entities were recognised as tax related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement were recognised as a component of income tax equivalent expense.

On 31 May 2013, the Corporation's two subsidiaries were disposed of and consequently ceased to be members of the tax consolidated group from that date.

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.

(v) 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.

(w) 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.

(x) 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 by Port Botany Lessor Pty Limited has been determined by independent specialist valuers.

(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.

(y) Impact on changes in accounting policies on the financial statements

As a result of the adoption of the amended AASB 119 *Employee Benefits* and the changes in the Corporation's accounting policies, prior year financial statements had to be restated. The following tables show the adjustments recognised for each individual line item in the 2013 statement of comprehensive income, opening and closing balances of the 2013 statement of financial position. No adjustments were required to the 2013 statement of cash flows.

	Consolidated 2013 (Previously stated) $000	Prior year restatement AASB 119 $000	Consolidated 2013 (Restated) $000
Continuing operations			
Revenue			
Revenue from operating activities	64,988	-	64,988
Other revenue	47,425	(1,294)	46,131
Total revenue from continuing operations	**112,413**	**(1,294)**	**111,119**
Expenses			
Employee benefits expense	(43,041)	(2,994)	(46,035)
Depreciation and amortisation expense	(17,122)	-	(17,122)
Other expenses	(51,548)	-	(51,548)
Finance costs	(180)	-	(180)
Total expenses from continuing operations	**(111,891)**	**(2,994)**	**(114,885)**
Profit / (loss) before income tax equivalent expense from continuing operations	**522**	**(4,288)**	**(3,766)**
Income tax equivalent benefit relating to continuing operations	511	**1,286**	1,797
Net profit / (loss) for the year from continuing operations	**1,033**	**(3,002)**	**(1,969)**
Net profit for the year from discontinued operations	2,143,752	-	2,143,752
Net profit for the year	**2,144,785**	**(3,002)**	**2,141,783**
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Superannuation actuarial gains	13,820	6,943	20,763
Fair value revaluation of property, plant and equipment	424,727	-	424,727
Release of cash flow hedge reserve	8,829	-	8,829
Transferred to finance costs – profit or loss	1,554	-	1,554
Transferred to finance costs – construction in progress	19	-	19
Income tax equivalent benefit / (expense) on items of other comprehensive income	139,022	(2,083)	136,939
Other comprehensive income for the year, net of income tax equivalent expense	**587,971**	**4,860**	**592,831**
Total comprehensive income for the year	**2,732,756**	**1,858**	**2,734,614**

	Corporation 2013 (Previously stated) $000	Prior year restatement AASB 119 $000	Corporation 2013 (Restated) $000
Continuing operations			
Revenue			
Revenue from operating activities	64,988	-	64,988
Other revenue	47,425	(1,294)	46,131
Total revenue from continuing operations	**112,413**	**(1,294)**	**111,119**
Expenses			
Employee benefits expense	(43,041)	(2,994)	(46,035)
Depreciation and amortisation expense	(17,122)	-	(17,122)
Other expenses	(51,568)	-	(51,568)
Finance costs	(180)	-	(180)
Total expenses from continuing operations	**(111,911)**	**(2,994)**	**(114,905)**
Profit / (loss) before income tax equivalent expense from continuing operations	**502**	**(4,288)**	**(3,786)**
Income tax equivalent benefit relating to continuing operations	511	1,286	1,797
Net profit / (loss) for the year from continuing operations	**1,013**	**(3,002)**	**(1,989)**
Net profit for the year from discontinued operations	325,539	-	325,539
Net profit for the year	**326,552**	**(3,002)**	**323,550**
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Superannuation actuarial gains	13,820	6,943	20,763
Fair value revaluation of property, plant and equipment	424,727	-	424,727
Release of cash flow hedge reserve	8,829	-	8,829
Transferred to finance costs – profit or loss	1,554	-	1,554
Transferred to finance costs – construction in progress	19	-	19
Income tax equivalent benefit / (expense) on items of other comprehensive income	139,022	(2,083)	136,939
Other comprehensive income for the year, net of income tax equivalent expense	**587,971**	**4,860**	**592,831**
Total comprehensive income for the year	**914,523**	**1,858**	**916,381**

	Corporation 1 July 2012 (Previously reported) $000	Prior year restatement AASB 119 $000	Corporation 1 July 2012 (Restated) $000
ASSETS			
Current assets			
Cash and cash equivalents	92,829	-	92,829
Trade and other receivables	41,823	-	41,823
Assets held for sale	2,600	-	2,600
Total current assets	**137,252**	**-**	**137,252**
Non-current assets			
Receivables	124,389	-	124,389
Property, plant and equipment	1,809,160	-	1,809,160
Intangible assets	4,088	-	4,088
Deferred tax equivalent assets	23,374	2,266	25,640
Total non-current assets	**1,961,011**	**2,266**	**1,963,277**
TOTAL ASSETS	**2,098,263**	**2,266**	**2,100,529**
LIABILITIES			
Current liabilities			
Trade and other payables	73,394	-	73,394
Income tax equivalent payable	5,249	-	5,249
Provisions	13,438	-	13,438
Total current liabilities	**92,081**	**-**	**92,081**
Non-current liabilities			
Payables	3,603	-	3,603
Interest-bearing loans and borrowings	604,574	-	604,574
Deferred tax equivalent liabilities	226,113	-	226,113
Provisions	3,012	-	3,012
Other non-current liabilities	45,298	7,553	52,851
Total non-current liabilities	**882,600**	**7,553**	**890,153**
TOTAL LIABILITIES	**974,681**	**7,553**	**982,234**
NET ASSETS	**1,123,582**	**(5,287)**	**1,118,295**
EQUITY			
Contributed equity	125,542	-	125,542
Reserves	508,708	-	508,708
Retained earnings	489,332	(5,287)	484,045
TOTAL EQUITY	**1,123,582**	**(5,287)**	**1,118,295**

	Corporation 2013 (Previously reported) $000	Prior year restatement AASB 119 $000	Corporation 2013 (Restated) $000
ASSETS			
Current assets			
Cash and cash equivalents	64,756	-	64,756
Trade and other receivables	12,861	-	12,861
Total current assets	**77,617**	**-**	**77,617**
Non-current assets			
Receivables	21,022	-	21,022
Property, plant and equipment	351,165	-	351,165
Intangible assets	3,468	-	3,468
Deferred tax equivalent assets	21,543	1,469	23,012
Total non-current assets	**397,198**	**1,469**	**398,667**
TOTAL ASSETS	**474,815**	**1,469**	**476,284**
LIABILITIES			
Current liabilities			
Trade and other payables	20,407	-	20,407
Income tax equivalent payable	7,838	-	7,838
Provisions	58,009	-	58,009
Total current liabilities	**86,254**	**-**	**86,254**
Non-current liabilities			
Payables	3,095	-	3,095
Deferred tax equivalent liabilities	40,358	-	40,358
Provisions	3,622	-	3,622
Other non-current liabilities	30,098	4,898	34,996
Total non-current liabilities	**77,173**	**4,898**	**82,071**
TOTAL LIABILITIES	**163,427**	**4,898**	**168,325**
NET ASSETS	**311,388**	**(3,429)**	**307,959**
EQUITY			
Contributed equity	125,542	-	125,542
Reserves	166,133	-	166,133
Retained earnings	19,713	(3,429)	16,284
TOTAL EQUITY	**311,388**	**(3,429)**	**307,959**

Note 3. Revenue

	Note	Corporation 2014 $000	Consolidated 2013 $000	Corporation 2013 $000
Continuing operations				
Revenue from operating activities				
Port revenue		66,252	52,230	52,230
Rental revenue		14,607	12,758	12,758
		80,859	**64,988**	**64,988**
Other revenue				
Interest from bank and other		907	2,692	2,692
Finance lease income	7(a)	1,452	120	120
Revaluation increments – property, plant and equipment	9(d)(i)	832	1	1
Land tax recoverable from tenants		158	157	157
Construction costs recoverable from Barangaroo Delivery Authority		2,091	34,232	34,232
Recovery of PBLIS costs		7,830	-	-
Recovery of Penrhyn Estuary Services		1,891	-	-
Other recoveries		11,455	6,721	6,721
Other revenue		3,520	2,208	2,208
		30,136	**46,131**	**46,131**
Total revenue from continuing operations		**110,995**	**111,119**	**111,119**

Revenue from discontinued operations is disclosed separately in Note 4(b).

Note 4(a). Expenses

	Note	Corporation 2014 $000	Consolidated 2013 $000	Corporation 2013 $000
Continuing operations				
Employee benefits expense				
Salaries and wages		38,838	37,342	37,342
Annual leave		2,869	2,751	2,751
Long service leave		506	26	26
Retirement benefits – defined benefit		2,427	3,021	3,021
Retirement benefits – accumulation		3,092	2,895	2,895
		47,732	**46,035**	**46,035**
Depreciation and amortisation expense				
Depreciation	9(d)(i)	17,999	14,506	14,506
Amortisation of intangible assets	10	774	2,616	2,616
		18,773	**17,122**	**17,122**
Other expenses				
Service contractors		19,123	24,614	24,614
Indirect taxes		4,947	4,810	4,810
Utilities and communications		3,184	3,494	3,509
Insurance		1,945	2,512	2,512
Legal costs		769	798	798
Materials		1,102	1,307	1,307
Minimum lease payments – operating leases		2,357	4,023	4,023
Revaluation decrements – property, plant and equipment	9(d)(i)	6	13	13
Directors' remuneration	21	237	286	286
Auditors' remuneration – audit of financial statements		110	250	250
Impairment of trade receivables, net of recovery	7(b)	42	20	20
Trade receivables written off		-	113	118
Impairment of assets held for sale / distribution	8	1,599	-	-
Impairment of property, plant and equipment	9(d)(i)	256	14	14
Net (gain) on sale of property, plant and equipment		(621)	(342)	(342)
Consultancy fees	19	99	-	-
Channel fees		5,031	4,398	4,398
Onerous contract expense		840	2,217	2,217
Other operations and services		4,077	3,021	3,021
		45,103	**51,548**	**51,568**
Finance costs				
Unwinding of discount on provisions		319	180	180
Other finance costs		23	-	-
		342	**180**	**180**
Total expenses from continuing operations		**111,950**	**114,885**	**114,905**

Expenses from discontinued operations are disclosed separately at Note 4(b).

Note 4(b). Discontinued operations

(i) Port Botany Package

On 1 January 2013, land and all affixed property, plant and equipment of the Port Botany Package (refer to Note 1(a) for further details) was transferred to a new subsidiary of the Corporation, Port Botany Lessor Co Pty Limited. All non-land assets were transferred into another newly controlled entity, the Port Botany Unit Trust.

On 31 May 2013 the transaction was completed and an external party acquired 100% of the issued units in the Port Botany Unit Trust. The property, plant and equipment transferred to Port Botany Lessor Co Pty Limited was also leased under a 99-year finance lease to the acquirer with upfront lease payments included in the total cash consideration.

On the same date, the Corporation transferred its interest in Port Botany Lessor Co Pty Limited to the Ports Assets Ministerial Holding Corporation (a NSW Government agency) for nil consideration.

(ii) Financial performance of operations disposed

The results for the Port Botany Package up to the date of disposal are presented below in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

The consolidated results from discontinued operations included the performance of the Port Botany Package from the beginning of the period until the date of disposal on 31 May 2013. The Corporation (single entity) results from discontinued operations included the results of the Port Botany Package prior to its segregation and transfer of assets and liabilities to the newly incorporated subsidiaries on 1 January 2013.

