

Annual Report

Port Authority of New South Wales
2016/17



Overview

This annual report contains audited financial statements. If you experience difficulty accessing this content please contact David Kenny, General Manager, Corporate Planning and Reporting.

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

Letter of submission

28 October 2017

The Hon Victor Michael Dominello MP
Minister for Finance, Services and Property
52 Martin Place
SYDNEY NSW 2000

The Hon Dominic Perrottet MP
Treasurer and Minister for Industrial Relations
52 Martin Place
SYDNEY NSW 2000

Dear Mr Dominello and Mr Perrottet,

REPORT ON OPERATIONS FOR THE YEAR ENDING 30 JUNE 2017

We are pleased to submit Port Authority of New South Wales' annual report detailing performance, operations and financial results for the year ended 30 June 2017.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, and the applicable provisions of the *Public Finance and Audit Act 1983* and the *State Owned Corporations Act 1989*, and is submitted for presentation to Parliament.

Yours sincerely,



Mr Nicholas Whitlam
Chairman



Mr Grant Gilfillan
Chief Executive Officer and Director

1 Overview

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

Port Authority's statutory objectives and functions are derived from the provisions of the *State Owned Corporations Act 1989* (NSW), *Ports and Maritime Administration Act 1995* (NSW) and the Port Safety Operating Licence issued under section 12(2) of the *Ports and Maritime Administration Act 1995*. (See Section 18.3 for more information.)

The primary role and responsibilities of Port Authority and associated business activities include:

- **safe** navigation of shipping movements within each port
- **survey** of harbour/port approaches, channels and berthing boxes
- **pilotage** (marine pilot safely navigating a ship in and out of a port)
- **port security**
- **safety** of port operations
- **emergency** response including the clean-up of spills in the marine environment
- **dangerous goods administration**, contained in Part 11 of the repealed Dangerous Goods Regulation 1999, and preserved by the Work Health and Safety Regulation 2011
- **management** of:
 - **cruise facilities** and terminal services
 - **common user berth** facilities
 - **retail/commercial** properties
- governance of **Hunter Coal Export Framework**.

Port Authority is responsible for all commercial marine functions in the ports of Newcastle, Sydney (Port Jackson and Botany Bay), Port Kembla, Eden and Yamba.

Port Authority has the role of Harbour Master in all commercial ports in NSW. Each Harbour Master is appointed under section 85 of the *Marine Safety Act 1998* (NSW). The general function of a Harbour Master is outlined in section 88 of the *Marine Safety Act* and can be summarised as having 'powers to direct and control the movement, entry and exit of vessels within port areas'. Port Authority is also the lead agency for responses to maritime incidents in coastal waters stretching from Fingal Head, Port Stephens to Gerroa, south of Port Kembla.

Port Authority owns and manages key NSW assets including common user berths at Glebe Island and White Bay in Port Jackson. Port Authority also provides long-term leases on land adjacent to berths at Glebe Island and White Bay.

Port Authority owns and manages Sydney Harbour cruise facilities at the Overseas Passenger Terminal at Circular Quay and White Bay Cruise Terminal at Balmain.

2 Highlights



2.1 Glebe Island

Port Authority conducted a study as part of the Glebe Island Preliminary Business Case being developed by UrbanGrowth NSW. The Port Options Study examined the options of integrating port activities and/or maritime uses with an innovation hub, or alternatively relocating port activities elsewhere. The study concluded that the preferred option – one that maximised the strategic and economic opportunities at Glebe Island – was to integrate a port (specifically one with materials handling capability) with an innovation district.

To meet increasing local demand for sand for the construction industry, Port Authority has a proposal to build a basic, bulk materials terminal for the receipt,

storage and distribution of sand and aggregates at Glebe Island berths 1 and 2. The facility would serve the next decade's needs for sand importers and others (limited only by the capacity of the terminal and planning approvals to import sand into Sydney).

2.2 Cruise

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

A record 344 ships visited Sydney during 2016/17 exchanging more than 1.5 million passengers. This is up from 311 ships in 2015/16.

The upward trend for cruise was not unique to Sydney, with *Radiance of the Seas* the first ever cruise ship visit to Port Kembla, occurring on 30 October 2016. In total, four cruise ships visited Port Kembla during the season, heralding the start of a new tourism era for the Illawarra region.

Similarly, Port of Eden had 14 cruise ships visit throughout the season (up from eight in 2015/16), although Newcastle Harbour had five ships (down from 10 in 2015/16).

For 2017/18, 350 cruise ships are scheduled to visit Sydney, with two to visit Port Kembla, 15 to visit Eden and 10 to Newcastle Harbour. Port Authority is taking a driving role in developing solutions to accommodate ongoing growth in cruise to Sydney, and is endeavouring to lead the cruise industry to adopt more innovative ways of making best use of our existing cruise berth resources. In addition, Port Authority is an active supporter of cruise growth in Eden, Port Kembla and Newcastle.

Other highlights for the record-breaking season of 2016/17 included:

Sydney named best cruise destination

In September 2016, Sydney was named the best cruise destination in Australia and New Zealand in the first ever Cruisers' Choice Destination Awards, led by the world's leading cruise review website Cruise Critic. This award was based on reviews and the opinions of passengers to Sydney over the past year. Sydney was also named Best Australian Homeport in the 2016 Australia Editors' picks in October 2016.

New ambassador program

A new destination ambassador program to meet and greet cruise visitors to Sydney was launched in October 2016 to coincide with the start of the 2016/17 cruise season. It is a joint initiative of City of Sydney, Destination NSW and Port Authority of NSW.

Ships co-sharing White Bay Cruise Terminal

In February 2017, two ships – *Crystal Symphony* and *Radiance of the Seas* – embarked simultaneously at the White Bay Cruise Terminal. This involved more than 2500 passengers – three times the average number of passengers processed at any one time and a record for the terminal since opening in April 2013.

Royal rendezvous

Two of the world's most famous cruise ships *Queen Mary 2* and *Queen Elizabeth* arrived into Sydney Harbour at the same time on 25 February 2017, bringing a combined 5000 passengers into Sydney.

White Bay shuttle bus service

More than 5000 international cruise passengers transiting White Bay Cruise Terminal have taken advantage of a free shuttle bus service between the terminal and Rozelle/Balmain since it launched in February 2016. Passengers were met by community ambassadors and given guides and maps of attractions and highlights. The shuttle service is a joint initiative between Port Authority and Inner West Council. (See Section 10.4.)

2.3 Projects

Key projects this year have been:

Installation of mooring bollards at the Overseas Passenger Terminal

Two 150-tonne mooring bollards were installed at Circular Quay west to accommodate the world's largest vessels. The first of these to visit Sydney was the *Ovation of the Seas* which made her maiden visit on 15 December 2016. The project demonstrates Port Authority's commitment to ensuring that infrastructure at the terminal is able to service the next generation of cruise vessels.



New mooring bollards at Circular Quay secure *Ovation of the Seas* on her maiden visit

Foreshore Beach stabilisation

Port Authority partnered with Sydney Water to construct rock wall breakwaters (groynes) on Foreshore Beach, Botany Bay to reduce sand erosion and the blocking of stormwater pipes. The project was completed in December 2016. (See Section 10.7.)

Overseas Passenger Terminal (OPT) transport solution

Throughout early 2017, Port Authority worked closely with a number of NSW Government stakeholders to improve access to the OPT for large heavy vehicles that move provisions and passengers to the terminal. The project extended peak morning access to Jack Munday Place from four days a week to seven days a week. Port Authority also negotiated the implementation of a staging area for large heavy vehicles on upper George Street, ensuring efficient deliveries of stores to the wharf.

Noise mitigation strategy

A noise mitigation strategy was developed to address the ongoing issue of noise from cruise ships at White Bay Cruise Terminal. Port Authority sought community feedback on the proposed strategy in late 2016. (See Section 15.2.)

New Port Authority website

Port Authority launched a new website in February 2017 (www.portauthoritynsw.com.au). The site is an amalgamation of the websites from the three former port corporations.

New visual identity

Port Authority launched a new and refreshed visual identity in May 2017 to ensure a consistent look and feel for internal and external communication.

Moore's Wharf roof restoration

Work to replace the roof of heritage-listed Moore's Wharf at Towns Place was completed in June 2017. The wood shingle roof had deteriorated and was replaced by a new slate roof. (See Section 10.7.)

2.4 The year ahead

Over the coming 12 months, work will progress on:

Stakeholder satisfaction survey

Port Authority will conduct a survey to measure the strength of its relationships with key stakeholders and levels of customer-service satisfaction.

Multi-user terminal at Glebe Island

Port Authority will consult with community and industry about the building of a new multi-user terminal that will handle bulk construction materials for up to 10 years.

Noise mitigation strategy

Port Authority will continue to address the ongoing issue of noise from cruise ships at White Bay Cruise Terminal. Initiatives are designed to address noise

at the receiver (homes) as well as noise at the source (cruise ships). Work to rollout this strategy is expected to start in late 2017.

Nobby's Headland rock fall protection works

Port Authority will undertake capital works to mitigate the risk of rocks falling onto Macquarie Pier and Nobby's Beach.

Replacement of gangways at the Overseas Passenger Terminal

Port Authority will engage a supplier to replace the OPT gangways to better accommodate the wider vessels coming to Sydney.

Commercial modelling for a future port facility at Glebe Island

Port Authority will work with industry to identify suitable commercial arrangements in support of an integrated port facility at Glebe Island.



Ovation of the Seas: the largest cruise ship to ever visit Sydney Harbour

3 Summary review of operations



3.1 Financial performance

In 2016/17, Port Authority exceeded its financial targets and can report earnings of \$39.9 million (earnings before interest, taxes, depreciation and amortisation: EBITDA) – up \$14.2 million on the previous financial year. This is due to an increase in revenue based on strong trade growth and the continued management of cost control. This has allowed Port Authority to declare a dividend of \$5.2 million for the year.

3.2 Marine Operations

Marine Operations continued its high standard of operations during 2016/17, promoting the safe and efficient movement of commercial vessels operating in ports.

Sydney and Port Botany

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

- completed 4357 pilot transfers to and from commercial ships – an average of 12 per day
- provided 2926 ship escorts in Sydney Harbour and Port Botany

- actioned 1473 bulk dangerous goods notifications
- actioned 562 work permit notifications
- actioned 1005 bunker notifications in Sydney Harbour and 498 bunker notifications in Port Botany
- responded to 312 calls reporting pollution or fire, boom operations or vessels needing assistance or towage
- conducted 10 fire-tug water displays
- carried out navigation and security patrols in both Sydney Harbour and Port Botany.

Newcastle Harbour

During the reporting year, Marine Operations in Newcastle Harbour:

- completed 8440 pilot transfers to and from commercial ships, berths or helicopter pads, an average of 23 pilot transfers per day
- actioned 336 bulk dangerous goods notifications
- actioned 441 work permit notifications
- actioned 385 bunker notifications
- responded to 13 calls reporting pollution
- carried out navigation and environmental patrols.



Port of Eden from the north east

Port Kembla

During the reporting year, Marine Operations in Port Kembla:

- completed 1812 pilot transfers to and from commercial ships – an average of five pilot transfers per day
- undertook annual hydrographic surveys for all of its port channels and berthing boxes
- actioned and audited 334 dangerous goods notifications
- actioned 1506 work permit notifications
- actioned 267 bunker permit notifications
- carried out navigation, security and environmental patrols.

Port of Eden

Shipping numbers increased significantly at Port of Eden in 2016/17. There were 95 ship visits, up from 69 visits in 2015/16.

The port has a dedicated Harbour Master and pilotage service and is also responsible for Port Safety Operating Licence functions; emergency response and security; and management of Snug Cove and the Royal Australian Navy's (RAN) multi-purpose berth.

A highlight of the 2016/17 year was the announcement by the Department of Industry of a 110-metre extension to the Snug Cove breakwater wharf to allow the berthing of cruise ships over 325 metres in length. The total funding for the project is \$44 million. This includes contributions from the Australian Government, NSW Government and Bega Valley Shire Council.

Port of Yamba

In 2016/17, there were 26 ship visits to Port of Yamba. Shipping numbers increased significantly (up from 18 visits in 2015/16) as a result of the re-opening of Harwood Shipyard on Goodward Island. While the port has no regular trade, ships call to Goodwood Island for layup or repairs at the shipyard.

The port has a dedicated pilotage service and is also responsible for Port Safety Operating Licence functions, emergency response and security.

4 Port highlights

The tables below present a monthly breakdown of figures for 2016/17 and totals for 2016/17 and 2015/16 across the different Port Authority ports. Last year's figures are provided for comparison.

Total vessel visits (trade vessel and cruise ship visits), all ports, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Port Botany/Kurnell	149	146	153	159	155	154	149	135	150	146	144	134	1,774	1,700
Sydney Harbour/Gove Cove*	69	79	79	80	116	130	121	124	141	102	77	88	1,206	1,169
Newcastle	192	191	199	187	185	223	200	179	202	211	214	186	2,369	2,187
Port Kembla	73	74	65	70	65	74	78	79	83	80	69	73	883	870
Eden/Yamba	5	8	7	10	9	13	11	14	13	9	12	10	121	87
TOTAL	488	498	503	506	530	594	559	531	589	548	516	491	6,353	6,013

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

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

Trade vessel visits, all ports, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Port Botany/Kurnell	149	146	153	159	155	154	149	135	150	146	144	134	1,774	1,700
Sydney Harbour/Gove Cove*	54	68	62	55	77	92	69	78	98	73	62	74	862	858
Newcastle	192	191	199	187	185	222	200	178	201	210	214	185	2,364	2,177
Port Kembla	73	74	65	69	65	73	77	78	83	80	69	73	879	870
Eden/Yamba	5	8	7	10	7	10	9	11	11	7	12	10	107	79
TOTAL	473	487	486	480	489	551	504	480	543	516	501	476	5,986	5,684

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

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

Cruise ship visits, all ports, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Sydney Overseas Passenger Terminal	8	11	11	18	23	24	29	27	25	20	9	8	213	182
Sydney White Bay*	6	0	5	7	16	14	20	15	15	8	5	6	117	115
Sydney other	1	0	1	0	0	0	3	4	3	1	1	0	14	14
Newcastle Harbour	0	0	0	0	0	1	0	1	1	1	0	1	5	10
Port Kembla	0	0	0	1	0	1	1	1	0	0	0	0	4	0
Eden	0	0	0	0	2	3	2	3	2	2	0	0	14	8
Total	15	11	17	26	41	43	55	51	46	32	15	15	367	329

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



A pilot vessel approaches the cruise ship *Noordam* at the Port of Eden

5 Chairman's report



Over the past financial year, the Board has continued its focus on improving safety and business performance. Two other issues were under constant review: Sydney's capacity to cater for an increasing number of cruise passengers and cruise ships, and the impact of any redevelopment of the Bays Precinct on Sydney's working harbour, in particular any impact on port activities at Glebe Island and White Bay.

Safety

The last three years have seen a significant focus on safety performance across all ports. I am pleased to report that, in the fiscal year 2016/17, there has been a 70 per cent reduction in recordable injuries over the previous 12 months. In total, there were four Lost Time Injuries and two Medical Treatment Injuries, compared to seven and 12 respectively in the previous financial year. This is a very encouraging result and we will continue to strive for further improvements in the year ahead.

Business performance

There continues to be year-on-year success in growing and improving the financial performance of the Port Authority. Our financial results have again exceeded targets, reporting earnings of \$39.9 million (EBITDA), up \$14.2 million on the previous year.

This strong growth can be attributed to increased pilot movements in Sydney, Newcastle and Port Kembla, as well as a greater than expected volume of cement shipments in Sydney Harbour, as well as a greater than expected volume of timber trade and cruise ships at the Port of Eden. There have also been more shipments at Glebe Island of cement, gypsum and salt than were

anticipated. Meanwhile, we have been able to maintain our controllable costs below the Consumer Price Index.

All of this was achieved without the anticipated increase in charges for the cruise shipping industry as planned during 2016/17.

Independent Pricing and Regulatory Tribunal (IPART) review

During 2015/16, IPART reviewed the maximum fees and site occupation charges paid by the cruise shipping industry for use of Sydney Harbour cruise terminals and moorings.

Significantly, the review found that the Port Authority's costs in relation to the provision of cruise services at the two passenger terminals are appropriate and no opportunity could be identified to further improve their cost efficiency. The report also found that there is no evidence that the Port Authority's pricing structure has slowed the growth in cruise activity.

In May 2017, the NSW Government announced its support to retain the existing site occupation pricing structure, with an increase to \$35 per passenger at both the Overseas Passenger Terminal and White Bay. These new charges come into effect from 1 August 2017.

New portfolio minister

In January 2017, upon the retirement from the Ministry of the Honourable Duncan Gay, MLC, the Port Authority welcomed its new portfolio minister, the Honourable Melinda Pavey, MP, as Minister for Roads, Maritime and Freight. Since this time, her office has actively engaged with the Port Authority to address cruise capacity and help to build momentum around the role of a working harbour and port at Glebe Island.

Glebe Island

Over the past decade, there has been a moratorium on the development of Glebe Island while the NSW Government has established its policy on optimal use of the site. Now, with the announcement of the NSW Government's vision for Glebe Island to become an innovation district, there is renewed focus on the economic and strategic importance of Glebe Island to the State.

For much of the first half of 2016, the Port Authority conducted a Port Options Study as an input for the Glebe Island preliminary business case being developed by UrbanGrowth NSW. The Port Options Study examined the options of integrating port activities and/or maritime uses with an innovation hub, or relocating port activities

elsewhere. The study concluded that the preferred option – one that maximised the strategic and economic opportunities at Glebe Island – was to integrate a port (specifically one with materials handling capability) with an innovation district.

Since this time, Infrastructure NSW has undertaken an independent review of the NSW Government's proposal to deliver an innovation district on Glebe Island. In doing so, it reviewed the Port Options Study and UrbanGrowth's business case for redevelopment of The Bays Precinct.

The Infrastructure NSW review addressed the options for the location of Glebe Island's existing port and marine functions, including ways to integrate these functions on Glebe Island as well as the option of relocating these functions. It also looked at how the innovation district proposal could best integrate with Sydney Metro West and other key infrastructure projects.

Infrastructure NSW has completed its review, and forwarded its findings and recommendations to the NSW Government. The outcome of this review is expected to be announced early in this new financial year. Pending the announcement, the Port Authority is actively working on current and future planning for Glebe Island.

Cruise capacity

In June 2017, the NSW Government established a Cruise Industry Reference Group to address the need for increased cruise capacity east of Sydney Harbour Bridge. The Honourable Peter Collins, AM, QC, was appointed as Chair.

The Reference Group will ensure that the needs of government agencies, industry and other stakeholders receive appropriate input and consideration in the delivery of the State's Cruise Development Plan. It will investigate a range of short-, medium- and long-term options to address capacity issues and will provide an independent report later in 2017 to the NSW Government that will help inform future decisions.

To help guide the Group in exploring short- and medium-term solutions, the Port Authority provided two key initiatives for consideration, including:

- introducing a secondary timeslot at the Overseas Passenger Terminal where two ships turn around in a day, thereby providing more capacity at that terminal outside of traditional hours and turnaround times
- a new booking policy, allowing Port Authority to efficiently manage overbookings, cancellations and slot amendments and allowing equal opportunities for cruise lines to make slot applications.

We look forward to an outcome that will enable the Port Authority to continue to support the exponential growth of the cruise industry and the economic value it creates for New South Wales.

Governance and management

The Board is working harmoniously and effectively and I am pleased to note that our Chief Executive Officer, Grant Gilfillan, was reappointed for a further three-year term from September 2016.

Through this current financial year, in addition to working with the NSW Government on challenges associated with the development of Glebe Island and cruise capacity, the Port Authority will focus on how we can better engage with our key stakeholders and customers. This will start with a stakeholder satisfaction survey commencing in August 2017.



Nicholas Whitlam

Chairman

Port Authority of New South Wales

30 September 2017

6 Chief Executive Officer's report



Port Authority of New South Wales (Port Authority) leads the provision of marine and port services in our State. In this role, we share common goals and a close alliance with the owners of privatised port assets in Newcastle, Port Botany and Port Kembla.

This year, a significant focus for Port Authority has been around the future of the Glebe Island and White Bay port precinct. We have been canvassing options that would see the port seamlessly integrate with the NSW Government's vision to open up the precinct as an innovative hub for technology and other uses.

Glebe Island and White Bay are the only deep-water wharves in public ownership located west of the Sydney Harbour Bridge. Sydney cannot afford to lose the last remaining deep-water berths where so much of the raw materials driving our current infrastructure boom come through, including gypsum, cement and potentially sand and aggregate.

The port is at the geographic heart of a construction boom being driven over the next 25 years by \$70 billion of major infrastructure, urban renewal and transport projects in the inner city.

It is our vision that a working port would seamlessly integrate as part of a technology and innovation precinct, where there is a lasting benefit to those living, working or visiting the area. Long gone are the days of bulk products being openly stockpiled on the landside.

Integration of transport and logistics within an urban development is not new. There are many examples both locally and around the globe where this occurs successfully.

The implications of delivering urban renewal and port related industries on Glebe Island is currently the subject of an independent review by Infrastructure NSW. We look forward to the outcomes of this review and working with the NSW Government on making this transformation a reality.

Another focus area for Port Authority this year has been working to address cruise capacity in Sydney, given that cruise continues to be the fastest growing tourism sector in Australia. In fact, latest statistics show that almost 1.3 million Australians or 5.3 per cent of the population cruise each year.

This reporting year alone, we have had a record 344 ships visit Sydney, including 10 maiden visits. That's 33 more ship visits than last year.

