

Annual Report

Port Authority of New South Wales
2017/18



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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Table of contents

Letter of submission	5	12 Port Kembla	56
1 Overview	6	12.1 Overview	56
2 Highlights	7	12.2 Marine Operations	56
2.1 Total vessel visits (cruise and trade)	7	12.3 Summary review of operations	57
2.2 Cruise	7	12.4 Community engagement and sponsorship	59
2.3 Glebe Island	9	12.5 The year ahead	59
2.4 Projects	9	13 Port of Eden	60
2.5 The year ahead	10	13.1 Overview	60
3 Summary review of operations	11	13.2 Summary review of operations	61
3.1 Financial performance	11	13.3 Port development	61
3.2 Marine Operations	11	13.4 Other highlights	63
4 Port highlights	13	13.5 Community engagement and sponsorship	63
5 Chairman's report	16	13.6 The year ahead	63
6 Chief Executive Officer's report	18	14 Port of Yamba	64
7 Board of Directors	20	14.1 Overview	64
8 Executive team	24	14.2 Pilotage and navigation services	64
9 Vision, objectives and values	27	14.3 Summary review of operations	65
10 Sydney Harbour and Port Botany	28	14.4 Port development	65
10.1 Port Botany	28	15 Sustainability	66
10.2 Sydney Harbour	28	15.1 Introduction	66
10.3 Trade vessel visits	29	15.2 Management of port impacts	66
10.4 Marine Operations	29	15.3 Shore power	67
10.5 Emergency response	33	15.4 Penrhyn Estuary	68
10.6 Cruise in Sydney Harbour	36	15.5 Vehicle and marine fleet	69
10.7 Glebe Island and White Bay	39	15.6 Energy and waste	69
10.8 Security	42	15.7 Environmental penalties	69
10.9 Capital projects	44	16 Heritage	70
10.10 Community engagement and sponsorship	46	16.1 Overview	70
11 Newcastle	51	16.3 The year ahead	70
11.1 Overview	51	17 Communications highlights	71
11.2 Marine Operations	52	17.1 Overview	71
11.3 Summary review of operations	52	17.2 The year ahead	72
11.4 Community engagement and sponsorship	55		
11.5 The year ahead	55		

18 Financial statements	73		
Director's declaration	74	19.16 Board composition	149
Independent auditor's report	75	19.17 Chief Executive Officer	149
Statement of comprehensive income	77	19.18 Board independence	149
Statement of financial position	78	19.19 Access to information and independent professional advice	150
Statement of changes in equity	79	19.20 Conflict of interest	150
Statement of cash flows	80	19.21 Other board memberships	150
Notes to the financial statements	81	19.22 Board meetings and their conduct	150
Statement of land holdings	137	19.23 Attendance at Board meetings 2017/18	151
19 Statutory disclosures	138	19.24 Attendance at committee meetings 2017/18	151
19.1 Charter, aims and objectives	138	19.25 Director remuneration, appointment and education	152
19.2 Guarantee of service: Port Safety Operating License	138	19.26 Board performance	152
19.3 Relevant legislation	139	19.27 Equity, diversity and inclusion	152
19.4 Changes in Acts and subordinate legislation	139	19.28 Work Health and Safety	154
19.5 Economic or other factors affecting achievement of operational objectives	140	19.29 Overseas travel by Port Authority of New South Wales employees	155
19.6 Performance relative to the Statement of Corporate Intent	140	19.30 Funds granted to non-government community organisations	155
19.7 Exemptions for the reporting period provisions	140	19.31 Community engagement/ consumer response	155
19.8 Response to significant issues raised by the Auditor General	141	19.32 Publications	155
19.9 <i>Government Information (Public Access) Act 2009</i>	142	19.33 Annual report cost	156
19.10 Corporate governance	145	19.34 Land disposal	156
19.11 Role of the Board	145	19.35 Executive positions	156
19.12 Board committees	145	19.36 Public interest disclosures	157
19.13 Code of conduct	147		
19.14 Risk management	148		
19.15 Insurance activities	148		

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

1 October 2018

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 2018

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 2018.

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 Robert Dunn
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 19.3 for more information.)

We operate to keep our ports safe for shipping and secure for everyone, and to protect port environments.

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

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** (the safe navigation of a ship into and out of a port by a marine pilot)
- **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 shipping functions in the ports of Sydney (Port Jackson and Botany Bay), Newcastle, Port Kembla, Port of Eden and Port of 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 Sydney Harbour. Port Authority also provides land on long-term lease adjacent to berths at Glebe Island.

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

2 Highlights



Cruise ship arriving at Overseas Passenger Terminal

2.1 Total vessel visits (cruise and trade)

During 2017/18, a total of 6225 commercial vessels visited the six ports in NSW administered by Port Authority. This total includes both trade vessels and cruise ships and is down from 6353 in 2016/17. The reduction is predominantly due to fewer trade vessel visits to Newcastle (2364 in 2016/17 down to 2272 in 2017/18) and Port Kembla (879 in 2016/17 down to 836 in 2017/18). This was somewhat anticipated, as Port Kembla Coal Terminal reduced coal exports to facilitate the replacement of aging equipment; there was a reduction in wheat exports as compared to 2016/17; and coal exports from Newcastle plateaued during the reporting period.

2.2 Cruise

Sydney provides two world-class cruise facilities and continues to accommodate some of the world's largest and newest cruise ships, some of which can carry up to 5000 passengers plus crew.

During the 2017/18 cruise season, a record 352 visits from 49 ships exchanged almost 1.6 million passengers. This is up from 344 ship visits and more than 1.5 million passengers in 2016/17.

The largest of the cruise ships to visit Sydney, the *Ovation of the Seas*, carries 4905 passengers and visited the Overseas Passenger Terminal three times throughout the season. At the other end of the scale, *L'Austral*, carrying just 264 passengers, arrived at White Bay Cruise Terminal in January 2018.

Seven cruise ships made their maiden visits to Sydney. These included the *Norwegian Jewel* in November 2017, *MS Regatta* and *AIDAcara* in December 2017, with the *Ocean Dream* (Peace Boat), *Viking Sun*, *MS Columbus* and *Silver Muse* all arriving for the first time in February 2018.

Regional ports – cruise ship visits in 2017/18 season

- Newcastle – 11
- Port Kembla – 2
- Eden – 15

Cruise ship visits to the regional ports continued to grow, with Eden welcoming the *Norwegian Jewel* and several other cruise ships to the Sapphire Coast (the far south coast of NSW) for the first time during the past season.

With the Eden Breakwater wharf extension due for completion in mid 2019, Eden is set for continued growth in the short and long-term future.

Port Kembla welcomed two of the larger cruise ships this season – *Radiance of the Seas* in January and *Explorer of the Seas* in March 2018 – playing host to a total of more than 6300 passengers.

Strategic Business Case for cruise capacity

The NSW Government formed the Cruise Industry Reference Group in June 2017, chaired by The Hon. Peter Collins, to investigate a range of short-, medium- and long-term options to address cruise capacity constraints in Sydney Harbour. Recommendations from the Cruise Industry Reference Group informed the preparation of a Cruise Development Plan (CDP) to set out a long-term strategy to develop the cruise industry in NSW.

The Cruise Development Plan, released in July 2018, was prepared by the NSW Department of Industry and Transport for NSW. It sets out a long-term strategy to develop the cruise industry in NSW to ensure that NSW continues to be a world-class cruise destination.

Port Authority, in conjunction with NSW Treasury, has been working to develop a Strategic Business Case to assess the feasibility of two locations – Molineux Point/Botany Bay and Yarra Bay/Botany Bay – as potential sites for a new passenger cruise terminal. (See Section 10.6 for more information.)

Off Airport Check In Solutions (OACIS)

Following a successful trial of OACIS technology at the Overseas Passenger Terminal in the 2016/17 season, the inaugural provision of these services to cruise passengers commenced on 23 December 2017.

The OACIS system allows passengers disembarking at the Overseas Passenger Terminal or White Bay Cruise Terminal to check in to their domestic Virgin Australia flight, receive their boarding pass and have their luggage transferred straight to Sydney Airport – so that they can spend more time enjoying the city. (See Section 10.6 for more information.)



The OACIS system will allow cruise passengers to check in to their Virgin Australia flight at Sydney's two cruise terminals.

2.3 Glebe Island

The port precinct at Glebe Island and White Bay is at the interface of a number of strategic projects for NSW. The port precinct provides the port capacity necessary to service the existing and future demand for the construction material supply-chain, and to support the cruise market.

Glebe Island and White Bay provide working harbour capability, critical to maintaining the strategic value of Sydney Harbour as Sydney's greatest single port asset.

The area is also essential to the delivery of the WestConnex M4-M5 Link, Western Harbour Tunnel and Sydney Metro projects, providing critical marine supply-chain capability for essential construction materials for Sydney's infrastructure growth.

The port precinct has the capacity to support greater economic productivity by increasing the intensity and variety of land uses through urban renewal. This is supported by a strong whole-of-government approach to The Bays Precinct.

2.4 Projects

Port Authority manages and develops port facilities and services to cater for the existing and future commercial shipping needs of the State of NSW.

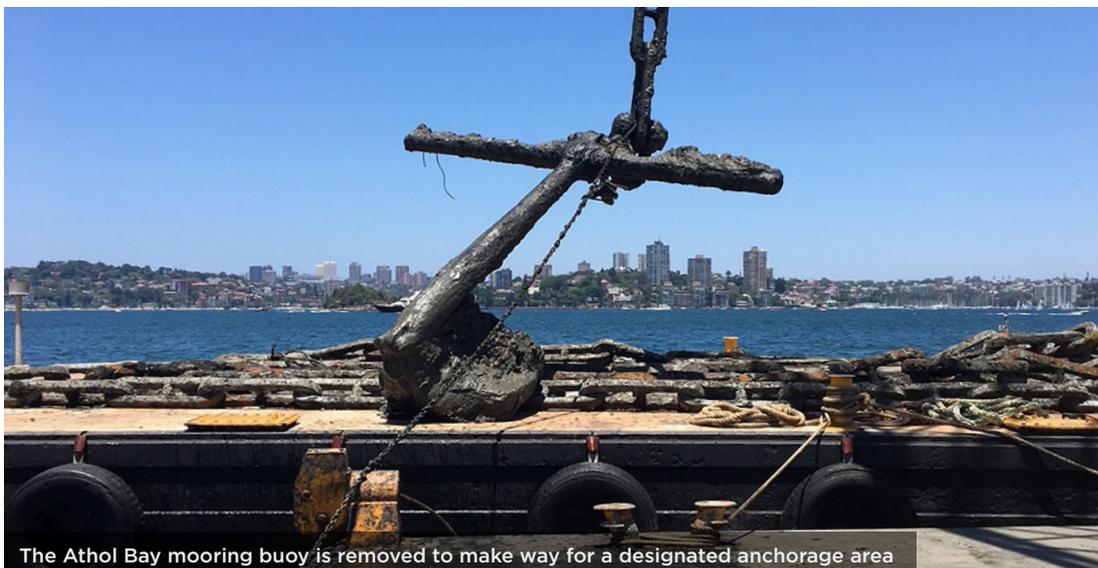
Key projects for 2017/18 are described below.

Multi-user facility at Glebe Island

Port Authority is in the planning stage of building a new multi-user facility that will handle bulk construction materials on Glebe Island for at least 10 years. This project will facilitate the supply of construction materials for Sydney's major transport infrastructure projects and construction generally in the CBD. (See Section 10.7 for more information.)

Athol Bay and Point Piper Anchorage

The Athol Bay and Point Piper mooring buoys were removed to make way for designated anchorage areas for commercial vessels. Establishment of the anchorage areas allows commercial ships to use their own anchors whilst moored in Sydney Harbour. (See Section 10.9 for more information.)



The Athol Bay mooring buoy is removed to make way for a designated anchorage area

Overseas Passenger Terminal Northern Truck Access

Port Authority is currently partnering with Property NSW to fund an upgrade of Campbells Cove public domain, including lowering and widening the foreshore promenade to deliver enhanced public access to The Rocks and services to cruise ships.

Part of the work is being undertaken on Port Authority land, which involves lowering of the existing roundabout at the northern end of Circular Quay West Road, to facilitate use of the Northern truck access on cruise ship days. This will improve road access and providing efficiency at the OPT. (See Section 10.9 for more information.)

to replace the existing gangways at the Overseas Passenger Terminal, Circular Quay. The new SPBBs are scheduled to arrive at the Overseas Passenger Terminal in 2019, to be commissioned in time for the 2019 peak cruise season. The SPBBs will better accommodate the wider and larger-capacity vessels visiting Sydney.

Prior to the arrival of the SPBBs, enabling works are to be completed, including removal of two redundant connection reliant gangways, and installation of rail support beams for the new SPBBs. The enabling works will commence early in the new financial year and will be completed within the current cruise low season.

2.5 The year ahead

Over the coming 12 months, work will progress on the projects described below.

Seaport Passenger Boarding Bridges, Overseas Passenger Terminal

Port Authority has engaged a supplier to design and manufacture two Seaport Passenger Boarding Bridges (SPBBs)

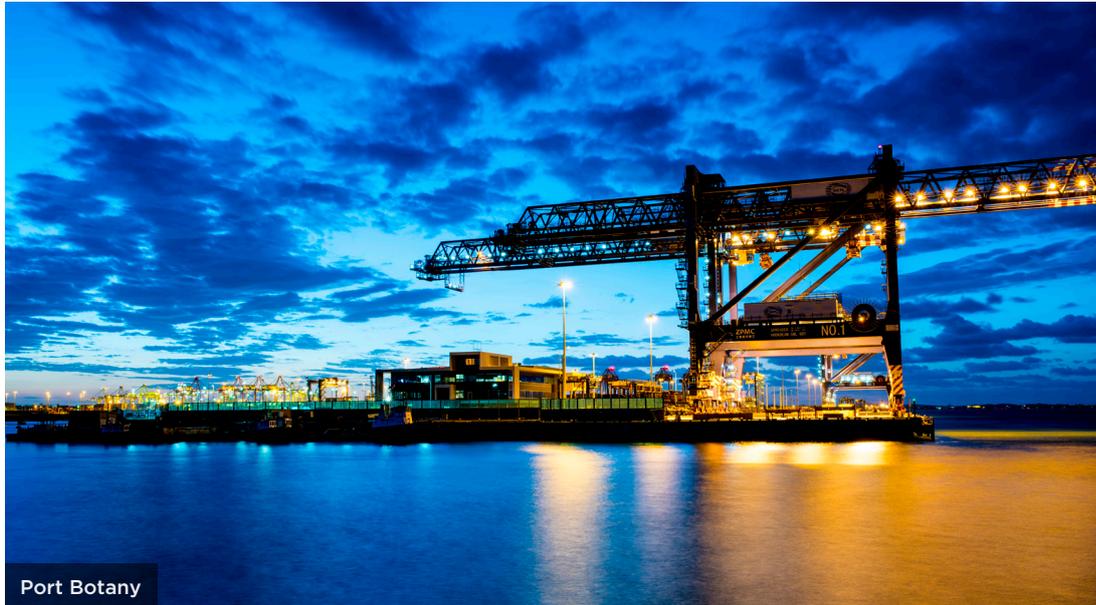
Nobby's Headland rock fall protection works

Nobby's Headland is an iconic feature in Newcastle's landscape, and an area visited by many locals and tourists all year round. The headland's natural composition, being fragmented rock layers, results in rocks of varying size falling from the cliff onto Macquarie Pier and Nobby's Beach. Port Authority will undertake capital works to mitigate the risk of the falling rocks.



Overseas Passenger Terminal, Circular Quay

3 Summary review of operations



3.1 Financial performance

In 2017/18, Port Authority of New South Wales exceeded its financial targets and can report earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$39.6 million – up \$4.5 million on target. This is predominantly driven by; revenue from the total gross tonnage of container vessels at Port Botany; additional rental income at Glebe Island associated with the staging of major infrastructure works being greater than estimated; and deferred spending on the noise attenuation program at White Bay, combined with continued management of costs within target.

3.2 Marine Operations

Marine Operations continued its high standard of operations in 2017/18, promoting the safe and efficient movement of commercial vessels operating through our ports.

Sydney and Port Botany

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

- completed 4360 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) – an average of 12 per day
- provided 986 ship escorts in Sydney and 2020 in Port Botany
- issued 1332 bulk dangerous goods transfer checks
- undertook 507 audits of work permits
- issued 900 bunker permit notifications
- responded to 205 calls to reports of pollution or fire, boom operations or vessels needing assistance or towage
- conducted six fire-tug water displays
- carried out multiple daily navigation, security and environmental patrols in both ports

Newcastle Harbour

During the reporting year, Marine Operations in Newcastle Harbour:

- completed 4680 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) - an average of 13 per day
- issued 358 bulk dangerous goods transfer checks
- undertook 544 audits of work permits
- issued 358 bunker permit notifications
- responded to 17 calls reporting pollution
- carried out navigation and environmental patrols.

Port Kembla

During the reporting year, Marine Operations in Port Kembla:

- completed 1721 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) - an average of five per day
- undertook annual hydrographic surveys for all of its port channels and berthing boxes
- issued 119 dangerous goods transfer checks
- undertook 1393 audits of work permits
- issued 139 bunker permit notifications
- carried out navigation, security and environmental patrols.



Pilot vessel *Kestrel* in action at Port Kembla

Port of Eden

Shipping numbers increased at Port of Eden in 2017/18. There were 101 total ship visits, up from 95 visits in 2016/17.