	Note	Corporation 2014 $000	Consolidated 2013 $000	Corporation 2013 $000
Revenue		-	193,519	108,312
Expenses		-	(95,925)	(78,873)
Results from operating activities		**-**	**97,594**	**29,439**
Loss on early settlement of debt portfolio		-	(78,025)	(78,025)
Gain on disposal of discontinued operations	4(b)(v)	-	2,112,080	363,803
Profit from discontinued operations before tax		**-**	**2,131,649**	**315,217**
Income tax equivalent benefit / (charge)	5(a)	-	12,103	10,322
Net profit for the year from discontinued operations		**-**	**2,143,752**	**325,539**

Net profit from discontinued operations of nil (2013: $2.144 billion, Consolidated) and nil (2013: $325.539 million, Corporation) was attributable entirely to the owners of the Corporation.

(iii) Cash flows received from (used in) discontinued operations

Cash flow information relating to discontinued operations was not disclosed due to books and records not being kept to distinguish between the Port Botany Package and residual business in prior years and up to the date of sale. Significant assumptions would have to be made to separate the financial information if these disclosures were to be presented that, in Management's view, would not reflect a true and fair position of the discontinued operation's cash flow position.

(iv) Net assets disposed of in discontinued operations

For the consolidated entity, the net assets attributable to discontinued operations were those held by the Port Botany Unit Trust as at the date of disposal and land and affixed property, plant and equipment held by Port Botany Lessor Pty Limited which was derecognised under a 99 year finance lease and treated as a disposal.

For the Corporation, the net assets disposed of comprise its investment in the Port Botany Unit Trust, which was held at cost (measured at the fair value of the assets and liabilities transferred on 1 January 2013). The Corporation's investment in Port Botany Lessor Pty Limited was transferred for nil consideration to the Ports Assets Ministerial Holding Corporation and is accounted for as a distribution (refer to Note 13).

	Note	Consolidated 2013 $000	Corporation 2013 $000
Derecognised under 99 year finance lease:			
Property, plant and equipment		1,584,635	-
Disposed through sale:			
Property, plant and equipment		539,017	-
Other non-current assets		10,258	-
Trade and other receivables		25,277	-
Trade and other payables		(32,343)	-
Investment in subsidiaries		-	537,187
Net assets disposed of in discontinued operations	4(b)(v)	**2,126,844**	**537,187**

(v) Gain on disposal of discontinued operations

	Note	Corporation 2014 $000	Consolidated 2013 $000	Corporation 2013 $000
Consideration paid to Restart NSW	13(a)(i)	-	4,111,363	895,051
Purchase price adjustment payable from Restart NSW	13(a)(i)	-	(14,504)	(14,504)
Net assets attributable to discontinued operations	4(b)(iv)	-	(2,126,844)	(537,187)
Residual interest in leased assets	7(a)	-	142,065	20,443
Gain on disposal of discontinued operations		**-**	**2,112,080**	**363,803**

(vi) Net cash flow on disposal

Cash consideration was paid directly to the Restart NSW fund and is accounted for as a distribution (refer to Note 13).

	Note	Corporation 2014 $000	Consolidated 2013 $000	Corporation 2013 $000
Cash proceeds remitted directly to Restart NSW	13(a)(i)	-	4,111,363	895,051
Purchase price adjustment payable from Restart NSW	13(a)(i)	-	(14,504)	(14,504)
Repayment of NSW TCorp borrowings	13(a)(i)	-	(709,186)	(709,186)
Net distribution reflected in Statement of Changes in Equity		**-**	**3,387,673**	**171,361**

Note 5. Income tax equivalent expense

	Note	Corporation 2014 $000	Consolidated 2013 $000 (Restated)	Corporation 2013 $000 (Restated)
(a) Charged or credited to profit or loss				
Continuing operations				
Current income tax				
Current income tax equivalent (benefit)		(852)	(1,797)	(1,797)
Adjustments in respect of current income tax equivalent expense of previous years		608	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	5(d)	319	-	-
Income tax equivalent expense / (benefit) recognised in the statement of comprehensive income from continuing operations	**5(c)**	**75**	**(1,797)**	**(1,797)**
Discontinued operation				
Current income tax				
Current income tax equivalent expense		-	32,832	34,613
Adjustments in respect of current income tax equivalent expense of previous years		-	(33)	(33)
Relating to origination and reversal of temporary differences	5(d)	-	(44,902)	(44,902)
Income tax equivalent (benefit) / expense reported in the statement of comprehensive income from discontinued operations	**5(c)**	**-**	**(12,103)**	**(10,322)**
Total income tax equivalent expense / (benefit) recognised in the statement of comprehensive income		**75**	**(13,900)**	**(12,119)**

	Corporation 2014 $000	Consolidated 2013 $000 (Restated)	Corporation 2013 $000 (Restated)
(b) Charged or credited directly to equity			
Deferred income tax			
Defined benefit superannuation	847	6,229	6,229
Net gain on revaluation of land and buildings	5,119	127,418	127,418
Disposal of revalued land	(52)	-	-
Financial instruments	-	3,121	3,121
Release of deferred tax originally recognised in equity	-	(273,707)	(273,707)
Income tax equivalent expense / (benefit) charged directly to items in other comprehensive income in the statement of comprehensive income	**5,914**	**(136,939)**	**(136,939)**

		Corporation 2014 $000	Consolidated 2013 $000 (Restated)	Corporation 2013 $000 (Restated)
(c) Numerical reconciliation between aggregate tax expense recognised in profit or loss in the statement of comprehensive income and tax expense calculated per the statutory income tax rate				
Continuing operations:				
Accounting (loss) before income tax equivalent expense		**(955)**	**(3,766)**	**(3,786)**
At the statutory income tax equivalent rate of 30% (2013: 30%)		(286)	(1,129)	(1,135)
Adjustment in respect of current income tax equivalent expense of previous years		608	(467)	(467)
Non assessable income		(435)	-	-
Non-deductible expenditure		114	9	15
Property, plant and equipment		74	(210)	(210)
		75	**(1,797)**	**(1,797)**
Discontinued operations:				
Accounting profit before income tax equivalent expense	4(b)(ii)	**-**	**2,131,649**	**315,217**
At the statutory income tax equivalent rate of 30% (2013: 30%)		-	639,495	94,565
Non-assessable gain on disposal of Port Botany Package	5(e)	-	(633,624)	(109,140)
Non-deductible market value loss on settlement of loan portfolio	5(e)	-	23,407	23,407
Other non-deductible costs relating to disposal of Port Botany Package	5(e)	-	1,852	1,852
Non-deductible provision for legal disputes		-	3,075	3,075
De-recognition of deferred tax assets and liabilities		-	(46,271)	(46,271)
Other non-assessable income		-	(37)	(37)
Tax payable in relation to the Port Botany Unit Trust		-	-	22,353
Other		-	-	(126)
		-	**(12,103)**	**(10,322)**
Total income tax equivalent charge / (benefit) at effective tax rate of 7.9% (2013: (0.6%) for the consolidated entity and (3.8%) for the Corporation)		**75**	**(13,900)**	**(12,119)**

	Statement of financial position		Profit or loss	
	2014 $000	2013 $000 (Restated)	2014 $000	2013 $000
(d) Recognised deferred tax assets and liabilities				
Deferred income tax equivalent at 30 June relates to the following:				
(i) Deferred income tax equivalent liabilities				
Depreciation	(34,584)	(34,737)	546	(40,771)
Income receivable	(999)	(1,188)	(189)	(1,752)
Other	(4,311)	(4,433)	(122)	3,056
Gross deferred income tax equivalent liabilities	**(39,894)**	**(40,358)**		
(ii) Deferred income tax equivalent assets				
Provisions for employee entitlements	3,486	4,052	566	179
Accrued expenditure	1,925	3,156	1,231	(1,217)
Defined benefits superannuation	10,347	10,498	(694)	414
Other	560	5,306	(1,019)	(4,811)
Gross deferred income tax equivalent assets	**16,318**	**23,012**		
Deferred income tax equivalent charge / (benefit)			**319**	**(44,902)**

(e) Disposal of the Port Botany Package

The gain on the disposal of the Port Botany Unit Trust and execution of the 99 year finance lease (refer to Note 4(b) for further details), along with the market value loss on the settlement of loans and other transaction-related costs are non-assessable and non-deductible respectively for income tax equivalent purposes because the Port Botany Package transaction was treated as tax neutral under the National Tax Equivalent Regime (NTER).

The Corporation has Australian capital losses of nil (2013: nil).

Tax consolidation

Sydney Ports Corporation and its subsidiaries, Port Botany Operations Pty Limited (as trustee for the Port Botany Unit Trust) and Port Botany Lessor Pty Limited, were a tax consolidated group from 1 January 2013 until 31 May 2013. The head company of the tax consolidated group was Sydney Ports Corporation.

The operations of the subsidiaries were discontinued on 31 May 2013 and both subsidiaries ceased to be members of the tax consolidated group on that date.

Note 6. Cash and cash equivalents

	Corporation 2014 $000	Corporation 2013 $000
Cash at bank and in hand	2,738	7,212
TCorp Hour-Glass Cash Facility Trust	10,464	57,544
Cash and cash equivalents at 30 June	**13,202**	**64,756**

(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 2014 and 2013, as shown in the statement of cash flows, are reconciled to these items in the statement of financial position.

(b) TCorp Hour-Glass Cash Facility Trust

The Corporation has placed funds on deposit in the TCorp Hour-Glass Cash Facility Trust. These funds are represented by a number of units in the managed facility. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines. These funds are generally able to be redeemed with up to 24 hours prior notice. The value of the funds on deposit represents the share of the value of the underlying assets of the facility and is stated at fair value. The value of the funds held can increase or decrease depending on market conditions and is marked to market through the statement of comprehensive income.

(c) TCorp Bank Term Deposits

The Corporation placed funds in the TCorp Bank Term Deposit Distribution Service during the year. This involves investing funds in Term deposits with substantial Australian banks and aims to secure competitive interest rates to invest short-term cash surpluses for fixed interest rates for short fixed term periods. At 30 June 2014, the Corporation had nil funds in this facility.

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

	Corporation 2014 $000	Consolidated 2013 $000 (Restated)
Net (loss) / profit after income tax equivalent expense	(1,030)	2,141,783
Adjustments for:		
Depreciation	17,999	33,452
Amortisation of intangible assets	774	2,616
Amortisation of prepaid licence fee	-	582
Amortisation of discount on interest-bearing loans and borrowings	-	616
Net revaluation (increment) / decrements – property, plant and equipment	(826)	12
Net (gain) on sale of property, plant and equipment	(621)	(342)
Impairment loss on asset held for sale / distribution	1,599	-
Impairment losses on non-current assets	256	14
Property, plant and equipment written off	626	83
Loss on early settlement of borrowings	-	78,025
Gain on disposal of discontinued operations	-	(2,112,080)
Finance lease income – residual dredged assets	(1,452)	(120)
	17,325	**144,641**
Changes in assets and liabilities applicable to operating activities		
(Increase)/decrease in trade and other receivables	(2,611)	6,430
Decrease/(increase) in deferred tax equivalent assets	5,848	(4,073)
(Decrease) in deferred tax equivalent liabilities	(5,531)	(39,467)
(Decrease)/increase in income tax equivalent payable	(7,838)	2,588
(Decrease) in trade and other payables	(7,842)	(18,173)
(Decrease)/increase in provisions	(4,004)	11,433
Increase in other liabilities	2,316	2,908
Net cash flows (used in) / received from operating activities	**(2,337)**	**106,287**

Note 7. Trade and other receivables

	Note	Corporation 2014 $000	Corporation 2013 $000
Current			
Trade receivables		4,357	3,451
Other receivables		5,310	3,876
		9,667	**7,327**
Allowance for impairment loss	7(b)	(73)	(31)
		9,594	**7,296**
Prepayments		721	1,311
Lease incentive receivable		920	291
Accrued income		3,545	3,963
		14,780	12,861
Non-current			
Lease incentive receivable		1,151	459
Finance lease receivable	7(a)	22,015	20,563
		23,166	**21,022**

(a) Finance lease receivable

The Corporation has previously incurred costs to dredge Botany Bay, thereby creating a channel for ships to enter the wharf area constructed as part of its Port Botany expansion project. As part of the refinancing of Port Botany as detailed in Note 1(a), a revised Channel User Licence Agreement with NSW Roads and Maritime Services was executed. The Corporation considers this agreement to represent a finance lease.