Sydney is also now attracting mega-liners like *Ovation of the Seas*, which first arrived with much fanfare on 15 December 2016 carrying 5000 passengers, 1000 more than her largest predecessor, *Explorer of the Seas*. It was also the first time that Sydney had hosted a newly launched cruise ship, a mantle usually reserved for North American or European ports.

The upward trend for cruise is not unique to Sydney either, with the first-ever cruise ship to visit Port Kembla, *Radiance of the Seas*, occurring on 30 October 2016. In total, four cruise ships visited Port Kembla during the season, heralding the start of a new tourism era for the Illawarra. Similarly, Port of Eden had 14 cruise ships visit throughout the season, up from eight in 2015/16.

To ensure this growth continues into the future and we continue to attract mega-liners from around the world, Port Authority has been exploring a number of options to address capacity restraints in the short to medium term especially in lieu of a third Sydney terminal, which at best would likely have a delivery timeframe of five to ten years.

These options include the introduction of a new booking policy and also a secondary timeslot or double turnarounds at the Overseas Passenger Terminal at Circular Quay – with potential solutions being canvassed as part of a new Cruise Industry Reference Group (CIRG) that was formed in June 2017 by the Minister for Roads, Maritime and Freight and the Minister for Tourism and Major Events.

CIRG is tasked with providing recommendations on the future location of a possible third cruise terminal and exploring how capacity issues may be resolved in the short and medium term. CIRG is required to provide advice to the Ministers later in 2017. Port Authority welcomes the support of the NSW Government collaborating with industry to address this issue.

Port Authority continues to have year-on-year success in growing our business and improving our financial performance. We have exceeded our financial targets and can report earnings of \$39.9 million (EBITDA), up \$14.2 million on the previous year.

An Independent Pricing and Regulatory Tribunal review of the 'per passenger site occupation charge' for cruise ships was finalised in November 2016. The review found that Port Authority's provision of cruise services at our two Sydney passenger terminals was cost efficient, and no opportunity to reduce costs could be identified. This means a final capped

annual increment of \$5 will be introduced on 1 August 2017, taking the per passenger site occupation charge to \$35 per passenger, with annual consumer price index (CPI) increases to follow. This charge provides a return on the \$135 million investment we have made over the past few years in upgrading our port infrastructure at the Overseas Passenger Terminal and White Bay Cruise Terminal. (See Sections 10.4 and 10.5.)

Port Authority is a dynamic, forward-thinking business focused on being at the forefront of issues that face the port and marine services sector – including sustainability and port safety. Each day, we are responsible for coordinating on average 17 vessels into and out of New South Wales, and more than 6300 vessel visits each year. This involves our core work of pilotage, navigation and emergency response.

I would like to thank Port Authority employees for their ongoing commitment and passion in all that they do, especially for their unilateral commitment towards zero harm by making safety a part of their everyday routine. The safety awareness and safety leadership of our operations and support employees has delivered a significant improvement in performance that has resulted in a 70 per cent reduction in recordable injuries over the previous 12 months. Together we continue to make good progress and of that, I am immensely proud.



Grant Gilfillan
Chief Executive Officer and Director
30 September 2017

7 Board of Directors



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

NICHOLAS WHITLAM

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

Chairman

Chairman, Nominations Committee

Member, Audit and Risk Committee

Member, Remuneration and Human Resources Committee

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

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

A career banker, Nicholas Whitlam has been an officer of or advisor to major financial institutions (JP Morgan, American Express, Paribus, Deutsche Bank) in New York, London, Sydney and Hong Kong. As such, he has been exposed to most aspects of banking, insurance and finance. He is a former CEO of the State Bank of New South Wales, a former President of the NRMA and was the inaugural chairman of Insurance Australia Group.

GRANT GILFILLAN

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

Chief Executive Officer**Director**

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

Before joining Sydney Ports Corporation in 2008, Grant worked in Africa, the Middle East and Europe (Romania) as a Senior Vice President, Managing Director and General Manager for DP World. Prior to this, he served as Director of Operations for P&O Ports, Australia and New Zealand and as Managing Director of CSX World Terminals in Australia.

Prior to that, Grant was a mining engineer and mine manager in the NSW Hunter Valley and the north-west of Western Australia.

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

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

ZORANA BULL

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

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

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

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

Zorana was previously a Partner with international consulting firm PA Consulting Group, with postings in Europe and Asia-Pacific, and Chief Operating Officer of the Australian business. During this time, she specialised in strategy development, restructuring and performance turnaround.

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

PENNY BINGHAM-HALL

B.A. (Ind. Des) University of Technology Sydney, FAICD, SF (Fin.)

Director

Chairman, Remuneration and Human Resources Committee

Member, Audit and Risk Committee

Member, Nominations Committee

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

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

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

ROBERT DUNN

B.A. Hons Macquarie University, MAICD

Director

Chairman, Audit and Risk Committee

Member, Nominations Committee

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

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

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

Robert is a former Finance Director of Patrick Corporation, a position he held for 14 years.

**THE HONOURABLE
PATRICIA FORSYTHE**

B.A. Dip.Ed. University of Newcastle,
FAICD

Director

Member, Audit and Risk Committee

Member, Nominations Committee

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

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

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

Prior board appointments have included the Hunter Development Corporation and Hunter Medical Research Institute. Patricia was also previously a member of the Advisory Board of the University of Technology Sydney (UTS) Business School; a director of the Board of Studies, Teaching and Educational Standards NSW; and an Honorary Associate of the Graduate School of Government at Sydney University.

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

GERARD SUTTON AO

B.E. (Hons) University of New South Wales, M.Eng.Sc. UNSW, PhD CUA

Director

Member, Remuneration and Human Resources Committee

Member, Nominations Committee

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

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

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

8 Executive team



Grant Gilfillan

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

Chief Executive Officer and Director

(See Board biography on page 21)



Kell Dillon

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

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

- Marine operations
- Pilotage
- Regional ports and administration



Emma Fensom

MBA (AGSM), B.Bus. Newcastle University

Chief Operating Officer Newcastle and Yamba

- Marine operations
- Pilotage
- Regional ports and administration



Lawrence Ho

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

Chief Financial Officer and Chief Risk Officer

- Corporate planning and reporting
- Company secretary
- Corporate services



Philip Holliday

B.Sc. (Hons) University of Teesside

Chief Operating Officer and Harbour Master, Sydney

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



Joe James

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

Executive General Manager, Bays Precinct Port Development

- Port development at Glebe Island and White Bay



Ralph Keats

Executive General Manager, Work Health and Safety

- Work, health and safety strategy



Brad Milner

B.Eng. University of Technology, Sydney

Executive General Manager, Commercial, Technical and Legal

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



Alison Nolan

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

Executive General Manager, Human Resources and Corporate Affairs

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



Garry Voutos

Executive General Manager, Information Technology

- IT strategy and operations
- Cyber security

9 Vision, objectives and values

Our vision

We are internationally recognised leaders in the provision of efficient, integrated and innovative port marine services.

Our purpose

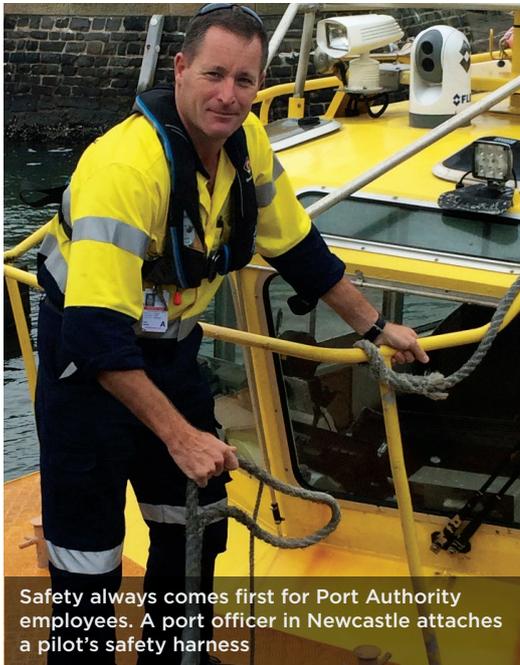
To provide safe, efficient, sustainable, world-class port and marine services whilst retaining and optimising our port assets to deliver the financial and strategic goals of the NSW Government.

Our objectives

- A reputation as the best managed and best governed state owned corporation in New South Wales
- A robust and sustainable port business
- A culture which strives for excellence.

Our values

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



Safety always comes first for Port Authority employees. A port officer in Newcastle attaches a pilot's safety harness



Our people are important: a deckhand in Yamba

10 Sydney Harbour and Port Botany

Port Botany

Port Botany is a deep-water seaport located in Botany Bay, Sydney. It is Australia's second largest container port and specialises in trade in manufactured products and bulk liquid imports including petroleum and natural gas.

Sydney Harbour

Sydney Harbour is Australia's cruise gateway and one of the world's most

beautiful ports of call. Sydney Harbour is the only port in Australia with two dedicated cruise passenger terminals – the Overseas Passenger Terminal at Circular Quay and White Bay Cruise Terminal west of the Harbour Bridge at Balmain.

Sydney Harbour receives imported refined oil at Viva Energy Australia's private facilities at Gore Cove and imports cement, gypsum, salt, sugar and lubricol and exports tallow through common user berths at Glebe Island and White Bay.



10.1 Trade vessel visits

The table below presents a monthly breakdown of figures for 2016/17 and totals for 2016/17 and 2015/16 across Port Botany and Sydney Harbour. Last year's figures are provided for comparison.

Trade vessel visits to Sydney Harbour and Port Botany, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Port Botany/ Kurnell	149	146	153	159	155	154	149	135	150	146	144	134	1,774	1,700
Sydney Harbour/ Gore Cove*	54	68	62	55	77	92	69	78	98	73	62	74	862	858
TOTAL	203	214	215	214	232	246	218	213	248	219	206	208	2,636	2,558

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

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

10.2 Marine Operations

A Chief Operating Officer manages Port Authority in Sydney Harbour and Port Botany.

Port Authority is responsible for the following functions in Sydney Harbour and Port Botany:

- pilotage services and the Harbour Master, including publishing information about depths in different areas of the port
- Vessel Traffic Services (VTS)
- Port Safety Operating Licence functions including:
 - incident reporting
 - emergency response
 - notifications for dangerous goods, bunkering (refuelling vessels) and hot works (any works that could result in a fire or works in a combustible environment).
- inductions for access to Port Authority sites in Sydney Harbour and Port Botany
- approval and administration of local knowledge certificates
- asset management

- emergency response and port security
- maintenance of navigation aids.

Marine Operations is committed to the continual improvement of the delivery of port safety functions.

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

- completed 4357 pilot transfers to and from commercial ships – an average of 12 per day
- provided 2926 ship escorts in Sydney and Port Botany
- completed 1473 bulk dangerous goods transfer checks
- undertook 562 work permit audits
- actioned 1005 bunker notifications in Sydney Harbour and 498 bunker notifications in Port Botany
- responded to 312 calls to reports of pollution or fire, boom operations or vessels needing assistance or towage
- conducted 10 fire-tug water displays
- carried out navigation and security patrols in both Sydney Harbour and Port Botany.

Vessel Traffic Services: Sydney Harbour and Port Botany

Vessel Traffic Services (VTS) works to ensure navigational safety and environmental integrity for the ports of Sydney and Botany. To do this it:

- monitors the safe navigation of vessels through radar and radio tracking
- provides navigational information and Vessel Traffic Organisation Services.

This work is carried out in accordance with International Maritime Organisation (IMO) standards set by its working group, IALA (International Association of Lighthouse Authorities) guidelines.

VTS undertook consolidation of its email management in late 2016. This streamlined the VTS communication process for both internal and external stakeholders. This provided for:

- more effective communication between the rotating VTS shifts
- greater efficiency in managing vessel movements
- better archiving of information
- enhanced time management for VTS employees, allowing time to be better spent on operational improvements and review.

In May 2017, work commenced on the project to certify Sydney VTS in accordance with IMO Resolution A.857 (20) as amended and promulgated via MO 64. This initiated a review of the current procedures, documentation, practices and processes of the VTS and involved the development of a project framework and gap analysis. The work is still underway, although the following milestones have already been achieved:

- To develop better awareness and understanding of the core functions

of VTS, a short in-house PowerPoint movie was developed, highlighting both purpose and functional capabilities of the Sydney VTS.

- The VTS team completed its work on the Application Compliance matrix and annexes, with all associated reference documentation submitted to the Australian Maritime Safety Authority (AMSA).
- Procedures were reviewed and a complete overhaul of current documentation was carried out. The new VTS Operating Procedures were developed, with draft copy for a VTS Operating Manual due for completion in July 2017.
- The VTS team carried out a complete review of emergency preparedness and emergency procedures. After the review, ongoing drills to test all processes commenced in June 2017.
- The VTS team carried out a reassessment of practices and realignment to international standards and expectations. Collaboration with pilots provided 'shared' reference points for vessel movements such as abort points and traffic clearances. (This reference point on the radar display allows the VTS Officer to assess and ensure that appropriate services – such as tugs, lines and berth availability – are all ready for the vessels entry). Work is ongoing, and adds another level of risk assessment to vessels' safe harbour transit.
- To address skills maintenance issues, the VTS team created an online multiple-choice quiz, which VTS employees will undertake twice annually.

It is anticipated that a three-day initial audit will be conducted in August 2017. This work will lay the foundations for the rolling out of a Risk Based (Safety) Management System for the 2017/18 year.

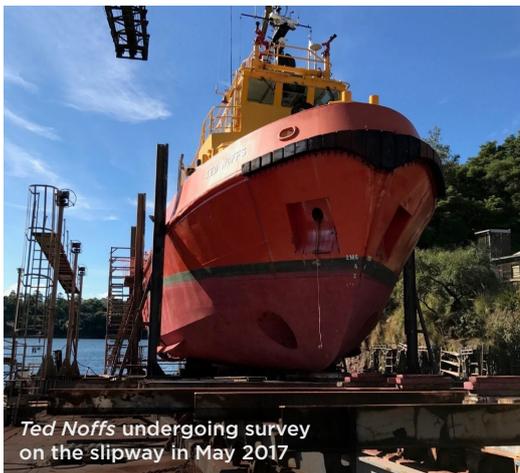


The tug *Ted Noffs* on a rare quiet evening at Port Botany

Ted Noffs survey and slipping

The fire tug *Ted Noffs* underwent a full docking survey in May 2017. When on the slip (docked out of water), a surveyor checked the hull internally and externally, plus checked the propellers, shafts, valves and rudders.

The inspection ensured *Ted Noffs* would continue to provide a safe and reliable service as part of Port Authority's fleet of response vessels.



Ted Noffs undergoing survey on the slipway in May 2017

Operations people workgroup initiatives

A workgroup has been formed across Marine Operations to work on initiatives such as reviewing recruitment and selection guidelines, competencies matrix, training and assessing requirements and career progression.

Water displays

Port Authority's two fire tugs, *Shirley Smith* and *Ted Noffs*, conducted a number of water displays for various events on Sydney Harbour. This included celebrations on New Year's Eve and Australia Day, and ceremonial salutes for the maiden voyage of *Ovation of the Seas* and the sail training ship *Esmeralda*.

Fire tug *Shirley Smith* also participated in a promotional campaign for the Disney film, *Pirates of the Caribbean: Dead Men Tell No Tales*. The promotion involved a laser projection of a ghostly pirate ship being shone from a barge onto a fine mist of water sprayed by *Shirley Smith's* hoses.



Projection of a skull and crossbones above a ship was part of a promotional campaign for Disney

Yacht Express

Marine Operations, Sydney, is involved in many interesting on-water activities.

Yacht Express is a semi-submersible cargo ship. The vessel submerges into a 'floating marina' that allows for the easy loading and transportation of yachts. When all yachts are moored in their reserved position, the yacht carrier rises back above the waterline.

In January 2017, *Yacht Express* was in Sydney Harbour to load a number of Australian-built luxury vessels. These were then transported across the seas to New York via Hong Kong. This unique activity took months of preparation and involved a number of Port Authority teams.



Yacht Express loading luxury vessels in Sydney Harbour in January 2017

The year ahead

Looking ahead for Marine Operations in 2017/18, a number of training courses will be implemented for the employees including a Tanker Ship Safety course, Advanced Resuscitation and Breathing Apparatus training.

Marine Operations will also be reviewing, updating and streamlining its procedures to reflect developments in operations.

External contract surveys

Over the reporting year 2016/17, the hydrographic survey team completed Port Safety Operating Licence (PSOL) surveys in Port Jackson, Port Botany, Port of Yamba and Port of Eden, and 18 contract hydrographic surveys for a number of government and non-government agencies.

This includes work for Viva Energy; Royal Haskoning DHV; Caltex Australia; NSW Ports; Clarence Valley Council; the Department of Primary Industries, Crown Land; and Roads and Maritime Services (RMS).

In September 2016, the hydrographic survey team conducted a joint project with Newcastle survey firm Monteath & Powys to capture a portion of Sydney Harbour foreshore above and below water. The RMS project aimed to create a seamless merging of unmanned aerial vehicle photogrammetric data captured above water with hydrographic multi-beam data from below water.

Port Safety Operating Licence Bays and Tributaries program

The hydrographic survey team embarked on an extensive campaign to aid safe navigation by surveying all the bays and tributaries within the port waters of Sydney Harbour and Botany Bay. The images and data they took from the sea floor was sent to the Hydrographic Office to assist in the development of charts for mariners.

High-density chartlets have been produced to help ferry providers safely navigate the areas of Sydney Harbour that have limited under-keel clearance.

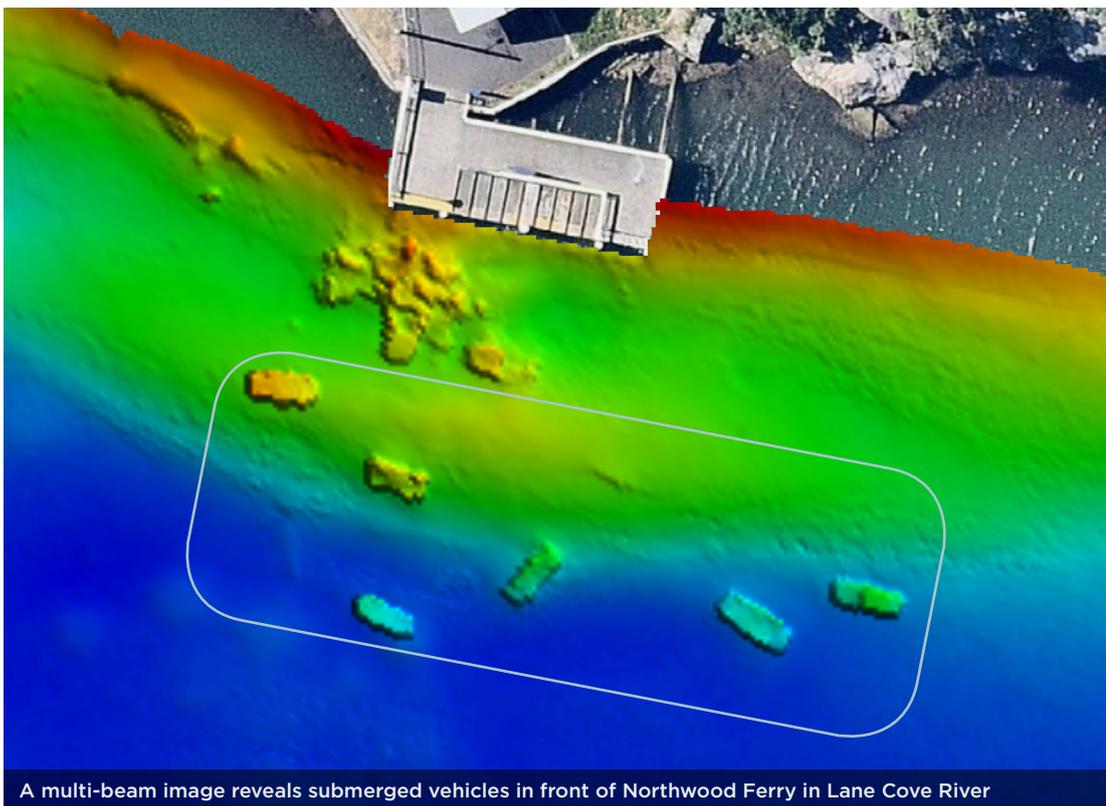
In Lane Cove River, survey work uncovered a total of 16 submerged cars adjacent to ferry wharves including Northwood Wharf (11), Greenwich Point Wharf (1), Longueville Wharf (4) and Woolwich (1).

The year ahead

The hydrographic survey team will have a significant presence in Eden for the Breakwater Wharf Extension project.

During 2017/18, pre- and post-dredge hydrographic surveys will be conducted by external contract. Port governance survey work will also continue with an emphasis on updating hydrographic surveys of port approaches within the port limits.

Port safety surveys are also scheduled in Port Jackson, Port Botany, Port of Yamba and Port of Eden.



A multi-beam image reveals submerged vehicles in front of Northwood Ferry in Lane Cove River

10.3 Emergency response

Operations

Port Authority emergency response teams are available 24/7 to respond to any incident in Sydney Harbour, Port Botany and to coastal limits (three nautical miles from the territorial sea baseline).

The teams help combat incidents such as fires and pollution, and performs booming and ship assistance operations.

During 2016/17, incidents responded to included:

- 88 booming operations
- 183 reports of pollution
- 5 firefighting operations
- 21 emergency towage and vessel assists.

Examples of incidents in 2016/17 include:

- When a recreational craft capsized in White Bay, the crew of a nearby Port Authority vessel were able to quickly retrieve 21 people from the water with no injuries.
- A large steel sailing vessel that was blown from its moorings and towards rocks during strong winds was towed and secured to a safe berth in a combined response with other government agencies.
- A large commuter ferry that had broken down in Sydney Harbour was towed back to ferry base without incident.