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

Port of Yamba

In 2017/18, there were 54 ship visits to Port of Yamba. Shipping numbers increased significantly (up from 26 visits in 2016/17) as a result of the Harwood Shipyard on Goodwood Island and vessels associated with the bridge work related to the Pacific Highway upgrade. 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 PSOL functions, and emergency response and security

4 Port highlights

During 2017/18, a total of 6225 commercial vessels visited the six ports in NSW administered by Port Authority. This total includes both trade vessels and cruise ships and is down from 6353 in 2016/17. The reduction is predominantly due to fewer trade vessel visits to Newcastle (2364 in 2016/17 down to 2272 in 2017/18) and Port Kembla (879 in 2016/17 down to 836 in 2017/18). This was somewhat anticipated, as Port Kembla Coal Terminal reduced coal exports to facilitate the replacement of aging equipment; there was a reduction in wheat exports as compared to 2016/17; and coal exports from Newcastle plateaued during the reporting period.

The tables below present a monthly breakdown of trade vessel visits for 2017/18 compared to 2016/17 across ports.

Total vessel visits (trade vessel and cruise ship visits), all ports, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Port Botany/Kurnell	139	140	133	145	143	152	154	138	141	133	128	132	1,678	1,774
Sydney Harbour/Gove Cove*	82	86	76	104	127	126	134	130	141	96	83	71	1,256	1,206
Newcastle	206	192	195	167	197	208	155	181	211	197	187	187	2,283	2,369
Port Kembla	72	66	63	67	63	74	66	65	80	71	71	80	838	883
Eden/Yamba	9	7	14	7	14	18	12	29	18	12	13	17	170	121
TOTAL	508	491	481	490	544	578	521	543	591	509	482	487	6,225	6,353

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, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Port Botany/Kurnell	139	140	133	145	143	152	154	138	141	133	128	132	1,678	1,774
Sydney Harbour/Gove Cove*	68	73	65	79	83	81	86	77	95	71	71	55	904	862
Newcastle	206	192	195	166	197	207	152	179	209	195	187	187	2,272	2,364
Port Kembla	72	66	63	67	63	74	65	65	79	71	71	80	836	879
Eden/Yamba	9	7	14	7	13	13	8	26	17	11	13	17	155	107
TOTAL	494	478	470	464	499	527	465	485	541	481	470	471	5,845	5,986

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, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017- 18	TOTAL 2016- 17
Sydney Overseas Passenger Terminal	10	12	8	20	25	27	26	27	28	17	9	10	219	213
Sydney White Bay*	2	1	3	5	19	18	20	22	17	8	2	4	121	117
Sydney other	2	0	0	0	0	0	2	4	1	0	1	2	12	14
Newcastle Harbour	0	0	0	1	0	1	3	2	2	2	0	0	11	5
Port Kembla	0	0	0	0	0	0	1	0	1	0	0	0	2	4
Eden	0	0	0	0	1	5	4	3	1	1	0	0	15	14
Total	14	13	11	26	45	51	56	58	50	28	12	16	380	367

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



Pilot vessel alongside cargo ship

5 Chairman's report



It gives me great pleasure to report on the financial year 2017/18 – a year marked by continued growth and success.

Business performance

Upon its creation on 1 July 2014, Port Authority was budgeted to break even. There has been steady progress since then. Financial returns and the viability of the corporation have improved with each successive year.

The Port Authority's financial performance for the reporting period was favourable compared to the key

targets set in its 2017/18 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year were \$39.6 million compared with a budget of \$35.1 million – with a return on fixed assets of 3.5 per cent. Our return on assets can be improved and we have plans to bring this up over the coming years so as to exceed our cost of capital.

The main influences on the result for 2017/18 were revenue being above target, due to increased total gross tonnage of container vessels at Port Botany; additional rental income at Glebe Island associated with the staging of major infrastructure works; and deferred spending on the noise attenuation program at White Bay – together with the continued management of costs within target.

Some of the highlights of 2017/18 include:

Safety

A strong focus for the Port Authority in recent years – across all ports – has been on safety awareness and safety leadership. We have developed a good safety record, and this year was no exception: once again we can report a low number of recordable injuries.

Glebe Island

A key strategic focus area for the Port Authority is the future of Glebe Island, which is currently at the centre of the planned redevelopment of The Bays Precinct in Port Jackson, Sydney. Glebe Island provides Sydney with critical port infrastructure and marine logistics support and is of vital strategic importance for the city's construction boom and economic future.

The Port Authority is in the process of planning a multi-user facility at Glebe Island for sand, aggregates and other commodities to meet Sydney's construction needs for at least 10 years. Consultation about this with local communities took place in early 2018 and a Response to Submissions Report is currently being prepared.

Cruise capacity

With another record-breaking cruise season, Sydney is a victim of its own success. While this success is a cause to celebrate, it presents us with a need to examine how Sydney can keep up with this fastest growing tourism sector in Australia.

Port Authority has continued to work closely with the NSW Government on the future of cruise in Sydney. In conjunction with NSW Treasury, we have been

developing a strategic business case to test the feasibility of potential sites for additional cruise-ship berthing facilities in Sydney. This is the first step in a detailed process for understanding the feasibility and location of new cruise infrastructure.

Cruise visitations to Newcastle, Port Kembla and Eden are growing significantly, with new cruise facilities to be built in Newcastle and being built in Eden.

Stakeholder satisfaction

During the financial year, Port Authority conducted its first stakeholder and customer satisfaction survey since its establishment in 2014. The purpose of the survey was to help us better understand how effective our relationships are with our stakeholders and customers, and how satisfied they are with our services. The survey was conducted in two phases, including an online survey and a series of one-on-one interviews.

Overall, the research found that satisfaction with the Port Authority is strong, driven by well-regarded people and high-quality operations. Results from the survey have given us good insight into how we are perceived by our customers and stakeholders and this will help us manage and serve them in the immediate future.

Governance and management

My second term as Chairman of the Port Authority expired on 30 June 2018.

I was first appointed a Director in 2004 of Port Kembla Port Corporation, followed in 2005 by my appointment as Chairman; I was reappointed chair in 2008 and 2011, and through 2013-14 served as Chief Executive Officer (CEO).

During 2013, I was appointed Chairman of Sydney Ports Corporation and Chairman of Newcastle Port Corporation. Then, in 2014, on the amalgamation of the three port corporations, I became the inaugural Chairman of the new Port Authority of New South Wales. It is a matter of record – and of personal pride – that my appointments and reappointments to these positions were made by governments from both sides of the political divide.

Robert Dunn is the new Chair. He has been a Director of the Port Authority since 2014 and has most ably chaired the Audit and Risk Committee for those four years; prior to the creation of the Port Authority, Robert served on the board of Sydney Ports Corporation from 2012-14. I am delighted that the NSW Government accepted the Board's unanimous recommendation that he should be appointed to succeed me as Chairman.

Management continues under the fine leadership of Grant Gilfillan.

It has been a pleasure and an honour to serve as Chairman, and I stand down confident in the knowledge that the Port Authority is in good shape and in good hands.



Nicholas Whitlam

Chairman (until 30 June 2018)
Port Authority of New South Wales

28 September 2018

6 Chief Executive Officer's report



Port Authority of New South Wales works to ensure the safe, reliable and efficient movement of vessels through Sydney Harbour, Newcastle Harbour, Port Botany, Port Kembla, Eden and Yamba.

To ensure the safe arrival of cruise ships, tankers and cargo ships and to bring them safely to berth, Port Authority's marine pilots and cutter vessels perform over 10,000 pilot movements each year.

This vital work keeps our ports safe, efficient, secure and open for business and ready to handle the ever increasing flow of passengers and goods by sea. A total of 6225 trade and cruise passenger vessels visited our ports during 2017/18, compared to 6353 in 2016/17.

Our working ports are vital to the NSW economy and this year we have continued our work to secure the future of Sydney Harbour's working berths at Glebe Island.

Glebe Island sits at the heart of Sydney Harbour and provides the city with critical capabilities for supporting the marine supply chain and vital construction materials for the inner Sydney and central business district. Having been a working port for over 100 years, Glebe Island will become the gateway for importing by sea, rather than road, the construction materials required to fuel Sydney's infrastructure boom and economic future.

In May 2017, the NSW Government endorsed the findings of a report by Infrastructure NSW that provided a strategic rationale to retain port capability at Glebe Island and to integrate port and urban renewal uses.

Glebe Island is at the centre of The Bays Precinct urban transformation program – an urban renewal plan to reinvent and revitalise the area with commercial

and residential development. It is our long-term vision that Glebe Island will seamlessly integrate with urban renewal. In the short- to medium-term, we have proposed the development of a multi-user facility that would enable the port to continue supplying materials to Sydney's construction industry for at least the next 10 years.

In early 2018, Port Authority prepared a Review of Environmental Factors to consider the potential impacts of the delivery of a multi-user facility at Glebe Island. The next step is to prepare a Response to Submission Report, anticipated for release in mid- to late-2018.

In Sydney, cruise continues to boom, with cruising remaining the fastest growing tourism sector in Australia. Once again, New South Wales has seen a record year. Sydney is well placed as one of the world's top cruise destinations, attracting 352 ship visits during the 2017/18 cruise season – including seven maiden calls.

This record number of ship visits saw almost 1.6 million passengers transfer through Sydney's terminals – the Overseas Passenger Terminal at Circular Quay, White Bay Cruise Terminal at Balmain and White Bay berth 4.

As part of our efforts to make the passenger experience as seamless as possible, in December 2017, Port Authority released two new videos

to guide passengers through the boarding process. We also joined with Virgin Australia and technology firm OACIS to offer an airport check in and luggage service for cruise passengers transferring from our cruise terminals to the airport.

With cruise booming in Sydney, we are continuing to find ways to enhance cruise capacity to ensure cruise lines can capitalise on Australia's growing demand for cruise tourism. To assist long-term planning for cruise lines, we launched a new cruise booking system in November 2017, allowing cruise lines to book berths in Sydney Harbour up to three years in advance.

Port Authority has also been working with NSW Treasury to prepare a strategic business case to evaluate the feasibility of establishing an additional cruise passenger terminal east of Sydney Harbour Bridge. The business case analysis will enable the NSW Government to make informed decisions regarding potential new cruise infrastructure in Sydney.

Outside Sydney, cruise was just as successful. Newcastle Harbour welcomed 11 cruise ships over the 2017/18 cruise season up from 5 in 2016/17. A total of 15 ships sailed into Port of Eden, an increase from 14 in 2016/17. In December 2017, Port of Eden welcomed five cruise ships in just seven days, bringing thousands of passengers to the regional town.

Cruise visits to Port Kembla continued too, showing further potential for cruise in the Illawarra region. The port welcomed two cruise ships in 2017/18 – following the first ever cruise ship visit in 2016/17 – while securing bookings on international itineraries for 2019 and 2020.

In Eden, the Port Authority hydrographic surveying team was contracted to chart the sea floor ahead of construction by the Department of Primary Industries,

of the Eden Breakwater Wharf Extension. This \$44 million project will create a 110-metre extension to the port's wharf to enable cruise ships up to 325 metres in length to berth in Snug Cove for the first time.

With almost 1.34 million Australians taking a cruise in 2017 – with 77 per cent of the cruises being in local waters – we will continue to find ways to support the industry in Sydney and our regional ports.

Each year, our ports and harbours become busier, and one of our primary concerns is ensuring the safety of all who use them.

Our marine operations teams responded commendably to hundreds of emergency incidents across our ports in 2017/18, from oil spills and pollution incidents to firefighting, emergency towage and vessel assists. This included two significant maritime incidents in June 2018 – the loss of 81 containers from the YM Efficiency overboard in heavy seas off Newcastle and a fire on the Iron Chieftain in Port Kembla. The teams' ongoing training, participation in multi-agency drills and dedication to keeping people, ships and our port environments safe from harm is a credit to us all.

I would like to thank all Port Authority employees for their considerable achievements this year and for ensuring we continue to provide NSW with truly world-class marine services



Grant Gilfillan

Chief Executive Officer and Director
Port Authority of New South Wales

28 September 2018

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 and, 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

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.

Until April 2018, Robert was 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 currently holds the position of Global Executive Director with Opportunity International. He is also a director of Opportunity International Australia's Indian subsidiary, Dia Vikas Capital and BaptistCare NSW &ACT.

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.

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 was appointed as the Chairman of the Australian Cruise Association in September 2017 and 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.

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

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 (now CIMIC Group) 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.

**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 (Chair); Cricket NSW; and is a member of the Advisory Board of the Faculty of Law and Business, University of Newcastle.

Prior board appointments have included the Hunter Development Corporation and Hunter Medical Research Institute. She was also previously a member of the Advisory Board of the University of Technology Sydney (UTS) Business School; 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 and Illawarra Shoalhaven Local Health District Board, and a member of University of Sunshine Coast Council. Until 30 June 2018, Gerard was also a director of the Board of Regional Development Australia Illawarra and a member of Illawarra TAFE Institute 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, GAICD

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, GAICD

Chief Operating Officer and Harbour Master, Sydney

- Marine operations
- Pilotage
- Planning
- 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, Human Resources and Work Health and Safety

- Work, health and safety strategy
- Human resources



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 Passey

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

Executive General Manager, Corporate Affairs and External Relations

- Government relations
- Internal and external communication

Ms Passey (nee Nolan) resigned effective on 31 May 2018.



Garry Voutos

Executive General Manager, Information Technology

- IT strategy and operations
- Cyber security



Tony Cousins

Master Class 1 (AMC)

Executive General Manager Strategy and Innovation

- Strategy
- Innovation

Mr Cousins started with the Port Authority on 1 February 2018

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.
- We will strive for excellence in all that we do.



10 Sydney Harbour and Port Botany

10.1 Port Botany

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

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 refined oil products and exports tallow through common user berths at Glebe Island and White Bay.

10.2 Sydney Harbour

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



Pilot vessel in Sydney Harbour

10.3 Trade vessel visits

The table below presents a monthly breakdown of figures for 2017/18 and totals for 2016/17 across Port Botany and Sydney Harbour. Last year's figures are provided for comparison.

Trade vessel visits to Sydney Harbour and Port Botany, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Port Botany/ Kurnell	139	140	133	145	143	152	154	138	141	133	128	132	1,678	1,774
Sydney Harbour/ Gore Cove*	68	73	65	79	83	81	86	77	95	71	71	55	904	862
TOTAL	207	213	198	224	226	233	240	215	236	204	199	187	2,582	2,636

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*).

10.4 Marine Operations

Under the guidance and direction of the Chief Operating Officer and Harbour Master – Sydney, Marine Operations continues to provide services to the maritime community in Port Botany and Sydney Harbour and meet the division's obligations as mandated by the Port Safety Operating Licence (PSOL).

These services and obligations include:

- channel and berth box depths – including the promulgation of information regarding depths in different areas of the port
- dangerous goods (DG) – notifications regarding DG, bunkering (refuelling vessels) and hot work (any work that could result in fire or any works in a combustible environment)
- navigation aids – maintenance of navigation aids
- emergency response – to incidents including:
 - pollution
 - fire
 - ship assists.

- pilotage services and exemptions from pilotage – including the administration, approval and issuance of certificates of local knowledge
- port security – including regular on-water security patrols and patrols on land encompassing Port Authority's landside assets
- port communications– through Sydney Vessel Traffic Service (VTS).

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

- completed 4360 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) – an average of 12 per day
- provided 986 ship escorts in Sydney and 2020 in Port Botany
- completed 1332 bulk dangerous goods transfer audits
- undertook 507 work permit audits
- responded to 205 calls to reports of pollution or fire, boom operations or vessels needing assistance or towage
- conducted six 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

VTS works to ensure navigational safety and environmental integrity for the Ports of Sydney and Botany. It does this by:

- monitoring the safe navigation of participating vessels through radar and radio tracking
- providing navigational information and vessel Traffic Organisation Services (TOS).

This work is carried out in accordance with International Maritime Organization (IMO) standards and the standards set International Association of Lighthouse Authorities guidelines.

Over the reporting year 2017/18 VTS has been involved in the projects described below:

- Work to certify Sydney VTS to International standards commenced in May 2017. This has resulted in:
 - the introduction of the Sydney VTS Standard Operating Procedures in August 2017 which provided guidance to VTS staff that synchronised with pilot management systems, other internal procedures and Port Authority external communications (Harbour Masters Directions)
 - establishment of a specific declared VTS operational area
 - undertaking an Australian Maritime Safety Authority (AMSA) initial audit, at the beginning of September 2017 (in accordance with IMO Resolution A.857 (20) as ratified in Australia by the *Navigation Cth Act 2012*, amended and promulgated via MO 64).

- Salient points of the emergency procedures have been consolidated into 'prompts' to form employees dealing with emergency situations in Botany Bay and Sydney Harbour.
- The AMSA initial audit identified no major non-conformances.
- An Instrument of Authority was issued to the Port Authority of New South Wales on 20 December 2017 and will remain valid for five years. This instrument now provides the platform for other ports to gain certification.
- An electronic platform was created to accurately manage Navigation Warnings. This process now provides an up to date information management system for current Navigation Warnings and an archive of 'who requested what and when'.
- A review of employee qualifications was undertaken, resulting in the creation of a well-documented advanced Training Register which utilises the current Stems Software system. The creation of the Training Register in conjunction with the Certification project work highlighted knowledge gaps and the need for refresher training, which was completed through a holistic approach and included a review of on-the-job training guides, assessment criteria for the VTS roles and the creation of Professional Development Portfolios.



General Manager, Operations and Deputy Harbour Master – Jeanine Drummond, Port Authority and the Nautical Institute, began the initiative Connecting Women in Maritime

Keeping the fleet ‘ship shape’

Marine Operations crews in Port Botany and Sydney Harbour have continued to work hand-in-hand with Asset Management to keep our commercial fleet of vessels in good working condition. These works include slipping vessels, painting, chipping, anti-corrosion treatment, updating on-board electronic navigation systems and carrying out running repairs as required.



A Port Authority engineer completes some paint work on the vessel *Manns Point*

External contract surveys

Over the reporting year 2017/18, the hydrographic survey team completed 42 surveys as required under our Safety Operating Licence (PSOL) in Port Jackson, Port Botany, Port of Yamba and Port of Eden, and 16 contract hydrographic surveys for a number of government and non-government agencies.