On expiry of the 99 year lease term, a dredged channel asset will revert to the Corporation. As a result, the Corporation has recognised a finance lease receivable 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 2014 estimated at $17.495 billion. The initial value of the residual interest was recognised at $20.443 million. During the year, the Corporation recognised $1.452 million (2013: $0.120 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 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 changes to the valuation.

(b) Allowance for impairment loss

Trade receivables are on 28 day terms and are interest-bearing if not paid within these terms. Other receivables are non-interest bearing and range from 7 to 14 day terms.

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. Impairment charges of $0.042 million (2013: $0.029 million) have been recognised by the Corporation during the year.

Movements in the allowance for impairment loss were as follows:

	Note	Corporation 2014 $000	Corporation 2013 $000
Balance at 1 July		**31**	**433**
Current year charge	4(a)	42	29
Recovery of impaired amount	4(a)	-	(9)
Amounts written off		-	(422)
Balance at 30 June		**73**	**31**

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

	Total	Not due	0–30 days PDNI*	0–30 days CI*	31–60 days PDNI*	31–60 days CI*	60+ days PDNI*	60+ days CI*
	$000	$000	$000	$000	$000	$000	$000	$000
2014	**9,667**	6,479	2,962	-	115	-	38	73
2013	**7,327**	5,741	956	-	276	-	323	31

* Past due not impaired ('PDNI')

Considered impaired ('CI')

Trade and other receivables past due but not considered impaired are $3.115 million (2013: $1.555 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. Assets held for sale / distribution

	Corporation 2014 $000	Corporation 2013 $000
Assets held for sale / distribution	1,109	-

The Department of Premier and Cabinet NSW agreed at a meeting of the Cabinet Standing Committee on Expenditure Review of 16 April 2013 to fund the Port Botany Landside Improvement Strategy (PBLIS) through Transport for NSW (TfNSW). It was subsequently announced in a NSW Government press release of 7 May 2013 that PBLIS would be integrated with the Freight and Regional Development division of TfNSW.

Before the official transfer date, agreement was reached between the Corporation and TfNSW for the Corporation to continue to provide the functions of PBLIS in its current form on an interim basis and be reimbursed for all reasonable costs and capital expenditure by TfNSW from 1 July 2013. This agreement was in place up to 30 June 2014 with TfNSW taking over the functions and management of PBLIS from the transfer date, 1 July 2014.

PBLIS assets of $1.109 million are classified as assets held for sale / distribution at 30 June 2014 as the Treasurer signed Ministerial orders transferring assets, rights and liabilities relating to PBLIS to TfNSW effective from 1 July 2014.

PBLIS assets, rights and liabilities were transferred from the Corporation to TfNSW on 1 July 2014 for nil consideration.

Movement in assets held for sale / distribution

	Note	Corporation 2014 $000	Corporation 2013 $000
Balance at 1 July		**-**	**-**
Transfers from property, plant and equipment	9(d)(i)	667	-
Transfers from intangible assets	10	2,041	-
Impairment loss	4(a)	(1,599)	-
Balance at 30 June (at fair value)		**1,109**	**-**

Note 9. Property, plant and equipment

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

At fair value	Corporation 2014 $000	Corporation 2013 $000
Land and buildings (gross carrying amount)	282,943	270,825
Accumulated depreciation	(55,062)	(50,713)
	227,881	**220,112**
Roadways and bridges (gross carrying amount)	18,025	17,338
Accumulated depreciation	(7,166)	(6,151)
	10,859	**11,187**
Wharves, jetties and breakwaters (gross carrying amount)	337,720	323,889
Accumulated depreciation	(280,007)	(265,944)
	57,713	**57,945**
Plant (gross carrying amount)	85,384	83,249
Accumulated depreciation	(31,249)	(27,475)
	54,135	**55,774**
Construction in progress	18,741	6,147
Total property, plant and equipment at fair value (net carrying amount)	**369,329**	**351,165**

(b) Revaluation of property, plant and equipment

An independent valuer, Land and Property Information ("LPI"), provided gross values for land at 30 June 2013. These values were appropriately indexed at 30 June 2014 using data provided by LPI (a 5% increase for all Sydney metropolitan land and a nil increase for land held outside the Sydney metropolitan area).

A quantity and construction cost consultant (MDA Australia Pty Limited) provided gross values for buildings, roadways and bridges and wharves, jetties and breakwaters at 30 June 2012. These values were appropriately indexed at 30 June 2013 (2%) and 30 June 2014 (3%) using an externally provided forecast of the Rawlinson's construction index.

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:

	Corporation	Corporation
At cost	**2014 $000**	**2013 $000**
Land and buildings (gross carrying amount)	103,704	103,046
Accumulated depreciation	(11,907)	(10,321)
	91,797	**92,725**
Roadways and bridges (gross carrying amount)	11,656	11,492
Accumulated depreciation	(3,247)	(2,850)
	8,409	**8,642**
Wharves, jetties and breakwaters (gross carrying amount)	28,957	27,941
Accumulated depreciation	(21,405)	(20,346)
	7,552	**7,595**
Plant (gross carrying amount)	84,828	83,239
Accumulated depreciation	(30,834)	(27,489)
	53,994	**55,750**
Construction in progress	18,741	6,147
Total property, plant and equipment (at cost)	**180,493**	**170,859**

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

CORPORATION	Note	Land and buildings	Roadways and bridges	Wharves, jetties and breakwaters	Plant	Total
		$000	$000	$000	$000	$000
Balance at 1 July 2013		**220,112**	**11,187**	**57,945**	**55,774**	**345,018**
Additions		-	-	-	4	4
Revaluation increments recognised in other comprehensive income		9,423	205	7,024	409	17,061
Revaluation increments recognised in profit or loss	3	832	-	-	-	832
Revaluation decrements recognised in profit or loss	4(a)	-	-	(6)	-	(6)
Impairment	4(a)	-	-	-	(256)	(256)
Transfer from construction in progress		732	163	1,016	5,864	7,775
Transfers to assets held for sale / distribution	8	-	-	-	(667)	(667)
		231,099	**11,555**	**65,979**	**61,128**	**369,761**
Depreciation charge	4(a)	(2,960)	(696)	(8,266)	(6,077)	(17,999)
Disposals		(258)	-	-	(916)	(1,174)
Balance at 30 June 2014		**227,881**	**10,859**	**57,713**	**54,135**	**350,588**

CONSOLIDATED	Note	Land and buildings	Roadways and bridges	Wharves, jetties and breakwaters	Plant	Dredged channels	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 July 2012		**785,961**	**28,921**	**686,085**	**58,567**	**-**	**1,559,534**
Additions		979	-	-	-	-	979
Acquisition of assets under finance lease		-	-	-	-	119,880	119,880
Revaluation increments recognised in other comprehensive income		770	590	4,827	-	418,540	424,727
Revaluation increments recognised in profit or loss	3	1	-	-	-	-	1
Revaluation decrements recognised in profit or loss	4(a)	(13)	-	-	-	-	(13)
Impairment	4(a)	-	-	-	(14)	-	(14)
Transfers from construction in progress		25,775	101,840	44,537	51,294	14	223,460
Transfers from intangible assets	10	-	-	-	26	-	26
		813,473	**131,351**	**735,449**	**109,873**	**538,434**	**2,328,580**
Depreciation charge		(3,020)	(2,590)	(20,882)	(6,960)	-	(33,452)
Disposals		(590,341)	(117,574)	(656,622)	(47,139)	(538,434)	(1,950,110)
Balance at 30 June 2013		**220,112**	**11,187**	**57,945**	**55,774**	**-**	**345,018**

In the current year an impairment of $0.256 million was recognised for an asset considered by management as obsolete. In the prior year an impairment of $0.014 million was recognised for the asset at the Port of Yamba.

CORPORATION	Note	Land and buildings	Roadways and bridges	Wharves, jetties and breakwaters	Plant	Dredged channels	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 July 2012		**785,961**	**28,921**	**686,085**	**58,567**	**-**	**1,559,534**
Additions		979	-	-	-	-	979
Acquisition of assets under finance lease		-	-	-	-	119,880	119,880
Revaluation increments recognised in other comprehensive income		770	590	4,827	-	418,540	424,727
Revaluation increments recognised in profit or loss	3	1	-	-	-	-	1
Revaluation decrements recognised in profit or loss	4(a)	(13)	-	-	-	-	(13)
Impairment	4(a)	-	-	-	(14)	-	(14)
Transfers from construction in progress		24,145	100,510	484	27,477	14	152,630
Transfers from intangible assets	10	-	-	-	26	-	26
Transfers to subsidiaries		(588,877)	(117,287)	(618,517)	(23,826)	(538,434)	(1,886,941)
		222,966	**12,734**	**72,879**	**62,230**	**-**	**370,809**
Depreciation charge		(2,854)	(1,547)	(14,934)	(6,194)	-	(25,529)
Disposals		-	-	-	(262)	-	(262)
Balance at 30 June 2013		**220,112**	**11,187**	**57,945**	**55,774**	**-**	**345,018**

(d) (ii) Movement in construction in progress

	Note	Corporation 2014 $000	Consolidated 2013 $000	Corporation 2013 $000
Balance at 1 July		**6,147**	**249,626**	**249,626**
Additions		20,487	155,857	104,192
Transfers to subsidiaries		-	-	(193,019)
		26,634	**405,483**	**160,799**
Transfers to property, plant and equipment		(7,775)	(223,460)	(152,630)
Transfers to intangible assets	10	(118)	(2,022)	(2,022)
Disposals		-	(173,854)	-
Balance at 30 June		**18,741**	**6,147**	**6,147**

Additions during the year for the Corporation include capitalised borrowing costs of nil (2013: $0.314 million).

Note 10. Intangible assets

	Corporation 2014 $000	Corporation 2013 $000
Carrying amounts (at fair value)		
Software	7,840	11,919
Accumulated amortisation	(7,303)	(8,681)
	537	**3,238**
Easements	230	230
Total intangible assets at fair value (net carrying amount)	**767**	**3,468**

Movement in intangible assets

	Note	Corporation 2014 $000	Corporation 2013 $000
Balance at 1 July		**3,468**	**4,088**
Transfers from construction in progress	9(d)(ii)	118	2,022
Transfers to property, plant and equipment	9(d)(i)	-	(26)
Disposals during the year		(4)	-
Transfers to assets held for sale / distribution	8	(2,041)	-
		1,541	6,084
Amortisation charge	4(a)	(774)	(2,616)
Balance at 30 June		**767**	**3,468**

Note 11. Trade and other payables

	Corporation 2014 $000	Corporation 2013 $000
Current		
Trade payables	355	1,283
Accrued employee benefits	2,741	3,772
Accrued borrowing costs	-	3,478
Other payables and accruals	12,543	8,709
Maintenance funds liability	630	669
Lease incentive liability	275	508
Income received in advance	1,483	1,988
	18,027	**20,407**
Non-current		
Lease incentive liability	1,481	3,095
	1,481	**3,095**

(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 16.

Note 12. Provisions

	Corporation 2014 $000	Corporation 2013 $000
Current		
Provision for dividend	-	33,747
Employee benefits	11,040	12,154
Provision for onerous contracts	584	1,708
Provision for legal disputes	10,500	10,400
	22,124	58,009
Non-current		
Employee benefits	1,259	1,349
Provision for onerous contracts	184	1,759
Provision for make good	313	514
	1,756	3,622

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.