- An unknown product leaked into Neutral Bay storm water canal over two weeks. Deployment of absorbent booms and daily monitoring prevented any escape into the wider harbour.
- Heavy fuel oil escaped from landside at the Viva Energy Gore Cove facility into the harbour. This was quickly boomed by Port Authority response vessels upon notification. The spill was effectively restricted to a small geographic area of the bay and prevented from impacting beyond this area.

Exercises

Port Authority held a number of emergency exercises with external stakeholders to test preparedness and response to incidents.

As a requirement of the Port Safety Operating Licence, these training exercises are designed to support multi-agency responses and increase collaboration between agencies.

Exercise Penguin, July 2016

Port Authority and Caltex gave a combined response to a simulated heavy fuel spill in Botany Bay. An incident control unit was set up at Brotherson House, Botany and field employees responded by deploying a total of 470 metres of containment and deflection booms to protect sensitive areas in the south east of the bay.

Exercise Viva, June 2017

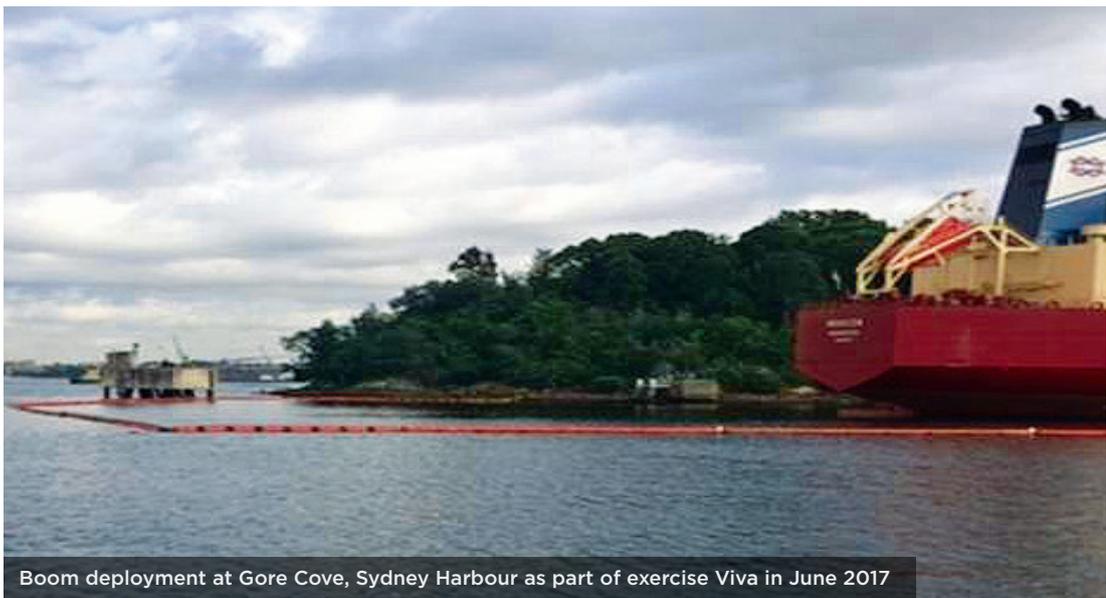
Port Authority and Viva Energy at Gore Cove, Sydney Harbour conducted an exercise with both a desktop and deployment phase. This involved a simulated refined product spill in Gore Cove from a bunker barge. The primary aim of the exercise was to test the terminal's shutdown procedures and the notifications and communications process. A deployment phase followed the desktop phase, with Port Authority booms deployed to protect the environmentally sensitive areas of the Gore Cove.

Exercise Fountain, June 2017

Port Authority and Caltex carried out a combined exercise to respond to a simulated product spill into Botany Bay. This exercise was designed to align and refine the correct notification protocols and the correct and timely communications of information to the relevant internal and external stakeholders.

Training

Port Authority employees continued to undertake external training with other government agencies, and attended a number of courses, many of which were competency based. Port Authority employees, along with employees of other government agencies, are part of the State and National Response Teams (NRT). These highly skilled personnel are available to be called upon to respond and assist to various maritime incidents both in NSW and nationally around Australia. Members of the NRT participated with the Australian Maritime Safety Authority (AMSA) in a major exercise off the coast at Cairns during the reporting year. This exercise was held over two weeks and involved simulated response and equipment deployment phases out at sea off Cairns to test national response capability to a maritime casualty.



Boom deployment at Gore Cove, Sydney Harbour as part of exercise Viva in June 2017



Discharging booms was part of the National Plan response training at Cairns

Examples of courses undertaken by Port Authority employees in 2016/17 include:

- chemical awareness course in Sydney
- incident planning course in Sydney
- advanced equipment operators course held at White Bay
- shoreline coordinators course in Kiama
- incident controllers course in Sydney
- National Response Team workshop in Canberra
- State Response Team workshop in Sydney.

ShIPS is Port Authority's system for managing shipping movements and the first ever ShIPS (Sydney Integrated Ports System) symposium was held this year. Two sessions at Moore's Wharf and Brotherson House took place to address questions from key internal and external stakeholders and upskill those who use the program. Newcastle, Yamba, Port Kembla and Eden are currently transitioning to the system.



Symposium to upskill users of the Sydney Integrated Port System (ShIPS)

Wildlife container

Port Authority looks after and provides training, support and transport of the State of NSW wildlife container. This seven-metre purpose-built shipping container carries specialist equipment to treat any oiled wildlife. It is located in Sydney and can be deployed rapidly to the site of an incident on the NSW coast. In 2016/17, three training sessions were conducted, two in Ballina and one in Cronulla.

10.4 Cruise in Sydney Harbour

Cruise ship visits to Sydney Harbour, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016- 17	TOTAL 2015- 16
Sydney Overseas Passenger Terminal	8	11	11	18	23	24	29	27	25	20	9	8	213	182
Sydney White Bay*	6	0	5	7	16	14	20	15	15	8	5	6	117	115
Sydney other	1	0	1	0	0	0	3	4	3	1	1	0	14	14
TOTAL	15	11	17	25	39	38	52	46	43	29	15	14	344	311

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

Total passenger exchange in Sydney Harbour split by passenger terminal, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Sydney Overseas Passenger Terminal	35,269	45,103	46,241	79,743	128,667	141,569	173,576	154,095	143,829	108,800	42,584	34,022	1,133,498	925,673
Sydney White Bay*	22,019	0	17,916	23,850	57,821	39,262	72,942	48,206	49,347	28,551	19,100	20,490	399,504	383,650
TOTAL	57,288	45,103	64,157	103,593	186,488	180,831	246,518	202,301	193,176	137,351	61,684	54,512	1,533,002	1,309,323

Note: Includes both debarked and embarked passengers.

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

Total passenger exchange in Sydney Harbour, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL
2014/15	25,774	40,483	63,197	114,266	126,190	170,577	173,713	142,626	148,440	76,572	20,529	48,791	1,151,158
2015/16	38,213	22,260	62,467	111,746	141,263	170,459	189,889	172,696	149,117	126,771	63,192	61,250	1,309,323
2016/17	57,288	45,103	64,157	103,593	186,488	180,831	246,518	202,301	193,176	137,351	61,684	54,512	1,533,002

Note: Includes both debarked and embarked passengers.

Cruise continues to be the fastest growing tourism sector in Australia and there are no signs of cruise ship visits to Sydney slowing, with demand in the peak summer season at record levels. Latest statistics from the 2016 cruise industry (source: market report by the Cruise Lines Industry Association) show that almost 1.3 million Australians or 5.3 per cent of the population cruise each year.

Growth and statistics

In 2016/17:

- Sydney Harbour hosted a record 344 cruise ship visits (up from 311 in 2015/16).
- There were 10 maiden visits this season (up from eight in 2015/16).
- Over 1.53 million passengers passed through our terminals (up from 1.31 million in 2015/16).

In 2017/18, 350 cruise ship visits are scheduled to visit Sydney, including eight maiden voyages

Season highlight

The season's highlight was the arrival of *Ovation of the Seas*, on 15 December. The ship is 18 decks high, measures 348 metres in length and weighs over 168,000 tones. She carries 5000 passengers, 1000 more than her predecessor *Explorer of the Seas*. This was the first time that Sydney had hosted a newly launched cruise ship, a mantle usually reserved for North American or European ports.

Sydney also encountered a 'royal rendezvous' as two of the world's most famous cruise ships, *Queen Mary 2* and *Queen Elizabeth*, arrived into Sydney Harbour at the same time on 25 February 2017, bringing a combined 5000 passengers into Sydney.



Radiance of the Seas, a regular visitor to Sydney, at the Overseas Passenger Terminal at Circular Quay

Operational efficiencies

During February's peak visitations, two cruise ships, *Crystal Symphony* and *Radiance of the Seas*, co-shared the White Bay Cruise Terminal – a first for Port Authority.

More than 2500 passengers embarked simultaneously. This is three times the average number of passengers processed at any one time and a record for the terminal since its opening in April 2013.

The cruise team also pulled off another first in peak season by completing two full turnarounds of the *Radiance of the Seas* from a buoy. In order to accommodate Royal Caribbean's additional request for calls for *Ovation of the Seas*, the team worked with Royal Caribbean to move two *Radiance of the Seas* calls from the Overseas Passenger Terminal to Athol Bay buoy, providing a berth for the larger *Ovation of the Seas*.

These turnarounds, on 28 January and 9 February 2017, were akin to what is generally performed from a cruise terminal with a complete passenger embark/debark, baggage offload/onload and some light cargo/stores. The turns facilitated 4512 and 4316 passengers respectively.

All passengers progressed safely to and from the ship, all baggage was accounted for, and all border protection and security regulations were met successfully.

Maiden visits

There were 10 maiden visits in 2016/17, with the highlight being the arrival of *Ovation of the Seas* and for the first time in Australian waters, a ship from Norwegian Cruise Lines, *Norwegian Jewel*.

Prestige international luxury ships such as the *Azamara Journey*, *Seabourn Encore*, *Magellan* and *MS Sirena* also visited Sydney during the peak summer months.

Transport solutions

Throughout early 2017, Port Authority worked closely with a number of NSW Government stakeholders to improve access to the Overseas Passenger Terminal for large heavy vehicles that move stores and passengers to the terminal. The project extended peak morning access to Jack Munday Place from four days a week to seven days a week. Port Authority also negotiated the implementation of a staging area for large heavy vehicles on upper George Street, ensuring efficient deliveries of stores to the wharf.

At White Bay, a private charter ferry service continued to offer cruise passengers a ferry service on each cruise ship day to ensure improved access for all passengers to and from White Bay Cruise Terminal into the city.

White Bay shuttle bus service

Since the White Bay shuttle bus service was launched in February 2016, more than 5000 international cruise passengers transiting White Bay Cruise Terminal have taken advantage of the free service between the terminal and Rozelle/Balmain. On arrival, cruise passengers are greeted by ambassadors and given guides and maps of attractions and highlights in the local area. The shuttle service then transports the cruise passengers directly to these attractions. The service is a joint initiative between Port Authority and Inner West Council.

New ambassador program

The launch of a new ambassador program to meet and greet cruise visitors to Sydney ensures international passengers are provided with appropriate information and handy tips on how to get around and see Sydney. The volunteer program was launched in October 2016, to coincide with the start of the 2016/17 cruise season. It is a joint initiative of City of Sydney, Destination NSW and Port Authority of NSW.

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

After an extensive review, the Independent Pricing and Regulatory Tribunal (IPART) provided a final report to the NSW Government in November 2016, setting out the findings and recommendations of its review.

IPART found that Port Authority's costs in relation to the provision of cruise services at its passenger terminals were appropriate and no opportunity could

be identified to further improve cost efficiency. The report also noted there was no evidence that Port Authority's cruise vessel pricing structure had slowed growth in the Sydney cruise market.

The NSW Government responded in June 2017, supporting five out of the seven IPART recommendations, but not supporting IPART's fixed pricing model based on a 24-hour slot endorsing Port Authority to move to \$35 (GST exclusive) per passenger from 1 August 2017.

Cruise Industry Reference Group

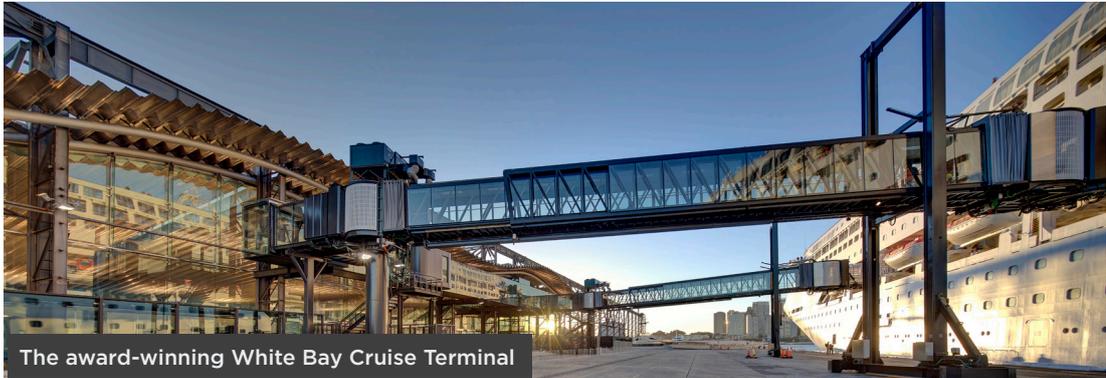
A Cruise Industry Reference Group (CIRG) has been established to form a recommendation on a location for additional cruise capacity east of Sydney Harbour Bridge.

The CIRG has been tasked with providing recommendations on the future location of a possible third cruise terminal and how current capacity issues may be resolved in the short-, medium- and longer-term.

Port Authority sits on the CIRG along with representatives from Transport for NSW, Department of Industry, Infrastructure NSW, Carnival Australia, Royal Caribbean, Norwegian Cruise Lines, Cruise Line Industry Association and Australian Cruise Association.

Captain, the Hon. Peter Collins, AM, RFD, QC, RANR has been appointed as an independent Chair.

The group is required to provide advice to the Minister for Roads, Maritime and Freight and the Minister for Tourism and Major Events in the form of a report later in 2017



The award-winning White Bay Cruise Terminal

10.5 Glebe Island and White Bay

The port precinct at Glebe Island and White Bay is at the interface of a number of strategic capabilities and outcomes for New South Wales:

Port supply-chain and cruise

It provides port capacity necessary to service the existing and future demand for the construction material supply-chain and cruise market.

Working harbour

It provides working harbour capability, critical to maintaining the strategic value of the Harbour as Sydney's greatest single physical asset.

Future transport infrastructure

It is significant, if not essential, to the delivery of WestConnex (Rozelle Interchange), Western Harbour Tunnel and Sydney Metro West.

Urban renewal

It has capacity for greater economic productivity through increasing the intensity and variety of land uses through urban renewal, which is intended to be focused on the innovation economy.

The port precinct currently provides critical marine supply chain capability for essential construction materials. This port-based supply chain through Glebe Island is the most sustainable option, when compared to alternative supply chains, to support the annual inner-city construction task typical of a global and growing city such as Tomorrow's Sydney. Independent modelling has forecast that annual construction material throughput at Glebe Island would likely be between six and eight million tonnes within the next 30 years. The majority of this volume is represented by cement, sand and aggregate for the concrete supply chain.

Glebe Island and White Bay also provide essential operational capability for Sydney's Harbour economy. The precinct is home to some marine contractors (who maintain Sydney's seawalls, jetties and other marine infrastructure). It provides staging areas for on-water construction and events as well as berthing facilities for commercial shipping and harbour service providers (such as tugs, refuelling vessels and waste-removal barges). It is even used by other high-profile ocean going users such as the Royal Australian Navy and Australian and international research vessels.

Background

In September 2016, UrbanGrowth submitted a preliminary business case for development of an innovation district on Glebe Island to the NSW Government.

The business case was informed by the Port Options Study, undertaken by the Port Authority, which set out the options for integration or relocation of the port supply chain uses (including the impacts of each option on the working harbour capability).

The Port Options Study concluded that the preferred option – one that maximised the strategic and economic opportunities at Glebe Island – was to integrate a port (specifically one with bulk materials handling capability) with an innovation district.

Infrastructure NSW review and long-term integrated port outcomes

In response to UrbanGrowth's preliminary business case and the Port Options Study, the NSW Government requested an independent review by Infrastructure NSW of aspects of the NSW Government's proposal to deliver an innovation hub at Glebe Island. The purpose of the review is to examine the strategic need to retain port and working harbour capabilities and the feasibility of integrating urban renewal.

Co-ordination of major infrastructure delivery and 'interim' port operations

In the last few years, the strategic planning processes for major infrastructure has identified the existing port precinct as significant, if not essential, to the staging and delivery of WestConnex (Rozelle Interchange), Western Harbour Tunnel and Sydney Metro West.

Transport for NSW has established a Transport Strategy Control Group, including both Port Authority and UrbanGrowth, to co-ordinate the Transport Cluster project land use requirements and to minimise impacts on port operations and urban redevelopment plans.

Port Authority has also established regular consultation with each of the infrastructure project teams to facilitate each project's land-use and access requirements within the port precinct. At this point it is anticipated that these land-use requirements will be the subject of individual leases and/or licences, the first of these being a licence to RMS for land adjacent to White Bay Power Station to facilitate preparatory works for the WestConnex–Rozelle Interchange.

Government announcements regarding the timeframes for each of these infrastructure projects suggest that urban renewal within Glebe Island and White Bay (including the power station area) will not proceed for about 10 years. This has driven the need to plan for and meet the existing and future demand of cruise, port supply chain and working harbour uses through an 'interim' phase that contemplates and facilitates major transport infrastructure delivery.

While Port Authority is not anticipating any major change in the demand profile for cruise or working harbour uses (beyond construction staging demands of the major infrastructure projects), there is significant unmet demand for port capacity to service the concrete supply chain in Sydney.

Significantly, any delay in the provision of port capacity to meet this need in the concrete supply chain increases the risk that market participants make near-term investment decisions which will impact on the future likelihood that they will use marine supply chains through Glebe Island. Investments in alternative supply chains would potentially prevent New South Wales from embedding this sustainable marine supply chain as an integral part of the delivery of construction material to Sydney.

Resulting from the market engagement processes that have run concurrently with the NSW Government's consideration of Glebe Island, Port Authority has identified two preferred projects to service the concrete supply chain through this 'interim' phase:

- a multi-user terminal to service, primarily, bulk sand importation
- the re-establishment of the marine supply chain from Hanson's Bass Point quarry into the Sydney CBD (potentially including a co-located batching plant).

Multi-user terminal for sand and other commodities

Increasing local demand for sand for the construction industry has been forecast across government for many years as local sand sources are depleted. Sand and aggregates used as an input to concrete production by the construction industry is currently sourced from Kurnell in Sydney's south and transported to Sydney by road.

The Kurnell sand resource is currently nearing the end of its economic life and alternative sources will need to be found.

Recognising that sand supply may potentially come from multiple sources, Port Authority needs to establish a means to quickly service sand imports, which:

- meets the market needs for up to 10 years
- is positioned to minimise:
 - the potential impacts on major transport projects anticipated needs for land or impacts on land and waters at Glebe Island and White Bay
 - future disruption as this facility is ultimately superseded by a new facility integrated into a new urban development.
- is fit for purpose, but low cost and utilitarian, and an appropriate level of investment for such a relatively short life
- can achieve a reasonable rate of return for Port Authority at a price that is appropriate to the supply chains it will service.

The proposal under current investigation is that Port Authority builds a basic, bulk materials terminal for the receipt, storage and distribution of sand and aggregates at Glebe Island berths 1 and 2.

The facility would be limited only by the capacity of the terminal and planning approvals and would service the next decade's need to import sand into Sydney.

The terminal will be assessed and consent conditions imposed by Port Authority under its Part 5 powers granted under the *Environmental Planning and Assessment Act 1979*. The community will be consulted on proposed plans for the multi-user terminal throughout the process.



Aerial view of Glebe Island and White Bay

Hanson: aggregate importation and concrete batching

Hanson responded to Port Authority's call for expressions of interest for port-related uses at Glebe Island in 2013. Since that time, engagement with Hanson has been occurring simultaneously with The Bays Precinct planning processes.

Hanson is currently exploring options to relocate from Blackwattle Bay as a result of the transformation of Bays Market District. Glebe Island is one option it is exploring.

The relocation of concrete batching to Glebe Island will support the immediate and ongoing concrete batching needs of the CBD and surrounding areas. It will also enable the redirection of raw materials to a more sustainable marine based supply chain, taking trucks off the road and reducing congestion.

Hanson will follow normal planning approval processes for a project valued in excess of \$10 million and categorised as a State Significance Development. The community will have the opportunity to comment on the proposal through the normal development processes.

Glebe Island development: next steps towards the future

Preliminary geotechnical investigations for potential new facilities on Glebe Island are underway. Port Authority is also planning and negotiating with its customers to introduce the first new trades through the port in over a decade.

In short, the critical role that the Glebe Island and White Bay port precinct has played in shaping Sydney's present, will be continued long into Sydney's future.

10.6 Security

Port Authority of NSW is committed to the security of its waterways, assets and infrastructure, the employees and public within these spaces. Security is a continuous 24/7 operation that protects and monitors:

- the waterways and shipping channels of Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Port of Eden and the Port of Yamba
- two world-class cruise terminals: the Overseas Passenger Terminal (OPT) at Circular Quay and the White Bay Cruise Terminal (WBCT) at White Bay
- wharfs at White Bay and Glebe Island used for dry bulk and import/export operations
- Port Botany boat ramp
- port service providers that operate within the waterways to service the industry.