This included work for Viva Energy; Heron Construction; Royal Haskoning DHV; Caltex Australia; NSW Ports; Clarence Valley Council; the Department of Primary Industries, Crown Land; and Arup.

A successful campaign was conducted with NSW Ports to assist in the removal of 130 obstructions from the seabed of Brotherson Dock, Port Botany. The clean-up retrieved 72 wharf fenders and a 1.6-tonne and four-metre-long steel tube, as well as a significant number of other objects such as timber and tyres.

In August 2017, the hydrographic survey team began the first of three contract surveys for the Eden Breakwater Wharf extension for Heron Construction. The surveys were conducted to ensure the pre- and post-dredge works were performed within the specification set by the Eden Harbour Master. A final post-dredge survey plan has been produced in preparation for the berth construction phase of the project.

Port Safety Operating Licence, Bays and Tributaries program

The hydrographic survey team has extended its campaign to aid safe navigation by continuing to survey all the bays and tributaries within the port waters of Sydney Harbour and Botany Bay. The team also completed its survey of the entire stretch of the Parramatta River, with full bottom coverage. It began an additional campaign to cover the offshore port limits.

The images and data collected have been sent to the Hydrographic Office to assist in the development of charts for mariners.

The hydrographic survey team has produced high-density chartlets for the Parramatta River to help ferry providers safely navigate the areas of Sydney Harbour that have limited under-keel clearance.

The year ahead

In 2018/19 the survey team will conduct the final survey post construction of the Eden Breakwater Wharf Extension prior to the first ship utilising the berth. The team will continue to install and maintain the Port Authority met-ocean equipment in Sydney, Botany and Eden. This equipment includes tide gauges, wave riders, current meters and wind anemometers, which are essential for managing effective port operations. Port governance survey work will also continue, with an emphasis on updating hydrographic surveys of port approaches within all the port limits. Port safety surveys are also scheduled in Port Jackson, Port Botany, Port of Yamba and Port of Eden.

10.5 Emergency response

Operations

Port Authority's emergency response teams are available 24/7 to respond to any incident in the ports of Sydney and Botany and to coastal limits. Every year, Port Authority's highly trained emergency response teams respond to hundreds of reports of marine pollution, and undertake thousands of safety audits of vessels transferring bulk oil, gas and chemicals.

The teams have a number of assets at wharves, pollution, booming and ship assists.

Some of the incidents that were responded to in 2017/18 include:

- 72 booming operations
- 111 pollution incidents
- 8 firefighting operations
- 14 emergency towage and vessel assists.

Examples of incidents in 2017/18 are described as follows:

Towing to safety

When a sudden westerly squall impacted on Sydney Harbour on 18 August 2017, a large charter vessel was overwhelmed in high winds and required emergency ship assistance from the Port Authority to tow the vessel to a safe berth.

Wharf fire

Also on 18 August 2018, a timber wharf burst into flames on Sydney Harbour foreshore. Port Authority emergency response vessels assisted Fire and Rescue NSW (FRNSW) to combat the large fire.

Coastal clean-up

YM Efficiency, a 43,000 tonne container ship on route to Port Botany, was caught in bad weather off Port Stephens on 1 June 2018. The ship sustained a loss of 81 containers and some minor damage. Port Authority facilitated the safe arrival and berthing of this vessel into Port Botany. Members of our State Response Team assisted Roads and Maritime Services in key shoreline positions to coordinate the clean-up of coastal areas impacted by lost containers and their contents along the eastern coastline.



YM Efficiency berthed in Port Botany, 20 June 2018

Salvage operations

At the request of the Australian Maritime Safety Authority, a member of the Port Authority National Response Team (NRT) was deployed to New Caledonia for the salvage operation of the Kea Trader, a container ship that ran aground on Durand Reef, 250 nautical miles east of Noumea on 12 July 2107. Our team of highly trained staff, who formed part of the NRT, assisted France under the Pacific Plan (PACPLAN) – a joint agreement of Pacific Nations to assist in maritime incidents.

Exercises

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

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

Pollution exercises, March 2018

Sydney-based crews deployed booms and skimmers (apparatus for skimming pollutants from the surface of the water) in training exercises. The use of complex retrievals systems ensures our teams are prepared to respond to pollution events.

Port Authority's highly trained emergency response team responds to more than 200 reports of marine pollution each year and provides personnel to both the State and National Oil response teams.

Container ship exercise, April 2018

Port Botany's response teams deployed 400 metres of general-purpose fence boom in Brotherson dock to simulate a container ship's loss of product into the water. This gives invaluable ongoing experience in different conditions, allowing the crews to be at optimum readiness and to hone their skills for pollution events in Botany Bay.

Biosecurity exercises, April 2018



The bio-security workshop saw representatives from multiple government agencies working together to find a solution to a hypothetical marine pest problem

Port Authority staff attended a bio-security exercise with other external stakeholders in focusing on a hypothetical non-native introduced marine pest into our port waters, and the potential impacts this could have on infrastructure, shipping and the environment.

External training

Port Authority staff continued to undertake external training with other government agencies including Roads and Maritime Services (RMS), FRNSW, Environment Protection Authority (EPA) and the Office of Environment and Heritage (OEH). This is essential for keeping the required skills up to date and correct. Port Authority staff attended a number of courses, many of which were competency based.

Port Authority staff are part of the State and National response teams, along with members of other government agencies. These highly skilled personnel are available to be called upon to respond to and assist with various maritime incidents, both in NSW and nationally around Australia.

Members of the National Response Team (NRT) participated with Australian Maritime Safety Authority (AMSA) in a major exercise on Thursday Island and in New Zealand during the reporting year. The exercise scenario simulated two ships colliding in Auckland Harbour and causing a significant oil spill. Responders were put to work to contain and clean up the spill to practice for the real thing.



Port Authority employees assist with an emergency exercise in Auckland, New Zealand



Sydney marine pilot using the simulator at SmartShip Simulation Centre in Queensland

Maritime simulator training, Queensland, March 2018

A team of Port Authority's Sydney marine pilots took part in a training exercise at Smartship: a state-of-the-art shipping simulator that re-creates the world's busiest ports and harbours.

SmartShip Australia is a world-class simulation centre that allows maritime professionals to train and hone their skills in a safe environment so they are ready for the real thing out on the water.

It features a full replica of a ship's bridge, complete with control panels and communication equipment, with sweeping 360-degree views of accurate computer-generated harbours and waterways.

10.6 Cruise in Sydney Harbour

Cruise ship visits to Sydney Harbour, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Sydney Overseas Passenger Terminal	10	12	8	20	25	27	26	27	28	17	9	10	219	213
Sydney White Bay*	2	1	3	5	19	18	20	22	17	8	2	4	121	117
Sydney other	2	0	0	0	0	0	2	4	1	0	1	2	12	14
TOTAL	14	13	11	25	44	45	48	53	46	25	12	16	352	344

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

Total passenger exchange in Sydney Harbour split by passenger terminal, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Sydney Overseas Passenger Terminal	45,743	53,015	39,811	99,110	133,913	168,014	160,413	145,157	166,621	90,464	32,277	35,051	1,169,589	1,133,498
Sydney White Bay*	8,208	3,722	12,757	20,970	65,104	60,215	66,799	71,047	63,068	31,116	5,685	21,556	430,247	399,504
TOTAL	53,951	56,737	52,568	120,080	199,017	228,229	227,212	216,204	229,689	121,580	37,962	56,607	1,599,836	1,533,002

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, 2014/15 - 2017/18

	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
2017/18	53,951	56,737	52,568	120,080	199,017	228,229	227,212	216,204	229,689	121,580	37,962	56,607	1,599,836

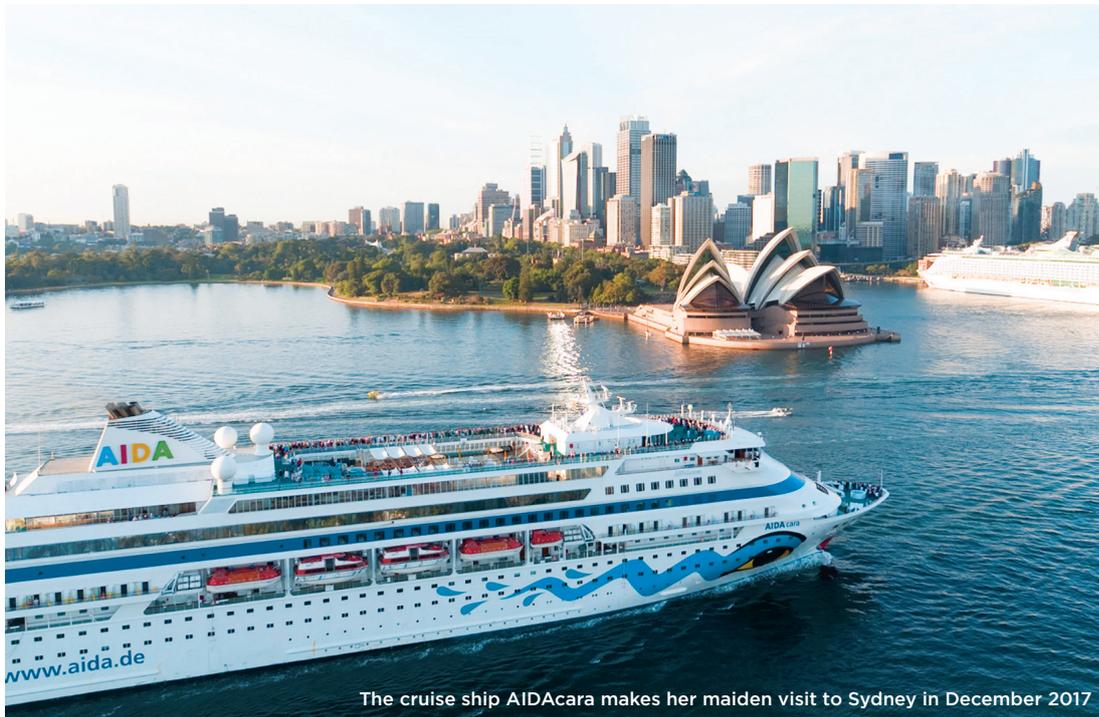
Note: Includes both debarked and embarked passengers.

Cruise continues to be the fastest growing tourism sector in Australia, with demand in the peak summer season at record levels. Latest statistics from the 2017 cruise industry (Cruise Lines International Association market report) show that almost 1.34 million Australians or 5.7 per cent of the population cruise each year.

Growth and statistics

In 2017/18:

- Sydney Harbour hosted a record 352 cruise ship visits (up from 344 in 2016/17).
- There were seven maiden visits this season (down from 10 in 2016/17).
- Over 1.6 million passengers passed through our terminals (up from 1.53 million in 2016/17).



The cruise ship AIDAcara makes her maiden visit to Sydney in December 2017

© AIDA Cruises

Season highlight

Maiden visits to Sydney Harbour

Between November 2017 and February 2018, seven cruise ships made their maiden visits to Sydney – the *Norwegian Jewel* in November, the *MS Regatta* and *AIDAcara* in December 2017, and the *Ocean Dream* (Peace Boat), *Viking Sun*, *MS Columbus* and *Silver Muse* all arriving for the first time in February 2018. The *AIDAcara* is the flagship of the new German Cruise Line *AIDA Cruises*.

Operational efficiencies

Double turnarounds

Over a two-day period, on 10 and 11 February 2018, three vessels utilised the port facilities at the Overseas Passenger Terminal. With just an hour's gap between the departure of one, the *Norwegian Jewel* on the evening of 10 February, and the arrival of the *Viking Sun*, a similar timetable followed the following morning for the arrival of the *Carnival Spirit* – all three within 24 hours.

In the subsequent two days, on 12 and 13 February, the harbour hosted four ships each day, at the Overseas Passenger Terminal, White Bay Cruise Terminal, White Bay berth 4 and Athol Bay anchorage. The logistics of the combined movements signalled a triumph in communication and co-ordination for all involved.

Implementation of the cruise booking system

A new cruise booking system was successfully launched in November 2017. This new system allows cruise agents to book cruise ships to berths (terminal or anchorage) in Sydney Harbour up to three years in advance.

From 1 July 2018, ships that are cancelled will incur a cancellation fee on a sliding scale. Ongoing review, updating and upgrading of the system will allow for continual improvement of forecasting and berth utilisation.

Cruise Development Plan and Strategic Business Case

Increasing cruise capacity in Sydney is a priority for Port Authority as it is key to supporting the growing cruise industry.

In June 2017, the NSW Government established the Cruise Industry Reference Group (CIRG), chaired by the Hon. Peter Collins, AM RFD, QC, RANH. The CIRG included representatives from relevant government agencies as well as Royal Caribbean, Carnival and Norwegian Cruises, plus cruise-line industry associations.

The CIRG reaffirmed that capacity at the Overseas Passenger Terminal at the height of peak season is almost exhausted. This is due to a combination of patronage growth and increased ship sizes, with very large ships unable to pass under Sydney Harbour Bridge. Sydney Harbour hosted 352 cruise ship visits in the 2017/18 season, making it the most visited cruise ship port in Australia.

One of the outcomes from the CIRG was a Cruise Development Plan to be prepared by the NSW Department of Industry. The Cruise Development Plan was released in July 2018 and sets out a long-term strategy to develop the cruise industry in NSW to ensure that NSW continues to be a world-class cruise destination.

Port Authority, in conjunction with NSW Treasury, has been working to develop a Strategic Business Case to test the feasibility of two locations – Molineux Point / Botany Bay and Yarra Bay / Botany Bay – as potential sites for a new passenger cruise terminal.

The Strategic Business Case will assess a number of factors, including costs and benefits, funding and financing options.

Transport solutions

White Bay shuttle service

International passengers continued to take advantage of the free shuttle bus service subsidised by Port Authority, in partnership with the Inner West Council, between White Bay Cruise Terminal, White Bay berth 4 and Darling Street, Balmain in 2017/18. The shuttle provides transiting cruise passengers access to Balmain's vibrant shopping area, art galleries, markets, restaurants and cafes, and guided tours, as well as the Balmain wharf for ferry services to Circular Quay.

Sydney Ambassadors

Volunteers from a jointly funded program involving Port Authority, Destination NSW and the City of Sydney attended the Overseas Passenger Terminal, White Bay Cruise Terminal and White Bay berth 4 for every transit call of a cruise ship. The volunteers' role is to welcome, advise and direct passengers to the delights and services provided and showcased by Sydney City and surrounds.

Off Airport Check In Solutions

Following a successful trial of OACIS technology at the Overseas Passenger Terminal in the 2016/17 season, the inaugural provision of services to cruise passengers commenced on 23 December 2017.

The OACIS system allows passengers disembarking at the Overseas Passenger Terminal or White Bay Cruise Terminal to check in to their domestic Virgin Australia flight, receive their boarding pass and have their luggage transferred straight to Sydney Airport – so that they can spend more time enjoying the city. It is expected that this solution will be available to multiple airlines by the end of the 2018/19 season

10.7 Glebe Island and White Bay

In May 2017, the NSW Government endorsed a report by Infrastructure NSW (INSW Review) that found that there was a strategic rationale to retain port capability at Glebe Island and it was feasible to integrate port and urban renewal uses.

The NSW Government also approved new Bays Precinct governance arrangements which establish an integrated Bays Precinct Project Management Office (PMO), comprising of several government agencies with responsibilities on the Bays Precinct (lead by UrbanGrowth), with these groups to act as a clearing house for all key Bays Precinct related issues. Port Authority is a key member of the Bays Precinct PMO. The PMO reports to a Senior Officer Group (comprised of executive managers from each of the agencies) and Oversight Group (agency Secretaries and CEOs).

Port supply-chain and cruise

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

Working harbour

Glebe Island and White Bay provide working harbour capability, critical to maintaining the strategic value of Sydney Harbour as Sydney's greatest single port asset.

Future transport infrastructure

Glebe Island and White Bay are essential to the delivery of WestConnex (M4-M5), Western Harbour Tunnel and Sydney Metro projects, providing critical marine supply-chain capability for essential construction materials for Sydney's infrastructure growth.

Urban renewal

The port precinct has the capacity to support greater economic productivity by increasing the intensity and variety of land uses through urban renewal. This is supported by a strong whole-of-government approach to The Bays Precinct.

The precinct currently provides critical marine supply-chain capability for essential construction materials for Sydney's infrastructure growth. This port-based marine supply chain through Glebe Island ensures a sustainable approach to the continued delivery of construction materials, including sand and aggregates to support Sydney's ongoing construction industry supply requirements for Sydney's infrastructure growth.

Glebe Island and White Bay also provide essential operational capability for Sydney's harbour economy. The precinct is home to marine contractors, which maintain Sydney's seawalls, jetties and other marine infrastructure.

The precinct also provides staging areas for on-water construction and events such as the New Year's Eve fireworks, 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 (RAN), and Australian and international research vessels.



Aerial view of Glebe Island and White Bay

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

The planning processes for each of the following transport-related developments have separately identified a critical need to use port land and infrastructure:

- Metro City & Southwest
- Sydney Metro West
- WestConnex M4-M5 Link
- Western Harbour Tunnel.

Subject to obtaining the relevant planning approvals, these transport projects will be required to comply with individual leases and/or licences issued by Port Authority. The first of these is a licence to Roads and Maritime Services (RMS) for land adjacent to White Bay Power Station, to facilitate

preparatory works for the WestConnex-Rozelle Interchange.

The Bays Precinct PMO introduced new governance arrangements which provide the mechanism to co-ordinate land use-requirements for transport and urban renewal projects, and to minimise impacts on port operations.

NSW 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 at least 7-10 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.