Movement in provisions

	Balance 1 July 2013 $000	Current charge / (write back) to profit or loss $000	Payments made $000	Current charge to construction in progress $000	Balance 30 June 2014 $000
Current					
Provision for dividend	**33,747**	-	(33,747)	-	**-**
Employee benefits					
Annual leave	**4,387**	2,869	(3,221)	14	**4,049**
Long service leave	**7,767**	596	(2,061)	10	**6,312**
Voluntary separation payment	**-**	3,996	(3,317)	-	**679**
Provision for onerous contracts	**1,708**	976	(2,100)	-	**584**
Provision for legal disputes	**10,400**	250	(150)	-	**10,500**
	58,009	**8,687**	**(44,596)**	**24**	**22,124**
Non-current					
Employee benefits					
Long service leave	**1,349**	(90)	-	-	**1,259**
Provision for onerous contracts	**1,759**	(1,575)	-	-	**184**
Provision for make good	**514**	-	(201)	-	**313**
	3,622	(1,665)	(201)	-	**1,756**

Note 13. Equity

	Note	Corporation 2014 $000	Corporation 2013 (Restated) $000
Contributed equity		125,542	125,542
Reserves	13(c)	177,945	166,133
Retained earnings	13(a)	17,413	16,284
		320,900	**307,959**

(a) Movements in retained earnings

	Note	Corporation 2014 $000	Consolidated 2013 $000 (Restated)	Corporation 2013 $000 (Restated)
Balance at 1 July		**16,284**	**484,045**	**484,045**
Net (loss) / profit for the year		**(1,030)**	**2,141,783**	**323,550**
Other comprehensive income:				
Superannuation actuarial gains		2,824	20,763	20,763
Disposal of revalued land		182	-	-
Income tax equivalent (expense) on items of other comprehensive income		(847)	(6,229)	(6,229)
Total other comprehensive income		**2,159**	**14,534**	**14,534**
Transfer from revaluation reserve to retained earnings on assets disposed		-	920,872	920,872
Dividend provided		-	(33,747)	(33,747)
Distribution to Restart NSW	(i)	-	(3,387,673)	(171,361)
Distribution to Ports Assets Ministerial Holding Corporation	(ii)	-	(123,530)	(123,530)
Forgiveness of intercompany loan balances	(iii)	-	-	19,146
Write down of investment recognised directly in equity	(iv)	-	-	(1,417,225)
Balance at 30 June		**17,413**	**16,284**	**16,284**

(i) Distribution to Restart NSW

Following the refinancing of the Port Botany Package (for further details refer to Note 1(a)), cash proceeds of $4.111 billion were paid directly to the Restart NSW fund established by the NSW Government. In substance the transaction was treated as a disposal by the Corporation and in lieu of cash proceeds, was recognised as a distribution to Restart NSW, net of a purchase price adjustment in relation to the Port Botany Package and an authorised distribution to settle the Corporation's outstanding loan portfolio. For further details, refer to Note 4(b)(vi).

(ii) Distribution to Ports Assets Ministerial Holding Corporation

Immediately following the completion of the sale of the Port Botany Unit Trust and the execution of a 99 year finance lease by Port Botany Lessor Pty Limited, Port Botany Lessor Pty Limited was transferred to the Ports Assets Ministerial Holding Corporation (a NSW Government agency) for nil consideration. This was treated as a distribution by the Corporation.

(iii) Forgiveness of intercompany loan balances

On 1 January 2013, the Port Botany Unit Trust and Port Botany Lessor Pty Limited were established in order to facilitate the disposal of the Port Botany Package (refer to Note 1(a) for further details). Whilst under the control of Sydney Ports Corporation, the new entities did not establish individual bank accounts and as such, the Corporation made and received payments on behalf of its subsidiaries as a result of day-to-day trading.

Immediately prior to the completion of the transaction, a net balance was owed by the Corporation to its subsidiaries and was forgiven under the terms of the transaction. Under NSW Treasury Policy Paper TPP 09-3, *Contributions made by owners to wholly-owned public sector entities*, the transaction was accounted for as a direct adjustment to equity.

(iv) Write down of investment recognised directly in equity

Following the execution of the 99 year finance lease by Port Botany Lessor Pty Limited, the carrying value of the Corporation's investment in Port Botany Lessor Pty Limited was impaired and written down to the value of its net assets. In the Corporation's standalone accounts, this was also treated as a direct adjustment to equity under NSW Treasury Policy Paper TPP 09-3, *Contributions made by owners to wholly-owned public sector entities*.

(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 and cash-flow hedge

	Asset revaluation reserve $000	Cash-flow hedge reserve $000	Total $000
Balance at 30 June 2012	**515,989**	**(7,281)**	**508,708**
Fair value revaluation of property, plant and equipment	424,727	-	424,727
Release of cash flow hedge reserve	-	8,829	8,829
Transfer to finance costs - profit or loss	-	1,554	1,554
Transfer to finance costs – construction in progress	-	19	19
Income tax equivalent expense on items of other comprehensive income	146,289	(3,121)	143,168
Total other comprehensive income	**571,016**	**7,281**	**578,297**
Transfer from revaluation reserve to retained earnings on assets disposed of	(920,872)	-	(920,872)
Balance at 30 June 2013	**166,133**	**-**	**166,133**
Fair value revaluation of property, plant and equipment	17,061	-	17,061
Disposal of revalued land	(182)	-	(182)
Income tax equivalent (expense) on items of other comprehensive income	(5,067)	-	(5,067)
Total other comprehensive income	**11,812**	**-**	**11,812**
Balance at 30 June 2014	**177,945**	**-**	**177,945**

Note 14. 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.

Nature of the benefits provided by the fund

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

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. 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 Scheme 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 to 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 2012.

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 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

	2014 $000	2013 $000 (Restated)
Other non-current liabilities	34,489	34,996
Net defined benefit liability	**34,489**	**34,996**

(a) Reconciliation of the net defined benefit liability

At 30 June 2014	SASS $000	SANCS $000	SSS $000	Total $000
Opening net defined benefit liability	**3,113**	**433**	**31,450**	**34,996**
Current service cost	426	162	521	1,109
Net Interest on the net defined benefit liability	117	16	1,194	1,327
Actual return on Fund assets less Interest income	(514)	(221)	(3,129)	(3,864)
Actuarial (gains)/losses	2,014	157	(1,131)	1,040
Employer contributions	(59)	-	(60)	(119)
Closing net defined benefit liability	**5,097**	**547**	**28,845**	**34,489**

At 30 June 2013 (Restated)	SASS $000	SANCS $000	SSS $000	Total $000
Opening net defined benefit liability	**4,841**	**979**	**47,031**	**52,851**
Current service cost	494	172	769	1,435
Net Interest on the net defined benefit liability	147	30	1,438	1,615
Actual return on Fund assets less Interest income	(2,804)	(407)	(7,405)	(10,616)
Actuarial (gains)/losses	494	(341)	(10,300)	(10,147)
Employer contributions	(59)	-	(83)	(142)
Closing net defined benefit liability	**3,113**	**433**	**31,450**	**34,996**

(b) Reconciliation of the defined benefit obligation

Year ended 30 June 2014	SASS	SANCS	SSS	Total
	$000	$000	$000	$000
Opening present value of partially funded defined benefit obligation	**20,803**	**3,753**	**86,404**	**110,960**
Current service costs	426	162	521	1,109
Interest costs	730	134	3,231	4,095
Contributions by Fund participants	226	-	369	595
Actuarial (gains) / losses	2,014	157	(1,131)	1,040
Benefits paid	(3,074)	(1,324)	(4,130)	(8,528)
Taxes, premiums & expenses paid	344	47	215	606
Closing present value of partially funded defined benefit obligation	**21,469**	**2,929**	**85,479**	**109,877**

Year ended 30 June 2013 (Restated)	SASS	SANCS	SSS	Total
	$000	$000	$000	$000
Opening present value of partially funded defined benefit obligation	**20,451**	**3,899**	**96,709**	**121,059**
Current service costs	494	172	769	1,435
Interest costs	581	111	2,919	3,611
Contributions by Fund participants	207	-	354	561
Actuarial (gains) / losses	494	(341)	(10,300)	(10,147)
Benefits paid	(1,735)	(212)	(4,524)	(6,471)
Taxes, premiums & expenses paid	311	124	477	912
Closing present value of partially funded defined benefit obligation	**20,803**	**3,753**	**86,404**	**110,960**

(c) Reconciliation of the fair value of Fund assets

Year ended 30 June 2014	SASS	SANCS	SSS	Total
	$000	$000	$000	$000
Opening fair value of Fund assets	**17,690**	**3,320**	**54,954**	**75,964**
Interest income	613	118	2,037	2,768
Actual return on Fund assets less Interest income	514	221	3,129	3,864
Employer contributions	59	-	60	119
Contributions by Fund participants	226	-	369	595
Benefits paid	(3,074)	(1,324)	(4,130)	(8,528)
Taxes, premiums & expenses paid	344	47	215	606
Closing fair value of Fund assets	**16,372**	**2,382**	**56,634**	**75,388**

Year ended 30 June 2013 (Restated)	SASS	SANCS	SSS	Total
	$000	$000	$000	$000
Opening fair value of Fund assets	**15,610**	**2,920**	**49,678**	**68,208**
Interest income	434	81	1,481	1,996
Actual return on Fund assets less Interest income	2,804	407	7,405	10,616
Employer contributions	59	-	83	142
Contributions by Fund participants	207	-	354	561
Contributions by Fund participants	(1,735)	(212)	(4,524)	(6,471)
Benefits paid	311	124	477	912
Closing fair value of Fund assets	**17,690**	**3,320**	**54,954**	**75,964**

(d) Reconciliation of the effect of the asset ceiling

There is no change in the effect of the asset ceiling.

(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	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Short term securities	1,572,615	880,140	-	2,452,755
Australian fixed interest	10,928	2,354,086	-	2,365,014
International fixed interest	-	880,529	-	880,529
Australian equities	11,494,549	241,423	2,664	11,738,636
International equities	8,172,677	2,780,531	121	10,953,329
Property	894,113	692,296	1,686,577	3,272,986
Alternatives	565,401	4,897,152	866,857	6,329,410
Total (*)	**22,710,283**	**12,726,157**	**2,556,219**	**37,992,659**

(*) Additional to the assets disclosed above, at 30 June 2014 Pooled Fund has provisions for receivables / (payables) estimated to be around $2.2 billion, giving estimated assets totalling around $40.2 billion.

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and 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, and 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, and 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 cash flow 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 statement of financial position date is:

	2014	**2013**
Short term securities	6.5%	13.1%
Australian fixed interest	6.2%	6.9%
International fixed interest	2.3%	2.2%
Australian equities	30.9%	30.4%
International equities	28.8%	26.1%
Property	8.6%	8.3%
Alternatives	16.7%	13.0%
Total	**100.0%**	**100.0%**

(f) Significant actuarial assumptions

	2014	**2013**
Discount rate	3.57% pa	3.80% pa
Salary increase rate (excluding promotional increases)*	See range below	See range below
Rate of CPI increase	2.50% pa	2.50% pa
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund	

* For 2014, a range of salary increase assumptions was used as follows:

2014/15: 2.27% pa
2015/16 to 2017/18: 2.5% pa
2018/19 to 2022/23: 3.0% pa
2023/24 onwards: 3.5% pa

For 2013, a range of salary increase assumptions was used as follows:

2013/14: 2.25% pa
2014/15: 2.25% pa
2015/16 to 2019/20: 2.0% pa
2020/21 onwards: 2.5% pa

(g) Sensitivity analysis

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	3.57%	2.57%	4.57%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation $'000	109,877	126,218	96,563

	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	2.5%	3.0%	2.0%
Salary inflation rate	As above	As above	As above
Defined benefit obligation $'000	109,877	116,938	103,435

	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	Above rates +0.5% pa	Above rates -0.5% pa
Defined benefit obligation $'000	109,877	110,631	109,156

	Base case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Discount rate	109,877	108,772	111,042

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

(h) Asset-liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

(i) Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and were last reviewed following completion of the triennial review as at 30 June 2012. 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.