In 2016/17, Port Authority implemented a number of developments to improve security response and capability, including:

- upgrades to all key and lock systems at OPT, White Bay Wharf, WBCT and Glebe Island Wharf
- upgrades to Moore's Wharf's closed circuit television (CCTV) system, including integrating the cameras onto the established platform
- the merging of OPT and WBCT security plans to deliver a consistent security response across the two terminals
- implementation of a new security contract for physical guarding services
- operations with NSW Police Force and the Australian Border Force at OPT and WBCT to enhance security and crime prevention.

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

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

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

The year ahead

A number of initiatives will be undertaken in 2017/18 to ensure improved security, which will include:

- carrying out realistic security exercises with all stakeholders in particular addressing armed active offenders and trending 'lone wolf' attacks
- designing and implementing a range of security platforms with minimum security standards for different types of events thereby reducing security risks and delivering consistent security standards
- upgrading visitor pass systems to maintain full compliance with legislation
- implementing state-of-the-art technology across areas of high risk security.



New groynes have been built along Foreshore Beach (looking west from boat ramp)

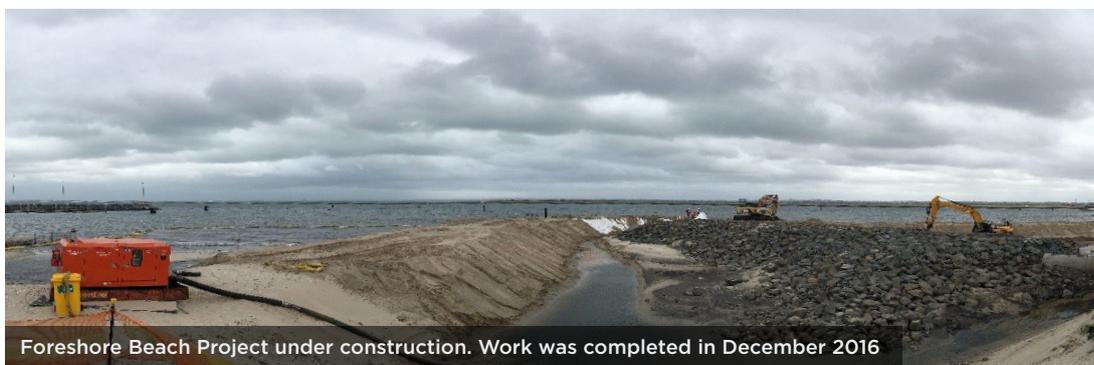
10.7 Capital projects

Foreshore Beach

Major capital works to stabilise Foreshore Beach in Botany were carried out between June and December 2016. The project was undertaken in partnership with Sydney Water, with the primary objectives being to address the loss of sand on the beach and the blocking of storm water pipes caused by sand movements.

Three breakwaters (groynes) made of composite materials, including fibre-reinforced plastic sheet piles and rock armour, were constructed along the beach to stop sand from migrating along the beach and blocking two of Sydney Water's main storm water outlet pipes.

The project has had the additional benefit of improving the environment by protecting seagrass beds from any further damage from the eroding sand. The seagrass supports marine organisms and is vital to maintaining a healthy aquatic ecosystem.



Foreshore Beach Project under construction. Work was completed in December 2016

Moore's Wharf building roof upgrade

The heritage-listed Moore's Wharf building at Walsh Bay currently functions as a marine operations base and corporate office space. Work to replace the roof of this historic building was completed in June 2017. The hardwood shingle roof had deteriorated over time and was replaced with Penrhyn Welsh slate. Copper gutters, valleys and ridge capping were also replaced, giving the building a fresh look.

Moore's Wharf is listed on Port Authority's heritage register and is of historical significance for its association with the waterside warehouse activities of the early 19th century at Walsh Bay. (See Section 16.)

The building is a key asset in Port Authority's portfolio and the important work of the building and site continues. The roof works ensure that this historic asset is protected and remains a safe and comfortable workplace for Port Authority employees.

Glebe Island and White Bay facilities

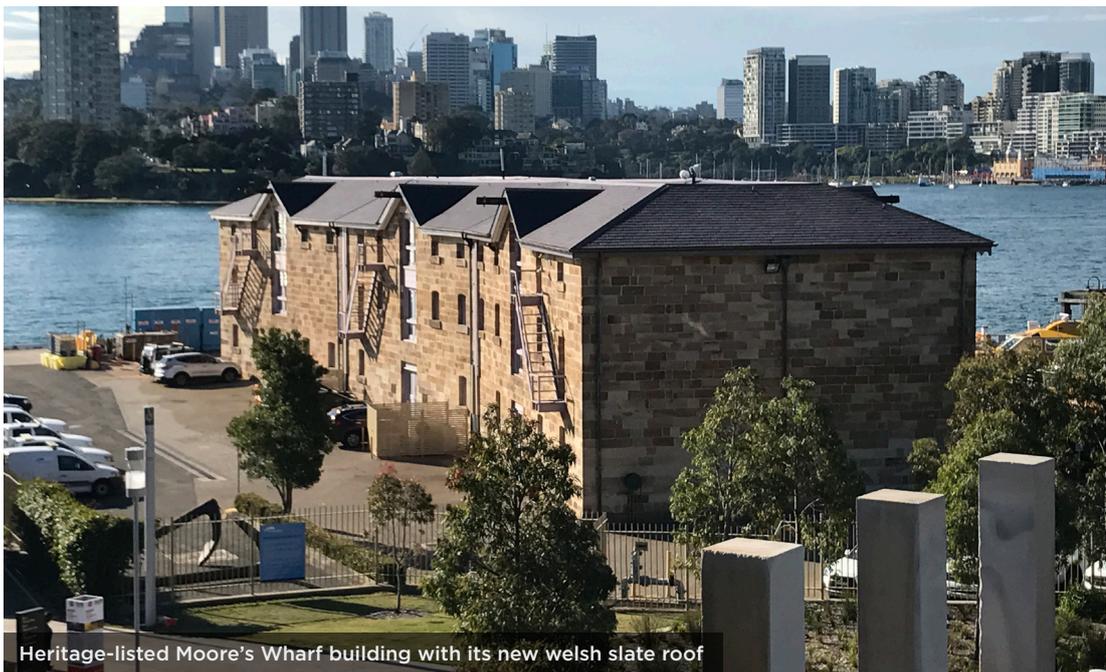
Port Authority manages port infrastructure across the industrial port areas of Glebe Island and White Bay. The upkeep of this infrastructure is critical to ongoing port and maritime operations servicing the Sydney region.

The year ahead

Port Authority is focusing on projects to facilitate the continued performance of critical port infrastructure, including:

- gangway replacement at the Overseas Passenger Terminal
- roadway pavement refurbishments
- stormwater drainage augmentation
- wharf substructure strengthening
- weather-proof sealant treatment to the Glebe Island silos.

These works are currently in project scoping phase and will be coordinated to be carried out with minimal disruption to essential port operations.



Heritage-listed Moore's Wharf building with its new Welsh slate roof

10.8 Community engagement

Community meetings

During the reporting year, Port Authority representatives continued to:

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

Community complaints and enquiries

During 2016/17, Port Authority received 216 complaints (up from 208 in 2015/16). Most complaints related to noise and ship emissions associated with the White Bay Cruise Terminal. All complaints are registered in a central database.

Service NSW continued to manage the Port Authority complaints and enquiry line on a 24-hour basis to ensure complaints are managed in real-time at any time of the day or night where possible. The 24-hour contact details are: P 02 9296 4962 or E enquiries@portauthoritynsw.com.au.

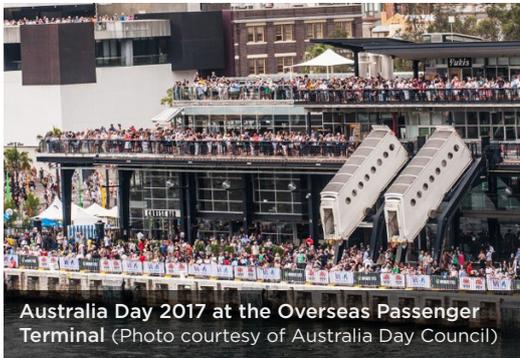
Proactive management of possible complaints continued throughout 2016/17, and included:

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

Community events

Australia Day

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



VIVID Sydney 2017

For the first time, the Overseas Passenger Terminal formed part of VIVID Sydney's official 'light walk' and was a focus of the 23-day program for 2017. There were six installations on Port Authority land and within the Overseas Passenger Terminal. Port Authority sponsored two installations:

- *Always Coming, Always Going*, an interactive art installation on the ceiling of the Arrival Hall
- *The Harbour Watchman*, located on the northern forecourt, with a giant skull and hologram that changed colour in response to sound waves.

The Overseas Passenger Terminal precinct hosted 12 separate events including lighting activations, food trucks and of course, four cruise ship visits and a feature berthing of the historic vessel *James Craig*.

Ten major events were held in the Overseas Passenger Terminal during VIVID Sydney 2017, including Good Design Australia (Arrival Hall), New Beginnings Innovation Fair (Arrival Hall), Robo Wars (Cargo Hall) and the Invictus launch.



The Overseas Passenger Terminal was activated for VIVID Sydney 2017 and for the first time formed part of the light walk



Stage for Handa Opera on the Harbour constructed at Glebe Island/White Bay

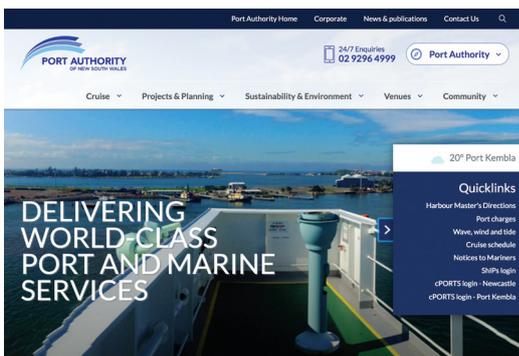
Photo courtesy of Opera Australia © Hamilton Lund

Opera in Sydney Harbour

Port Authority plays a vital role in Sydney's cultural experiences by using its land and access to deep water to help stage a number of spectacular Harbour-based events throughout the year.

An example from this year is Port Authority's support and staging of Handa Opera's production of Carmen on Sydney Harbour from late March until mid-April 2017. Opera Australia leased land and wharf space at Glebe Island to construct the stage.

Glebe Island/White Bay is also regularly used as a staging ground for major construction projects; Barangaroo Ferry Terminal being a recent example.



The new Port Authority website launched in February 2017

New Port Authority website

Port Authority launched a new amalgamated website on 27 February 2017. The new website aims to improve communication with key stakeholders and centralise and standardise information.

Research included an analysis of website user traffic, interviews with key stakeholders and internal workshops.

Key features of the new site include:

- user navigation by Port location or by function: cruise, projects and developments; sustainability and environment; venues; and community
- clear 'contact us' information
- tailored information by port
- real-time wave, wind and tide information for each port
- real-time and easier-to-use cruise schedule and FAQs
- real-time daily vessel movements
- marine information by port, including: pilotage and harbour master's directions; port charges; information for recreational boaters; promulgated depths and notices to mariners
- information on our world-class venues available for hire: the OPT and WBCT.

Community notifications

Community notifications were launched in March 2017.

The notifications aim to keep community members better informed of changes to shipping movements and significant emergency response situations across all Port Authority ports following the launch of an online community notification alert system.

The community notifications are published on the new Port Authority website and emailed to subscribers. The launch of the notifications is based on community feedback to be kept better informed of shipping movements that impact them, particularly residents in White Bay. Subscribers to the notifications can tailor their alerts by location, so that they are only getting ones relevant to them.

New visual identity

Port Authority launched a new and refreshed visual identity in May 2017 to ensure a consistent look and feel to internal and external communication. The new identity mirrors the waves found in the Port Authority logo and our role on the water.



New intranet

A new consolidated intranet was launched in November 2016. Since the launch, internal communication has significantly improved and been streamlined across the business. The site was named Dockside, following an employee naming competition. Up until the launch of Dockside, three separate intranets were being used since the amalgamation of the residual entities from the privatisation of Sydney Ports, Port Kembla and Newcastle port corporations.

10.9 The year ahead

Going forward, Port Authority will be working to launch an online newsletter as well as host a community open day at Glebe Island and White Bay to further improve engagement of its local communities.

A stakeholder satisfaction survey will be conducted from August 2017 to measure how effective our relationships are with key stakeholders and customers. This is the first stakeholder survey to be undertaken since the amalgamation of the residual entities from the privatisation of Sydney Ports, Port Kembla and Newcastle port corporations.

In 2017/18, Port Authority will conduct an employee survey on internal communication to measure and benchmark the effectiveness of our communication tools and channels. This has not been done since the business was amalgamated in 2014.

11 Newcastle Harbour

Newcastle is 162km north of Sydney and is the economic and trade centre for the Hunter region. Our harbour provides a significant gateway to the resource rich Hunter Valley and for much of the north and northwest of NSW.

Newcastle Harbour is Australia's oldest export port and one of the country's largest tonnage throughput ports. Coal exports represent more than 90% of total tonnage, which includes other bulk cargoes such as grains, vegetable oils, alumina, fertiliser and ore concentrates.



Ship in Newcastle Harbour

11.1 Overview

The Chief Operating Officer and Harbour Master manages the following functions in Newcastle Harbour:

- pilotage services and the Harbour Master, including publishing information about depths in different areas of the port
- Vessel Traffic Information Centre (VTIC)
- Port Safety Operating Licence functions including:
 - incident reporting
 - emergency response
 - notifications for dangerous goods, bunkering (refuelling vessels) and hot works (any works that could result in a fire or works in a combustible environment)
- regulator of Port Authority roles and responsibilities under the Hunter Coal Export Framework arrangements
- inductions for access to Port Authority sites in Newcastle Harbour
- participation in the Hunter Valley Coal Chain Coordination
- approval and administration of local knowledge certificates
- management of Nobbys Headland
- maintenance of Macquarie Pier
- asset management
- emergency response and port security
- maintenance of navigation aids.

11.2 Marine Operations

Marine Operations has maintained its high standard of service delivery during 2016/17, promoting the safe and efficient movement of commercial vessels operating on Newcastle Harbour.

During the reporting year, Marine Operations:

- completed 8440 pilot transfers within the port, to and from commercial ships, berths or helicopter pad – an average of 23 pilot transfers per day
- actioned 336 bulk dangerous goods notifications
- actioned 441 work permit notifications
- actioned 385 bunker notifications
- responded to 13 calls reporting pollution
- carried out navigation and environmental patrols within Newcastle Harbour.

All marine operations activities focused on maintaining a safe and environmentally sustainable port with a timely and effective response to water-based incidents and emergencies.

11.3 Summary review of operations

Trade vessel visits to Newcastle, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Newcastle	192	191	199	187	185	222	200	178	201	210	214	185	2,364	2,177

In 2016/17, there were 2364 trade vessel visits to Newcastle Harbour, an 8.5 per cent increase on trade vessel visits in 2015/16. This increase is largely due to a bumper wheat crop and significant wheat exports in the second half of 2016/17. A total of 4706 pilotage movements (inward, outward and harbour removals) were performed – 3687 of these by helicopter, 972 by cutter and 47 by launch.

Cruise ship visits to Newcastle, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Newcastle	0	0	0	0	0	1	0	1	1	1	0	1	5	10

Port of Newcastle owns cruise infrastructure and manages cruise activity in Newcastle Harbour. A total of five cruise ships called to Newcastle Harbour in 2016/17, including Celebrity Solstice in March 2017 which at 317.2 metres in length is the longest ship to visit the port during the period.

A total of 10 cruise ships are anticipated in Newcastle Harbour in 2017/18.

Vessel Traffic Information Centre

The Vessel Traffic Information Centre (VTIC) has operated within Newcastle Harbour since 2002.

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

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

In April 2017, the VTS system received a hardware and software upgrade, which included several improvements in functionality.

Emergency response

Port Authority's emergency response team includes highly trained employees and a variety of response equipment and vessels equipped to respond to incidents. During the 2016/17 reporting year, Marine Operations responded to a number of maritime incidents, including 13 reports of suspected pollution.

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

Exercises and training

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

Exercises in which Port Authority employees participated during 2016/17 are described below.



Mock media conference led by Port Authority during the Nautical Twilight exercise in August 2017

National Exercise, Nautical Twilight

On 10 August 2016 Port Authority hosted phase two of the 2016 National Plan exercise incorporating the State Exercise. The exercise focused on a chemical response and wider recovery components, exercising the recently developed NSW Fire and Rescue and Australian Maritime Safety Authority (AMSA) Level 2 National Hazardous and Noxious Substance response capability. Phase one of this exercise was conducted on 6 June 2016.

Yamba Oil Spill Exercise, September 2016

Port Authority personnel provided an oil spill equipment familiarisation and deployment demonstration of the GP500 boom. Employees from Roads and Maritime Services, Clarence Valley

Council, Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service and Marine Rescue attended.

Mayfield Berth Number 4 Exercise, February 2017

Port Authority employees conducted training on the deployment of the Grintec Rapid self-inflatable boom at the berth.

Port Centre Exercise, April 2017

Port Authority employees provided an oil spill equipment familiarisation and demonstration. Five employees from Park Fuels also attended.

Kooragang Berth Number 3 Exercise, May 2017

Port Authority employees conducted training on the deployment of the Grintec Rapid self-inflatable boom at the berth.

State Response Team workshop

Five attendees from Port Authority participated in the State Response Team workshop held in Blacktown in September 2016.

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

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

Development and projects

Projects conducted by Port Authority over the reporting year include:

- two new outboard engines for one of the two launch vessels
- a major software update for the portable pilot units
- VTIC Transas VTS system software and hardware upgrades
- continuation of work on the Cornish Boat Dock refurbishment
- a range of minor capital projects.

Port Authority is currently involved in contract negotiations for the manufacture of a pilot launch to replace the *Brian Cecil*.



Community

Port Authority has a long history of supporting community groups, especially locally, and this has continued throughout 2016/17.

This includes support for Mission to Seafarers Newcastle; the Hunter Business Awards; Hunter TAFE; and other local charities including Cancer Council NSW; Jenny's Place, Domestic Violence

Newcastle; Alzheimer's Australia; Beyond Blue; and Hunter Medical Research Institute. It also supports Newcastle Now, a small business group.

Port Authority also takes a role in facilitating local events and provides access to Macquarie Pier for MDC Foundation's annual Mother's Day Classic run which raises money for the National Breast Cancer Foundation.

Port Authority continues its involvement in the Port Welfare Committee.

This group was formed to provide an overarching management of all of the local groups providing support to seafarers. The goal of this group is to eliminate the duplication of services and provide the best welfare option available.

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

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

These groups are designed to provide a forum for information exchange and discussion on port operations and activities. Representatives are chosen because they live or work near the port and have existing communication links with the local community.

11.4 The year ahead

Port Authority will continue to work towards achieving accreditation from the Australian Maritime Safety Authority to operate the current VTIC as a licenced Vessel Traffic Service.

12 Port Kembla

Located on the east coast of NSW, Port Kembla serves the needs of regional industries such as coal (export) and steel (import of raw materials and export of steel products). It is the principal grain export port for producers in southern and southwestern NSW and is the largest car importation terminal in Australia.

The port is recognised as one of the Illawarra community's key assets and supports the employment of many local people.

12.1 Overview

The Chief Operating Officer and Harbour Master manages the following functions in Port Kembla:

- pilotage services and the Harbour Master, including publishing information about depths in different areas of the port
- Vessel Traffic Information Centre (VTIC)
- Port Safety Operating Licence functions including:
 - incident reporting
 - emergency response

- notifications for dangerous goods, bunkering (refuelling vessels) and hot works (any works that could result in a fire or works in a combustible environment)
- inductions for access to Port Authority sites in Port Kembla
- pilotage licensing (including Certificates of Local Knowledge and Pilot Exemptions)
- emergency response and port security
- maintenance of navigation aids
- asset maintenance and management.

In April 2017, the port welcomed the opening of a second grain terminal by the NSW Minister for Roads, Maritime and Freight, the Hon. Melinda Pavey, MP. The new terminal is operated by Quattro Grain from Berth 103.



Radiance of the Seas visiting Port Kembla. The port hosts a variety of ships and cargo



Port Kembla pilot vessel *Kestrel*

12.2 Marine operations

During the reporting period, Marine Operations:

- completed 1812 pilotage transfers to and from commercial vessels
- undertook annual hydrographic surveys for all of the port channels and berthing boxes
- actioned and audited 334 dangerous goods cargo permits
- actioned 1506 work permit notifications
- actioned 267 bunker permit notifications
- carried out navigation and security patrols
- actioned and monitored a wide range of miscellaneous marine activities, including towage services, line handling operations and commercial diving activities to facilitate maintenance of the port infrastructure
- responded to three reports of pollution that required deployment of personnel and equipment
- maintained emergency response capabilities and continued an annual program of emergency response exercises conducted jointly with other agencies
- carried out navigation and environmental patrols within Port Kembla
- acquired and deployed a new oil containment boom and reel in the outer harbour with power pack for faster deployment and retrieval.

All Marine Operations activities focused on maintaining a safe and environmentally sustainable port, with a timely and effective response to water-based incidents and emergencies.

12.3 Summary review of operations

Trade vessel visits to Port Kembla, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016- 17	TOTAL 2015- 16
Port Kembla	73	74	65	69	65	73	77	78	83	80	69	73	879	870

In 2016/17, there were 879 trade vessel visits to Port Kembla. Shipping numbers were up slightly in comparison to 2015/16, reflecting continuing demand for imported vehicles and high level of grain export.