In direct response to the market engagement processes run concurrently with the NSW Government's consideration of Glebe Island, the two preferred projects identified by Port Authority to service the concrete supply chain through this 'interim' phase have now commenced planning. These include:

- a multi-user facility to service, primarily, the bulk importation of sand
- the re-establishment of the marine supply chain from Hanson's Bass Point (Shell Cove, Southern NSW) aggregates quarry into the Sydney Central Business District (CBD) (potentially including a co-located batching plant).

These two options are described below.

Multi-user facility for sand and other commodities

Increasing demand for sand for the Sydney construction industry's requirements 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 are 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 the sand supply may potentially come from multiple sources, Port Authority acknowledges the need to establish a means to quickly service sand imports, which:

- meets the market needs for at least 10 years
- is fit for purpose with 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.

Port Authority has prepared a Review of Environmental Factors Report, which considers the potential impacts of the delivery of a multi-user facility at Glebe Island. The Review of Environmental Factors was placed on public exhibition for review and feedback between 31 January and 12 March 2018.

Submissions are currently being reviewed, and further assessments undertaken.

A Response to Submissions Report considering and addressing feedback received is under development and is anticipated to be released later in 2018.

Port Authority will continue to consult and inform the community on the proposal throughout the planning, and if approved, construction phases.

Hanson: aggregate importation and concrete batching

Hanson Construction Materials (Hanson) is an Australian leading building materials supplier and manufacturer of aggregates, sand and concrete. Hanson is exploring options to move its existing concrete batching operations away from Bridge Road, Glebe, because of the urban renewal of The Bays Growth Centre (fish markets development). Hanson is exploring Glebe Island as one option for a potential new location.

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 assessing an option to relocate from Blackwattle Bay to Glebe Island as a result of the transformation of Bays Market District. Hanson prepared an Environmental Impact Statement, which was placed on public display from 11 April to 15 May 2018. Submissions received are currently being assessed by Hanson as part of this process.

If approved, 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.

The year ahead

Further preliminary geotechnical and services investigations to support the detailed design of potential new facilities on Glebe Island will commence later in 2018. Port Authority will also seek submissions of Expressions of Interest from potential commercial operators to validate anticipated market demand for the facility in 2018. Current negotiation with existing customers will

also continue. These activities will run concurrently with the formal assessment of the Review of Environmental Factors process and do not pre-empt any outcome from the planning process for the multi-user facility.

The planning processes currently underway at Glebe Island further support the critical role that the Glebe Island and White Bay port precinct has played in shaping Sydney's current and longer term economic future.

10.8 Security

Port Authority is committed to the security of its waterways, assets and infrastructure, as well as the employees and public, within these spaces:

- 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 at Circular Quay, and White Bay Cruise Terminal at Balmain
- White Bay and Glebe Island wharfs used for dry bulk and import/export operations
- Port Botany boat ramp
- Maritime Industry service providers that operate within the waterways.

In 2017/18, Port Authority implemented a number of developments to access contemporary risk information provided by Australian Government and State agencies, improve security response and capability. These include:

- The temporary Overseas Passenger Terminal traffic management plan. This was implemented to provide target hardening for vehicle-borne improvised explosive devices during the Campbells Cove construction project.

- Human Behaviours Training Module. In partnership, Carnival Australia and Port Authority implemented a Human Behaviours Training Module for the Carnival Ships and Cruise Terminal security teams.
- Attendance at the Establishment of a Crimes At Sea Committee. The committee was led and hosted by the NSW Marine area command, and will be held bi-annually. The committee will discuss the development and implementation of processes and procedures in relation to investigations of crimes at sea.
- Attendance at stage 1 of the Crowded Places Forum hosted by the Assistant Commissioner and the NSW Police Counter Terrorism and Special Tactics Command. The forum covered topics such as Improvised Explosive Device, Active Armed Offender, Hostile Vehicle and Deterrent Communications.

Port Authority is continually monitoring facilities, undergoing security exercises and drills, and proactively developing contemporary security mitigation to evaluate and respond to the latest world events and trends.

Port Authority maintains a strong working relationship with the Australian Government regulator from the newly formed Department of Home Affairs and has welcomed and was compliant with the external audits and inspections as part of the Department's Maritime Compliance Plan.

The newly formed Department of Home Affairs will give the maritime industry an increased risk context and intelligence products to assist Port Authority to mitigate the continually evolving global security environment

The year ahead

A number of initiatives were identified for 2018/19, to assist Port Authority to provide robust, efficient and risk-based security outcomes for employees, passengers and customers. These include the following:

- ongoing operations with NSW Police Force and the Australian Border Force at the Overseas Passenger Terminal and White Bay Cruise Terminal to enhance security and crime prevention, carrying out realistic security exercises with all stakeholders and in particular addressing armed active offenders and trending 'lone wolf' attacks
- attendance at stages 2 and 3 of the Crowded Places Forum, hosted by the Assistant Commissioner and the NSW Police Counter Terrorism and Special Tactics Command, covering topics such as Improvised Explosive Device, Active Armed Offender, Hostile Vehicle and Deterrent Communications
- continued building of strong port-wide security networks at the two scheduled Port Security Committee meetings.
- an update of the security deployment plan for the Overseas Passenger Terminal and White Bay Cruise Terminal, to ensure security integrity is maintained, meets operational expectations and is not cost-prohibitive towards industry.

10.9 Capital projects

Port Authority manages and develops port facilities and services to cater for the existing and future commercial shipping needs of the State of NSW.

Multi-user facility at Glebe Island

Port Authority is in the planning stage of building a new multi-user facility that will handle bulk construction materials on Glebe Island for at least 10 years. (See Section 10.7 for more information.)

Athol Bay and Point Piper Anchorage

The Athol Bay and Point Piper mooring buoys have been a fixture of Sydney Harbour for some time, but they have been removed to make way for designated anchorage areas. The two buoys were regularly used to moor some of the largest cruise ships when our two terminals and overflow berth at White Bay 4 were at capacity. However, the buoys were not designed to hold these large cruise ships which still had to utilise their own anchors.

An investigation into the moorings recommended that the sites be converted to designated anchorage areas to allow cruise ships to use their own anchors to moor safely.

The project saw a barge and crane operate off Neutral Bay and Point Piper for 10 days to remove the buoys and associated chain and anchors – in total, around 200 tonnes of steel.

A survey and clearing of the seabed were also undertaken to remove obstructions to anchoring at the Athol Bay site. Qualified marine ecologists and divers were engaged to make sure the works had no impact on endangered marine species in the area.

Both anchorages will be well-utilised for cruise ship bookings in the upcoming peak season.

Overseas Passenger Terminal Northern Truck Access

Port Authority is currently partnering with Property NSW to fund an upgrade of Campbells Cove public domain, including lowering and widening the foreshore promenade to deliver enhanced public access to The Rocks and to cruise ships at the Overseas Passenger Terminal, Circular Quay.

Part of the work is being undertaken on Port Authority land, which involves lowering of the existing roundabout at the northern end of Circular Quay West Road, and repaving the entire area to enhance the appearance of the precinct.

Once completed, providing trucks will utilise the route to access the northern part of the Overseas Passenger Terminal wharf to supply cruise ships with necessary supplies. The northern access will facilitate the faster turnaround of large ships carrying in excess of 3000 passengers.

New satellite technology at the Overseas Passenger Terminal

New positioning technology able to pinpoint positions of objects such as cars or ships to within half a metre has been tested in Sydney Harbour in a collaboration between Port Authority and marine technology company, Acoustic Imaging.

Positioning systems use technology that determines the position and orientation of an object in a given space. The technology is used in everything from on-line maps and GPS systems in cars to advanced systems that provide navigation and location services for aircraft and shipping.

Botany Buoys refurbishment works

Six cardinal buoy markers within Botany Bay are undergoing complete refurbishment works to ensure their continued vital service in marking the navigable channel for container ships and other vessels entering Port Botany. The buoys will be completely refurbished and the latest technology lights fitted, capable of sending status/outage updates by Bluetooth.

The works are currently underway and due for completion in September 2018.



Refurbished buoy markers at Botany Bay

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:

- installation of two new Seaport Passenger Boarding Bridges at the Overseas Passenger Terminal (see Section 2.4)
- replacement of capital plant and work within the Overseas Passenger Terminal and White Bay Cruise Terminal
- Overseas Passenger Terminal roadway pavement refurbishments around the southern entry to the terminal
- navigational aid upgrades
- Glebe Island wharf repairs to Wharf 8.

These works are currently in project scoping and/or design phase and will be coordinated to minimise disruption to essential port operations.

10.10 Community engagement and sponsorship

Port Authority of New South Wales is proud to be an active member of the communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

For details of community engagement and sponsorship at different ports, please refer to the following sections:

- Sydney and Port Botany (section below)
- Newcastle Harbour (Section 11.4)
- Port Kembla, (Section 12.4)
- Port of Eden (Section 13.5).

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 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 nearby community assets that remain under its management, including the Port Botany Boat Ramp, Penrhyn Estuary and Foreshore Beach.
- Attend bi-monthly White Bay Cruise Terminal agency and community meetings. These included representatives from the community,

Inner West Council, NSW Environment Protection Authority, NSW Department of Health, and NSW Department of Planning and Environment. The group meets to discuss impacts from cruise ships berthed at White Bay Cruise Terminal.

Glebe Island/White Bay Community Liaison Group

The Glebe Island / White Bay Community Liaison Group (CLG) is a forum for the local community and other stakeholders to participate in and communicate about the activities at the port.

The aim of the CLG is to ensure that the local community is informed about port activities at Glebe Island and White Bay. The group also aims to provide Port Authority and port industry stakeholders with the opportunity to discuss activities at the port and obtain community feedback on any initiatives being considered.

Given the major projects planned in the precinct over the next few years, Port Authority conducted a refresh of the CLG membership. In February 2018, Port Authority called for community nominations for up to six individuals who live or work near the port and have existing communication links with their local communities. Applications closed on 23 March. The call for nominations was promoted via the existing CLG, a flyer that was distributed to approximately 2000 residents living around the port, and advertisements in *City Hub* and *Inner West Courier*.

In April 2018, Port Authority appointed 11 new members as community representatives from the Balmain/Rozelle and Pyrmont communities to the CLG. Port Authority also appointed an external Chair to facilitate the meetings.

Community complaints and enquiries

During 2017/18, Port Authority received 263 complaints (up from 208 in 2015/16 and 216 in 2016/17). Most complaints related to noise and ship emissions associated with 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 2017/18, 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 notifications

Members of the community can sign up to community notifications to receive information about changes to shipping movements and significant emergency response situations (for example, on-water environmental occurrences such as an oil spill).

Notifications about changes to shipping movements include information about a breakdown of a vessel or an unscheduled overnight stay. These notifications are published on the Port Authority website and emailed to subscribers.

Community events

Community venues

Port Authority has several iconic locations available for events, activation and filming hire on non-ship days. These include the Overseas Passenger Terminal Precinct at Circular Quay West and White Bay Cruise Terminal at Balmain, and several other hardstand locations on the Sydney harbour foreshore.

The Overseas Passenger Terminal is Sydney's premier location for events and activations, offering hirers direct views of the Sydney Opera House and harbour from each of its four indoor event spaces. Major public events dominated the first quarter of 2018 at the Overseas Passenger Terminal.

White Bay Cruise Terminal offers views of the Sydney skyline, with the versatility to host all types of events, from cocktail parties, corporate conferences, gala dinners, exhibitions, fashion shows, festivals, charity events, community events, public parades, outdoor cinemas and live sites.

Australia Day

As a major sponsor for Australia Day, Port Authority opened up the Overseas Passenger Terminal at Circular Quay for visitors on Australia Day. The Overseas Passenger Terminal was centre stage for both the day and evening programs of Australia Day. The event reached capacity with all gates closed before Live at the Quay commenced its three-hour program of performance, light and sound on a floating stage in Sydney Harbour.

The Overseas Passenger Terminal acted as the official 'Australia Day Chill Out Zone'. Activities in and around the terminal included:

- Lord Mayors Citizenship Ceremony – Southern Forecourt
- Lord Mayors Citizenship morning tea – Level 3

- School Spectacular Performances – Southern Forecourt
- Arrivals Hall – Australia Day letters, tattoo counters, origami workshop and recycling display
- Cargo Hall – Wheel Chair Volley Ball – promotion for Invictus Games
- Northern Forecourt – performance stage
- Level 4 – Official Australia Day Operations Centre (Security and Media).

Port Authority also played a role on Sydney Harbour with tug boat *Shirley Smith* leading the Australia Day Ferry Race.



Port Authority's tug boat *Shirley Smith* prepares to lead the Australia Day Ferry Race

Chinese New Year

Port Authority hosted The Roosters lanterns in the Overseas Passenger Terminal southern forecourt for the City of Sydney's annual Chinese New Year celebrations. Port Authority supported the city-wide event with a weekend food truck activation.

Vivid Sydney 2018

Port Authority again participated in the Vivid Sydney festival from 25 May to 16 June 2018.

The Overseas Passenger Terminal precinct was a designated Vivid light walk precinct in 2018, hosting many key installations in and around the terminal and the roadway. Some of these included:

- projectors for the sails of the Sydney Opera House with the Overseas Passenger Terminal wharf being the designated viewing area for the sails installation
- searchlights on the Overseas Passenger Terminal roof
- hosting of *The Earth* in the entrance portico – created by award winning international sculptor Luke Jerram
- *The Milky Way* in the Arrivals Hall – an animation curated specifically to complement the Earth by the Artistic Director of Vivid
- a *Masterchef* three-minute animation on the ASN Co Building in the Overseas Passenger Terminal roadway
- a series of food truck activations, including the main food truck activation for VIVID in the Southern Forecourt, to support VIVID 2018 and patrons who attend the event
- *Save the Reef* on Bligh Barney Park.

Port Authority welcomed in excess of 120,000 visitors through the Overseas Passenger Terminal during Vivid in 2018, using the activations to raise the profile of the Overseas Passenger Terminal and Port Authority's brand.



The vibrant forecourt of the Overseas Passenger Terminal during Vivid Sydney 2018

Other Overseas Passenger Terminal events

The Overseas Passenger Terminal also hosted a series of marquee events in 2018 including the very popular Espresso Martini Festival (second year) and the Good Design Exhibition (fourth year), both on the opening weekend of Vivid Sydney.

Additional events hosted by the Overseas Passenger Terminal included the 50th Italian National Ball, Milk'n'Sugar Dessert Festival, and Dance for Life – a design company dance competition to raise money for Reachout – a charity supporting teenage health. More events are described below.

Sports activities

After an announcement that the US Dream Team will be heading to Australia in 2019 to play demonstration games against the Boomers in Melbourne, the Overseas Passenger Terminal played host to two major three-by-three basketball tournaments on weekends in May 2018. They featured indoor and outdoor games, encouraging public participation in this rapidly growing sport.

Community Art Fair

NAIDOC Week celebrations are held around the country each July to celebrate the history, culture and achievements of Aboriginal and Torres Strait Islander peoples. Port Authority was the venue sponsor for the Blak Markets Remote Community Art Fair at the Overseas Passenger Terminal on 30 June and 1 July 2018. This event heralded the start of NAIDOC Week and brought Aboriginal and Torres Strait Islander artists to Sydney from remote centres across Australia.

In 2017, the event generated a quarter of a million dollar in sales to remote communities. These funds empower Aboriginal and Torres Strait Islander remote communities to drive positive education and health outcomes. With the support of Port Authority as venue sponsor and the central location of the Overseas Passenger Terminal as the venue in 2018, it hoped that the funds to remote communities could possibly be doubled in 2018.

Vinnies CEO Sleepout

On 21 June 2018, 327 CEOs braved the cold to Sleepout on the wharf at White Bay Cruise Terminal. These included Port Authority's CEO Grant Gilfillan, as part of a fundraising initiative of St Vincent de Paul to help change the lives of Australians experiencing homelessness. Grant raised more than \$20,000 for the initiative. Port Authority was the venue sponsor for the Sleepout.



CEO Grant Gilfillan sleeps out under the stars for the Vinnies CEO Sleepout, 21 June 2018

Mission to Seafarers

The [Mission to Seafarers](#) is committed to promoting 'the spiritual, moral and physical wellbeing of seafarers' who come to our shores on every day of every year. There are more than 250 centres around the world, and more than 20 of those are in Australia. Wherever we have a major port, the Mission to Seafarers will have a presence there.

Port Authority assists the Mission by providing parking at Moore's Wharf for the bus that provides a free transfer service for seafarers from Port Botany into the city and pays for Wi-Fi on the bus to enable the seafarers to keep in touch with family and friends whilst ashore.

11 Newcastle Harbour



Vessel enters Newcastle harbour to load coal

Newcastle is 162 kilometres north of Sydney and is the economic and trade centre for the Hunter region and for much of the north and north-west of NSW. The harbour provides a significant gateway to the resource-rich Hunter Valley and for much of the north and north-west 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 per cent of total tonnage, which includes other bulk cargoes such as grains, vegetable oils, alumina fertilizer and ore concentrates.

11.1 Overview

The Chief Operating Officer 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)
- 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 Nobby's Headland
- maintenance of Macquarie Pier
- asset management.

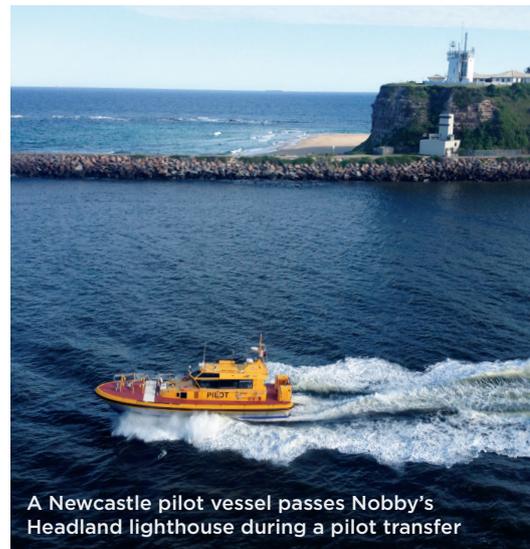
11.2 Marine Operations

Marine Operations has maintained its high standard of service delivery during 2017/18, promoting the safe and efficient movement of commercial vessels operating on Newcastle Harbour.