(j) Surplus/deficit

The following is a summary of the 30 June 2014 and 2013 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 2014				
Accrued benefits	16,500	2,333	48,075	66,908
Net market value of Fund assets	(16,372)	(2,382)	(56,634)	(75,388)
Net deficit / (surplus)	**128**	**(49)**	**(8,559)**	**(8,480)**
Year ended 30 June 2013				
Accrued benefits	17,393	3,196	48,876	69,465
Net market value of Fund assets	(17,690)	(3,320)	(54,954)	(75,964)
Net (surplus)	**(297)**	**(124)**	**(6,078)**	**(6,499)**

(k) Contribution recommendations

There are no recommended contribution rates for the entity.

(l) Economic assumptions

The economic assumptions adopted for the actuarial review of the Fund were:

Weighted-Average Assumptions	2014	2013
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate	2.7% pa to 2018, then 4.0% pa thereafter	2.7% pa for 6 years, then 4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

(m) Expected contributions

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

(n) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13 years.

(o) Impact of revised AASB 119 Employee Benefits with respect to 2014

	Previous AASB 119				Current AASB 119
	SASS	**SANCS**	**SSS**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Service cost	374	140	229	743	1,109
Net interest (current AASB 119 only)	-	-	-	-	1,327
Interest expense (previous AASB 119 only)	714	133	3,062	3,909	-
Expected return on assets (previous AASB 119 only)	(1,386)	(267)	(4,611)	(6,264)	-
Transfer to construction in progress	-	(1)	(8)	(9)	(9)
Superannuation expense (income) in profit and loss (pre-tax)	**(298)**	**5**	**(1,328)**	**(1,621)**	**2,427**
Actuarial (gains) losses on liabilities	1,816	159	(289)	1,686	1,040
Return on assets excluding amounts included in profit and loss (*)	232	(72)	(603)	(443)	(3,864)
Change in the effect of the asset ceiling	-	-	-	-	-
Amount recognised in other comprehensive income	2,048	87	(892)	1,243	(2,824)
Total recognised in statement of comprehensive income (pre-tax)	**1,750**	**92**	**(2,220)**	**(378)**	**(397)**

(*) This item is the actual return on assets in excess of expected return on assets under the previous AASB 119 standard, and in excess of interest income under the current AASB 119 standard.

(p) Impact of revised AASB 119 on the statement of financial position as at 30 June 2014

	Previous AASB 119				Current AASB 119
	SASS	**SANCS**	**SSS**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Net defined benefit liability	4,399	484	24,727	29,610	34,489

Note 15. 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 2014

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Land and buildings	-	-	227,881	227,881
Roadways and bridges	-	-	10,859	10,859
Wharves, jetties and breakwaters	-	-	57,713	57,713
Assets held for sale / distribution	-	-	1,109	1,109
Total	**-**	**-**	**297,562**	**297,562**

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

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 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 note 2(g) and 9(b). There were no changes to the valuation techniques during the year.

(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. 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 $17.100 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. The major unobservable input is the estimate of remaining useful lives for the assets. Any change in the estimates of remaining useful lives impacts directly on the value of the buildings and the infrastructure assets. Infrastructure assets include roadways and bridges, wharves, jetties and breakwaters.

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

- the buildings being varied by $3.500 million;
- the roadways and bridges being varied by $0.540 million; and
- the wharves, jetties and breakwaters being varied by $2.885 million.

Note 16. Financial risk management objectives and policies

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

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

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

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

(a) Financial instrument categories

	Note	Category	Corporation 2014 $000	Corporation 2013 $000
Financial assets				
Cash and cash equivalents	6	N/A*	13,202	64,756
Trade and other receivables		Loans and receivables measured at amortised cost	12,409	10,617
Lease incentive receivable	7	Loans and receivables measured at amortised cost	2,071	750
			27,682	**76,123**
Financial liabilities				
Trade and other payables		Financial liabilities measured at amortised cost	14,122	16,059
Lease incentive liability	11	Financial liabilities measured at amortised cost	1,756	3,603
			15,878	**19,662**

*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 exposure to foreign currency risk and does not enter into commodity contracts. The Corporation has no borrowings.

The effect on profit and equity due to a reasonably possible change in risk variables is outlined in the information below for the 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

In the prior year, exposure to interest rate risk arose primarily through the Corporation's borrowings. The balance and composition of the portfolio is governed by a Corporation policy document which establishes prudential limits on the amount of debt that can mature in a given financial period. From 1 July 2014 no more than 20% of the face value of the core portfolio can mature in any 12 month period. The policy also limits the type of instruments that can be obtained. In the current year, the Corporation has no borrowings.

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 or loss or equity.

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

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

		+1% (100 basis points)		**-1% (100 basis points)**	
	Carrying amount	**Post tax impact on profit**	**Equity**	**Post tax impact on profit**	**Equity**
At 30 June 2014	**$000**	**$000**	**$000**	**$000**	**$000**
Financial assets					
Cash and cash equivalents	13,202	92	-	(92)	-
Trade and other receivables	3,188	22	-	(22)	-
Net exposure	**16,390**	**114**	**-**	**(114)**	**-**
At 30 June 2013					
Financial assets					
Cash and cash equivalents	64,756	453	-	(453)	-
Trade and other receivables	510	4	-	(4)	-
Net exposure	**65,266**	**457**	**-**	**(457)**	**-**

Trade receivables are on 28 day terms and are interest bearing if not paid within these terms. The amounts disclosed above refer to the trade receivables not payable within 28 days and therefore are subject to interest rate risk and will not reconcile with the statement of financial position.

(ii) Interest rate futures contracts

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

There were no outstanding interest rate futures at the end of the year.

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

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

Facility	Investment Sectors	Investment Horizon	2014 $000	2013 $000
TCorp Hour-Glass Cash Facility Trust	Cash, Money market instruments	Up to 1.5 years	10,464	57,544

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

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

TCorp provides sensitivity analysis information for the facility, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The facility is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit. A reasonably possible change is based on the percentage change in unit price, as advised by TCorp, multiplied by the redemption value at 30 June each year for each facility.

		Post tax impact on profit Higher/(Lower)	
	Change in unit price	2014	2013
		$000	$000
TCorp Hour-Glass Cash Facility Trust	+/-1%	73	403

The Corporation has placed funds in a TCorp Bank Term Deposit Distribution Service during the year. This involves investing funds in Term deposits with substantial Australian banks and aims to secure competitive interest rates to invest short-term cash surpluses for fixed interest rates for short fixed term periods. There was no outstanding Term Deposit at the end of the year.

(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 marketable securities are used for investment purposes.

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

The Corporation is not 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 $2.367 million (2013: $0.483 million) and is 8.55% of total financial assets (2013: 0.63%).

(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 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 2014				**Interest rate exposure**			**Contractual Maturity Dates**		
	Weighted average effective interest rate	**Carrying Value $000**	**Nominal amount $000**	**Fixed interest rate $000**	**Variable interest rate $000**	**Non-interest bearing $000**	**< 1 year $000**	**1-5 years $000**	**> 5 years $000**
Financial liabilities									
Trade and other payables	N/A	14,122	14,122	-	-	14,122	14,122	-	-
Lease incentive liability	N/A	1,756	1,756	-	-	1,756	275	1,481	-
		15,878	**15,878**	**-**	**-**	**15,878**	**14,397**	**1,481**	**-**

At 30 June 2013				**Interest rate exposure**			**Contractual Maturity Dates**		
Financial liabilities		**Carrying Value $000**	**Nominal amount $000**	**Fixed interest rate $000**	**Variable interest rate $000**	**Non-interest bearing $000**	**< 1 year $000**	**1-5 years $000**	**> 5 years $000**
Trade and other payables	N/A	16,059	16,059	-	-	16,059	16,059	-	-
Lease incentive liability	N/A	3,603	3,603	-	-	3,603	508	2,239	856
		19,662	**19,662**	**-**	**-**	**19,662**	**16,567**	**2,239**	**856**

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass Cash Facility Trust, which is measured at fair value. The value of the TCorp Hour-Glass Cash Facility Trust is based on the Corporation's share of the market value of the underlying assets of the facility.

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

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

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

The fair values of the financial instruments as well as the method used to estimate the fair value are summarised in the table below.

		Level 1	Level 2	Level 3	Total
Financial assets at fair value		**$000**	**$000**	**$000**	**$000**
TCorp Hour-Glass Cash Facility Trust	2014	-	10,464	-	**10,464**
TCorp Hour-Glass Cash Facility Trust	2013	-	57,544	-	**57,544**

No financial liabilities were measured at fair value in the statement of financial position at 30 June 2014 and 30 June 2013.

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

(g) Capital management

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

There are no externally imposed capital requirements.

The Board reviews and agrees policies for managing the capital structure when considering each major project investment and following consultation with NSW Treasury. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders.

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

The ratios based on total operations (both continuing and discontinued) at 30 June 2014 and 30 June 2013 were as follows:

Gearing ratio

	Corporation	Consolidated	Corporation
	2014 $000	**2013 $000**	**2013 $000**
Total debt	-	-	-
Total debt and total equity	320,900	307,959	307,959
Gearing ratio	**0%**	**0%**	**0%**

Debt cover was not calculated as there was no debt held by the consolidated entity or Corporation in both years.

Interest cover

	Corporation	Consolidated	Corporation
	2014 $000	**2013 $000**	**2013 $000**
EBITDA*	15,112	128,611	52,614
Finance costs^	342	36,567	36,564
Interest cover (times) **	**44.2**	**3.5**	**1.4**

*EBITDA represents earnings before interest, tax, depreciation and amortisation and excludes the gain on disposal of discontinued operations of nil (2013: $2,112.080 million) for the consolidated entity and nil (2013: $363.803 million) for the Corporation and the loss on early settlement of the debt portfolio of nil (2013: $78.025 million) for the consolidated entity and the Corporation. Interest excluded from EBITDA is defined as finance costs below and interest receivable from bank and other of $0.907 million (2013: $3.333 million) for the consolidated entity and the Corporation. EBITDA also excludes construction costs recoverable from Barangaroo Delivery Authority of $2.091 million (2013: $34.232 million), capital gains tax reimbursable from NSW Treasury $1.079 million (2013: nil), revaluation increments and decrements for property, plant and equipment recognised in profit or loss of $0.832 million (2013: $0.001 million) and $0.006 million (2013: $0.013 million) respectively, impairment of assets held for sale / distribution $1.599 million (2013: nil), and impairment of property, plant and equipment of $0.256 million (2013: $0.014 million), and includes amortisation of prepaid licence fee of nil (2013: $0.582 million) for the consolidated entity and the Corporation.

^Finance costs used to calculate interest cover comprise finance costs recognised in profit or loss of $0.342 million (2013: $36.253 million for the consolidated entity and $36.250 million for the Corporation) and borrowing costs capitalised to construction in progress of nil million (2013: $0.314 million) for the consolidated entity and the Corporation. Finance costs recognised in profit or loss for 2014 are significantly lower than 2013 as the Corporation held no debt during the year. These costs exclude the loss on the early settlement of the long term debt portfolio of nil (2013: $78.025 million).

Note 17. Commitments

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2014 but not otherwise brought to account have been assessed at $38.760 million including GST (2013: $3.916 million including GST). The $38.760 million includes GST input tax credits of $3.524 million (2013: $0.356 million) that are expected to be recoverable from the Australian Taxation Office.