Port Authority managed 1812 pilot movements to and from commercial vessels.



Trade vessels berthed at Port Kembla



Radiance of the Seas on 30 October 2016: the first cruise ship to visit Port Kembla

Photo courtesy of Destination Wollongong

Cruise ship visits to Port Kembla, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Port Kembla	0	0	0	1	0	1	1	1	0	0	0	0	4	0

During the year, Port Kembla welcomed its first cruise ships to the port, with a total of four visiting between October 2016 and February 2017 including *Voyager of the Seas*. Additionally, Norwegian Cruise Line scheduled a maiden visit to Port Kembla with a short notice visit of *Norwegian Star* in February 2017. The visits attracted significant local attention and were well received.



Voyager of the Seas visited Port Kembla in December 2016 and January 2017

Vessel Traffic Information Centre

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



A Port Kembla VTIC officer monitors port operations

A major project started this year was the replacement of the Port's existing CCTV cameras with state-of-the-art high definition dome cameras, providing VTIC operators with high quality, real-time information to a much higher standard than the previous cameras.

Port Authority continues upgrades to the performance of 'CPorts' - Port Kembla's state-of-the-art commercial shipping and port management system. The upgrade will enhance the efficiency of port operations and shipping safety, as well as managing dangerous goods and other marine activities through an interactive permit management system.

Exercises and training

Port Kembla is a member of the Port Kembla Port User Council and Business Chamber. It is an active member of the local, regional and State emergency response committees, and undertakes regular exercises with other government agencies and port stakeholders.

In addition, employees undergo training throughout the year to ensure proficiency with the variety of equipment stored in Port Kembla and full operational knowledge of deployment and operation.

Major works completed this year included the purchase and placement of an oil spill containment boom and reel, complete with a hydraulic power pack to enhance response times to incidents within the port.



Port Kembla's new oil containment boom reel and power pack, located in the outer harbour



Radiance of the Seas in Port Kembla on October 2016

Photo courtesy of Destination Wollongong

12.4 Community

Port Authority has a long involvement in the Port Kembla and greater Wollongong public and business community and is a proud major sponsor of Mission to Seafarers Port Kembla and Port Kembla Surf Club.

Port Authority is a member of the Port Kembla Port User Council, Port Security Committee and the Illawarra Business Chamber. The Chief Operating Officer and Harbour Master is the current Chairman of the Port Kembla Port User Council.

In 2016/17, Port Authority provided monetary assistance to help the Mission to Seafarers to support their invaluable work in supporting seafarers visiting Port Kembla.

In addition, Port Authority provided financial assistance to the Port Kembla Surf Club in purchasing a new surf boat trailer and oars for their new vessel.



Port Kembla's Surf Club is sponsored by Port Authority of NSW

12.5 The year ahead

Port Authority will continue to provide high quality 24/7 marine operations with upgraded voice recording and automatic identification systems (AIS), whilst emergency response activities in Port Kembla will be enhanced with an additional boom and reel destined for the inner harbour.

There has been significant interest from the cruise industry to expand their itinerary to include Port Kembla and Port Authority looks forward to assisting to facilitate this new industry to the Illawarra.

There are planned upgrades to the VTIC, with an additional employee to join the VTIC officers, who will boost the manning of the VTIC during peak periods. In addition, there will be continuing upgrades to CCTV cameras, software enhancements to the VHF radio equipment and to the CPorts shipping management system.

These initiatives will ensure Port Kembla remains at the forefront in providing a high-class, efficient and safe service to port stakeholders, shipping and the Illawarra community.

13 Port of Eden

Eden is situated on the far south coast of NSW – midway from Sydney to Melbourne. Its harbour, Twofold Bay, is the third deepest natural harbour in the world.

Port of Eden services the needs of regional industries including forestry exports, fishing, the RAN and is an established cruise ship destination.

13.1 Overview

Port Authority in the Port of Eden is managed by the Harbour Master. The Harbour Master reports to a Chief Operating Officer who is located in Port Kembla, NSW.

Port Authority in Port of Eden is responsible for the following functions:

- Harbour Master and 24-hour pilotage services

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

There are three wharves in the Eden port precinct and Port Authority also owns and manages an eight-hectare cargo storage facility on the south side of Twofold Bay, adjacent to the RAN multi-purpose berth.



The P&O cruise ship *Pacific Eden* is adjacent to Snug Cove, December 2016

13.2 Summary review of operations

Total vessel visits (trade and cruise) to Port of Eden, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016- 17	TOTAL 2015- 16
Eden	5	7	6	10	9	11	6	12	11	5	5	8	95	69

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



A truck loaded with logs on the weighbridge inside the cargo storage area behind the RAN multi-purpose berth, East Boyd Bay, Eden

The total number of vessel visits to Eden during 2016/17 was 95 of which 74 were chargeable. The largest users of the port during the reporting year were the dry bulk cargo ships (33), fishing vessels (22), the RAN (20) which is a non-chargeable user, and cruise ships (14).

Cruise ship visits to Port of Eden, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016- 17	TOTAL 2015- 16
Eden	0	0	0	0	2	3	2	3	2	2	0	0	14	8

In 2016/17, there were 14 cruise ship visits compared to eight in 2015/16. There were four maiden voyages, including 2000 passengers on *Maasdam* and *Black Watch*, which used Eden as her first Australian port of call. In April 2017, *MV Sirena* made her first visit to Eden.



Cruise ship calling to Port of Eden



Pilot boarding a vessel in Port of Eden



Aerial view of ANWE shows the woodchip mill and ships at wharf loading woodchips and logs

13.3 Port development

A highlight of the 2016/17 year was the announcement of a 110-metre extension to the Snug Cove breakwater wharf to allow the berthing of cruise ships over 325 metres in length.

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

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

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

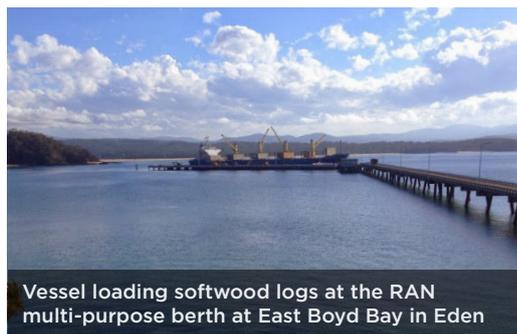
13.4 Sponsorship

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

13.5 Other highlights

In June 2016, the woodchip berth owned by Australian Natural Wood Exports (ANWE) was significantly damaged in a storm caused by an east coast low.

Port Authority provided technical and operational support to ANWE to assist the company in temporarily relocating its operations to load ships to the adjacent RAN multi-purpose berth, while repairs to ANWE's wharf were being undertaken. ANWE was able to resume exports from its berth in December 2016.



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

13.6 The year ahead

There are planned upgrades to the Port of Eden's operational capabilities through greater integration with Port Kembla's Vessel Traffic Information Centre (VTIC) to enhance out-of-hours and emergency response. The upgrades will include VHF radio, AIS, CCTV and telephone links to Port Kembla VTIC to allow the Port of Eden to be monitored 24/7.

14 Port of Yamba

Located at the mouth of the Clarence River in Northern New South Wales, Yamba serves the whole Northern Rivers and New England regions and is the home port of the state’s second largest fishing fleet and handles a range of imports and exports.

14.1 Overview

Australia’s eastern-most seaport, Port of Yamba, has been under the responsibility of the Newcastle Harbour Master since 1 October 2015. Port Authority in Newcastle maintains stewardship of the Port of Yamba.

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

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

14.2 Summary review of operations

Trade vessel visits to Port of Yamba, 2016/17

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2016-17	TOTAL 2015-16
Yamba	0	1	1	0	0	2	5	2	2	4	7	2	26	18

The total number of vessel visits to Yamba during 2016/17 was 26, of which 15 were chargeable. The majority of these vessel calls were for ship repair at Harwood Island.

14.3 Port development

The ship repair contractor, located in the port of Yamba, has completed repairs to the ship’s cradle, with the facility now operational. There will likely be an increase in vessel calls for ship repair, some of which will require pilotage.

Consideration is being given to dredging an area of Clarence River adjacent to Palmers Island, which will directly benefit the ship repair contractor, allowing larger vessels to call at the facility.



Port of Yamba pilot vessel

15 Sustainability

15.1 Introduction

Port Authority views sustainability as a fundamental corporate responsibility and aims to integrate sustainable practices into all of its business decisions and activities. Sustainability is central to Port Authority's commitment to provide for future trade and growth of the port while minimising risk to the environment, employees and the community.

15.2 Management of port impacts

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

However, these benefits can be accompanied by issues, such as noise or air emissions, that may affect those living and working nearby. In 2016/17, Port Authority continued its focus on managing and mitigating these issues.

Noise

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

Port Authority has allocated \$5.3 million to fund a Noise Mitigation Strategy at White Bay Cruise Terminal.

The three elements of the strategy include:

1. Noise Attenuation Program

Noise attenuation comprising of physical treatments to homes to a defined area of residences where noise modelling indicates that average noise levels reach or exceed 55 decibels at night (attenuation eligibility threshold). The program is designed to provide physical treatments to homes that will reduce the levels of noise experienced in areas affected by cruise ships.

2. Noise Restriction Policy

A new policy restricting on-deck music and public announcements (not related to safety) and restrictions for ships which cause further exceedances of the attenuation eligibility threshold.

3. Noise logging

Continuous real-time logging to monitor noise levels and guide ongoing noise management.

Community consultation on the proposed strategy took place in late 2016.

Port Authority has submitted a Response to Submissions Report to relevant NSW Government agencies and is working to finalise the Noise Mitigation Strategy for implementation from late 2017.

Air quality

Port Authority continued constant air quality monitoring in the residential area adjacent to WBCT (Balmain). The monitored parameters include sulphur dioxide (SO₂), particulate matter less than 2.5 micrometres in diameter (PM_{2.5}), wind speed and wind direction. The data is available in real-time and monthly reports are also produced and published on the [Port Authority website](#).

Port Authority supports the continued ship exhaust emission benefits achieved from the introduction of a Direction by the Australian Maritime Safety Authority (AMSA) in December 2016. This requires cruise vessels to use fuel with a sulphur content not exceeding 0.1 per cent mass per cent concentration, or an alternative measure that achieves an equivalent outcome (such as the use of an exhaust gas cleaning system), applying from one hour after the vessel arrives at berth until one hour before the vessel's departure.

Shore power

Port Authority undertook a detailed independent study into the feasibility, cost and emissions associated with shore power at White Bay Cruise Terminal.

The shore power feasibility study is subject to a government process.

15.3 Community sponsorships

Involvement with local communities through the reporting year included sponsorship of the Eden Whale Festival and a gala fundraising dinner for the Sydney Heritage Fleet as well as the Maritime Services Board Returned Services League.

15.4 Penrhyn Estuary

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

- expand the existing shore-bird habitat to attract increasing numbers of migratory birds
- create seagrass habitat
- expand the area of salt marsh habitat
- provide controlled public access in order to minimise disturbance within the estuary.

Port Authority continues to investigate opportunities to reduce or eliminate disturbances to shore birds in Penrhyn Estuary. Predator control activities, focusing mainly on foxes, continued throughout the year as well as ongoing management of weed and mangrove invasion.

Monitoring of migratory shorebird numbers and species will continue through to at least November 2018. In accordance with the approved monitoring plan for the estuary, monitoring of the other ecological components (seagrass, sea-bed sediment-dwelling invertebrates, water quality and saltmarsh) has been completed. Port Authority will consider any future monitoring requirements for these factors and/or management actions based on the evaluation of the final monitoring report.

15.5 Vehicle and marine fleet

The reporting year 2016/17 marked the fourth full year of use of Port Authority's hybrid vehicle for general employees use.

Port Authority's new Computerised Maintenance Management System, implemented to improve the management of Port Authority assets, became more widely used and embedded within the organisation, allowing for an increasing focus on preventative maintenance and a re-assessment of maintenance schedules of assets, such as its marine fleet. This in turn is starting to drive greater efficiencies and reduce waste.

15.6 Energy and waste

In 2016/17, in accordance with the NSW Government's Resource Efficiency Policy, Port Authority:

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

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

Port Authority also participated in Earth Hour on 26 March 2017 ensuring that all non-essential lights at its facilities in Sydney, Newcastle, Port Kemble, Eden and Yamba were turned off.

15.7 Environmental notices

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

16 Heritage

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

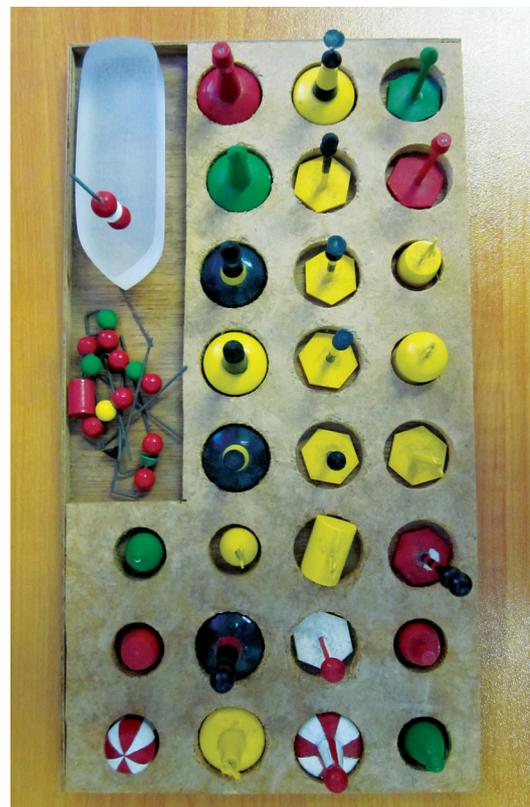
Under the NSW *Heritage Act 1977*, Port Authority is required to identify, list and protect heritage items on a Section 170 Heritage and Conservation Register. All Port Authority's heritage items are listed on the State Heritage Inventory available on the Office of Environment and Heritage website at www.environment.nsw.gov.au/heritageapp/heritagesearch.aspx.

Port Authority actively inspects and maintains its heritage assets. These assets have been integrated into the Computerised Maintenance Management System, allowing for improved inspections, preventative maintenance and record keeping. Port Authority continues to update its heritage register and ensure that available information is accurate.

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

A number of moveable items of potential heritage value at the Port Authority office in Eden were assessed in June 2016. The Heritage Assessment report recommended that a number of historical documents be transferred to NSW State Records' collection or, if not accepted, retained by Port Authority and included in its Section 170 Register. The report also recommended that one moveable item, a set of miniature navigation marks historically used during the examination of candidates for Master IV and Master V as well as for Coxswains certification, either be retained, put on display and entered into the Section 170 Register or transferred to an appropriate museum.

Refer to Section 10.7 for details of the heritage-listed Moore's Wharf building roof upgrade.



Miniature navigation markers commissioned by a former Harbour Master and probably made locally in Eden. The markers were used for the historical examination of candidates for Master IV and Master V and for Coxswains certificates

16.1 The year ahead

The year 2017/18 will focus on consolidating Port Authority heritage items in Newcastle Harbour into one register with the heritage items in Sydney.

Port Authority will also implement the recommendations of the Eden Heritage Assessment in 2017/18.

17 Financial statements

Newcastle Port Corporation

(Trading as Port Authority of New South Wales)

Financial statements

For the year ended 30 June 2017

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Director's declaration

For the year ended 30 June 2017

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

DIRECTORS' DECLARATION For the year ended 30 June 2017

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

1. Pursuant to section 41C 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 Newcastle Port Corporation at 30 June 2017 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date.
 - (b) comply with applicable Australian Accounting Standards and Australian Accounting Interpretations, other mandatory and statutory reporting requirements including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the *State Owned Corporations Act 1989*.
2. There are reasonable grounds to believe that Newcastle Port Corporation will be able to pay its debts as and when they become due and payable; and
3. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.



Chairman
Nicholas Whitlam
Date: 12 September 2017



Chief Executive Officer and Director
Grant Gilfillan
Date: 12 September 2017

Independent auditor's report

For the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Newcastle Port Corporation (trading as Port Authority of New South Wales) (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- comply with International Financial Reporting Standards as disclosed in Note 2(b).

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

Basis for Opinion

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

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

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

I have fulfilled my other ethical responsibilities in accordance with the APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements 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 and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors must assess the Corporation's ability to continue as a going concern except where they intend to liquidate the Corporation or cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Caroline Karakatsanis
Director, Financial Audit Services

13 September 2017
SYDNEY

Statement of comprehensive income

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
<u>Continuing operations</u>			
Revenue			
Revenue from operating activities	3	141,859	125,365
Other revenue	3	20,853	17,931
Total revenue from continuing operations		162,712	143,296
Expenses			
Employee benefits expense	4	63,273	61,714
Depreciation and amortisation expense	4	23,482	23,325
Other expenses	4	53,739	50,586
Finance costs	4	51	836
Total expenses from continuing operations		140,545	136,461
Net gain / (loss) on sale of property, plant and equipment		16	(85)
Profit before income tax equivalent expense		22,183	6,750
Income tax equivalent (expense) / benefit	5	(303)	292
Net profit for the year		21,880	7,042
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Superannuation actuarial gains (losses)	15(a)	27,066	(25,833)
Income tax equivalent (expense) benefit on post employment benefit actuarial gains (losses)	15(a)	(8,120)	7,750
Fair value revaluation gain on property, plant and equipment	15(c)	34,543	13,812
Income tax equivalent expense on revaluation of property, plant and equipment	15(c)	(10,363)	(4,143)
Other comprehensive income for the year, net of income tax equivalent expense		43,126	(8,414)
Total comprehensive income for the year		65,006	(1,372)

The accompanying notes form a part of the financial statements.

Statement of financial position

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents	6	27,220	1,406
Trade and other receivables	7	13,906	20,697
Total current assets		41,126	22,103
Non-current assets			
Receivables	7	84,618	78,804
Property, plant and equipment	8(a)	451,615	438,048
Investment property	9	7,993	7,527
Intangible assets	10	670	917
Deferred tax equivalent assets	5	20,648	26,611
Total non-current assets		565,544	551,907
TOTAL ASSETS		606,670	574,010
LIABILITIES			
Current liabilities			
Trade and other payables	11	14,542	12,526
Interest-bearing loans and borrowings	13	-	2,000
Income tax equivalent payable	5	1,649	2,814
Dividend payable	14	5,171	-
Provisions	12	18,091	29,180
Total current liabilities		39,453	46,520
Non-current liabilities			
Other liabilities	11	3,266	3,827
Deferred tax equivalent liabilities	5	52,889	47,614
Provisions	12	2,605	2,771
Post-employment benefits	16	40,618	65,274
Total non-current liabilities		99,378	119,486
TOTAL LIABILITIES		138,831	166,006
NET ASSETS		467,839	408,004
EQUITY			
Contributed equity	15	165,768	165,768
Reserves	15	49,050	25,389
Retained earnings	15	253,021	216,847
TOTAL EQUITY		467,839	408,004

The accompanying notes form a part of the financial statements.

Statement of changes in equity

For the year ended 30 June 2017

	Note	Contributed equity \$000	Asset revaluation reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2015		165,768	15,722	227,886	409,376
Net profit for the year	15(a)	-	-	7,042	7,042
Other comprehensive income	15(a) & (c)	-	9,667	(18,081)	(8,414)
Total comprehensive income for the year		-	9,667	(11,039)	(1,372)
Balance at 30 June 2016		165,768	25,389	216,847	408,004
Net profit for the year	15(a)	-	-	21,880	21,880
Other comprehensive income	15(a) & (c)	-	23,661	19,465	43,126
Total comprehensive income for the year		-	23,661	41,345	65,006
Transaction with owners in their capacity as owners					
Dividend declared	14	-	-	(5,171)	(5,171)
Balance at 30 June 2017		165,768	49,050	253,021	467,839

The accompanying notes form a part of the financial statements.

Statement of cash flows

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Net cash flows received from operating activities			
Receipts from customers		178,489	152,311
Payments to suppliers and employees		(138,514)	(123,234)
Interest received		271	23
Borrowing costs paid		(315)	(1,579)
Income tax equivalent (paid) / received		(8,713)	491
Net cash flows received from operating activities	6(c)	31,218	28,012
Net cash flows used in investing activities			
Purchase of property, plant and equipment		(7,688)	(7,460)
Proceeds from sale of property, plant and equipment		4,284	230
Net cash flows used in investing activities		(3,404)	(7,230)
Net cash flows used in financing activities			
Repayment of borrowings		(2,000)	(20,434)
Net cash flows used in financing activities		(2,000)	(20,434)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		1,406	1,058
Cash and cash equivalents at the end of the financial year	6	27,220	1,406

The accompanying notes form a part of the financial statements.

Notes to the financial statements

For the year ended 30 June 2017

Note 1 Corporate Information

The financial statements of Newcastle Port Corporation trading as Port Authority of New South Wales (the 'Corporation') for the year ended 30 June 2017 are authorised for issue in accordance with a resolution of the Directors on 12 September 2017.

The Corporation is a state-owned corporation, incorporated by the New South Wales State Government under the *State Owned Corporations Act 1989* and is domiciled in New South Wales, Australia with its principal office at level 4, 20 Windmill Street, Walsh Bay, NSW 2000, Australia. The Corporation assessed its status and determined that it is a 'for profit' public sector entity for financial reporting purposes.

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 2015*;
- (iv) the *State Owned Corporations Act 1989*; and
- (v) NSW Treasurer's Directions.

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

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

Where necessary, comparative figures have been reclassified to conform to the changes in presentation made in the financial statements.