During the reporting year, Marine Operations in Newcastle Harbour:

- completed 4680 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) – an average of 12.8 per day
- actioned 358 bulk dangerous goods transfer checks
- undertook 544 audits of work permits actioned 358 bunker permit notifications
- responded to 17 calls reporting pollution
- carried out navigation and environmental patrols.

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, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Newcastle	206	192	195	166	197	207	152	179	209	195	187	187	2,272	2,364

In 2017/18, there were 2272 trade vessel visits to Newcastle Harbour, an 3.9 per cent decrease on trade vessel visits in 2016/17. This was largely due to a drop in wheat exports as compared to 2016/17, and a plateauing of the coal export market.

A total of 4680 pilotage movements (inward, outward and harbour removals) were performed – 3620 of these by helicopter, 994 by cutter and 66 by launch.

Cruise ship visits to Newcastle, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Newcastle	0	0	0	1	0	1	3	2	2	2	0	0	11	5

Port of Newcastle owns cruise infrastructure and manages cruise activity in Newcastle Harbour.

A total of 11 cruise ships called to Newcastle Harbour in 2017/18, up from five in 2016/17.

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.

During 2017/18 the VTIC facilitated:

- safe and efficient transit of 4729 vessel movements
- provided Search and Rescue (SAR) watch for 3620 helicopter movements
- coordinated the response to 17 pollution reports
- proactively clearing the anchoring in preparation for forecast weather events.

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.

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 2017/18 reporting year, Marine Operations responded to a number of maritime incidents, including 17 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. Training of employees was ongoing through the reporting year.

Exercises in which Newcastle Port Authority employees participated during 2017/18 are described below.

State Response Team workshop, October 2017

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

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.

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

National Exercise, Constant Bearing, December 2017

The exercise in Adelaide focused on a collision of vessels in Spencer Gulf and the resulting oils spill and port of refuge issues. 'Port of refuge' is a situation where a vessel has to be diverted to a port because of an emergency which has made it unsafe to sail further.

Newcastle Oil Spill Exercise, December 2017

Port Authority personnel conducted an oil spill equipment familiarisation and desktop discussion.

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

Maritime simulator training, Tasmania, May 2018

Newcastle marine pilots received training experience on one of the most advanced maritime simulators in the world.

The simulator at AMC Search in Launceston is a key part of the marine pilot training program. It allows the marine pilots at Port Authority to develop and maintain their skills of bringing large ocean-going vessels safely in and out of port.



Newcastle marine pilot using simulator at AMC Search in Launceston

Development and projects

Projects conducted by Port Authority over the reporting year included:

- preliminary surveys on Macquarie Pier revitalisation
- development work on Nobby Headland rock fall mitigation (see Section 2.4)
- two new outboard engines for one of the two launch vessels
- continuation of work on the Cornish Boat Dock refurbishment
- Goodwood Island Cargo Shed refurbishment
- training room and office are upgrades
- a range of minor capital projects
- inbound tanker project covering Large Range 1 (LR1), Large Range 2 (LR2) and Medium Range (MR) tankers.

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

Shipping incident *MV Aquadiva*

On 12 February 2017, the *MV Aquadiva* was under the direction of a Port Authority marine pilot when it moved over the limits of the marked navigation channel and into shallower water, causing a near grounding incident in Newcastle harbour. Once the Marine Pilot recognised his position his response in managing the situation resulted in the avoidance of a more significant event. The Pilot utilised the assistance of two additional tugs and the allocated four tugs to correct the course of the *MV Aquadiva* back into the channel. The *Aquadiva* proceeded safely to sea and continued on its voyage to Thailand following this incident.

Port Authority reported the incident to the Australian Transport Safety Bureau (ATSB) and the Australian Maritime Safety Authority (AMSA) and the marine pilot was taken off active duty while investigations were undertaken.

The purpose of the ATSB investigation is to identify and publicise reports to reduce safety-related risk. During the course of the year, Port Authority cooperated with the ATSB and also conducted its own independent investigation with the same goal of reducing safety related risk by identifying opportunities for continual improvement.

The ATSB will release its report later in 2018.

Port Authority has already identified opportunities for improving the management of safety related risk from its internal investigation. In the interest of maintaining the highest levels of port safety, will share all findings and recommendations with relevant key stakeholders. Port Authority has already commenced implementing recommendations from its initial investigation and welcomes the additional findings from the ATSB.

11.4 Community engagement and sponsorship

Port Authority of New South Wales is proud to be an active member of communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

Community support

Port Authority has a long history of supporting community groups, especially locally, and this has continued throughout 2017/18.

This includes support for:

- Mission to Seafarers Newcastle
- the Hunter Business Awards
- Cancer Council NSW
- Jenny's Place
- Domestic Violence Newcastle
- Alzheimer's Australia
- Beyond Blue
- Hunter Medical Research Institute.

Community liaison

In addition to providing support for local community groups, Port Authority participates in community liaison groups including:

- Port User group, for port stakeholders
- Port of Newcastle Community Liaison group, for community members and community associations.

These groups are chaired and coordinated by Port of Newcastle Operations Limited (the private operator of the Port). They 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.

Community events

Port Authority also helps to facilitate 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.

Heritage vessel restored

The *William the Fourth* restoration project is a community project that has brought volunteers together to restore a much-loved vessel with considerable historical significance to the region. The *William the Fourth* steam ship is finally afloat after a successful trial voyage on Newcastle Harbour in January 2018, with a Port Authority marine pilot captaining the vessel for the trial run.

11.5 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 90 kilometres south of Sydney, 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 south-western NSW and is the largest car importation terminal in Australia.

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.

12.2 Marine Operations

During the reporting period, Marine Operations:

- completed 1721 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) – an average of five per day.

- undertook annual hydrographic surveys for all of the port channels and berthing boxes
- actioned and audited 119 dangerous goods cargo permits
- actioned 1393 work permit notifications
- actioned 139 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 four 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
- authorised bunkering (refuelling vessels) and hot works (any works that could result in a fire or works in a combustible environment) through issuance of strict permit and inspection system.

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, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Port Kembla	72	66	63	67	63	74	65	65	79	71	71	80	836	879

Trade vessels visits were slightly down on last year but this was expected, with Port Kembla Coal Terminal minimising export to replace aging equipment.

Cruise ship visits to Port Kembla, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Port Kembla	0	0	0	0	0	0	1	0	1	0	0	0	2	4

During the year, Port Kembla welcomed two cruise ships – *Radiance of the Seas* in January 2018 and *Explorer of the Seas* in March 2018. The visits continue to attract significant local attention and were well received.

Vessel Traffic Information Centre

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

Major projects completed this year were the upgrade of the Port's Automatic Identification System (AIS), providing the port with a state-of-the-art ship monitoring system, and the remodelling of the Signal Station housing the VTIC.

Port Authority continues upgrades to the performance of 'cPorts' – Port Kembla's up-to-the-minute commercial shipping and port management system. The continuing upgrade will enhance the efficiency of port operations and shipping safety, as well as managing dangerous goods and other marine activities through our interactive permit management system.

A new recording device was installed to seamlessly monitor and record all VHF and phone traffic to and from the VTIC, tugs, pilots and ships.

Port Kembla also recruited another VTIC officer to assist in managing peak workloads and ensuring the ability to augment staffing levels as required, to ensure a seamless 24/7 operation is maintained at all times.

Exercises and training

Port Kembla 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. Following the success of introducing

a new oil spill containment reel to the port in 2017, Port Kembla has purchased a second oil spill containment boom and reel, complete with a self-contained hydraulic power pack. This purchase augments Port Kembla's already excellent level of emergency response service provision.

Port Kembla Annual Oil Pollution Exercise, May 2018

This was a multi-agency practical exercise utilising tug fire-fighting capability in combination with Fire and Rescue NSW (FRNSW) staff and equipment. The exercise was centred on a ship fire and pollution scenario and involved several port users and NSW Government agencies



Fire tugs in action during a multi-agency training exercise, May 2018

MV Iron Chieftan fire, June 2018

Only weeks after the successful exercise, a real-time port emergency was declared when the port encountered a major fire on board the vessel *MV Iron Chieftan*, which was berthed alongside BlueScope's berth 113. Port Authority delegated Incident Control to FRNSW and provided close support to them, alongside other port stakeholders and agencies, to extinguish the fire over a five-day period.



Vessel *MV Iron Chieftain* on fire at Port Kembla, June 2018

12.4 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

Community liaisons

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, Port Kembla Surf Club and Port Kembla Golf Club.

The Chief Operating Officer and Harbour Master is the current Chairman of the Port Kembla Port User Council and is also a member of the Illawarra Business Chamber. Port Authority is a pro-active user of local services where possible to support our operations.

12.5 The year ahead

Port Authority will continue upgrades of the CCTV camera and peripheral equipment around Port Kembla Inner and Outer Harbours, allowing even better coverage and identification of vessels, people and operations around the port. A second oil spill containment boom and reef will be commissioned early in the new financial year. 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.

Upgrades to the infrastructure of the Port Kembla coal terminal are expected to increase exports throughout the next financial year.

In June 2018, the private sector company AIE announced Port Kembla as the preferred location for the liquified natural gas (LNG) import terminal. Feasibility studies and development approvals are well advanced and, if approved, the new terminal is expected to commence the supply of LNG to the State in 2020.

13 Port of Eden

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

Port of Eden services the needs of both regional industries including forestry exports and fishing and the Royal Australian Navy (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 the 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 management, 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.



A humpback whale breaches in the Port of Eden

13.2 Summary review of operations

Total vessel visits (trade and cruise) to Port of Eden, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Eden	7	6	7	6	10	11	8	14	10	11	5	6	101	95

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

The total number of vessel visits to Eden during 2017/18 was 101 (up from 95 in 2016/17). Of these, 75 were chargeable.

The largest users of the port during the reporting year were the dry bulk cargo ships (27), the RAN (26), which is a non-chargeable user, and cruise ships (15).

Cruise ship visits to Port of Eden, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017-18	TOTAL 2016-17
Eden	0	0	0	0	1	5	4	3	1	1	0	0	15	14

In 2017/18, there were 15 cruise ship visits compared to 14 in 2016/17. There were three maiden voyages, including *Pacific Explorer*, *Norwegian Jewel* and *Regatta*. *Norwegian Jewel* measures 294 metres in length, making her the largest vessel to ever visit Eden.

13.3 Port development

Jointly funded by the Australian Government, the NSW Government and Bega Valley Shire Council, the \$44 million Eden Breakwater Wharf Extension Project is an important multi-government initiative to drive economic growth in the region.

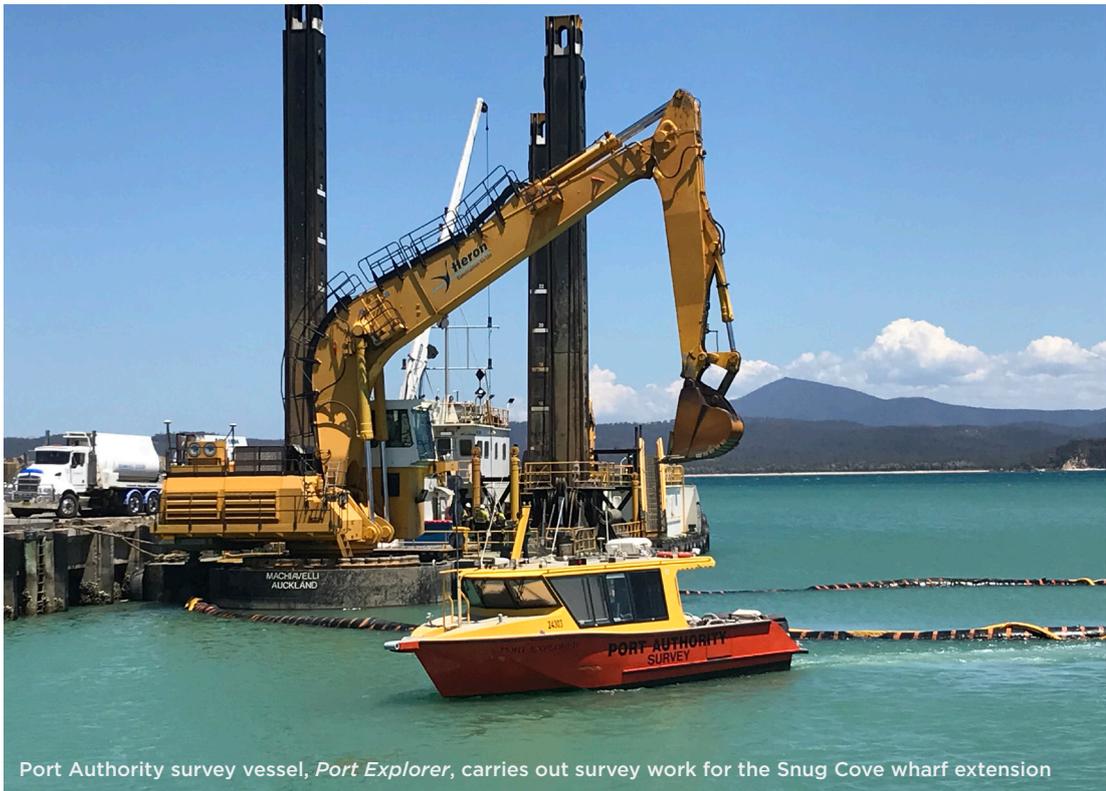
An extension to the Snug Cove breakwater wharf will enable the berthing of cruise ships over 325 metres in length. The extension project will cost a total of \$44 million, which includes a \$32 million NSW Government contribution, \$10 million from the Australian Government and \$2 million from Bega Valley Shire Council.

Construction of the extension is being managed by NSW Department of Primary Industries – Lands (Department of Lands).

Stage 1 dredging works commenced in August 2017. The dredging works required the removal of up to 231,500 cubic metres of sediment from the port to allow cruise ships to berth safely alongside the new wharf extension once it is complete.

The material dredged out of Snug Cove was disposed of at a dedicated offshore disposal site, which is approximately six nautical miles off the coast. This disposal location was previously used by the naval wharf dredging program and is managed by the Australian Government.

Port Authority has assisted the Department of Lands by providing advice in the design process including attending ship simulations, which involved marine pilots from Eden, Sydney and Port Kembla. Port Authority is a member of the joint working group, which includes Port of Eden and Port Kembla Harbour Masters.



Port Authority survey vessel, *Port Explorer*, carries out survey work for the Snug Cove wharf extension

Stage 2 construction works commenced in April 2018 and include:

- extending the existing wharf by approximately 110 metres
- installing three mooring dolphins and two breasting dolphins
- installing three onshore mooring bollards on the existing wharf
- upgrading existing services such as lighting, power, potable water and emergency fire-fighting water
- installing navigation aids.

Piling is expected to take up to eight months to complete, weather permitting. A total of 126 steel piles will be driven into the seabed to create the foundations for the new wharf extension and dolphins. Piling rigs and other equipment that will be used will be located on the existing wharf and on barges adjacent to the wharf in Snug Cove.

During construction, the port will remain open and shipping and transport movements will be managed around the ongoing works by Port Authority's Eden team. The wharf extension is anticipated to be completed in mid-2019.

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.

Extending Eden wharf will open up the entire region to the cruise industry, driving economic growth across the Sapphire Coast and creating more than 80 jobs in tourism, hospitality and stevedoring.

13.4 Other highlights

The Hon. Melinda Jane Pavey, MP, Minister for Roads, Maritime and Freight visited Eden on 19 December 2017 with the Hon. Andrew Constance, MP Minister for Transport and Infrastructure, and Mayor Kristy McBain. They went on-board the *Oceania Regatta* for a plaque presentation. This marked the vessel's maiden visit to Eden.



Andrew Constance MP, Minister for Transport and Infrastructure, The Hon. Melinda Jane Pavey, MP, Minister for Roads, Maritime and Freight, Kristy McBain, Mayor, Bega Valley Shire Council with the *Oceania Regatta* Captain and *Oceania Regatta* Staff Captain on board *Oceania Regatta*

13.5 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

Community support

Port Authority sponsors local organisations such as the Eden Men's and Women's Golf Clubs, and Under 11s and 12s girls soccer team, as well as the Far South Coast Under 12s girls representative soccer team.

Community events

Port Authority is the major sponsor of the Eden Whale Festival held in November every year, a celebration of the migration of humpback and other whales along the NSW Sapphire Coast. The festival is an important local community event that attracts tourists from NSW and Victoria.

13.6 The year ahead

In 2018/19, there are 16 scheduled cruise-ship visits, including first visits from the following seven ships: *Caledonian Sky*, *Pacific Jewel*, *Silver Muse*, *MS Amadea*, *Crystal Serenity*, *Viking Sun* and *Seabourn Encore*.

Completion of the new cruise wharf extension is expected in mid-2019.

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. It 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.

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 Pilotage and navigation services

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 (refuelling vessels) and licensing for hot works (any works that could result in a fire or works in a combustible environment).



A Port of Authority survey vessel in Yamba

14.3 Summary review of operations

Trade vessel visits to Port of Yamba, 2017/18

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2017- 18	TOTAL 2016- 17
Yamba	2	1	7	1	3	2	0	12	7	0	8	11	54	26

The total number of vessel visits to Yamba during 2017/18 was 54 (up from 26 in 2017/18). Of these, 34 were chargeable. The majority of these vessel calls were for ship repair at Harwood Island and work associated with the Pacific Highway upgrade.

14.4 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.