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

	Corporation 2014 $000	Corporation 2013 $000
Not later than one year	38,760	3,631
Later than one and not later than five years	-	285
Total including GST	**38,760**	**3,916**

(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	Corporation 2014 $000	Corporation 2013 $000
Not later than one year	4,637	5,836
Later than one and not later than five years	9,284	17,173
Later than five years	247	3,114
Total including GST	**14,168**	**26,123**

The above total includes GST input tax credits of $1.227 million (2013: $2.334 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 fifteen years. The lease of office premises has a renewal option included in the contract.

Operating lease commitments – as lessor

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

Receivable	Corporation 2014 $000	Corporation 2013 $000
Not later than one year	12,733	11,953
Later than one and not later than five years	28,386	32,638
Later than five years	7,304	16,633
Total including GST	**48,423**	**61,224**

The above total includes GST output tax of $4.402 million (2013: $5.566 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 18. Contingencies

(a) Guarantees

The Corporation has bank guarantees with the Commonwealth Bank of Australia. Guarantees at reporting date were $0.449 million (2013: $1.585 million). These guarantees were cancelled in July 2014.

(b) Contingent liabilities

The Corporation is subject to various actual and pending claims arising from the 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 19. Consultancy fees

Total fees paid and payable to consultants during the year are $0.099 million (2013: nil).

Note 20. Related party disclosures

(a) Ultimate parent

The New South Wales Government is the ultimate parent of the Corporation and the entities it controlled during the year. Following the completion of the Port Botany Package transaction (refer to Note 1), the New South Wales Government remained the ultimate parent of the Corporation and Port Botany Lessor Pty Limited.

Port Botany Operations Pty Limited (as trustee for the Port Botany Unit Trust) exited the consolidated group on 31 May 2013 and ceased to be a related party as of that date.

(b) Key management personnel

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

(c) Transactions with related parties

Terms and conditions of transactions with related parties

Various transactions with other entities controlled by the New South Wales Government arising from the Port Botany Package transaction are disclosed elsewhere in the financial statements.

Other 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 controlled entities

On 1 January 2013, specific assets, rights and liabilities relating to the Corporation's assets at Port Botany, Enfield and Cooks River were transferred to the Port Botany Unit Trust and Port Botany Lessor Pty Limited. Land and affixed infrastructure was transferred from the Corporation to Port Botany Lessor Pty Limited in exchange for an equity shareholding equal in value to the fair value of the assets transferred at that date ($1,540,754,908).

Other property, plant and equipment and various working capital balances were transferred from the Corporation to the Port Botany Unit Trust in exchange for units equal in value to the fair value of the assets transferred at that date ($537,187,113).

During the prior year, the controlled entities operated without bank accounts, and cash balances arising during the course of day-to-day trading were held by the Corporation on their behalf. Expenditure incurred by the controlled entities was also settled in cash on their behalf by the Corporation.

Immediately prior to the completion of the Port Botany Package transaction, the net balances owing from the Corporation to the controlled entities was forgiven by way of an equity distribution (refer to Note 13(a)(iii)).

(ii) Transactions with Director related entities

Mr Grant Gilfillan is currently a Director of Sydney Ports Corporation. During the year Sydney Ports Corporation paid membership subscriptions, seminar and conference payments to Ports Australia of $95,674 (2013: $146,066) inclusive of GST and the International Association of Ports and Harbours of $11,522 (2013: $8,307) inclusive of GST, both entities of which Mr Gilfillan was also a Director. There are no outstanding balances at 30 June 2014.

Ms Penelope Bingham-Hall is currently a Director of Sydney Ports Corporation. During the year, Sydney Ports Corporation received advisory services totalling $68,560 (2013: $1,035,819) inclusive of GST from Evans & Peck, an entity of which Ms Bingham-Hall's husband was a Principal during the financial year. There is no outstanding balance at 30 June 2014.

Mr Nicholas Whitlam is currently the Chairman of Sydney Ports Corporation. In the prior financial year, Sydney Ports Corporation provided pilot vessel hiring and survey services totalling $65,129 inclusive of GST to Port Kembla Port Corporation, an entity of which Mr Whitlam is currently the Chairman and was also the Chief Executive Officer from 1 June 2013 to 30 June 2014. No such services have been provided in the current year. In the current year, Sydney Ports Corporation has supplied corporate finance, human resources, and information technology services totalling $948,697 inclusive of GST to Port Kembla Port Corporation. There is no outstanding balance at 30 June 2014.

During the year, Sydney Ports Corporation invoiced Newcastle Port Corporation, an entity of which Mr Whitlam is currently the Chairman, for the recovery of all costs in relation to Mr Grant Gilfillan's appointment as the Chief Executive Officer for Newcastle Port Corporation totalling $333,487 (2013: nil) inclusive of GST. This amount remained as a receivable from Newcastle Port Corporation at 30 June 2014.

Note 21. Key management personnel

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

Compensation for key management personnel

Benefit	**Corporation 2014 $000**	**Corporation 2013 $000**
Short term employee benefits	2,377	2,550
Post-employment benefits	142	153
Other long term benefits	-	-
Termination benefits	806	-
Total	**3,325**	**2,703**

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 $0.237 million (2013: $0.286 million).

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

Note 22. Financing facilities

The Corporation had the following financing facilities in place at 30 June 2014.

	Corporation 2014 $000	Corporation 2013 $000
(a) With NSW TCorp:		
A global loan facility inclusive of $50.000 million Come-and-Go facility		
- Total facility	1,000,000	1,000,000
- Amount used	-	-
- Amount unused	**1,000,000**	**1,000,000**
(b) With Commonwealth Bank of Australia		
A bank guarantee facility		
- Total facility	6,200	6,200
- Amount used (*)	449	1,585
- Amount unused	**5,751**	**4,615**

(*) These security deposit bank guarantees were cancelled in July 2014.

The Corporation had a credit card facility for $0.060 million (2013: $0.060 million) with the Commonwealth Bank of Australia with the balance cleared monthly.

The Corporation also had a purchasing card facility of $0.500 million (2013: $0.500 million) with the Commonwealth Bank of Australia with the balance cleared monthly.

Note 23. Events after the reporting period

On 7 April 2014 the NSW Budget Committee of Cabinet approved the amalgamation of Sydney Ports Corporation (SPC) and Port Kembla Port Corporation (PKPC) into Newcastle Port Corporation (NPC) 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 SPC and PKPC to NPC effective from 1 July 2014. An additional Ministerial Order of the same date was signed transferring the staff employed in SPC and PKPC to NPC 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.

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

Port Authority of New South Wales is also responsible for the management of business activities and related assets in Sydney Harbour, predominantly cruise activities and its two facilities, the Overseas Passengers 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 and being an active participant in the Hunter Valley Coal Chain Coordinators.

The amalgamation has no financial impact on these 30 June 2014 financial statements. SPC ceased operations from 1 July 2014 and all activities previously included in its financial statements will be included in the financial statements of the Port Authority of New South Wales in future reporting periods.

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

END OF AUDITED FINANCIAL STATEMENTS

Sydney Ports Corporation
Statement of land holdings
As at 30 June 2014

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 2014 $000
Land and buildings	
Land	6,442
Buildings	221,439
Total land and buildings	**227,881**
Other	
Roadways and bridges	10,859
Wharves, jetties and breakwaters	57,713
Plant	54,135
Construction in progress	18,741
Total other	**141,448**
Total property, plant and equipment	**369,329**

20 Statutory Disclosures

20.1 Charter, aims and objectives

Sydney Ports Corporation was constituted under section 8 of the *Ports and Maritime Administration Act 1995*.

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

(a) 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

(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

(e) to improve productivity and efficiency in its ports and the port-related supply chain.

Sydney Ports Corporation's principal functions are set out in Section 10 of the *Ports and Maritime Administration Act 1995* and are to:

(a) establish, manage and operate port facilities and services in its ports

(b) exercise the port safety functions for which it is licensed in accordance with its operating licence

(c) facilitate and co-ordinate improvements in the efficiency of the port-related supply chain.

20.2 Guarantee of service – Port Safety Operating Licence

Under section 12 (2) of the *Ports and Maritime Administration Act 1995*, the NSW Government has granted Sydney Ports Corporation a Port Safety Operating Licence (PSOL) to carry out the port safety functions required in its area of operations – Sydney Harbour and Botany Bay. This includes monitoring of channel and berth depths, dangerous goods monitoring, emergency response, navigation aids operation, port communications, pilotage and pilotage exemptions.

The current PSOL was issued by the Minister for Roads and Ports on 26 March 2013, expiring on 31 December 2015. All the performance standards of the PSOL were complied with during 2013/14 with no non-conformances recorded during an independent recertification audit of the PSOL Quality Management System.

20.3 Relevant legislation

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

The *Ports Assets (Authorised Transactions) Act 2012* (NSW) enables the restructure of assets, rights and liabilities of Port Corporations to other public agencies and orders made under this legislation facilitated the consolidation of the three Port Corporations within New South Wales to a single state owned corporation, nominated by the State as Newcastle Port Corporation trading as Port Authority of New South Wales, effective as at 1 July 2014. This legislation also enabled the transfer of the assets, rights and liabilities solely related to the Port Botany Landside Improvement Strategy under Part 3 of the *Ports and Maritime Administration Regulation 2012* (NSW) to Transport for NSW.

Other significant legislation and regulation affecting the Corporation includes:

- *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 1987* (NSW) and associated Regulations
- *Maritime Services Act 1935* (NSW) and associated Regulations
- Maritime Transport and Offshore Facilities Security Act 2003 and associated regulation (Commonwealth)
- 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

Sydney Ports Corporation is also subject to a wide variety of other legislation that provides rights to and imposes obligations on State Owned Corporations. These rights and obligations affect Sydney Ports Corporation's governance processes and its commercial and operational activities.

20.4 Changes in Acts and subordinate legislation

The *Navigation Act 1901* (NSW) was repealed on 2 June 2014.

The Ports and Maritime Administration Amendment (Transport for NSW) Regulation 2014 commenced on 1 April 2014 which amended Part 3 of the Ports and Maritime Administration Regulation 2012 (NSW) to transfer the functions in relation to the Port Botany Landside Improvement Strategy (**PBLIS Function**) from Sydney Ports Corporation to Transport for NSW. The Ports Assets (Authorised Transactions) Act 2012 (NSW) facilitated the transfer of those assets, rights and liabilities held by Sydney Port Corporation solely related to the PBLIS Function to Transport for NSW, effective from 1 July 2014.

Sydney Ports Corporation ceased to operate as at 30 June 1014 as the *Ports Assets (Authorised Transactions) Act 2012 (NSW)* facilitated the consolidation of the assets, rights and liabilities of Sydney Ports Corporation to Newcastle Port Corporation trading as Port Authority of New South Wales to give effect to the decision of State to consolidate the operations, business and functions of the three Port Corporations within New South Wales into a single State Owned Corporation.

20.5 Economic or other factors affecting achievement of operational objectives

No economic factors affected the achievement by Sydney Ports Corporation of its operational objectives for 2013/14.

20.6 2012/13 performance relative to the Statement of Corporate Intent

Sydney Ports Corporation's financial performance for the year was favourable compared to the key targets set in its 2013/14 Statement of Corporate Intent, after the exclusion of the recoveries from the Barangaroo Delivery Authority relating to the construction of the Cruise Passenger Terminal at White Bay Wharf 5.

This favourable result can be attributed largely to the cost savings initiatives that were implemented during the year and by the Corporation transitioning to a more streamlined business following the completion, in May 2013, of the 99 year lease of the Port Botany package.

20.7 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 that have been granted by the Treasurer that apply to the statutory body.