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

(b) Compliance with IFRS

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

Note 2 *continued*

(c) **New accounting standards and interpretations**

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

The Corporation has consistently applied the accounting policies as set out in note (d) to note (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 2017. The impact in the year of initial application in the Corporation's financial statements is not known or reasonably estimable.

AASB 16, *Leases*, will be effective and applicable for reporting periods beginning on or after 1 January 2019. Whilst the impact of AASB 16 has not yet been quantified, the Corporation currently has \$8.7 million worth of operating leases which are anticipated to be brought onto the statement of financial position as liabilities. In addition, the interest and amortisation expense will increase on the statement of comprehensive income, and rental expense will decrease.

(d) **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and funds on deposit in the NSW Treasury Corporation's Investment Management (TCorplM) Cash Fund. TCorplM Cash Fund was formerly known as TCorp's Hour-Glass Fund. The change in name of the cash fund was effective from 28 November 2016.

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 TCorplM Cash Fund is at fair value.

(e) **Trade and other receivables**

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

(f) **Property, plant and equipment**

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

Note 2 *continued*

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 the statement of comprehensive income 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 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 the statement of comprehensive income.

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

(i) Valuation of property, plant and equipment

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

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the replacement cost of the asset. 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 a specialised asset's market buying price is the replacement cost of the asset's remaining future economic benefits. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. Also refer to note 17 for further information regarding fair value.

(ii) Valuation of land

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

(iii) Valuation of specialised plant and infrastructure

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

(iv) Valuation of buildings

Non-specialised buildings, which include commercial and general purpose buildings for which there is a secondary market, are valued at fair value. Specialised buildings are designed for a

Note 2 *continued*

specific, limited purpose. Where there are no feasible alternative uses for such buildings, they are valued at market buying price, the best indicator of which is the replacement cost of the remaining economic benefits. Heritage buildings are valued at fair value. Fair value is represented by market value for existing use, because there are few or no feasible alternative uses for such buildings.

(v) Revaluation of property, plant and equipment

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

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

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement for an asset previously recognised as a loss in the statement of comprehensive income, the increment is recognised as a gain in the statement of comprehensive income. Revaluation decrements are recognised immediately in the statement of comprehensive income, 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 that 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 valuation of land and buildings at 30 June 2017 was re-assessed by applying appropriate externally supplied indices to the comprehensive external valuation undertaken at 30 June 2015. A comprehensive asset valuation was undertaken for specialised assets at 30 June 2017. For further details on the external valuers refer to note 8(b).

(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 the statement of comprehensive income except for assets under revaluation as the impairment loss will first be recognised through each asset's revaluation reserve prior to recognition in the statement of comprehensive income.

(vii) Fair value measurement of non-financial assets

The Corporation categorises its non-financial assets under the fair value hierarchy based on the 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.

Note 2 *continued*

(viii) Reclassification to investment property

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

(g) Intangible assets

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income 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. Easements estimated useful life is indefinite. Intangible asset with an indefinite useful life is assessed for impairment annually.

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.

(h) Depreciation and amortisation of assets

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

The useful lives of each category of depreciable assets are:

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

(i) Capitalisation of assets

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

Note 2 *continued*

(j) Recoverable amount of assets

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

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

(k) Construction contracts

Contract revenue and costs are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a contract, the excess of total costs over revenue is recognised as an expense immediately.

(l) Investment property

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

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

(m) Trade and other payables

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

(n) Interest-bearing loans and borrowings

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

Note 2 *continued*

(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.

(q) **Employee benefits**

(i) Wages and salaries

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

(ii) Annual leave

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

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

(iii) Long service leave

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

Note 2 *continued*

(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 years 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.

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

Past service costs are recognised immediately in the statement of comprehensive income.

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) 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.

Note 2 *continued*

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.

Finance leases

A finance lease effectively transfers, from the lessor to the lessee, substantially all the risks and rewards incidental to ownership of the leased asset. Amounts due under a finance lease are recognised as receivables at the amount of the entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the entity's net investment outstanding in respect of the leases.

Costs incurred for capital dredging (harbour deepening) of channels were previously recognised as prepaid licence fees with the licensor being NSW Roads and Maritime Services.

As part of the long term leases in 2013 and 2014 as detailed in note 7(a), two revised Channel User Licence Agreements with NSW Roads and Maritime Services were executed in 2013 and one executed in 2014. The Corporation considers these agreements to represent finance leases. For further details refer to note 7(a).

(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 2017, the shares were held by the Treasurer (The Hon. Dominic Perrottet, MP) and the Minister for Finance, Services and Property (The Hon. Victor Michael Dominello, 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) Navigation recharge revenue

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

(iii) Rental revenue

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

(iv) Interest revenue

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

(v) Retirement benefits income

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

Note 2 *continued*

(vi) Sale of assets

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

(vii) Assets received free of charge

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

(viii) Other revenue

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

(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.

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 year'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.

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.

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.

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

Note 2 *continued*

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 year 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.

Note 2 *continued*

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. Refer to note 8(b).

Valuation of residual interest in leased assets

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

(iii) 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.

(iv) Taxation

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

Note 3 Revenue

	Note	2017 \$000	2016 \$000
Continuing operations			
<i><u>Revenue from operating activities</u></i>			
Port revenue		116,598	100,212
Rental revenue		15,433	14,584
Navigation recharge		9,828	10,569
		141,859	125,365
<i><u>Other revenue</u></i>			
Interest from bank and other		311	80
Finance lease income		5,490	5,133
Land tax recoverable from tenants		171	144
Investment property revaluation gain	9	265	220
Revaluation increments – property, plant and equipment	8(d)(i)	92	60
Fee for Penrhyn Estuary services		1,993	1,947
Recoverable security		5,225	4,257
Other recoveries		3,081	3,692
Other revenue		4,225	2,398
		20,853	17,931
Total revenue from continuing operations		162,712	143,296

Note 4 Expenses

	Note	2017 \$000	2016 \$000
Continuing operations			
<i>Employee benefits expense</i>			
Salaries and wages		49,342	47,513
Annual leave		4,963	5,267
Long service leave		1,584	1,945
Retirement benefits – defined benefit		2,435	2,110
Retirement benefits – accumulation		4,949	4,879
		63,273	61,714
<i>Depreciation and amortisation expense</i>			
Depreciation	8(d)(i)	23,177	22,935
Amortisation of intangible assets	10	305	390
		23,482	23,325
<i>Other expenses</i>			
Service contractors		24,083	21,722
Indirect taxes		6,654	6,123
Utilities and communications		3,094	3,343
Insurance		2,855	2,636
Legal costs		87	188
Legal disputes		-	1,500
Materials		1,382	1,345
Minimum lease payments – operating leases		2,742	3,343
Revaluation decrements – property, plant and equipment	8(d)(i)	115	45
Directors' remuneration	22(a)	430	387
Auditors' remuneration – audit of financial statements		231	247
Impairment / (Reversal) of property, plant and equipment	8(d)(i)	77	(168)
Consultancy fees	21	-	3
Channel fees		6,180	5,342
Other operations and services		5,809	4,530
		53,739	50,586
<i>Finance costs</i>			
Finance cost on loans and borrowings		8	795
Unwinding of discount on provisions		36	33
Other finance costs		7	8
		51	836
Total expenses from continuing operations		140,545	136,461

Note 5 Income tax equivalent expense

	2017 \$000	2016 \$000
Income tax equivalent (expense) / benefit		
Current tax	(7,548)	(2,411)
Deferred tax	7,245	2,703
	<u>(303)</u>	<u>292</u>
Deferred tax		
<i>Deferred income tax equivalent expense included in income tax equivalent expense comprises:</i>		
Increase in deferred tax assets	2,157	1,030
Decrease in deferred tax liabilities	5,088	1,673
	<u>7,245</u>	<u>2,703</u>
Deferred tax equivalent assets		
Underfunded defined benefits superannuation	12,185	19,582
Leave entitlements	6,083	5,802
Other	2,380	1,227
	<u>20,648</u>	<u>26,611</u>
Deferred tax equivalent liabilities		
<i>The balance comprises temporary differences attributable to:</i>		
Depreciation and revalued property, plant and equipment	52,580	43,965
Future assessable income	-	3,355
Other	309	294
	<u>52,889</u>	<u>47,614</u>

Note 5 *continued*

	2017 \$000	2016 \$000
The difference between income tax equivalent expense provided in the financial statements and the prima facie income tax equivalent expense is reconciled as follows:		
Profit before income tax equivalent expense from continuing operations	22,183	6,750
Prima facie tax thereon at 30%	(6,655)	(2,025)
Add tax effect of items with differential accounting / tax treatment:		
Add items not deductible	(717)	(469)
Subtract items not assessable	1,647	1,540
Adjustments in respect of current income tax equivalent expense of prior year	5,460	1,209
Recoupment of unrealised capital losses	-	32
Other non-deductible expenses	(38)	5
Total income tax equivalent (expense) / benefit attributable to operating profit	(303)	292
Amounts recognised directly in equity		
Net deferred tax debited / (credited) directly to equity	18,483	(3,607)
Movement in income tax equivalent payable / (receivable)		
Balance at the beginning of the financial year	2,814	(88)
Current income tax equivalent	7,548	2,411
(Payments) refunds	(8,713)	491
Balance at the end of the year	1,649	2,814

Note 5 *continued*

<u>Movement in deferred tax equivalent assets</u>				
	Opening balance	Charges to income	Charges to equity	Closing balance
	\$000	\$000	\$000	\$000
Leave entitlements	5,802	281	-	6,083
Underfunded defined benefits superannuation	19,582	723	(8,120)	12,185
Other	1,227	1,153	-	2,380
	<u>26,611</u>	<u>2,157</u>	<u>(8,120)</u>	<u>20,648</u>
<u>Movement in deferred tax equivalent liabilities</u>				
Depreciation, revaluation and derecognition of property, plant and equipment	43,965	(1,748)	10,363	52,580
Future assessable income	3,355	(3,355)	-	-
Other	294	15	-	309
	<u>47,614</u>	<u>(5,088)</u>	<u>10,363</u>	<u>52,889</u>

Unrealised capital losses

In both years, there is no unrecognised deferred tax asset.

Note 6 Cash and cash equivalents

	2017	2016
	\$000	\$000
Cash at bank	432	1,406
TCorpIM Cash Fund	26,788	-
Cash and cash equivalents	27,220	1,406

(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 funds on deposit in the TCorpIM Cash Fund. Cash and cash equivalents at 30 June 2017 and 30 June 2016, as shown in the statement of cash flows, are reconciled to these items in the statement of financial position.

(b) TCorpIM Cash Fund

The Corporation places funds on deposit in the TCorpIM Cash Fund. These funds are represented by a number of units in the managed fund. 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 fund and is stated at fair value.

Note 6 *continued*

(c) Reconciliation from the net profit for the year to the net cash flows received from operating activities:

	2017	2016
	\$000	\$000
Net profit for the year	21,880	7,042
Adjustments for:		
Depreciation and amortisation expenses	23,482	23,325
Investment property revaluation gain	(265)	(220)
Amortisation of discount on interest-bearing loans and borrowings	-	(185)
Net revaluation decrements / (increments) – property, plant and equipment	23	(15)
Net (gain) / loss on sale of property, plant and equipment	(16)	85
Impairment / (reversal) of property, plant and equipment	77	(168)
Write-off of property, plant and equipment	1,246	550
Finance lease income	(5,490)	(5,133)
	40,937	25,281
Changes in assets and liabilities applicable to operating activities		
Decrease / (Increase) in trade and other receivables	6,466	(2,600)
Decrease in income tax equivalent receivable	-	88
Increase in deferred tax equivalent assets	(2,157)	(1,030)
Decrease in deferred tax equivalent liabilities	(5,088)	(1,673)
(Decrease) / Increase in income tax equivalent payable	(1,165)	2,814
Increase in trade and other payables	1,070	413
(Decrease) / Increase in provisions	(11,255)	2,563
Increase in other liabilities	2,410	2,156
Net cash flows received from operating activities	31,218	28,012

Note 7 Trade and other receivables

	Note	2017 \$000	2016 \$000
Current			
Trade receivables		6,364	7,098
Other receivables		3,797	7,812
		10,161	14,910
Prepayments		1,118	1,366
Lease incentive receivable		-	443
Accrued income		2,627	3,978
		13,906	20,697
Non-current			
Other non current receivable		324	-
Finance lease receivable	7(a)	84,294	78,804
		84,618	78,804

(a) Finance lease receivable

Finance lease – Newcastle

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

On expiry of the 98 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds on expiry of the 98 year lease. No further payments will be received, and a residual asset will be accreted over the 98 year term of the lease with total unearned finance income as at 30 June 2017 of \$19.9 billion. The initial value of the residual interest was recognised at \$30.2 million in May 2014. In this financial year, the Corporation has recognised \$2.4 million (2016: \$2.2 million) finance lease income from the accretion of the finance lease receivable.

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

Finance lease - Botany Bay

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

Note 7 *continued*

On expiry of the 99 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the value of its net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to the Corporation on expiry of the 99 year term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease with total unearned finance income as at 30 June 2017 estimated at \$17.5 billion. The initial value of the residual interest was recognised at \$20.4 million in May 2013. In this financial year, the Corporation has recognised \$1.8 million (2016: \$1.7 million) finance lease income from the accretion of the finance lease receivable.

Finance lease – Port Kembla

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

On expiry of the 99 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to the Corporation on expiry of the 99 year lease term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease with total unearned finance income as at 30 June 2017 estimated at \$13.1 billion. The initial value of the residual interest was recognised at \$15.3 million in May 2013. In this financial year, the Corporation has recognised \$1.3 million (2016: \$1.2 million) finance lease income from the accretion of the finance lease receivable.

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

(b) Allowance for impairment

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

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

Note 7 *continued*

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

	Total	Not	0–30	0–30	31–60	31–60	60+	60+
	\$000	due	days	days	days	days	days	days
		\$000	PDNI*	CI*	PDNI*	CI*	PDNI	CI*
			\$000	\$000	\$000	\$000	\$000	\$000
2017	10,161	8,552	1,059	-	510	-	40	-
2016	14,910	12,876	1,522	-	361	-	151	-

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

Trade and other receivables past due but not considered impaired are \$1.6 million (2016: \$2.0 million). Payment terms on these amounts have not been re-negotiated and direct contact has been made with the relevant debtors to ensure that payment will be received in full.

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

(c) Fair value and credit risk

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

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

Note 8 Property, plant and equipment

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

At fair value	2017 \$000	2016 \$000
Land and buildings (gross carrying amount)	309,628	290,344
Accumulated depreciation	(12,922)	(8,799)
Net carrying amount	296,706	281,545
Roadways and bridges (gross carrying amount)	12,282	11,624
Accumulated depreciation	(2,108)	(1,454)
Net carrying amount	10,174	10,170
Wharves, jetties and breakwaters (gross carrying amount)	83,965	74,703
Accumulated depreciation	(23,623)	(18,929)
Net carrying amount	60,342	55,774
Plant (gross carrying amount)	108,541	107,151
Accumulated depreciation	(27,425)	(18,347)
Net carrying amount	81,116	88,804
Construction in progress		
- Land and buildings	803	155
- Roadways and bridges	222	-
- Wharves, jetties and breakwaters	248	555
- Plant	2,004	1,045
Total construction in progress	3,277	1,755
Total property, plant and equipment at fair value (net carrying amount)	451,615	438,048

(b) Revaluation of property, plant and equipment

Land and building

An independent valuer (RHAS - an Aon Company) provided gross values for land and buildings at 30 June 2015. Their values are appropriately indexed at 30 June 2017 using externally provided rates ranged from 1% to 12% (2016: 1% to 10%).

A quantity and construction consultant (MDA Australia Pty Limited) provided gross values for wharves, jetties and breakwaters, roadways and bridges at 30 June 2017.

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.

Note 8 *continued*

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

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

At cost	2017 \$000	2016 \$000
Land and buildings (gross carrying amount)	258,505	262,281
Accumulated depreciation	(11,651)	(7,853)
Net carrying amount	246,854	254,428
Roadways and bridges (gross carrying amount)	11,337	11,337
Accumulated depreciation	(2,252)	(1,556)
Net carrying amount	9,085	9,781
Wharves, jetties and breakwaters (gross carrying amount)	74,649	71,430
Accumulated depreciation	(26,222)	(17,751)
Net carrying amount	48,427	53,679
Plant (gross carrying amount)	109,303	107,916
Accumulated depreciation	(28,227)	(19,317)
Net carrying amount	81,076	88,599
Construction in progress	3,277	1,755
Total property, plant and equipment	388,719	408,242

Note 8 *continued*

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

	Note	Land and buildings \$000	Roadways and bridges \$000	Wharves, jetties and breakwaters \$000	Plant \$000	Total \$000
Balance at 1 July 2016		281,545	10,170	55,774	88,804	436,293
Additions		-	-	878	51	929
Revaluation increments recognised in other comprehensive income	15(c)	23,257	847	10,439	-	34,543
Revaluation increments recognised in statement of comprehensive income	3	92	-	-	-	92
Revaluation decrements recognised in statement of comprehensive income	4	-	(115)	-	-	(115)
Impairment loss	4	-	-	-	(77)	(77)
Transfer from construction in progress	8(d)(ii)	23	-	3,409	1,836	5,268
		304,917	10,902	70,500	90,614	476,933
Depreciation charge	4	(3,999)	(728)	(9,070)	(9,380)	(23,177)
Write-offs		-	-	(1,088)	(11)	(1,099)
Disposals		(4,212)	-	-	(107)	(4,319)
Balance at 30 June 2017		296,706	10,174	60,342	81,116	448,338

	Note	Land and buildings \$000	Roadways and bridges \$000	Wharves, jetties and breakwaters \$000	Plant \$000	Total \$000
Balance at 1 July 2015		268,217	10,548	63,884	90,256	432,905
Additions		-	-	-	162	162
Revaluation increments recognised in other comprehensive income	15(c)	12,931	75	806	-	13,812
Revaluation increments recognised in statement of comprehensive income	3	60	-	-	-	60
Revaluation decrements recognised in statement of comprehensive income	4	(45)	-	-	-	(45)
Reversal of impairment	4	138	-	-	30	168
Transfer from construction in progress	8(d)(ii)	4,544	273	90	8,287	13,194
		285,845	10,896	64,780	98,735	460,256
Depreciation charge	4	(3,956)	(726)	(9,006)	(9,247)	(22,935)
Write-offs		(344)	-	-	(206)	(550)
Disposals		-	-	-	(478)	(478)
Balance at 30 June 2016		281,545	10,170	55,774	88,804	436,293

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Note 8 *continued***(d)(ii) Movement in construction in progress**

	Note	2017 \$000	2016 \$000
Balance at 1 July		1,755	10,444
Additions		7,196	4,857
		8,951	15,301
Transfers to property, plant and equipment	8(d)(i)	(5,268)	(13,194)
Transfers to investment property	9	(201)	-
Transfers to intangible assets	10	(58)	(352)
Disposals		(147)	-
Closing balance		3,277	1,755

There was no borrowing cost capitalised in both years.

Note 9 **Investment property**

	2017 \$000	2016 \$000
At fair value		
Land and building	7,993	7,527

Land and building Movements	Note	2017 \$000	2016 \$000
Balance at 1 July		7,527	7,307
Transfer from property, plant and equipment	8(d)(ii)	201	-
Gain on revaluation	3	265	220
Closing balance		7,993	7,527

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

	2017 \$000	2016 \$000
Rental income	740	701
Direct operating expenses that generated rental income	(343)	(363)
Direct operating expenses that did not generate rental income	-	-
	397	338

The fair value of the Corporation's investment property as at 30 June 2017 has been calculated by applying indexation to the value that was comprehensively revalued by an

Note 9 *continued*

independent valuer (RHAS - an Aon Company) in 2015. RHAS also provided the indices in 2017 and 2016. The indices used were land 10% and building 2% in 2017, and land 10% and building 1.5% in 2016. They have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the capitalisation of income approach whereby a yield is applied to the property's income to assess its value.

Further details regarding the fair value measurement of investment property are disclosed in note 17.

Note 10 Intangible assets

	2017	2016
	\$000	\$000
Carrying amounts (at cost)		
Software	2,681	2,623
Accumulated amortisation	(2,241)	(1,936)
Net carrying amount	440	687
Easements	230	230
Accumulated amortisation	-	-
Net carrying amount	230	230
Total intangible assets at cost (net carrying amount)	670	917

Movement in intangible assets

	Note	2017	2016
		\$000	\$000
Balance at 1 July		917	955
Transfer from construction in progress	8(d)(ii)	58	352
		975	1,307
Amortisation charge	4	(305)	(390)
Closing balance		670	917

Note 11 Trade and other payables

	2017	2016
	\$000	\$000
Current		
Trade payables	776	903
Accrued employee benefits	2,924	2,623
Accrued borrowing costs	5	310
Accrued land tax	2,710	-
GST payable	1,021	1,420
Other payables and accruals	4,640	4,867
Maintenance funds liability	666	537
Lease incentive liability	409	352
Income received in advance	1,391	1,514
	14,542	12,526
Non-current		
Income received in advance	2,798	2,951
Lease incentive liability	468	876
	3,266	3,827

(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 18.

Note 12 Provisions

	2017	2016
	\$000	\$000
Current		
Employee benefits	18,091	17,180
Provision for legal disputes	-	12,000
	18,091	29,180
Non-current		
Employee benefits	2,188	2,390
Provision for make good	417	381
	2,605	2,771

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 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

A legal dispute existed that arose with an external party in the normal course of business. This amount recognised in the prior year represented management's best estimate of the expenditure required to settle the obligation. This amount was fully settled during the year.