Yamba Oil Spill Exercise, December 2017

Port Authority employees conducted an oil spill equipment familiarisation and desktop discussion with staff from Yamba and Newcastle.

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 risks to the environment, employees and the community.

Port Authority also believes that our environmental management role extends beyond our own operations to advocating environmentally sustainable development and operations within the ports. We support shipping, port developers and operators in adopting sustainable business approaches and promote innovation in design and operation.

Terminal. Port Authority has experienced unexpected delays which are beyond its control in the commencement of the Noise Mitigation Strategy.

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 trigger). 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 trigger.

3. Noise monitoring

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

Following community consultation on the proposed strategy in late 2016, Port Authority updated the Strategy to incorporate stakeholders' feedback. Port Authority also submitted a Response to Submissions Report and received approval for the updated

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 2017/18, Port Authority continued its focus on managing and mitigating these issues.

Noise

Noise issues for Port Authority have largely focused on White Bay Cruise Terminal in Balmain, and more specifically, on the cruise ships berthing at this facility. Since White Bay Cruise Terminal 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

Noise Mitigation Strategy from the NSW Department of Planning and Environment in December 2017.

Port Authority has commenced the preparation for the roll-out of the Strategy through the procurement of a project manager for the Noise Attenuation Program; preparation of internal procedures for the enforcement of the Noise Restriction Policy; and installation of noise loggers on Grafton Street, Balmain and on the roof of the cruise terminal. Formal commencement and communication of the roll-out of the Strategy will occur in 2018/19.

Air quality

Port Authority continued 24/7 air quality monitoring in the residential area adjacent to White Bay Cruise Terminal, 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 in Sydney Harbour to use fuel with a sulphur content not exceeding 0.1 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.

Port Authority notes that since May 2018, AMSA has commenced publishing compliance data in relation to the Direction and that 100 per cent compliance has been observed since the Direction has been in place.

The International Maritime Organisation (IMO), a United Nations specialised agency, confirmed that the date for the implementation of a global sulphur cap of 0.5 mass per cent concentration would be 1 January 2020, a significant reduction from the current 3.5 global mass per cent concentration cap.

15.3 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 study was conducted by a number of independent experts in air emissions from shipping, electrical design and engineering, noise and air quality.

The shore power feasibility study was subject to a government process and was released to the public in July 2017. Port Authority convened a number of briefings with local community members, government agencies and Inner West Council to present the findings of the study.

The study concluded that: 'Based on investigations and potential air emissions benefits, Port Authority of NSW does not recommend the installation of shore power at White Bay Cruise Terminal as a cost effective solution. It is further recommended that Port Authority of NSW continues working collaboratively with relevant stakeholders to implement the Noise Mitigation Strategy for White Bay Cruise Terminal in 2017.'

The study found that while technically feasible, the installation of shore power is not a cost effective means of mitigating air emissions from cruise ships at White Bay Cruise Terminal and any air emission benefits from shore power would be minimal.

Specifically, the report found:

- Air emissions at White Bay Cruise Terminal, which have always been below the national ambient air quality standards, have been further reduced by the introduction of low sulphur fuel and as a consequence, the potential for the subsequent benefits of shore power are considerably reduced.
- Modelling of air emissions at White Bay Cruise Terminal demonstrates an 87 per cent reduction in sulphur oxides (SOx) and 69 per cent reduction in PM2.5 as a direct result of the introduction of the low sulphur fuel requirements. Installation of shore power would provide only negligible further reductions in SOx and a further 10 per cent reduction in PM2.5.
- Shore power would provide a reduction in the emission of nitrogen oxides (NOx) and volatile organic compounds (VOCs) which are not already reduced by the low sulphur requirements. However, as existing levels from White Bay Cruise Terminal are low when compared to national ambient air standards, the introduction of shore power would not provide a significant emissions reduction benefit.
- Current levels of NOx in the former Leichhardt local government area (LGA), including emissions from White Bay Cruise Terminal, are comparable to other areas such as Canada Bay, North Sydney and the former Marrickville LGA – and are significantly lower than areas such as Parramatta, Sydney City and Botany Bay. Air monitoring also indicates that ambient levels of PM2.5 at Balmain are similar to readings at other locations around Sydney including Rozelle, Chullora and Liverpool.

- Shore power would also increase the overall emissions of SOx and CO₂ within greater Sydney unless clean energy was sourced for the supply of electricity.
- The cost to install shore power at White Bay Cruise Terminal would be around \$36 million – and a further \$27 million would be required to make modifications to cruise ships. The cost to implement shore power significantly outweighs the emission benefits, given that only 25 per cent of all cruise ships currently calling to White Bay are shore power capable.

A copy of the study report is available on Port Authority's website.

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.

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 reporting.

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.

In 2017/18, Port Authority committed to undertaking additional seagrass monitoring along Foreshore Beach, primarily to evaluate the success of the Foreshore Beach groynes in improving the habitat for seagrass (*Zostera*).

Seagrass along Foreshore Beach declined substantially prior to the construction of the Port Botany Expansion. However, the five years of monitoring from 2012 indicated that seagrass was not able to re-establish along Foreshore Beach and was being smothered by sand movement and beach erosion caused by wave action. A decision was made to design and install three groynes at Foreshore Beach, partly to address this problem. The groynes were installed in 2017.

In the last seagrass survey under the Penrhyn Estuary environmental monitoring program, there were encouraging signs that the groynes had addressed the ongoing issue of sediment mobilisation that contributed to the declines, given new, high density patches of *Zostera muelleri* subsp. *capricorni* had colonised the south-eastern parts of the Foreshore Beach site.

15.5 Vehicle and marine fleet

Port Authority has a fleet of 34 vehicles and 32 vessels or floating plant in use across the six port locations.

15.6 Energy and waste

In 2017/18, in accordance with the NSW Government's Resource Efficiency Policy, Port Authority:

- used on-line workflows and approvals to reduce paper usage in offices
- continued 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 100 per cent recycled and certified carbon neutral under the National Carbon Offset Standard Carbon Neutral Program.

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 24 March 2018, ensuring that all non-essential lights at its facilities in Sydney, Newcastle, Port Kemble, Eden and Yamba were turned off.

15.7 Environmental penalties

There were no environmental penalties issued against Port Authority during the year.

16 Heritage

16.1 Overview

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. At present, the Port Authority Heritage Register contains around 50 items, including items of State and local heritage significance. All Port Authority's heritage items are listed on the State Heritage Inventory available on the Office of Environment and Heritage (OEH) website at www.environment.nsw.gov.au/heritageapp/heritagesearch.aspx.

Port Authority actively inspects and maintains its heritage assets. The Sydney and Botany Bay 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.

In July 2017, Port Authority installed two heritage listed anchors on display at Moore's Wharf. These anchors are examples of relatively rare specialised mooring anchors, representative of 'Admiralty' pattern mooring anchors used in Sydney Harbour and elsewhere along the NSW coast in the 19th and 20th centuries to establish permanent mooring buoys or anchorages. Purpose-made mooring anchors were forged specifically with only one arm and typically fitted with a shackle at the crown and a buckle attached around the shank, which were used to lower the anchor and ensure setting with the arm downwards into the sediment.

These anchors were removed from Sydney Harbour in the 1990s and most likely date from the late 19th to early 20th century.



Two heritage listed anchors are on display at Moore's Wharf

16.2 The year ahead

The year 2018/19 will focus on working with the OEH to consolidate Port Authority heritage items in Newcastle Harbour into one register with the heritage items in Sydney.

17 Communication highlights

17.1 Overview

Port Authority website

In the reporting year 2017/18, there were 440,000 visits to www.portauthoritiesnsw.com.au, resulting in 1.6 million page views.

During 2017/18, 49 per cent of user sessions on the Port Authority website were via desktop computers, 36 per cent via mobile devices, and 15 per cent via tablet devices. The segment of users accessing the website via mobile and tablet devices is increasing.

Port Authority launched a new amalgamated website on 27 February 2017.

New cruise terminal videos for cruise passengers

Two new videos were launched in November 2017. These show cruise passengers what to expect prior to going on a cruise at Sydney's Overseas Passenger Terminal and White Bay Cruise Terminal.

In each video, passengers are guided through the terminal experience from baggage drop off, check in, customs/ security screening to boarding. As at 30 June, the videos had been played over 12,500 times.

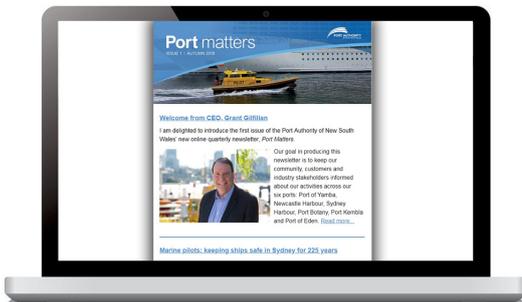
Community notifications

Forty-one community notifications were issued during the reporting year. The notifications aim to keep community members better informed of changes to shipping movements and significant emergency response situations across all Port Authority ports. The community notifications are published on the Port Authority website and emailed to subscribers. Community notifications were launched in March 2017.



Stakeholder newsletter: *Port Matters*

Port Authority launched a new quarterly stakeholder newsletter, *Port Matters*, in March 2018. The newsletter aims to educate, inform and increase awareness of the roles and responsibilities of Port Authority. The newsletter is emailed to subscribers and contains a mix of short, feature and video content. The Autumn issue featured the role of marine pilots while the Winter issue featured the role of our Marine Operations team and emergency response. Sign up for *Port Matters* at portauthoritynsw.com.au/newsletter.



Port Matters – Port Authority's quarterly newsletter was launched in March 2018

Stakeholder satisfaction survey

During 2017/18, a stakeholder satisfaction survey was conducted to measure how effective Port Authority relationships are with key stakeholders and customers. The survey was conducted in two phases. This was 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.

Phase one was a web-based survey that was sent to around 150 stakeholders. The survey measured the overall satisfaction of our stakeholders and how valued they felt as our customers. The survey opened in the week commencing 28 August

and ran for three weeks, closing on 15 September 2017.

Phase two of the research consisted of a series of 17 one-on-one interviews to explore the key themes and trends in phase one.

Overall, the research found that satisfaction with Port Authority is strong, driven by well-regarded people and high quality operations. Port Authority is in the process of exploring options to further improve relationships and communication with its stakeholders.

Internal communication survey

Over 18 months ago, a number of internal communication channels were launched to improve and establish formal lines of communication within Port Authority. To measure and benchmark the effectiveness of our communication tools and channels, an employee survey was conducted. The survey ran for two weeks in late November 2017.

Forty one per cent of employees completed the survey and there was a good representation of employees from both Corporate Services (61) and Marine Operations (71), as well as across all port locations. The survey found that, overall, 70 per cent of employees were satisfied or very satisfied with internal communication. Port Authority is now looking at ways to further improve internal communication, particularly with shift workers.

17.2 The year ahead

To further promote who we are and what we do in 2018/19, Port Authority will work to produce a corporate video and investigate opportunities to have a social media presence.

18 Financial statements

Newcastle Port Corporation

(Trading as Port Authority of New South Wales)

Financial statements

For the year ended 30 June 2018

Director's declaration	74
Independent auditor's report	75
Statement of comprehensive income	77
Statement of financial position	78
Statement of changes in equity	79
Statement of cash flows	80
Notes to the financial statements	81
Note 1 Corporate Information	81
Note 2 Summary of significant accounting policies	81
Note 3 Revenue	94
Note 4 Expenses	95
Note 5 Income tax equivalent expense	96
Note 6 Cash and cash equivalents	99
Note 7 Trade and other receivables	101
Note 8 Property, plant and equipment	104
Note 9 Investment property	107
Note 10 Intangible assets	108
Note 11 Trade and other payables	109
Note 12 Provisions	110
Note 13 Financing facilities	112
Note 14 Dividend payable	113
Note 15 Equity	113
Note 16 Defined benefit superannuation schemes	115
Note 17 Fair value measurement of non-financial assets	126
Note 18 Financial risk management objectives and policies	128
Note 19 Commitments	133
Note 20 Contingencies	135
Note 21 Consultancy fees	135
Note 22 Related party disclosures	135
Note 23 Events after the reporting period	136
Statement of land holdings	137

Director's declaration

For the year ended 30 June 2018

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

DIRECTORS' DECLARATION For the year ended 30 June 2018

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 2018 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
Robert Dunn
Date: 11 September 2018



Chief Executive Officer and Director
Grant Giffillan
Date: 11 September 2018

Independent auditor's report

For the year ended 30 June 2018



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 Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the 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 2018, 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 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.

Director's Responsibilities 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 are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities 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

12 September 2018
SYDNEY

Statement of comprehensive income

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
<u>Continuing operations</u>			
Revenue			
Revenue from operating activities	3	149,855	141,859
Other revenue	3	19,014	20,853
Total revenue from continuing operations		168,869	162,712
Expenses			
Employee benefits expense	4	65,401	63,273
Depreciation and amortisation expense	4	23,499	23,482
Other expenses	4	57,397	53,739
Finance costs	4	46	51
Total expenses from continuing operations		146,343	140,545
Net gain on sale of property, plant and equipment		82	16
Profit before income tax equivalent expense		22,608	22,183
Income tax equivalent expense	5	(5,064)	(303)
Net profit for the year		17,544	21,880
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Superannuation actuarial gains	15(a)	35,623	27,066
Income tax equivalent expense on post employment benefit actuarial gains	15(a)	(10,687)	(8,120)
Fair value revaluation gain on property, plant and equipment	15(c)	13,910	34,543
Income tax equivalent expense on revaluation of property, plant and equipment	15(c)	(4,173)	(10,363)
Other comprehensive income for the year, net of income tax equivalent expense		34,673	43,126
Total comprehensive income for the year		52,217	65,006

The accompanying notes form a part of the financial statements.

Statement of financial position

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
ASSETS			
Current assets			
Cash and cash equivalents	6	51,308	27,220
Trade and other receivables	7	13,468	13,906
Total current assets		64,776	41,126
Non-current assets			
Receivables	7	91,087	84,618
Property, plant and equipment	8(a)	448,353	451,615
Investment property	9	7,700	7,993
Intangible assets	10	1,487	670
Deferred tax equivalent assets	5	10,745	20,648
Total non-current assets		559,372	565,544
TOTAL ASSETS		624,148	606,670
LIABILITIES			
Current liabilities			
Trade and other payables	11	16,931	14,542
Income tax equivalent payable	5	2,045	1,649
Dividend payable	14	200,000	5,171
Provisions	12	18,820	18,091
Total current liabilities		237,796	39,453
Non-current liabilities			
Other liabilities	11	2,276	3,266
Deferred tax equivalent liabilities	5	54,481	52,889
Provisions	12	2,551	2,605
Post-employment benefits	16	6,988	40,618
Total non-current liabilities		66,296	99,378
TOTAL LIABILITIES		304,092	138,831
NET ASSETS		320,056	467,839
EQUITY			
Contributed equity	15	165,768	165,768
Reserves	15	58,770	49,050
Retained earnings	15	95,518	253,021
TOTAL EQUITY		320,056	467,839

The accompanying notes form a part of the financial statements.

Statement of changes in equity

For the year ended 30 June 2018

	Note	Contributed equity \$000	Asset revaluation reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 July 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
Net profit for the year	15(a)	-	-	17,544	17,544
Other comprehensive income	15(a) & (c)	-	9,720	24,953	34,673
Total comprehensive income for the year		-	9,720	42,497	52,217
Transaction with owners in their capacity as owners					
Dividend declared	14	-	-	(200,000)	(200,000)
Balance at 30 June 2018		165,768	58,770	95,518	320,056

The accompanying notes form a part of the financial statements.

Statement of cash flows

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Net cash flows received from operating activities			
Receipts from customers		178,789	178,489
Payments to suppliers and employees		(137,135)	(138,514)
Interest received		697	271
Borrowing costs paid		(5)	(315)
Income tax equivalent paid		(8,033)	(8,713)
Net cash flows received from operating activities	6(c)	34,313	31,218
Net cash flows used in investing activities			
Purchase of property, plant and equipment		(5,352)	(7,688)
Proceeds from sale of property, plant and equipment		298	4,284
Net cash flows used in investing activities		(5,054)	(3,404)
Net cash flows used in financing activities			
Repayment of borrowings		-	(2,000)
Dividends paid		(5,171)	-
Net cash flows used in financing activities		(5,171)	(2,000)
Net increase in cash and cash equivalents		24,088	25,814
Cash and cash equivalents at the beginning of the financial year		27,220	1,406
Cash and cash equivalents at the end of the financial year	6	51,308	27,220

The accompanying notes form a part of the financial statements.

Notes to the financial statements

For the year ended 30 June 2018

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 2018 are authorised for issue in accordance with a resolution of the Directors on 11 September 2018.

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.

The financial statements have been prepared on a going concern basis. As at 30 June 2018, the Corporation had a net current liability of \$173.0 million due to the recognition of a dividend payable to NSW Treasury of \$200.0 million. The payment of this dividend will be funded by the NSW TCorp loan facility. Refer to note 13 for the loan facility information.

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.

Note 2 *continued*

(b) Compliance with IFRS

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

(c) New accounting standards and interpretations

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

The Corporation has consistently applied the accounting policies as set out in note (d) to note (w) 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 2018.

The Corporation's preliminary assessment of the impact of new standards (to the extent relevant to the Corporation) and interpretations is set out below:

AASB 16 Leases

AASB 16, *Leases*, will be effective and applicable for reporting periods beginning on or after 1 January 2019. As at the reporting date, the Corporation has non-cancellable operating lease commitments of \$19.3 million. Some of the operating leases currently held, expire prior to the implementation of the standard and decisions on future leases will be made based on operational needs and strategies. The preliminary assessment of the impact of AASB 16 will be a \$13.1 million recognition of right of use asset and a \$13.1 million lease liability on transition date, 1 July 2019. The estimated impact to the statement of comprehensive income will be a reduction of rental expense of \$3.1 million, an increase of the right of use asset amortisation expense and lease interest expense of \$3.2 million, amounting to a net increase of \$0.1 million expenses in the first financial year ending 30 June 2020. The Corporation has not finalised the quantification of the effect of this new standard and the assessment of the impact will continue until the actual transition date.