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

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

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

The following matters are exempt:

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

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

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

20.8 Response to significant issues raised by the Auditor General

There were no significant issues raised by the Auditor General in the 2012/13 financial year audit. The Corporation's response to any significant issues raised by the Auditor General in the 2013/14 financial year audit will be included in the 2014/15 Annual Report.

20.9 Government Information (Public Access) Act 2009

Sydney Ports Corporation is required to report annually on its obligations under the *Government Information (Public Access) Act 2009* (the Act). The Act replaced the *Freedom of Information Act 1989* which was repealed on 1 July 2010. The following information is required to be reported under the Act for the period 1 July 2013 to 30 June 2014.

During the reporting period, Sydney Ports Corporation received three formal access applications. No applications were withdrawn. Sydney Ports Corporation granted access to all applications. In one instance, 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)	1	2	0	0	0	0	0	0
Members of the Public (other)	0	0	0	0	0	0	0	0

Number of applications by type of application and outcome

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

* A “personal information application” is an access application for personal information (as defined in Clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Invalid applications

Reason for Invalidity	No. of Applications
Applications does not comply with formal requirements (s 41 of the Act)	0
Application is for excluded information of the agency (s43 of the Act)	0
Application contravenes a restraint order (s 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to the Act

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

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

Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	No. of Occasions when Application not Successful (in part)
Responsible and effective government	0
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)	0
Decided after 35 days (by agreement with applicant)	3
Not decided within time (deemed refusal)	0
Total	**3**

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

	Decision Varied	Decision Upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under s 93 of the Act	0	0	0
Review by ADT	0	0	0
Total	**0**	**0**	**0**

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

Applications for review under Part 5 of the Act (by type of applicant)

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

20.10 Corporate governance

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

The Board has adopted the NSW Treasury Guidelines for Boards of Government Businesses (Guidelines) and this corporate governance section outlines Sydney Ports' governance practices during 2013/14. Sydney Ports complies with each of the recommendations.

20.11 Role of the Board

The Board is responsible for overseeing the business and commercial affairs of Sydney Ports including:

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

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

The Board's role and responsibilities to each key stakeholder are set out in the Sydney Ports' Board Charter which is available on the Corporate Governance section of the Sydney Ports website.

20.12 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, human resources, governance, remuneration and special projects, the following Committees were operational during 2013/14:

- Audit and Risk Committee
- Remuneration and Human Resources Committee

The Corporation also has a Nominations Committee, but it did not hold any meetings during 2013/14.

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 2014 were Penny Bingham-Hall and Nicholas Whitlam who were each independent, non-executive Directors.

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
- the evaluation of all major capital expenditure proposals
- business ethics, policies and practices
- internal controls
- compliance with taxation and other applicable laws and regulations
- integrity and performance of the internal audit function, including appointing the Internal Auditor
- external auditor's audits, management letter and management's responses.

The Committee met five times during 2013/14. A copy of the Audit and Risk Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

Remuneration and Human Resources Committee

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

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
- human resource management including succession planning, talent development and staff engagement.

During the year, the Remuneration and Human Resources Committee reviewed executive salaries and performance arrangements, including the Chief Executive Officer's. The committee reviewed and evaluated the performance of the Chief Executive Officer and the Executive General Management against agreed performance goals for 2012/13. The Committee considered and recommended the Corporate Goals for 2013/14 and the individual goals for the Chief Executive Officer and the

Executive General Management for 2013/14. The Committee also evaluated the Chief Executive Officer's performance against his 2013/14 performance goals for the half year to 31 December 2013.

The Committee oversaw all key remuneration and performance policies, including reviewing the Executive Management Remuneration Policy, reviewing the Chief Executive Officer's contract, re-evaluating Executive General Management roles following the completion of the Authorised Transaction, receiving updates on short and long term people strategies following a restructure of the Corporation and a staff survey.

The Committee met seven times during 2013/14. A copy of the Remuneration and Human Resources Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

Nominations Committee

The Chairman of the Nominations Committee is Nicholas Whitlam. Nicholas is an independent non-executive Director. The other member of the Committee is Penny Bingham-Hall who is also an independent non-executive Director.

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

The Committee did not meet during 2013/14. A copy of the Nominations Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

20.13 Code of Conduct

Sydney Ports' Code of Conduct outlines the general business ethics and acceptable standards of professional behaviour we expect of all our Directors, employees and contractors. The Code of Conduct, which is given to all new staff as part of their induction, makes everyone at Sydney Ports accountable for their own decisions and conduct. The Code of Conduct covers general behaviour expectations, fraud and corruption responsibilities, including policies on acceptance of gifts and benefits and ethics and conflicts of interest requirements. Staff are encouraged to report any suspected breaches and, if they do so, will be protected as detailed in Sydney Ports' Internal Reporting Policy.

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

The Board receives a summary of any breaches and resulting actions on an annual basis, however any significant breaches must be immediately reported to the Chairman.

A copy of the Code of Conduct is available on the Corporate Governance section of the Sydney Ports website.

20.14 Risk management

Sydney Ports uses an Enterprise Risk Management system to ensure risks are identified and managed in a considered and timely manner. This system encompasses all the activities for which Sydney Ports is responsible under the *Ports and Maritime Administration Act, 1995* in addition to corporate-wide strategic risks.

The Enterprise Risk Management system is consistent with the Australian/New Zealand Standard of Risk Management (AS/NZS/ISO 31000:2009). It is underpinned by a risk management policy and a risk management procedure. Sydney Ports has implemented online Enterprise Risk Management software to assist with embedding a risk management culture within the business. This software (Enterprise Risk Assessor, by Wynyard Group) is used to facilitate the update of Sydney Ports' strategic and operational risk registers and for reporting purposes.

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

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

The strategic risk profile is reviewed monthly by the Executive Management Team and the Board, and quarterly by the Audit and Risk Committee to:

- Assess the effectiveness of risk mitigation strategies
- Ensure that any new or emerging risks are identified and captured
- Ensure that any previously identified strategic risks and mitigating actions are monitored.

As part of the annual formal review during the year, a report was provided from management to the Audit and Risk Committee (and reported to the Board) outlining all the key activities undertaken by the Audit and Risk Committee, including risk oversight.

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

The operational risk profile is reviewed monthly by the Executive Management Team to ensure that any new or emerging operational risks are identified and captured and that any previously identified risks and mitigating actions are monitored.

20.15 Insurance activities

In conjunction with the Enterprise Risk Management system, Sydney Ports maintains an annual Insurance Program renewed on 30 June each year. Sydney Ports utilises the services of an insurance broker to provide and advise on cover for directors and officers and Port Liability.
In 2013-14, Sydney Ports joined the Treasury Managed Fund as a member agency.

The key policies within the insurance program provide comprehensive coverage across all the Corporation's operations including Industrial Special Risks, Public Liability, Marine Hull Commercial and Protection, Workers Compensation, Trade Credit, and Financial Loss policies such as professional indemnity.

20.16 Board composition

Under the *State Owned Corporations Act (NSW) 1989* Sydney Ports' Board is required to have a minimum of three and a maximum of seven Directors. Until the State Owned Corporations Legislation Amendment (Staff Directors) Act 2013 was assented to on 3 June 2013, one of these Directors was required to be a staff Director, elected by the staff of Sydney Ports. Michael Sullivan continued in his

position as staff Director until his resignation as at 30 June 2014. The staff Director position will not be replaced.

Directors are appointed by the Governor, on the recommendation of the Voting Shareholders.

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 is currently on the board of a number of other organisations, two of which are Government boards. The Chairman is responsible for leading the Board and facilitating its effective functioning.

20.17 Chief Executive Officer

The Chief Executive Officer, Grant Gilfillan, was appointed in January 2008 and re-appointed in March 2011 and September 2013. As set out in the *State Owned Corporations Act (NSW) 1989*, the Chief Executive Officer was appointed by the Governor on the recommendation of the Portfolio Minister, following a recommendation from the Board. The Board's recommendation of Grant Gilfillan came after an extensive recruitment process.

The Chief Executive Officer is responsible for the day to day management of the operation of Sydney Ports in accordance with the general policies and specific directions of the Board.

Grant Gilfillan was separately appointed as a Director of the Sydney Ports Board in March 2009. His current term of appointment as a Director will expire in September 2016.

20.18 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 which is critical in determining independence and this must be considered in relation to each Director while taking into account all other relevant factors, which will include an assessment against the independence recommendations in the guidelines which cover whether the Director:

- is employed, or has been employed in a senior management position by the business, and there has not been a period of at least three years between ceasing that employment and serving on the Board
- has, within the last three years, been a principal of a material professional adviser or consultant to the business, or an employee materially associated with the service provided
- is a material* supplier or customer of the business, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has a material* contractual relationship with the business other than as a Director of the business.

* Material means greater than 5% 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. Michael Sullivan, as the staff elected Director and an employee of Sydney Ports, is also not considered independent. All other Directors are considered independent.

20.19 Access to information and independent professional advice

Each Director has the right of access to all Sydney Ports' information and employees. Further, the Board and each individual Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor. Advice can be sought to assist Directors in carrying out their responsibilities and is at Sydney Ports' expense. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

20.20 Conflicts of interest

Sydney Ports maintains a conflicts register which registers any interests of Directors which may potentially conflict with their duties as a Director of Sydney Ports, including other board positions. Directors are required to update this register on an ongoing basis as circumstances change.

In addition, Directors are required to advise NSW Treasury of any interests or changes in interest. Directors advise Treasury of any potential conflicts on appointment and the Company Secretary provides Treasury with any updates to these details.

In relation to specific Board decisions, the Board complies with Clause 2, Schedule 10 of the *State Owned Corporations Act (NSW) 1989*. A Director cannot take part in discussions or vote on a matter in which that Director has a material personal interest unless the Board resolves that the interest does not disqualify the Director. There have been no related-party transactions between Sydney Ports and any Director during the year.

20.21 Other Board memberships

The Guidelines recommend that Directors should not hold directorships of more than three Government boards. None of Sydney Ports' Directors has exceeded this limit.

20.22 Board meetings and their conduct

The Board of Directors of Sydney Ports generally meets on a monthly basis, but more or less regularly as circumstances require. During 2013/14, the Board met nine times. The independent non-executive Directors on the Board meet on an as-required 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 Company Secretary of Sydney Ports Corporation.

The attendance by Directors at Board and Committee meetings during the year is as follows:

20.23 Attendance at Board meetings

	Board Meetings		Term of Appointment
	A	B	
N. Whitlam	9	9	25 Mar 2013 - 30 June 2014
P. Bingham-Hall	9	9	2 April 2012 - 1 April 2015
R. Dunn	9	7	2 April 2012 - 1 April 2015
G. Gilfillan	9	9	7 Jan 2014 – 30 September 2016
M. Sullivan	14	13	1 Oct 2011 - 30 Sept 2014

A = Number of meetings eligible to attend during year.

B = Number of meetings attended.

20.24 Attendance at Committee meetings

Directors who are not members of Committees are invited to attend Committee meetings and are entitled to receive papers of Committee meetings on request. Attendance below includes only attendance of appointed Committee members and does not reflect attendance at meetings by Directors who are not Committee members.

	Audit & Risk Committee		Remuneration & HR Committee		Nominations Committee	
	A	B	A	B	A	B
N. Whitlam	5	5	7	7	0	0
P. Bingham-Hall	5	5	7	7	0	0
R. Dunn	5	5	7	5	-	-
G. Gilfillan	-	-	-	-	-	-
M. Sullivan	-	-	-	-	-	-

A = Number of meetings eligible to attend during year.

B = Number of meetings attended.

20.25 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, Sydney Ports provides new Directors with an induction pack of information to assist them in understanding Sydney Ports' business and the requirements of the role. Information provided includes:

- previous Board minutes
- copies of relevant legislation
- the Code of Conduct
- most recent Annual Report
- Board profiles and contact details
- Board and Committee charters
- Statement of Corporate Intent.