Movement in provisions

	Opening balance \$000	Current charge / (write back) to profit or loss \$000	Payments made \$000	Closing balance \$000
Current				
Employee benefits				
Annual leave	6,632	4,963	(4,721)	6,874
Long service leave	10,184	1,786	(1,009)	10,961
Other employee benefits	133	286	(163)	256
Redundancy payment	231	-	(231)	-
Provision for legal disputes	12,000	-	(12,000)	-
	29,180	7,035	(18,124)	18,091
Non-current				
Employee benefits				
Long service leave	2,390	(202)	-	2,188
Provision for make good	381	36	-	417
	2,771	(166)	-	2,605

Note 12 *continued*

	Note	2017 \$000	2016 \$000
Annual leave obligations expected to be taken after twelve months	12(i)	2,153	1,910
Long service leave obligations expected to be taken within twelve months	12(ii)	1,009	1,057

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

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

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

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

Note 13 Interest-bearing loans and borrowings

	2017 \$000	2016 \$000
Current		
NSW TCorp borrowings	-	2,000

(i) Repayments

In 2016, the borrowings consisted of drawdowns from the NSW TCorp Come-and-Go facility. The NSW TCorp Come-and-Go facility was at call with payments of interest monthly in arrears. All borrowings were secured by NSW Government Guarantee. No assets were pledged as security for interest-bearing loans and borrowings. The amount was fully settled during the year.

(ii) Fair value

Details regarding fair value, interest rate and liquidity risks are disclosed in note 18.

(iii) Financial facilities available

The Corporation had the following financing facilities in place at 30 June 2017 and 30 June 2016.

	2017 \$000	2016 \$000
(a) With NSW TCorp:		
A global loan facility inclusive of \$15.0 million Come-and-Go facility		
- Total facility	95,000	95,000
- Amount used	-	(2,000)
- Amount unused	95,000	93,000
(b) With Commonwealth Bank of Australia		
A bank guarantee facility		
- Total facility	6,700	6,700
- Amount used	-	-
- Amount unused	6,700	6,700

Note 13 *continued*

The Corporation had a credit card facility for \$170,000 (2016: \$170,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

The Corporation also had a purchasing card facility of \$50,000 (2016: \$50,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

(iv) Classification of liability

The Corporation has Treasurer's approval under the *Public Authorities (Financial Arrangements) Act* to borrow from NSW TCorp up to a total limit of \$95.0 million. The Corporation forms the view that the borrowing facility takes the nature of an enduring rolling facility whereby the Corporation has discretion to refinance borrowing within the total approval of the Treasurer and within the agreed terms of the Statement of Corporate Intent.

The outstanding borrowing as at 30 June 2016 was classified in accordance with the intended repayment profile which was forecast to be repaid within 12 months of the reporting date. It was fully settled during the year. The Corporation had no outstanding borrowing as at 30 June 2017.

The nominal contractual cash flow maturity profile of the debt portfolio is disclosed in note 18(d).

Note 14 Dividend payable

	2017 \$000	2016 \$000
Dividend payable	5,171	-

On 22 June 2017 the letter of acceptance of dividend recommendation for the year ended 30 June 2017 was received. The Shareholding Ministers approved the dividend recommendation in accordance with the *Financial Distribution Policy for Government Entities* TPP 16-04 and section 20S of *State Owned Corporations Act 1989*. A dividend payable of \$5.2 million is recognised accordingly, to be paid 50% prior to 1 August 2017 and the remaining balance prior to 1 December 2017.

There was no dividend proposed or approved in the prior year.

Note 15 Equity

	Note	2017 \$000	2016 \$000
Contributed equity		165,768	165,768
Reserves	15(c)	49,050	25,389
Retained earnings	15(a)	253,021	216,847
		467,839	408,004

Note 15 *continued*

(a) Movements in retained earnings

	Note	2017 \$000	2016 \$000
Balance at 1 July		216,847	227,886
Net profit for the year		21,880	7,042
Transfer from revaluation reserve to retained earnings on disposal of revalued assets	15(c)	519	2
Superannuation actuarial gains (losses)		27,066	(25,833)
Income tax equivalent (expense) benefit on post employment benefit actuarial gains (losses)		(8,120)	7,750
Other comprehensive income (expense)		19,465	(18,081)
Transaction with owners in their capacity as owners			
Dividend declared	14	(5,171)	-
Closing balance		253,021	216,847

(b) Nature and purpose of reserves

Asset revaluation reserve

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

(c) Movements in asset revaluation reserve

	Note	2017 \$000	2016 \$000
Balance at 1 July		25,389	15,722
Fair value revaluation of property, plant and equipment	8(d)(i)	34,543	13,812
Transfer from revaluation reserve to retained earnings on disposal of revalued assets, net of tax	15(a)	(519)	(2)
Income tax equivalent expense on revaluation of property, plant and equipment		(10,363)	(4,143)
Total other comprehensive income		23,661	9,667
Closing balance		49,050	25,389

Note 16 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 holds in trust the investments of the following closed NSW public sector superannuation schemes, in which the Corporation participates:

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

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

All the Schemes are closed to new members.

Description of the regulatory framework

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

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

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

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

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

Note 16 *continued*

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

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

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

Description of risks

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

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

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

Description of significant events

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

Amounts in the statement of financial position

	2017 \$000	2016 \$000
Defined benefit liability	40,618	65,274

The defined benefit liability decreased by \$24.7 million mainly as a result from the increase in discount rate from 1.99% to 2.62% during the year. Refer table (g) for the change of significant actuarial assumptions and (h) for the sensitivity analysis of discount rate.

Note 16 *continued*

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

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
At 30 June 2017				
Opening net defined benefit liability/(asset)	11,493	1,323	52,458	65,274
Current service cost	562	145	429	1,136
Net Interest on the net defined benefit liability	229	26	1,044	1,299
Actual return on Fund assets less Interest income	(1,543)	(194)	(7,306)	(9,043)
Actuarial gains	(1,428)	(165)	(16,430)	(18,023)
Employer contributions	(2)	-	(23)	(25)
Closing net defined benefit liability	9,311	1,135	30,172	40,618

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
At 30 June 2016				
Opening net defined benefit liability/(asset)	6,903	688	29,694	37,285
Current service cost	573	152	281	1,006
Net Interest on the net defined benefit liability	220	22	862	1,104
Actual return on Fund assets less Interest income	(19)	21	(246)	(244)
Actuarial losses	3,763	425	21,889	26,077
Employer contributions	53	15	(22)	46
Closing net defined benefit liability	11,493	1,323	52,458	65,274

Note 16 *continued*

(b) Reconciliation of the defined benefit obligation

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2017				
Present value of defined benefit obligations at beginning of the year	33,127	3,913	154,190	191,230
Current service costs	562	145	429	1,136
Interest costs	624	72	3,015	3,711
Contributions by participants	246	-	113	359
Actuarial gains	(1,428)	(165)	(16,430)	(18,023)
Benefits paid	(207)	(112)	(5,497)	(5,816)
Taxes, premiums & expenses paid	115	9	852	976
Present value of defined benefit obligations at end of the year	33,039	3,862	136,672	173,573

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

Note 16 *continued*

(c) Reconciliation of the fair value of Fund assets

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2017				
Fair value of Fund assets at beginning of the year	21,634	2,590	101,732	125,956
Interest income	395	46	1,971	2,412
Actual return on Fund assets less Interest income	1,543	194	7,306	9,043
Employer contributions	2	-	23	25
Contributions by participants	246	-	113	359
Benefits paid	(207)	(112)	(5,497)	(5,816)
Taxes, premiums & expenses paid	115	9	852	976
Fair value of Fund assets at end of the year	23,728	2,727	106,500	132,955

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2016				
Fair value of Fund assets at beginning of the year	22,306	3,071	102,679	128,056
Interest income	633	87	3,030	3,750
Actual return on Fund assets less Interest income	19	(21)	246	244
Employer contributions	(53)	(15)	22	(46)
Contributions by participants	218	-	146	364
Benefits paid	(1,517)	(527)	(4,696)	(6,740)
Taxes, premiums & expenses paid	28	(5)	305	328
Fair value of Fund assets at end of the year	21,634	2,590	101,732	125,956

Note 16 *continued*

(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	Quoted prices in active markets for identical assets Level 1 \$000	Significant observable inputs Level 2 \$000	Unobservable inputs Level 3 \$000	Total \$000
Short term securities	3,077,362	9,945	-	3,087,307
Australian fixed interest	997	2,499,728	-	2,500,725
International fixed interest	-	480,991	-	480,991
Australian equities	8,947,483	498,572	24	9,446,079
International equities	9,033,497	1,869,112	1,150,894	12,053,503
Property	926,105	533,191	1,993,812	3,453,108
Alternatives	390,899	5,068,137	3,607,020	9,066,056
Total	22,376,343	10,959,676	6,751,750	40,087,769

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

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

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

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

Note 16 *continued*

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

	2017	2016
Cash	7.7%	5.4%
Australian fixed interest	6.2%	7.1%
International fixed interest	1.2%	2.2%
Australian equities	23.6%	25.5%
International equities	30.1%	31.7%
Property	8.6%	9.6%
Alternatives	22.6%	18.5%
Total	100.0%	100.0%

(f) Fair value of the Pooled Fund assets

The fair value of the Pooled Fund assets as at 30 June 2017 include \$354.0 million (2016: \$189.6 million) in NSW government bonds.

(g) Significant actuarial assumptions

	2017	2016
Discount rate	2.62%	1.99% pa
Salary increase rate (excluding promotional increases)	Refer (i) below	Refer (i) below
Rate of CPI increase	Refer (ii) below	Refer (ii) below
Pensioner mortality	Refer (iii) below	Refer (iii) below
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund	

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

For 2017, a range of salary increase assumptions was used as follows:

- 2017/2018 and 2018/2019: 2.50% pa
- 2019/20 and 2020/2021: 3.50% pa
- 2021/22 to 2025/26: 3.00% pa
- 3.5% pa thereafter.

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

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

Note 16 *continued*

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

For 2017, a range of CPI increase assumptions was used as follows:

- 2017/2018: 2.00%
- 2018/2019: 2.25%
- 2.50% pa thereafter

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

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

(iii) Pensioner mortality

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

(h) Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

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.

		Scenario A	
	Base case	-1% discount rate	Scenario B +1% discount rate
Discount rate	As above	As above -1.0%pa	As above +1.0%pa
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	173,573	199,432	152,451
		Scenario C	Scenario D
	Base case	+0.5% rate of CPI increase	-0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above plus 0.5% pa	As above minus 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	173,573	185,066	163,081

Note 16 *continued*

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above plus 0.5% pa	As above minus 0.5% pa
Defined benefit obligation \$'000	173,573	174,411	172,767
		Scenario G Lower mortality (*)	Scenario H Higher mortality (**)
Defined benefit obligation \$'000	173,573	176,622	171,505

(*) Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021.

(**) Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021.

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

(i) Asset-liability matching strategies

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

(j) Funding arrangements

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

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

Note 16 *continued*

(k) Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2017				
Accrued benefits (*)	25,020	3,057	76,183	104,260
Net market value of Fund assets	(23,728)	(2,727)	(106,500)	(132,955)
Net (surplus)	1,292	330	(30,317)	(28,695)
Year ended 30 June 2016				
Accrued benefits (*)	23,401	2,982	76,220	102,603
Net market value of Fund assets	(21,634)	(2,590)	(101,732)	(125,956)
Net (surplus)	1,767	392	(25,512)	(23,353)

(*) There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

(l) Contribution recommendations

There are no recommended contribution rates for the Corporation.

(m) Economic assumptions

The economic assumptions adopted for the 30 June 2017 in accordance with AASB 1056 *Superannuation Entities*:

Weighted-Average Assumptions	2017	2016
Expected rate of return on Fund assets backing current pension liabilities	7.4%	7.8%
Expected rate of return on Fund assets backing other liabilities	6.4%	6.8%
Expected salary increase rate	2.7% to 30 June 2019 then 3.2% pa thereafter	3.0% pa to 30 June 2019, then 3.5% pa thereafter
Expected rate of CPI increase	2.2%	2.5% pa

(n) Expected contributions

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

(o) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.8 years (2016: 13.9 years).

Note 16 *continued*

(p) Profit and loss impact

	SASS	SANCS	SSS	Total
2017	\$000	\$000	\$000	\$000
Current service cost	562	145	429	1,136
Net interest	229	26	1,044	1,299
Profit and loss component of the defined benefit cost	791	171	1,473	2,435

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

(q) Other comprehensive income

	SASS	SANCS	SSS	Total
2017	\$000	\$000	\$000	\$000
Actuarial losses on liabilities	(1,428)	(165)	(16,430)	(18,023)
Actual return on Fund assets less Interest Income	(1,543)	(194)	(7,306)	(9,043)
Total remeasurement in Other Comprehensive Income	(2,971)	(359)	(23,736)	(27,066)

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

Note 17 Fair value measurement of non-financial assets

(a) Fair value hierarchy

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

At 30 June 2017

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land and buildings	-	-	296,706	296,706
Roadways and bridges	-	-	10,174	10,174
Wharves, jetties and breakwaters	-	-	60,342	60,342
Investment property (i)	-	7,993	-	7,993
Total	-	7,993	367,222	375,215

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

(i) The assets contributing to earning rental income and held for capital appreciation are recognised as investment property (refer to note 9). Investment property was indexed during the year and resulted in a gain of \$0.3 million (2016: \$0.2 million gain) recognised in the statement of comprehensive income in this financial year (refer to note 3). Investment property is disclosed in the fair value hierarchy table above as level 2 as only observable inputs were used in the valuation. Details on the valuation basis and inputs used for the valuation are described in note 9.

At 30 June 2016

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

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

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

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

Note 17 *continued*

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

(b) Valuation techniques, inputs and process

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

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

(i) Land

Land is measured using the market approach by reference to a number of industrial, port related use and special use zoned properties. Its measurement is categorised within level 3 of the fair value hierarchy as its fair value is derived by adjusting an observable market input using an unobservable input. The unobservable input is the application of a discount to the value of the land to reflect restrictions on the use of land due to its zoning and use for port purposes. The value of the land can be heavily discounted up to 80%. Any change in the discount rate applied impacts directly on the value of the land. A +/- 5% sensitivity of the discount rate would result in the carrying value of the land being varied by \$10.5 million (2016: \$9.5 million).

(ii) Buildings and infrastructure

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

Buildings

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

A +/- 5% sensitivity on the estimates of the remaining useful lives would result in the carrying value of the buildings being varied by \$5.0 million (2016: \$5.0 million).

Infrastructure assets

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

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

- the roadways and bridges being varied by \$0.5 million (2016: \$0.5 million); and
- the wharves, jetties and breakwaters being varied by \$2.6 million (2016: \$2.8 million).

Note 18 Financial risk management objectives and policies

The Corporation's principal financial instruments comprise cash, funds on deposit in the NSW Treasury Corporation's Investment Management (TCorpIM) Cash Fund, 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

			2017	2016
			\$000	\$000
Financial assets	Note	Category		
Cash and cash equivalents	6	N/A*	27,220	1,406
Trade and other receivables		Loans and receivables measured at amortised cost	12,820	18,490
Lease incentive receivable	7	Loans and receivables measured at amortised cost	-	443
Finance lease receivable	7	Loans and receivables measured at amortised cost	84,294	78,804
			124,334	99,143

Note 18 *continued*

			2017 \$000	2016 \$000
Financial liabilities	Note	Category		
Trade and other payables		Financial liabilities measured at amortised cost	8,437	8,186
Lease incentive liability	11	Financial liabilities measured at amortised cost	877	1,228
Interest-bearing loans and borrowings	13	Financial liabilities measured at amortised cost	-	2,000
			9,314	11,414
*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 TCorpIM Cash Fund. The Corporation has no material exposure to foreign currency risk and does not enter into commodity contracts.

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

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

(i) Interest rate risk

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

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.

Note 18 *continued*

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

	Carrying amount	+1% (100 basis points) Post tax impact on profit	Equity	-1% (100 basis points) Post tax impact on profit	Equity
	\$000	\$000	\$000	\$000	\$000
At 30 June 2017					
Financial assets					
Cash and cash equivalents	27,220	191	191	(191)	(191)
Net exposure	27,220	191	191	(191)	(191)
At 30 June 2016	\$000	\$000	\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	1,406	10	10	(10)	(10)
Financial liabilities					
Interest bearing liabilities	(2,000)	(14)	(14)	14	14
Net exposure	(594)	(4)	(4)	4	4

(ii) *Other price risk* – TCorpIM Cash Fund

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Cash Fund, which is held for strategic rather than trading purposes. The Corporation has no direct equity investments. The Corporation holds units in the following TCorpIM Cash Fund:

Facility	Investment sectors	Investment Horizon	Note	2017 \$000	2016 \$000
TCorpIM Cash Fund	Cash, Money market instruments	Up to 1.5 years	6	26,788	-

The unit price of the fund is equal to the total fair value of the net assets held by the fund divided by the number of units on issue. Unit prices are calculated and published daily. In the fair value hierarchy, the TCorpIM Cash Fund is classified as Level 2 because prices are observable, however, no active market exists for these funds as they are only accessible to government agencies.

TCorp is trustee for the above fund 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 fund in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the fund. A significant portion of the administration of the fund is outsourced to an external custodian.

TCorp provides sensitivity analysis information for the fund, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The fund 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

Note 18 *continued*

percentage change in unit price, as advised by TCorp, multiplied by the redemption value at 30 June each year for each fund.

	Change in unit price	Post tax impact on profit Higher/(Lower)	
		2017 \$000	2016 \$000
TCorpIM Cash Fund	+/-1%	188	-

(c) Credit risk

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

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

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

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

The Corporation is not considered to be materially exposed to a concentration of credit risk to a single trade debtor. The largest single trade debtor included in receivables totals \$2.3 million (2016: \$5.5 million) and is 1.82% of total financial assets (2016: 5.50%).

(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.

Note 18 *continued*

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 2017		Interest rate exposure					Contractual Maturity Dates		
		Weighted average effective interest rate	Carrying Value \$000	Nominal amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	< 1 year \$000	1-5 years \$000
Financial liabilities									
Trade and other payables	N/A	8,437	8,437	-	-	8,437	8,437	-	-
Lease incentive liability	N/A	877	877	-	-	877	409	468	-
		9,314	9,314	-	-	9,314	8,846	468	-

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

Note 18 *continued*

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost.

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

Financial liabilities	2017	2017	2016	2016
	\$000	\$000	\$000	\$000
	Carrying amount	Fair value	Carrying amount	Fair value
NSW TCorp borrowings	-	-	2,000	2,000

In 2016, the carrying value of the financial instruments approximated the fair value.

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

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

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

No financial assets and liabilities were measured at fair value in the statement of financial position at 30 June 2017.

(g) Capital management

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

There are no externally imposed capital requirements.

The Board reviews and agrees policies for managing the capital structure when considering each major project investment and following consultation with NSW Treasury. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders. The gearing ratio at 30 June 2017 was as follows:

Note 18 *continued*

Gearing ratio

	Note	2017 \$000	2016 \$000
Total debt	13	-	2,000
Total debt and total equity		467,839	410,004
Gearing ratio		-	0.49%

Note 19 Commitments

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2017 but not otherwise brought to account have been assessed at \$0.8 million including GST (2016: \$4.6 million). The \$0.8 million includes GST input tax credits of \$0.1 million that are expected to be recoverable from the Australian Taxation Office.

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

	2017 \$000	2016 \$000
Not later than one year	830	4,616
Later than one and not later than five years	-	-
Total including GST	830	4,616

(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:

	2017 \$000	2016 \$000
Payable		
Not later than one year	3,876	3,726
Later than one and not later than five years	4,516	6,055
Later than five years	875	252
Total including GST	9,267	10,033

The above total includes GST input tax credits of \$0.6 million (2016: \$0.6 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 19 years. The lease of office premises has a renewal option included in the contract.

Note 19 *continued*

Operating lease commitments – as lessor

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

	2017 \$000	2016 \$000
Receivable		
Not later than one year	10,219	12,42€
Later than one and not later than five years	34,097	38,10€
Later than five years	37,587	38,62€
Total including GST	81,903	89,154

The above total includes GST output tax of \$7.4 million (2016: \$8.1 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 20 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 20 Contingencies

The Corporation is subject to various actual and pending claims arising from business operations. The Corporation has regular reviews of these claims, including updates from internal and external legal counsel, to assess the requirement for the accounting recognition and 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 21 Consultancy fees

Fees paid to a consultant in relation to services engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision-making by management. No such fees were paid or payable to consultants during the year (2016: \$2,968).

Note 22 Related party disclosures

Ultimate parent

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

(a) Key management personnel

The Corporation defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly. They include the Corporation's board members, portfolio ministers or equivalent, shareholding ministers, the chief executive and the executive team.

Note 22 *continued*

Compensation for key management personnel

Benefit	2017	2016
	\$000	\$000
Short term employee benefits	3,820	3,593
Post employment benefits	231	232
Other long term benefits	-	-
Termination benefits	-	218
Total	4,051	4,043

Directors' remuneration includes emoluments and other benefits paid, or due and payable, to Directors. Included in the above is the Directors' remuneration \$0.4 million (2016: \$0.4 million).

During the year the Corporation did not enter into any disclosable transactions with key management personnel, their close family members and controlled and jointly controlled entities thereof.

(b) NSW Government-related entities

During the year, the Corporation entered into transactions with NSW Government related entities that are controlled, jointly controlled, or significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the Corporation financial results. They are all arm's length transactions in the ordinary course of the business of the Corporation.

The following arm's length transactions have been identified as individually significant for disclosure in the financial statements.