AASB 15 Revenue from Contracts with Customers

AASB 15, *Revenue from Contracts with Customers*, addresses how revenue is recognised and will require the Corporation to identify contracts and performance obligations, determine the transaction price, allocation of the transaction price to each performance obligation and recognise revenue when each performance obligation is satisfied.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Corporation will apply AASB 15 in the financial year beginning 1 July 2018. An initial assessment has been performed on existing revenue streams. Based upon this assessment, it is not expected that AASB 15 will have a material impact to the Corporation. Assessment of the new standard continues.

Note 2 *continued*

AASB 9 Financial Instruments

AASB 9 is the replacement for AASB 139 *Financial Instruments: Recognition and Management*. The standard includes requirements for classification, recognition and measurement, impairment, derecognition and general hedge accounting. Initial application of this standard is not expected to have any material impact to the financial report of the Corporation.

(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 (TCorpIM) Cash Fund.

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 TCorpIM 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.

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.

Note 2 *continued*

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 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 increases

Note 2 *continued*

/ decreases in indicators / indices are generally less than or equal to 20%. It undertakes an interim formal revaluation where there has been a cumulative increase / decrease in indicators / indices generally greater than 20%.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement for an asset previously recognised as a loss in 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.

A comprehensive asset valuation was undertaken for land and buildings during the financial year. The valuation of specialised assets was re-assessed by applying appropriate externally supplied indices to the comprehensive valuation undertaken 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 valuation technique. Assets included in construction in progress are normally recognised at historical cost (level 3) and these assets are transferred to property, plant and equipment when ready for use as intended by management. The transfer to property, plant and equipment may trigger a transfer between different levels of the fair value hierarchy depending on the valuation techniques used for the transferred asset. Unless there is a change in valuation technique, the asset categorisation under the fair value hierarchy is not expected to change.

(viii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in 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.

Note 2 *continued*

(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.

(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

Note 2 *continued*

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) 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.

(o) 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.

Note 2 *continued*

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.

(p) 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Retirement benefits obligations

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

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

Expected future payments are discounted using market yields at the reporting date on high quality corporate 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

Note 2 *continued*

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.

(q) Leases

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

(i) Operating leases

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

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

(ii) Lease incentives

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

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

(iii) 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).

Note 2 *continued*

(r) **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 2018, 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).

(s) **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.

(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.

Note 2 *continued*

(t) **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 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.

Note 2 *continued*

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

(u) 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 dividend scheme of the Corporation also takes into consideration the agreed Target Capital Structure with NSW Treasury in order to maintain an efficient capital structure consistent with the Target Credit Rating. 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.

(v) 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.

(w) Significant accounting judgements, estimates and assumptions

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

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

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

(i) Impairment of non-financial assets

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

(ii) Valuation of property, plant and equipment

The gross fair value measurement of property, plant and equipment is determined by independent specialist valuers and the remaining useful lives of each asset are determined by the Corporation's qualified engineers. Refer to note 8(b).

(iii) Valuation of residual interest in leased assets

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

Note 2 *continued*

(iv) Superannuation

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

(v) Taxation

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

(x) Change in accounting estimate: method of determining the discount rate

In accordance with AASB 119 *Employee Benefits*, the gross defined benefit obligation is required to be discounted using a high quality corporate bond rate, or the government bond rate in the absence of a deep market in high quality corporate bonds. In prior years, the discount rate was based on the yield on Commonwealth Government Bonds.

In June 2018 the Treasury Circular TC 18-10 *Accounting for Superannuation* was issued. The Corporation was advised that there is a deep market in high quality corporate bonds in Australia and therefore, the Corporation must discount its gross defined benefit obligation using the yield on a high quality corporate bond rate for the financial year ended 30 June 2018 as well as future years' reporting.

The change in the basis of the discount rate is considered a change in accounting estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The effect of a change in an accounting estimate shall be recognised prospectively. The adjustments to the profit or loss, assets and liabilities, or any item of equity, should be recognised in the period of the change. Refer to note 16 for the quantified impact.

Note 3 Revenue

	Note	2018 \$000	2017 \$000
Continuing operations			
<i>Revenue from operating activities</i>			
Port revenue		126,759	116,598
Rental revenue		12,751	15,433
Navigation recharge		10,345	9,828
		149,855	141,859
<i>Other revenue</i>			
Interest from bank and other		722	311
Finance lease income		5,873	5,490
Land tax recoverable from tenants		196	171
Investment property revaluation (loss) / gain	9	(93)	265
Revaluation increments – property, plant and equipment	8(d)(i)	91	92
Fee for Penrhyn Estuary services		1,243	1,993
Recoverable security		5,809	5,225
Other recoveries		2,642	3,081
Other revenue		2,531	4,225
		19,014	20,853
Total revenue from continuing operations		168,869	162,712

Note 4 Expenses

	Note	2018 \$000	2017 \$000
Continuing operations			
<i><u>Employee benefits expense</u></i>			
Salaries and wages		51,796	49,342
Annual leave		5,593	4,963
Long service leave		1,034	1,584
Retirement benefits – defined benefit		2,055	2,435
Retirement benefits – accumulation		4,923	4,949
		65,401	63,273
<i><u>Depreciation and amortisation expense</u></i>			
Depreciation	8(d)(i)	23,144	23,177
Amortisation of intangible assets	10	355	305
		23,499	23,482
<i><u>Other expenses</u></i>			
Service contractors		26,147	24,083
Indirect taxes		3,690	3,340
Payroll tax		3,463	3,314
Utilities and communications		3,224	3,094
Insurance		3,023	2,855
Legal costs		678	87
Materials		1,438	1,382
Minimum lease payments – operating leases		2,885	2,742
Revaluation decrements – property, plant and equipment	8(d)(i)	127	115
Directors' remuneration	22(a)	435	430
Auditors' remuneration – audit of financial statements		231	231
Impairment of property, plant and equipment	8(d)(i)	50	77
Channel fees		6,658	6,180
Other operations and services		5,348	5,809
		57,397	53,739
<i><u>Finance costs</u></i>			
Finance cost on loans and borrowings		-	8
Unwinding of discount on provisions		36	36
Other finance costs		10	7
		46	51
Total expenses from continuing operations		146,343	140,545

Note 5 Income tax equivalent expense

	2018 \$000	2017 \$000
Income tax equivalent (expense) / benefit		
Current tax	(8,429)	(7,548)
Deferred tax	3,365	7,245
	(5,064)	(303)
Deferred tax		
<i>Deferred income tax equivalent expense included in income tax equivalent expense comprises:</i>		
Increase in deferred tax assets	784	2,157
Decrease in deferred tax liabilities	2,581	5,088
	3,365	7,245
Deferred tax equivalent assets		
Underfunded defined benefits superannuation	2,097	12,185
Leave entitlements	6,248	6,083
Other	2,400	2,380
	10,745	20,648
Deferred tax equivalent liabilities		
<i>The balance comprises temporary differences attributable to:</i>		
Depreciation and revalued property, plant and equipment	54,224	52,580
Other	257	309
	54,481	52,889

Note 5 *continued*

	2018	2017
	\$000	\$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	22,608	22,183
Prima facie tax thereon at 30%	(6,782)	(6,655)
Add tax effect of items with differential accounting / tax treatment:		
Add items not deductible	(10)	(717)
Subtract items not assessable	1,762	1,647
Adjustments in respect of current income tax equivalent expense of prior year	-	5,460
Other non-deductible expenses in respect of initial recognition exemption assets	(34)	(38)
Total income tax equivalent (expense) / benefit attributable to operating profit	(5,064)	(303)
Amounts recognised directly in equity		
Net deferred tax debited / (credited) directly to equity	14,860	18,483
Movement in income tax equivalent payable		
Balance at the beginning of the financial year	1,649	2,814
Current income tax equivalent	8,429	7,548
Payments	(8,033)	(8,713)
Balance at the end of the year	2,045	1,649

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	6,083	165	-	6,248
Underfunded defined benefits superannuation	12,185	599	(10,687)	2,097
Other	2,380	20	-	2,400
	<u>20,648</u>	<u>784</u>	<u>(10,687)</u>	<u>10,745</u>
<u>Movement in deferred tax equivalent liabilities</u>				
Depreciation, revaluation and derecognition of property, plant and equipment	52,580	(2,529)	4,173	54,224
Other	309	(52)	-	257
	<u>52,889</u>	<u>(2,581)</u>	<u>4,173</u>	<u>54,481</u>

Unrealised capital losses

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

Note 6 Cash and cash equivalents

	2018	2017
	\$000	\$000
Cash at bank	1,695	432
TCorpIM Cash Fund	49,613	26,788
Cash and cash equivalents	51,308	27,220

(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 2018 and 30 June 2017, 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:

	2018	2017
	\$000	\$000
Net profit for the year	17,544	21,880
Adjustments for:		
Depreciation and amortisation expenses	23,499	23,482
Investment property revaluation loss / (gain)	93	(265)
Net revaluation decrements – property, plant and equipment	36	23
Net gain on sale of property, plant and equipment	(82)	(16)
Impairment of property, plant and equipment	50	77
Write-off of property, plant and equipment	23	1,246
Finance lease income	(5,873)	(5,490)
	35,290	40,937
Changes in assets and liabilities applicable to operating activities		
Decrease in trade and other receivables	42	6,466
Increase in deferred tax equivalent assets	(784)	(2,157)
Decrease in deferred tax equivalent liabilities	(2,581)	(5,088)
Increase / (Decrease) in income tax equivalent payable	389	(1,165)
(Decrease) / Increase in trade and other payables	(621)	1,070
Increase / (Decrease) in provisions	585	(11,255)
Increase in other liabilities	1,993	2,410
	1,993	2,410
Net cash flows received from operating activities	34,313	31,218

Note 7 Trade and other receivables

	Note	2018 \$000	2017 \$000
Current			
Trade receivables		6,702	6,364
Other receivables		2,548	3,797
		9,250	10,161
Prepayments		1,357	1,118
Lease incentive receivable		27	-
Accrued income		2,834	2,627
		13,468	13,906
Non-current			
Lease incentive receivable		726	-
Other non current receivable		194	324
Finance lease receivable	7(a)	90,167	84,294
		91,087	84,618

(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 2018 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 \$2.6 million (2017: \$2.4 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. The value was based on the information available at the inception of the lease. Management assesses for indicators of impairment of any material damage or changes to the dredged channel asset. 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 2018 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 \$1.9 million (2017: \$1.8 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 2018 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 \$1.4 million (2017: \$1.3 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. The value was based on the information available at the inception of the lease. Management assesses for indicators of impairment of any material damage or changes to the dredged channel asset. 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 due	0–30 days	0–30 days	31–60 days	31–60 days	60+ days	60+ days
	\$000	\$000	PDNI*	CI*	PDNI*	CI*	PDNI*	CI*
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018	9,250	7,887	1,234	-	116	-	13	-
2017	10,161	8,552	1,059	-	510	-	40	-
* Past due not impaired ('PDNI') Considered impaired ('CI')								

Trade and other receivables past due but not considered impaired are \$1.4 million (2017: \$1.6 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	2018 \$000	2017 \$000
Land and buildings (gross carrying amount)	318,770	309,628
Accumulated depreciation	(16,479)	(12,922)
Net carrying amount	302,291	296,706
Roadways and bridges (gross carrying amount)	13,104	12,282
Accumulated depreciation	(2,715)	(2,108)
Net carrying amount	10,389	10,174
Wharves, jetties and breakwaters (gross carrying amount)	86,082	83,965
Accumulated depreciation	(30,168)	(23,623)
Net carrying amount	55,914	60,342
Plant (gross carrying amount)	110,949	108,541
Accumulated depreciation	(36,335)	(27,425)
Net carrying amount	74,614	81,116
Construction in progress		
- Land and buildings	1,080	803
- Roadways and bridges	70	222
- Wharves, jetties and breakwaters	19	248
- Plant	3,976	2,004
Total construction in progress	5,145	3,277
Total property, plant and equipment at fair value (net carrying amount)	448,353	451,615

(b) Revaluation of property, plant and equipment

Land and building

An independent valuer (RHAS - an Aon Company) has conducted a comprehensive valuation review of land and buildings during the year. It provided gross values for land and buildings for the financial year ended 30 June 2018.

A quantity and construction consultant (MDA Australia Pty Limited) provided gross values for wharves, jetties and breakwaters, roadways and bridges at 30 June 2017 when the last comprehensive valuation was conducted. They provided the valuation index 2.2% to apply to these assets for the financial year ended 30 June 2018.

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	2018 \$000	2017 \$000
Land and buildings (gross carrying amount)	259,082	258,505
Accumulated depreciation	(15,392)	(11,651)
Net carrying amount	243,690	246,854
Roadways and bridges (gross carrying amount)	11,885	11,337
Accumulated depreciation	(2,969)	(2,252)
Net carrying amount	8,916	9,085
Wharves, jetties and breakwaters (gross carrying amount)	74,952	74,649
Accumulated depreciation	(34,550)	(26,222)
Net carrying amount	40,402	48,427
Plant (gross carrying amount)	111,711	109,303
Accumulated depreciation	(37,062)	(28,227)
Net carrying amount	74,649	81,076
Construction in progress	5,145	3,277
Total property, plant and equipment	372,802	388,719

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 2017		296,706	10,174	60,342	81,116	448,338
Additions		-	-	-	108	108
Revaluation increments recognised in other comprehensive income	15(c)	9,099	361	4,450	-	13,910
Revaluation increments recognised in statement of comprehensive income	3	-	91	-	-	91
Revaluation decrements recognised in statement of comprehensive income	4	(28)	-	(99)	-	(127)
Impairment loss	4	-	-	-	(50)	(50)
Transfer from construction in progress	8(d)(ii)	794	547	304	2,705	4,350
		306,571	11,173	64,997	83,879	466,620
Depreciation charge	4	(4,118)	(784)	(9,083)	(9,159)	(23,144)
Write-offs		-	-	-	(23)	(23)
Disposals		(162)	-	-	(83)	(245)
Balance at 30 June 2018		302,291	10,389	55,914	74,614	443,208

	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 8 *continued*

(d)(ii) Movement in construction in progress

	Note	2018 \$000	2017 \$000
Balance at 1 July		3,277	1,755
Additions		7,390	7,196
		10,667	8,951
Transfers to property, plant and equipment	8(d)(i)	(4,350)	(5,268)
Transfers to investment property	9	-	(201)
Transfers to intangible assets	10	(1,172)	(58)
Disposals		-	(147)
Closing balance		5,145	3,277

There was no borrowing cost capitalised in both years.

Note 9 Investment property

	2018 \$000	2017 \$000
At fair value		
Land and building	7,700	7,993

	Note	2018 \$000	2017 \$000
Movements			
Balance at 1 July		7,993	7,527
Transfer from property, plant and equipment	8(d)(ii)	-	201
Transfer to another class of asset		(200)	-
(Loss) / gain on revaluation	3	(93)	265
Closing balance		7,700	7,993

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

	2018 \$000	2017 \$000
Rental income	763	740
Direct operating expenses that generated rental income	(328)	(343)
Direct operating expenses that did not generate rental income	-	-
	435	397

Note 9 *continued*

During the financial year, the fair value of the Corporation's investment property has been arrived at on the basis of a valuation carried out by an independent valuer (RHAS - an Aon Company). 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**

	2018	2017
	\$000	\$000
Carrying amounts (at cost)		
Software	3,853	2,681
Accumulated amortisation	(2,596)	(2,241)
Net carrying amount	1,257	440
Easements	230	230
Accumulated amortisation	-	-
Net carrying amount	230	230
Total intangible assets at cost (net carrying amount)	1,487	670

Movement in intangible assets

	Note	2018	2017
		\$000	\$000
Balance at 1 July		670	917
Transfer from construction in progress	8(d)(ii)	1,172	58
		1,842	975
Amortisation charge	4	(355)	(305)
Closing balance		1,487	670

Note 11 Trade and other payables

	2018	2017
	\$000	\$000
Current		
Trade payables	826	776
Accrued employee benefits	3,922	2,924
Accrued borrowing costs	-	5
Accrued land tax	-	2,710
GST payable	996	1,021
Other payables and accruals	7,803	4,640
Maintenance funds liability	799	666
Lease incentive liability	471	409
Income received in advance	2,114	1,391
	16,931	14,542
Non-current		
Income received in advance	2,248	2,798
Lease incentive liability	28	468
	2,276	3,266

(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

	2018	2017
	\$000	\$000
Current		
Employee benefits	18,820	18,091
Non-current		
Employee benefits	2,008	2,188
Provision for make good	543	417
	2,551	2,605

Employee benefits

Employee benefits relate to annual leave, long service leave, termination and other employee benefits. Refer to note 2(p) 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.

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	6,874	5,593	(5,204)	7,263
Long service leave	10,961	1,214	(912)	11,263
Other employee benefits	256	290	(252)	294
	18,091	7,097	(6,368)	18,820
Non-current				
Employee benefits				
Long service leave	2,188	(180)	-	2,008
Provision for make good	417	126	-	543
	2,605	(54)	-	2,551

Note 12 *continued*

	Note	2018 \$000	2017 \$000
Annual leave obligations expected to be taken after twelve months	12(i)	2,059	2,153
Long service leave obligations expected to be taken within twelve months	12(ii)	912	1,009

(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.

Impact of change in method of determining the discount rate

The approach to setting the discount rate for the long service leave provision as at 30 June 2018 has changed. In prior years, the discount rate was based on the yield on Commonwealth Government bonds. A corporate bond yield has been used instead for this year's reporting as at 30 June 2018 (and will be used for future years' reporting).