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

In addition, new Directors are provided with access to an induction program that includes a series of meetings with the Chairman, Chief Executive Officer and key executives, to gain an understanding of Sydney Ports':

- strategy, objectives and business
- industry in which it operates
- corporate governance practices
- current financial and business performance
- key executives
- remuneration strategy
- risk management framework.

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

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

20.26 Board performance

The Board believes it is important to evaluate its own performance and that of each Director on a regular basis. In view of the significant changes to the Corporation as a result of the Authorised Transaction, formal Board performance evaluation was not undertaken during 2013/14.

20.27 EEO report

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

Our Equal Opportunity policy confirms our commitment to fair and equitable business practices and is complimented by our Discrimination, Harassment and Workplace Violence policy that defines unacceptable behaviour and the anticipated consequences if such behaviour continues to occur in the

workplace. Our Grievance policy ensures the confidential, timely and effective resolution of any workplace grievance or dispute.

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

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

	Percentage of total staff at 30 June (excluding casual staff)			
EEO Group	**Benchmark/Target**	**2012**	**2013**	**2014**
Women	**50%**	28.60%	27.40%	21.93%
Aboriginal people and Torres Strait Islanders	**2.6% by 2015**	0.70%	0.30%	0.29%
People whose first language was not English	**19%**	19.40%	19.30%	17.54%
People with a disability	**No benchmark**	0.70%	0.70%	0.58%
People with a disability requiring work-related adjustment	**1.1% (2011)** **1.3% (2012)** **1.5% (2013)** **(2014)**	0.00%	0.00%	0.00%

	Distribution Index (excluding casual staff)*			
EEO Group	**Benchmark/Target**	**2012**	**2013**	**2014**
Women	**100**	85	85	75
Aboriginal people and Torres Strait Islanders	**100**	NA	N/A	N/A
People whose first language was not English	**100**		88	60
People with a disability	**100**	NA	NA	2
People with a disability requiring work-related adjustment	**100**	NA	NA	0

* A distribution index of 100 indicates that the centre of distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. An index more than 100 indicates that the EEO group is less concentrated at the lower salary levels.

20.28 Workplace Health and Safety (WHS)

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

Safety consultation processes continue to remain effective through regular bi-monthly Work Health & Safety Committee meetings and four Health & Safety Representatives in the Operations division.

Sydney Ports continued its commitment to provide a safe and healthy work environment for staff, contractors and visitors by maintaining proactive safety management systems.

The WHS performance for 2013/14 and five year historical safety performance are summarised in the tables below.

2013/14 Safety Performance	Target	Actual
Number of Lost Time Injuries (LTI) Note 1	0	1
LTI Frequency Rate (LTIFR) Note 2	0	2.11
Number of Medical Treatment Injuries (MTI) Note 3	≤ 7	7
Number of First Aid Injuries (FAI) Note 4	≤ 12	6
Manager workplace observations Note 5	216	270

Note 1: A Lost Time Injury (LTI) is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more.

Note 2: Lost Time Injury Frequency Rate (LTIFR) is calculated as the number of LTIs divided by the total number of hours worked by all workers, for each one million hours worked.

Note 3: Medical Treatment Injury (MTI) is defined as an injury or illness at work where the employee received treatment by a medical practitioner. It does not include FAI or LTI.

Note 4: First Aid Injury (FAI) is defined as an injury or illness at work where the employee received treatment from a qualified first aid person. It does not include MTI or LTI.

Note 5: Each Manager was required to undertake six safety observations.

Historical Safety Performance		2009/10	2010/11	2011/12	2012/13	2013/14
	Sydney Ports	Sydney Pilot Service	Sydney Ports	Sydney Ports	Sydney Ports	Sydney Ports
Number of lost time injuries	3	3	0	3	3	1
LTIFR	8.5	Note 6	0	5.40	5.31	2.11

Note 6: LTIFR was not calculated for Sydney Pilot Service because of the small number of employees and low hours, causing extreme volatility in results and an unsuitable statistic. Sydney Pilots merged with Sydney Ports on 1 July 2010.

20.29 Multicultural policies and services

Sydney Ports supports the principles of multiculturalism. We recognise that our employees and the community are drawn from different linguistic, religious, racial and ethnic backgrounds.

To demonstrate our commitment to cultural diversity, Sydney Ports operates a recruitment, selection and promotion strategy based solely on merit. This year, we recruited from a broad range of ethnic and cultural backgrounds – with 18% of our new employees being of a non-English speaking heritage.

Sydney Ports also offers all staff attractive employment conditions, including flexible hours of work. These arrangements accommodate cultural and religious differences by providing a day's leave per calendar year to cover National Aboriginals Day or religious holidays.

Sydney Ports provides an Employee Assistance Program that includes interpreter services to ensure that the program's benefits are accessible to all employees and their immediate families.

20.30 Overseas travel by Sydney Ports Corporation employees 1 July 2013 to 30 June 2014

Name	Date	Destination	Purpose
Marika Calfas, General Manager, Planning	26 May to 1 June 2013	Queenstown, New Zealand	To attend the Strategic Leadership Program conducted by the New Zealand Institute for Leadership.
Neil McKenzie, Senior Pilot	22-26 July 2013	Port Revel, France	To attend the Advanced Manned Model course in Port Revel, France in order to comply with advanced pilot training requirements under the NSW Maritime Pilotage Code (2011) enacted under the Marine Safety (General) Amendment (Pilotage) Regulation 2011.
John McKenna, Cruise Terminal Manager	8-10 November 2013	Singapore	To attend the Cruise Shipping Australia Pacific Conference and Trade Show
Grant Gilfillan, CEO and Director	18-24 November 2013	Amsterdam	To chair an extraordinary IAHP Board meeting
Philip Holliday, Executive General Manager, Marine Services and Harbour Master	18-24 May 2014	Queenstown, New Zealand	To attend the Strategic Leadership Program conducted by the New Zealand Institute for Leadership
Stuart Hull, Senior Project Manager John McKenna, Cruise Terminal Manager	21-27 May 2014	Miami, Florida, USA	To inspect cruise terminals in Miami, Port Canaveral and Fort Lauderdale at the invitation of Royal Caribbean Cruises Ltd (RCCL) prior to finalisation of designs for the Overseas Passenger Terminal redevelopment.
Richard Westwood, Pilot	6-12 April 2014	Port Revel, France	To attend the Advanced Manned Model course in Port Revel, France in order to comply with advanced pilot training requirements under the NSW Maritime Pilotage Code (2011) enacted under the Marine Safety (General) Amendment (Pilotage) Regulation 2011.
Lindsay Cavanagh, Pilot	20-26 April 2014		
Sam Schell, Pilot	29 June – 5 July 2014		
Aaron Witcombe, Pilot	29 June – 5 July 2014		

20.31 Funds granted to non-government community organisations 2013/14

Organisation's Name	Amount $
Maritime Services Board RSL Sub Branch	1,000
The Cancer Council of NSW	657
National SIDS Council of Australia	500
	2,157

20.32 Consumer response

Sydney Ports receives feedback and complaints through one primary contact point called Enquiries (email/phone) which operates in office hours with message bank options for out of hours. Community Information Lines for our major projects are staffed 24/7.

We maintain an internal complaint register that records and consolidates all complaints and feedback received across the business. This ensures that Sydney Ports' complaint handling is transparent and can be measured for performance. Sydney Ports has a strong track record of responding to issues and requests in a timely and efficient manner so that appropriate actions are followed up with the relevant parties, ensuring best possible outcomes for all.

We have also added a full-time Community Engagement Manager to our team to further ensure the complaints process is managed efficiently and effectively.

20.33 Publications

During the year, Sydney Ports published the following publications:

Hardcopy publications

- The Annual Report 2012/13
- Sydney Ports Corporation Schedule of Port Charges effective 1 July 2014

Electronic publications

- *Statement of Corporate Intent 2013/14* provides an outline of Sydney Ports' vision, values, strategic direction and targets.
- *Dangerous Goods Management Guideline* provides information on the management of dangerous goods within Sydney's ports. This publication is updated regularly and was last updated in July 2014.
- Port of Eden Schedule of Port Charges effective 1 July 2014
- Port of Yamba Schedule of Port Charges effective 1 July 2014
- *MyPorts* is Sydney Ports' monthly electronic newsletter which is distributed to industry stakeholders subscribers via email

Sydney Ports' website www.sydneyports.com.au was updated regularly to provide information for its stakeholders and the public.

20.34 Annual Report cost

The total external cost incurred in the production of 20 copies of the Sydney Ports Corporation 2012/13 Annual Report was $0.00. The report is available at www.sydneyports.com.au/corporation/publications.

20.35 Waste Reduction and Purchasing Policy (WRAPP)

As a State-owned corporation, Sydney Ports is required to comply with the NSW Government's Waste Reduction and Purchasing Policy (WRAPP) where waste reduction and purchasing is cost effective and in line with sound business practices.

Sydney Ports has developed a WRAPP plan in accordance with Premier's Memoranda 99-9 and 97-30. WRAPP Progress Reports are submitted to the NSW Department of Environment and Climate Change on a bi-annual basis, the most recent being for the fiscal year 2012/13. WRAPP reports address a number of key result areas including:

(a) Reducing the generation of waste;

(b) Resource recovery; and

(c) Use of recycled materials.

A summary of key activity in the twelve months to June 2014:

(a) Reducing the generation of waste

Sydney Ports has continued several initiatives during the 2013/14 financial year to enhance use of electronic means for staff and external communication:

An on-line workflow for business approvals has been expanded across the organisation, eliminating many paper based approval documents.

A staff survey was conducted as a paperless activity.

A paper based internal staff magazine has been suspended and replaced with electronic communications.

(b) Resource recovery

Materials owned or purchased by Sydney Ports are recovered for re-use or recycling where possible.

In Sydney Ports' offices, paper waste continues to be collected for recycling. Used toner cartridges are collected by third parties for recycling from office areas where copiers are located.

Construction projects and maintenance activities by their nature generate large amounts of waste. Sydney Ports' contractors are therefore required to minimise waste generated and identify areas where recycling and reuse of materials can be undertaken. Through its various maintenance activities, Sydney Ports continues to recycle concrete, steel, timber, asphalt and vegetation wastes where practical to do so.

(c) The use of recycled material

It is Sydney Ports' policy to purchase low-waste products and products with recycled content where it is consistent with sound commercial practice and where such products meet technical and operating standards. Most purchased office copy paper contains 80% recycled content, from sustainably managed forests, recycled content and controlled sources.

Publications for internal and external use are prepared on recycled stock wherever possible.

20.36 Land disposal

Sydney Ports did not dispose of any other land assets of value greater than $5.0 million for the reporting period 1 July 2013 to 30 June 2014.

20.37 Executive positions

Executives with remuneration equal to or exceeding SES level 1

At 30 June 2014, there were four Executives with remuneration equal to or exceeding the equivalent of SES level 1 and all were male. The gender ratio of male to female Executive Management is 6:0.

		Number of Sydney Ports Corporation's Executive Management at SES Level	
SES Level	**30 June 2014**	**30 June 2013**	**30 June 2012**
L8	1	1	1
L7	2	3	2
L6	0	2	2
L5	1	0	1
			1
Gender Ratio, Male to Female	**30 June 2014**	**30 June 2013**	**30 June 2012**
	4:0	6:0	6:0

20.38 Public interest disclosures

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

	1 July 2013 to 30 June 2014
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	N/A

Sydney Ports has adopted an internal reporting policy that is consistent with the NSW Ombudsman's model policy. PID awareness training was conducted across the entire staff in 2012/13. From that time, the PID policy was added to the new employee online induction to provide PID awareness to all new employees.