Related Entity	Transaction	Transaction Value *	
		2017	2016
		\$000	\$000
Sydney Harbour Foreshore Authority	Rental income for the temporary exhibition centre site at Glebe Island	4,114	4,114
Roads and Maritime Services (RMS)	Expense for channel fee	6,647	5,733
Sydney Water Corporation	Land sold	4,633	-
	Revenue from the construction work at Foreshore Beach	2,196	303

*Transaction value includes GST

Note 23 Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS

Statement of land holdings

For the year ended 30 June 2017

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 2017 \$000
Land and buildings	
Land	198,222
Buildings	98,484
Total land and buildings	296,706
Other	
Roadways and bridges	10,174
Wharves, jetties and breakwaters	60,342
Plant	81,116
Construction in progress	3,277
Total other	154,909
Total property, plant and equipment	451,615

18 Statutory disclosures

18.1 Charter, aims and objectives

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

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

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

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

18.2 Guarantee of service: Port Safety Operating Licence

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

The licence issued by the NSW Minister for Roads, Maritime and Freight requires Port Authority to carry out port safety functions which include:

- monitoring of channel and berth depths
- dangerous goods handling
- navigation aids operation
- pilotage and exemptions from pilotage
- port communications
- emergency response
- vessel arrival systems.

A new licence was issued on 1 January 2016, with an expiry date of 31 December 2017.

Under the licence, the various Port Authority port operations exercise and manage port safety functions within the port limits. Within the Sydney port operation, this encompasses the port areas of Sydney Harbour and Port Botany. The Newcastle port operation exercises the port safety functions within Newcastle Harbour and Yamba, whilst the Port Kembla port operation exercises port safety functions within Port Kembla and Port of Eden. All performance standards of the PSOL were complied with in 2016/17.

18.3 Relevant legislation

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

Other significant legislation affecting Port Authority includes:

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

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

18.4 Changes in Acts and subordinate legislation

New South Wales' marine safety legislation was revised in the second half of 2016.

The Marine Safety (General) Regulation 2009 was remade, with some amendments, into the Marine Safety Regulation 2016. The *Maritime Services Act 1935* (NSW) and its regulations, the Management of Waters and Waterside Land Regulation NSW and Port Authority – Land Traffic Control Regulation NSW were repealed on 7 October 2016.

With the repeal of the Port Authority – Land Traffic Control Regulation NSW, the *Ports and Maritime Administration Act 1995* (NSW) was amended to relevantly include a new Part 4A to give safety directions at a port or wharf owned by Port Authority.

Specific provisions of the former *Maritime Services Act 1935* and its regulations were updated and rehoused either within the *Marine Safety Act 1988*, the *Ports and Maritime Administration Act 1995* or the regulations of these Acts. This included:

- A new Part 4A of the *Ports and Maritime Administration Act 1995* (NSW) to give safety directions at a port or wharf owned by Port Authority of NSW.
- The Harbour Master's general powers in relation to vessels under section 88 of the *Marine Safety Act* were expanded.
- The obligation to obtain the written approval of the Harbour Master for any proposed works that will disturb the bed of a port was moved to a new clause 67ZN of the *Ports and Maritime Administration Regulation 2012*.

18.5 Economic or other factors affecting achievement of operational objectives

No economic factors affected the achievement by Port Authority of its operational objectives for 2016/17.

18.6 Performance relative to the Statement of Corporate Intent

Port Authority's financial performance for the reporting period was favourable compared to the key targets set in its 2016/17 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year was \$39.9 million compared with a budget of \$38.6 million. The main influences on the positive result was revenue being above target due to strong trade growth and the continued management of cost control.

18.7 Exemptions for the reporting period provisions

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

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

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

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

The following matters are exempt:

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

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

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

18.8 Response to significant issues raised by the Auditor General

There were no significant issues raised by the Auditor General in the 2015/16 financial year audit. Port Authority' response to any significant issues raised by the Auditor General in the 2016/17 financial year audit will be included in the 2017/18 Annual Report.

18.9 Government Information (Public Access) Act 2009

Port Authority is required to report annually on its obligations under the *Government Information (Public Access) Act 2009* (the Act). The following information is required to be reported under the Act for the period 1 July 2016 to 30 June 2017.

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

Port Authority granted access to four applications. In one instance, all information was provided to the extent available. In the other three instances, some information was redacted because of a public interest against disclosure or on Schedule 1 grounds. One application was refused on section 14 grounds of "responsible and effective government" and "business interests of agencies and other persons".

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	1	3	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)	0	0	1	1	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	3	1	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 *Government Information (Public Access) Act 2009*, 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 (s 43 of the Act)	0
Application contravenes a restraint order (s 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

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

Reason for invalidity	No. of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	3
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 following table.

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

	No. of occasions when application not successful (in part)
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	1
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)	2
Decided after 35 days (by agreement with applicant)	3
Not decided within time (deemed refusal)	0
Total	5

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under s. 93 of the Act	0	0	0
Review by NSW Civil Administration Tribunal	0	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 indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

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

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

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

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

18.10 Corporate governance

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

Port Authority complies with each of the recommendations in the *NSW Treasury Guidelines for Boards of Government Businesses*. This report outlines Port Authority's governance practices during 2016/17.

18.11 Role of the Board

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

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

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

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

18.12 Board committees

To assist the Board in discharging its functions – and to allow a more detailed analysis of the specialised areas of finance, risk, audit, remuneration, human resources and governance – the following committees were operational during 2016/17:

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

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

Audit and Risk Committee

The Chairman of the Audit and Risk Committee is Robert Dunn. Robert is an independent non-executive Director, who is not the Chairman of the Board. Other members of the Committee as at 30 June 2017 were Penny Bingham-Hall, Patricia Forsythe and Nicholas Whitlam, who were each independent, non-executive Directors.

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

The Committee is responsible for oversight and review of:

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

The Committee met five times during 2016/17. A copy of the Audit and Risk Committee Charter is available in the Corporate Governance section of the [Port Authority website](#).

Remuneration and Human Resources Committee

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

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

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

During 2016/17, the Remuneration and Human Resources Committee reviewed executive salaries and performance arrangements, including those of the Chief Executive Officer. The Committee considered and recommended the Corporate Goals for 2016/17 and 2017/18, and reviewed and evaluated the performance of the Chief Executive Officer and the Executive

Management team against agreed performance goals for the 2015/16 year. The Committee oversaw human resource (HR) management including HR metrics, enterprise bargaining agreement updates, a bonus scheme review and diversity matters and reviewed the scope for a customer and stakeholder survey. The Committee also reviewed its Charter.

The Committee met four times during 2016/17. A copy of the Remuneration and Human Resources Committee Charter is available in the Corporate Governance section of the [Port Authority website](#).

Nominations Committee

The Nominations Committee comprises all six independent non-executive Directors. It is chaired by Nicholas Whitlam.

The Nominations Committee was established by the Port Authority Board on 1 July 2014. The Committee meets on an as-required basis and is responsible for assisting the Port Authority Board in fulfilling its corporate governance responsibilities with regard to Board composition. This includes assessing the necessary and desirable skills and experience of Directors, ensuring Directors have the appropriate mix of competencies, and identifying skills and experience to fill those gaps and overseeing induction and continuing education of Directors.

The Committee met twice during 2016/17. A copy of the Nominations Committee Charter is available in the Corporate Governance section of the [Port Authority website](#).

18.13 Code of Conduct

Port Authority's Code of Conduct outlines general business ethics and acceptable standards of professional behaviour expected of all directors, employees and contractors.

The Code covers personal and professional behaviour, fraud and corruption responsibilities including policies on accepting of gifts and benefits, ethics and conflicts of interest requirements. Employees are encouraged to report any suspected breaches and those who do are protected as outlined in the Internal Reporting Policy.

The Code of Conduct is available to all employees, on Port Authority's intranet. It also works alongside other more detailed policies including the Fraud and Corruption Policy, Disciplinary Policy and Internal Reporting Policy.

A new Code of Conduct was approved by the Executive team late this reporting year and will be implemented in 2017/18, after review by a Consultative Committee and approval by the Board.

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

A copy of the Code of Conduct is available in the Corporate Governance section of the [Port Authority website](#).

18.14 Risk management

Port Authority uses an Enterprise Risk Management system to ensure risks are identified and managed in a considered and timely manner. The Enterprise Risk Management system is consistent with the Australian/New Zealand Standard of Risk Management (AS/NZS/ISO

31000:2009). It is underpinned by a Risk Management Policy and a Risk Management Procedure.

This system encompasses all the activities Port Authority is responsible for under the *Ports and Maritime Administration Act 1995* in addition to corporate-wide strategic risks.

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

- coordinated by the Chief Risk Officer (the Chief Risk Officer for Port Authority is the Chief Financial Officer)
- managed by the Executive Management Team
- overseen, in the first instance, by the Audit and Risk Committee and subsequently by the Port Authority Board.

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

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

Operational risks are reviewed through a formalised risk assessment process that is conducted within Divisions and coordinated by the applicable division Risk Management Representatives.

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

18.15 Insurance activities

In conjunction with the Enterprise Risk Management system, Port Authority maintains an annual insurance program, part renewed on 30 June and part on 31 December each year. The renewal process is reviewed by the Audit and Risk Committee and the Board in June each year. Port Authority utilises the services of an insurance broker to provide and advise on Directors' and Officers' cover and Port Operator Liability cover as first layer of up to \$10 million to the treasury Managed Fund procured in the private sector. Port Authority is a member agency of the Treasury Managed Fund for other cover.

The key policies within the insurance program provide comprehensive coverage across all Port Authority operations including Directors' and Officers' liability, Port Operator Liability, Public Liability, Property, Motor Vehicle, Travel, Workers' Compensation and financial loss policies such as Professional Indemnity.

On 1 September 2016, Port Authority purchased a seven-year Directors' and Officers' Liability run-off policy for directors of each of Sydney Ports Corporation and Port Kembla Port Corporation which were formally dissolved on that day.

18.16 Board composition

Under the *State Owned Corporations Act 1989 (NSW)*, the Port Authority Board is required to have a minimum of three and a maximum of seven Directors. The Voting Shareholders appoint the Chairman, who is currently Nicholas Whitlam. Nicholas is an independent Director and his role is clearly separated from the role of the Chief Executive Officer, Grant Gilfillan. Nicholas was appointed as Chairman of the Port Authority Board effective 1 July 2014. He was previously Chairman of Newcastle Port Corporation, Sydney Ports Corporation and Port Kembla Port Corporation, prior to their amalgamation on 1 July 2014 to form Port Authority. The Chairman is responsible for leading the Board and facilitating its effective functioning.

18.17 Chief Executive Officer

Grant Gilfillan was appointed as Chief Executive Officer of Port Authority effective 1 July 2014. He was previously Chief Executive Officer of Newcastle Port Corporation and Sydney Ports Corporation, prior to the formation of Port Authority on 1 July 2014.

As set out in the *State Owned Corporations Act 1989 (NSW)*, the Chief Executive Officer was appointed by the Governor on the recommendation of the Portfolio Minister, following a recommendation from the Board.

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

Grant Gilfillan was separately appointed as a Director of the Port Authority Board effective 21 July 2014.

18.18 Board independence

All Directors are expected to exercise independent judgment when making Board decisions. It is the approach and attitude of each non-executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all other relevant factors. This will include an assessment against the independence recommendations in the guidelines which cover whether the Director:

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

Note: 'Material' means greater than five per cent of the Corporation's gross revenues.

The independence of each Director is reviewed on a regular basis to ensure circumstances that may affect the independent status of a Director have not changed.

Grant Gilfillan, as both a Director and the Chief Executive Officer, is not considered independent. All other Directors are considered independent.

18.19 Access to information and independent professional advice

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

18.20 Conflict of interest

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

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

18.21 Other board memberships

NSW Treasury *Guidelines for Boards of Government Businesses* recommends that Directors should not hold directorships of more than three government boards. None of Port Authority's Directors has exceeded this limit.

18.22 Board meetings and their conduct

The Board of Directors of Port Authority schedules nine meetings a year and may meet more regularly as circumstances require. During 2016/17, the Board met nine times. The independent non-executive Directors on the Board meet on a regular basis to discuss any matters that should be discussed without executive management and non-independent Directors present.

The Company Secretary is responsible for providing administrative and corporate governance support to the Board of Directors. This includes ensuring that the Board receives papers for Board and Committee meetings in advance of each meeting and attendance at Board and Committee meetings to take minutes. The Company Secretary is appointed and removed by resolution of the Board. Regina Abood (B.Com., FGIA) is the current Company Secretary of Port Authority.

The attendance by Directors at Board and Committee meetings during the year is listed in sections 18.23 and 18.24.

18.23 Attendance at board meetings 2016/17

	Board meetings		Term of appointment
	A	B	
N. Whitlam	9	9	1 July 2017 - 30 June 2018
G. Gilfillan	9	9	2 November 2016 - 1 November 2019
P. Bingham-Hall	9	9	1 January 2017 - 31 December 2019
Z. Bull	9	9	2 March 2016 - 1 March 2019
R. Dunn	9	8	1 July 2017 - 30 June 2020
P. Forsythe	9	9	2 February 2015 - 1 February 2018
G. Sutton	9	8	1 January 2017 - 31 December 2019

A: number of meetings eligible to attend during year.

B: number of meetings attended.

18.24 Attendance at committee meetings 2016/17

	Audit and Risk Committee		Remuneration and Human Resources Committee		Nominations Committee	
	A	B	A	B	A	B
N. Whitlam	5	5	4	4	2	2
G. Gilfillan	-	-	-	-	-	-
P. Bingham-Hall	5	5	4	4	2	2
Z. Bull	-	-	4	4	2	2
R. Dunn	5	5	-	-	2	2
P. Forsythe	5	5	-	-	2	2
G. Sutton	-	-	4	4	2	1

A: number of meetings eligible to attend during year.

B: number of meetings attended.

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

18.25 Director remuneration, appointment and education

When appointed, Directors are provided with a letter of appointment from the Voting Shareholders specifying their term of appointment and remuneration. In addition, Port Authority provides new Directors with an induction pack of information to assist them in understanding Port Authority's business and the requirements of the role. Information provided includes:

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

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

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

- strategy, objectives and business
- operating and industrial environment
- corporate governance practices
- current financial and business performance
- key executives
- remuneration strategy
- risk management framework.

All other Directors are encouraged to continue their education, with practical director skill courses, site visits and briefings on issues relevant to Port Authority's operations. During the year, the Directors' continuing education program included:

- Visits to Port Authority sites
- Work Health and Safety briefing
- Cruise Industry briefing.

The remuneration for Directors of Port Authority is determined by the Voting Shareholders.

18.26 Board performance

The Board believes it is important to evaluate its own performance and that of each Director on a regular basis. A preferred methodology was agreed by the Board in July 2015, whereby reviews are conducted annually, with each third review being conducted by an external party. The last internal review was conducted during December 2016.

18.27 Equity, diversity and inclusion

Port Authority supports the principles of equity, diversity and inclusion. It continues to create an environment that is fair and inclusive and where diversity is valued and unlawful harassment and discrimination in any form are considered unacceptable.

The policy confirms the organisation's commitment to fair and equitable business practices and is complemented by its Discrimination, Harassment and Workplace Bullying Policy that defines unacceptable behaviours and the anticipated consequences if such behaviour continue to occur in the workplace. The Grievance Policy ensures the confidential, timely and effective resolution of any workplace grievance or dispute.

To demonstrate its commitment to cultural diversity, Port Authority operates a recruitment, selection and promotion strategy that is based solely on merit. This year, employees were recruited from a broad range of backgrounds and the organisation is always looking to build on its inclusive workplace. Port Authority is in the process of reviewing its policies and programs surrounding diversity, inclusion and harassment and workplace bullying. This will include the development of specific initiatives to increase employee diversity with a focus on changes to our recruitment practices and increasing female participation in our operation areas.

Diversity and Inclusion will be a focus area for Port Authority during 2017/18. A new Diversity Policy was approved by the Board late last year and will be implemented in 2017.

As a state owned corporation, Port Authority measures itself against NSW Government benchmarks as outlined by the NSW Public Service Commission. Information is collected biannually through the Workforce Profile that monitors data centred on age, gender, ethnic and cultural backgrounds and employment information including hours worked and mobility. Data collection is anonymous with employees having the right to request that their data be withheld from the collection. Approximately 30 per cent of employees have requested that their data be withheld. Where there is insufficient information supplied or the numbers are too low, a 'NA' (not available) is displayed.

EEO group	Percentage of total staff at 30 June (excluding casual staff)		
	Benchmark/target	2016	2017
Women	50%	21.3%	22.8%
Aboriginal people and Torres Straight Islanders	3.3%	0.3%	0%
People whose first language spoken as a child was not English	19%	7.8%	8%
People with a disability	N/A	0.3%	0.6%
People with a disability requiring work-related adjustments	N/A	0%	0%

EEO group	Distribution index (excluding casual staff)*		
	Benchmark/target	2016	2017
Women	100	80	76
Aboriginal people and Torres Straight Islanders	100	N/A	N/A
People whose first language spoken as a child was not English	100	97	100
People with a disability	100	N/A	N/A
People with a disability requiring work-related adjustments	100	N/A	N/A

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

18.28 Work Health and Safety

Work Health and Safety (WHS) is now part of our everyday activities and the way we do business. The reporting year 2016/17 has seen new safety milestones achieved in all three business units of Port Authority (Newcastle/Yamba; Sydney; and Port Kembla/Eden) throughout the year.

The safety awareness and safety leadership of our operations and support employees have delivered a significant improvement in safety performance, resulting in a 70 per cent reduction in recordable injuries over the previous 12 months.

Port Authority has continued to invest in safety training and improving safe systems of work. Near miss reporting has also improved and this comes with the greater benefit for further improvement of systems, procedures and processes, without people harmed.

There were no prosecutions against Port Authority relating to any breach of the *Work Health and Safety Act 2011* during the year.

WHS Committee meetings, WHS representatives and WHS consultation processes are in place and working throughout the operational areas of Port Authority.

The WHS performance for 2016/17 includes each of Port Authority's operations in Sydney, Newcastle Harbour, Port Kembla, Eden and Yamba. The WHS performance is summarised in the table below, which includes the historical Lost Time Injury and Medical Treatment Injury performance.

Port Authority Work Health and Safety statistics

	2015/16	2016/17
Number of incidents reported	365	330
Lost Time Injuries	7	4
Medical Treatment Injuries	12	2
Lost Time Injury Frequency Rate (LTIFR)	10.83	6.44
Total Recordable Injury Frequency Rate (TRIFR)	31.0	9.65
Workplace inspections and audits	106	109
Percentage of planned Work Health and Safety consultations meetings held	100%	100%

Notes: A 'Lost Time Injury' is "An incident that resulted in time lost from work of one shift or more as the result of an injury."

A 'Medical Treatment Injury' is "An incident where treatment from a doctor resulted in a restriction in the ability to perform full duties."

There were no fatalities in the seven Lost Time Injuries listed in 2016/17.

LTIFR (Lost Time Injury Frequency Rate) calculation is the number of lost time injuries per million hours worked.

TRIFR (Total Recordable Injury Frequency Rate) calculation is the number of lost time injuries plus medical treatment injuries per million hours worked.

18.29 Overseas travel by Port Authority of New South Wales employees

No Port Authority employees undertook overseas travel on official business during 2016/17.

18.30 Funds granted to non-government community organisations

There were no funds granted to non-government community organisations in 2016/17.

18.31 Community engagement/consumer response

Service NSW manages Port Authority's community complaints and enquiries on a 24/7 basis. This ensures that community complaints are managed in real-time at any time of the day or night.

All complaints and enquiries are registered on one consolidated database. All complaints are responded to within three business days.

The 24-hour contact details are:

P: 02 9296 4962

E: enquiries@portauthoritynsw.com.au

18.32 Publications

During the reporting year, Port Authority published the following publications:

- *Cruise Schedules*
- *Dangerous Notices to Mariners*
- *Goods Management Guidelines*
- *Harbour Master's Directions*
- *Port Authority of New South Wales Annual Report 2015/16*
- *Schedules of Port Charges effective 1 July 2015*
- *Statement of Corporate Intent 2015/16.*

A new Port Authority website www.portauthoritynsw.com.au was launched to provide information to stakeholders and the community.

18.33 Annual Report cost

The total cost of producing (editing and design services) the Port Authority of New South Wales Annual Report 2016/17 was \$27,750. The report is available at www.portauthoritiesnsw.com.au.

18.34 Land disposal

Port Authority did not dispose of any land assets of value greater than \$5 million during the period 1 July 2016 to 30 June 2017.

18.35 Executive positions

Executives with remuneration equal to or exceeding the equivalent of SES level 1.

At 30 June 2017, there were ten executives with remuneration equal to or exceeding the equivalent SES level 1, eight males and two females. The Chief Executive Officer received remuneration exceeding level 8. This remuneration was in the range of \$522,500 - \$700,000. The gender ratio of male to female is 8:2.

SES level	30 June 2017		Gender 2017		Average total remuneration package in band
			Male	Female	
Level 8	0	0	0	0	
Level 7	2	1	1	0	\$366,690
Level 6	0	1	0	0	
Level 5	4	3	4	1	\$297,096
Level 4	1	1	1	0	\$257,890
Level 3	2	3	2	1	\$237,022
Level 2	0	0	0	0	
Level 1	0	0	0	0	
Gender ratio, male to female	8:2	7:2			

18.36 Public interest disclosures

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

	1 July 2016 - 30 June 2017
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	0
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	0

Port Authority has adopted an internal reporting policy that is consistent with the NSW Ombudsman's model policy and applies across all Port Authority sites.



M. Lopez

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