The table below shows a comparison of long service leave provision as at 30 June 2018 using a discount rate based on corporate bond yields and the provision that would have been calculated had a discount rate based on Government bond yields been used.

As at 30 June 2018	\$000
Long service leave provision using corporate bond yield	13,271
Long service leave provision using Government bond yield	13,896
Variance due to change in discount rate	<u>(625)</u>

Note 13 Financing facilities

The Corporation had the following financing facilities in place at 30 June 2018 and 30 June 2017.

	2018	2017
	\$000	\$000
(a) With NSW TCorp:		
A global loan facility inclusive of \$15.0 million Come-and-Go facility		
- Total facility	245,000	95,000
- Amount used	-	-
- Amount unused	245,000	95,000
(b) With Commonwealth Bank of Australia		
A bank guarantee facility		
- Total facility	2,000	6,700
- Amount used	-	-
- Amount unused	2,000	6,700

The Corporation had a credit card facility for \$170,000 (2017: \$170,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

The Corporation also had a purchasing card facility of \$50,000 (2017: \$50,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

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 \$245.0 million (2017: \$95.0 million). The significant increase of the financing facilities from \$95.0 million to \$245.0 million is to allow the Corporation to fund capital investments for business development as well as dividend payments.

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 Corporation had no outstanding borrowing as at 30 June 2018 and 30 June 2017.

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

Note 14 Dividend payable

	2018 \$000	2017 \$000
Dividend payable	200,000	5,171

On 14 June 2018 the letter of acceptance of dividend recommendation for the year ended 30 June 2018 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*. Accordingly the dividend payable of \$200.0 million (2017: \$5.2 million) was recognised, to be paid 50% prior to 1 August 2018 and the remaining balance prior to 1 December 2018.

Refer to note 23 for the subsequent payment of dividend on 31 July 2018.

Note 15 Equity

	Note	2018 \$000	2017 \$000
Contributed equity		165,768	165,768
Reserves	15(c)	58,770	49,050
Retained earnings	15(a)	95,518	253,021
		320,056	467,839

Note 15 *continued***(a) Movements in retained earnings**

	Note	2018 \$000	2017 \$000
Balance at 1 July		253,021	216,847
Net profit for the year		17,544	21,880
Transfer from revaluation reserve to retained earnings on disposal of revalued assets	15(c)	17	519
Superannuation actuarial gains		35,623	27,066
Income tax equivalent expense on post employment benefit actuarial gains		(10,687)	(8,120)
Other comprehensive income (expense)		24,953	19,465
Transaction with owners in their capacity as owners			
Dividend declared	14	(200,000)	(5,171)
Closing balance		95,518	253,021

(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	2018 \$000	2017 \$000
Balance at 1 July		49,050	25,389
Fair value revaluation of property, plant and equipment	8(d)(i)	13,910	34,543
Transfer from revaluation reserve to retained earnings on disposal of revalued assets, net of tax	15(a)	(17)	(519)
Income tax equivalent expense on revaluation of property, plant and equipment		(4,173)	(10,363)
Total other comprehensive income		9,720	23,661
Closing balance		58,770	49,050

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 most recent investigation was performed as at 30 June 2015. The actuary has commenced work on the 30 June 2018 investigation. Once completed, the report will be available on the Fund's website.

Note 16 *continued*

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

	2018	2017
	\$000	\$000
Defined benefit liability	6,988	40,618

Note 16 *continued*

Impact of change in method of determining the discount rate

The approach to setting the discount rate as at 30 June 2018 has changed. In prior years, the discount rate was based on the yield on Commonwealth Government bonds. A corporate bond yield has been used instead for this year's reporting as at 30 June 2018 (and will be used for future years' reporting).

The table below shows a comparison of the AASB 119 deficit/(surplus) as at 30 June 2018 using a discount rate based on corporate bond yields and the deficit/(surplus) that would have been calculated had a discount rate based on Government bond yields been used.

	SASS	SANCS	SSS	Total
As at 30 June 2018	\$000	\$000	\$000	\$000
Deficit (surplus) using Corporate bond yield	6,546	952	(510)	6,988
Deficit (surplus) using Government bond yield	9,637	1,228	25,019	35,884
Difference in deficit (surplus)	(3,091)	(276)	(25,529)	(28,896)

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

	SASS	SANCS	SSS	Total
At 30 June 2018	\$000	\$000	\$000	\$000
Opening net defined benefit liability/(asset)	9,311	1,135	30,172	40,618
Current service cost	560	136	296	992
Net Interest on the net defined benefit liability	243	30	790	1,063
Actual return on Fund assets less Interest income	(1,336)	(161)	(6,211)	(7,708)
Actuarial gains	(2,192)	(188)	(25,535)	(27,915)
Employer contributions	(40)	-	(22)	(62)
Closing net defined benefit liability	6,546	952	(510)	6,988

Note 16 *continued*

	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

(b) Reconciliation of the defined benefit obligation

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2018				
Present value of defined benefit obligations at beginning of the year	33,039	3,862	136,672	173,573
Current service costs	560	136	296	992
Interest costs	810	92	3,508	4,410
Contributions by participants	259	-	99	358
Actuarial gains	(2,192)	(188)	(25,535)	(27,915)
Benefits paid	(3,046)	(421)	(5,407)	(8,874)
Taxes, premiums & expenses paid	71	6	770	847
Present value of defined benefit obligations at end of the year	29,501	3,487	110,403	143,391

	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

Note 16 *continued*

(c) Reconciliation of the fair value of Fund assets

	SASS	SANCS	SSS	Total
Year ended 30 June 2018	\$000	\$000	\$000	\$000
Fair value of Fund assets at beginning of the year	23,728	2,727	106,500	132,955
Interest income	567	62	2,718	3,347
Actual return on Fund assets less Interest income	1,336	161	6,211	7,708
Employer contributions	40	-	22	62
Contributions by participants	259	-	99	358
Benefits paid	(3,046)	(421)	(5,407)	(8,874)
Taxes, premiums & expenses paid	71	6	770	847
Fair value of Fund assets at end of the year	22,955	2,535	110,913	136,403

	SASS	SANCS	SSS	Total
Year ended 30 June 2017	\$000	\$000	\$000	\$000
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

(d) Reconciliation of the effect of the asset ceiling

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

Note 16 *continued*

(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	2,185,469	2,215,695	-	4,401,164
Australian fixed interest	41,854	2,193,068	-	2,234,922
International fixed interest	8,116	1,387,991	-	1,396,107
Australian equities	8,719,442	548,908	3,055	9,271,405
International equities	8,499,476	2,391,501	373	10,891,350
Property	788,018	608,934	2,314,335	3,711,287
Alternatives	420,898	5,332,818	4,141,113	9,894,829
Total	20,663,273	14,678,915	6,458,876	41,801,064

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:

	2018	2017
Cash	10.5%	7.7%
Australian fixed interest	5.3%	6.2%
International fixed interest	3.3%	1.2%
Australian equities	22.2%	23.6%
International equities	26.1%	30.1%
Property	8.9%	8.6%
Alternatives	23.7%	22.6%
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 2018 include \$97.7 million (2017: \$354.0 million) in NSW government bonds.

(g) Significant actuarial assumptions

	2018	2017
Discount rate	4.11%pa	2.62%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 2018, a range of salary increase assumptions was used as follows:

- 2018/19: 2.7% pa
- 3.2% pa thereafter.

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

- 2017/18 and 2018/19: 2.50% pa
- 2019/20 and 2020/21: 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 2018, a range of CPI increase assumptions was used as follows:

- 2018/19 and 2019/20: 2.25% pa
- 2.5% pa thereafter.

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

- 2017/18: 2.00%
- 2018/19: 2.25%
- 2.50% pa thereafter

(iii) Pensioner mortality

The pensioner mortality assumptions are those to be used for the 2018 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.

(h) Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2018 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 2018.

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

	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	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	143,391	162,295	129,263
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above plus 0.5% pa	As above minus 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	143,391	151,999	135,921

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	143,391	144,033	142,800
	Base case	Scenario G Lower mortality (*)	Scenario H Higher mortality (**)
Defined benefit obligation \$'000	143,391	145,095	141,962

(*) Assumes the short term pensioner mortality improvement factors for years 2018-2023 also apply for years after 2023.

(**) Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2018 to 2023.

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. 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 2018 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 2018				
Accrued benefits (*)	25,112	3,044	75,598	103,754
Net market value of Fund assets	(22,955)	(2,535)	(110,913)	(136,403)
Net (surplus) / deficit	2,157	509	(35,315)	(32,649)
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) / deficit	1,292	330	(30,317)	(28,695)

(*) 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 2018 in accordance with AASB 1056 *Superannuation Entities*:

Weighted-Average Assumptions	2018	2017
Expected rate of return on Fund assets backing current pension liabilities	7.4%	7.4%
Expected rate of return on Fund assets backing other liabilities	6.4%	6.4%
Expected salary increase rate	2.7% for 2018/19; 3.2% pa thereafter	2.7% pa to 30 June 2019, then 3.2% pa thereafter
Expected rate of CPI increase	2.2%	2.2%

(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 11.9 years (2017: 12.8 years).

Note 16 *continued*

(p) Profit and loss impact

	SASS	SANCS	SSS	Total
2018	\$000	\$000	\$000	\$000
Current service cost	560	136	296	992
Net interest	243	30	790	1,063
Profit and loss component of the defined benefit cost	803	166	1,086	2,055

	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

(q) Other comprehensive income

	SASS	SANCS	SSS	Total
2018	\$000	\$000	\$000	\$000
Actuarial gains on liabilities	(2,192)	(188)	(25,535)	(27,915)
Actual return on Fund assets less Interest Income	(1,336)	(161)	(6,211)	(7,708)
Total remeasurement in Other Comprehensive Income	(3,528)	(349)	(31,746)	(35,623)

	SASS	SANCS	SSS	Total
2017	\$000	\$000	\$000	\$000
Actuarial gains 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)

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 2018

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land and buildings	-	-	302,291	302,291
Roadways and bridges	-	-	10,389	10,389
Wharves, jetties and breakwaters	-	-	55,914	55,914
Investment property (i)	-	7,700	-	7,700
Total	-	7,700	368,594	376,294

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 loss of \$0.1 million (2017: \$0.3 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 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

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, with majority in the range from 45% 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 \$10.8 million (2017: \$10.5 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 \$4.9 million (2017: \$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 (2017: \$0.5 million); and
- the wharves, jetties and breakwaters being varied by \$2.8 million (2017: \$2.6 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

			2018 \$000	2017 \$000
Financial assets	Note	Category		
Cash and cash equivalents	6	N/A*	51,308	27,220
Trade and other receivables		Loans and receivables measured at amortised cost	11,973	12,820
Lease incentive receivable	7	Loans and receivables measured at amortised cost	753	-
Finance lease receivable	7	Loans and receivables measured at amortised cost	90,167	84,294
			154,201	124,334
*Not applicable (N/A)				

Note 18 *continued*

			2018	2017
			\$000	\$000
Financial liabilities	Note	Category		
		Financial liabilities measured at amortised cost		
Trade and other payables			12,862	8,437
		Financial liabilities measured at amortised cost		
Lease incentive liability	11		499	877
			13,361	9,314

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 \$000	+1% (100 basis points) Post tax impact on profit \$000	Equity \$000	-1% (100 basis points) Post tax impact on profit \$000	Equity \$000
At 30 June 2018					
Financial assets					
Cash and cash equivalents	51,308	359	359	(359)	(359)
Net exposure	51,308	359	359	(359)	(359)
At 30 June 2017	\$000	\$000	\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	27,220	191	191	(191)	(191)
Net exposure	27,220	191	191	(191)	(191)

(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	2018 \$000	2017 \$000
TCorpIM Cash Fund	Cash, Money market instruments	Up to 1.5 years	6	49,613	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 percentage change in unit price, as advised by TCorp, multiplied by the redemption value at 30 June each year for each fund.

Note 18 *continued*

	Change in unit price	Post tax impact on profit Higher/(Lower)	
		2018 \$000	2017 \$000
TCorpIM Cash Fund	+/-1%	347	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 \$1.4 million (2017: \$2.3 million) and is 0.89% of total financial assets (2017: 1.82%).

(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 2018		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	12,862	12,862	-	-	12,862	12,862	-	-
Lease incentive liability	N/A	499	499	-	-	499	471	28	-
		13,361	13,361	-	-	13,361	13,333	28	-

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	-

Note 18 *continued*

(e) 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.

The Board reviews and agrees policies for managing the capital structure when considering each major project investment and following consultation with NSW Treasury in-line with Capital Structure Policy for Government Business (TPP16-03). 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 2018 was as follows:

Gearing ratio

	Note	2018 \$000	2017 \$000
Total debt	13	-	-
Total debt and total equity		320,056	467,839
Gearing ratio		-	-

Note 19 Commitments

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2018 but not otherwise brought to account have been assessed at \$11.2 million including GST (2017: \$0.8 million). The \$11.2 million includes GST input tax credits of \$1.0 million that are expected to be recoverable from the Australian Taxation Office.

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

	2018 \$000	2017 \$000
Not later than one year	9,086	830
Later than one and not later than five years	2,100	-
Total including GST	11,186	830

Note 19 *continued*

(b) Operating lease commitments

Operating lease commitments – as lessee

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

Payable	2018 \$000	2017 \$000
Not later than one year	4,636	3,876
Later than one and not later than five years	14,687	4,516
Later than five years	1,537	875
Total including GST	20,860	9,267

The above total includes GST input tax credits of \$1.6 million (2017: \$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 10 years. The lease of office premises has a renewal option included in the contract.

Operating lease commitments – as lessor

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

Receivable	2018 \$000	2017 \$000
Not later than one year	12,477	10,219
Later than one and not later than five years	33,370	34,097
Later than five years	52,895	37,587
Total including GST	98,742	81,903

The above total includes GST output tax of \$9.0 million (2017: \$7.4 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 business claims arising from normal business operations. It has regular reviews, including updates from internal and external legal counsel, to assess the requirement for the accounting recognition and disclosure of these contingencies. At the date of this report, the Corporation is not aware of any circumstance that is considered not remote or able to be reliably measured.

Note 21 Consultancy fees

Consultancy fees refer to 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 in both years.

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.

Compensation for key management personnel

	2018	2017
Benefit	\$000	\$000
Short term employee benefits	4,392	4,046
Post employment benefits	276	231
Other long term benefits	63	56
Termination benefits	220	-
Total	4,951	4,333

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 (2017: \$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.

Annual Report 2017/18

Note 22 *continued*

(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 *	
		2018 \$000	2017 \$000
Sydney Harbour Foreshore Authority	Rental income for the temporary exhibition centre site at Glebe Island	374	4,114
Roads and Maritime Services (RMS)	Expense for channel fee	7,242	6,647
	Rental income for various leases	926	282
	Land sold	-	4,633
Sydney Water Corporation	Revenue from the construction work at Foreshore Beach	-	2,196

*Transaction value includes GST

Note 23 **Events after the reporting period**

On 31 July 2018, the first dividend instalment of a \$100.0 million, being 50% of \$200.0 million dividend payable was paid. This payment was funded by borrowings of \$55.0 million, drawn-down from the NSW TCorp loan facility, and \$45.0 million from cash.

Other than for the item noted above, management is not aware of any other significant events occurring after the balance sheet date requiring disclosure.

END OF AUDITED FINANCIAL STATEMENTS

Statement of land holdings

For the year ended 30 June 2018

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 2018 \$000
Land and buildings	
Land	204,208
Buildings	98,083
Total land and buildings	302,291
Other	
Roadways and bridges	10,389
Wharves, jetties and breakwaters	55,914
Plant	74,614
Construction in progress	5,145
Total other	146,062
Total property, plant and equipment	448,353

19 Statutory disclosures

19.1 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.

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

- monitoring of channel and berth depths
- administering regulations concerning dangerous goods
- navigation aids operation
- pilotage and exemptions from pilotage
- port communications
- emergency response
- investigations of oil and chemical spills
- vessel arrival system
- promotion of provision of towage.

On 8 April 2018, the licence was reissued by the NSW Minister for Roads, Maritime and Freight to introduce as a new port safety function a proposed non-exclusive towage licensing scheme in the ports of Sydney Harbour, Port Botany and Port Kembla.

Under its PSOL, 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 2017/18.

19.3 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 and associated regulation.

Other significant legislation and regulation affecting Port Authority of NSW includes:

- *Environmental Planning and Assessment Act 1979* (NSW) (through Part 5 of the Act and the State Environmental Planning Policy (Major Development) 2005)
- *Marine Safety Act 1998* (NSW) and associated Regulations
- *Marine Pollution Act 2012* (NSW) and associated Regulations
- *Maritime Services Act 1935* (NSW) and associated Regulations (repealed in October 2016)
- *Maritime Transport and Offshore Facilities Security Act 2003* (Cth) and associated regulation
- *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 2017* (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.

19.4 Changes in Acts and subordinate legislation

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

A notice of revocation of port operator under the *Maritime Transport and Offshore Facilities Security Act 2003* (Cth) was gazetted on 16 February 2018, revoking Yamba's status as a security regulated port.

Part 11 'Special requirements relating to ports' of the repealed *Dangerous Goods (General) Regulation 1999* (NSW) which is administered by Port Authority continues to survive its repeal by clause 702A of the *Work Health and Safety Regulation 2017* (NSW) which came into effect on 1 September 2017.

19.5 Economic or other factors affecting achievement of operational objectives

No economic factors affected the achievement by Port Authority of its operational objectives for 2017/18.

19.6 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 2017/18 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year was \$39.6 million compared with a budget of \$35.1 million. The main influences on the positive result were revenue being above target, due to increased total gross tonnage of container vessels at Port Botany; additional rental income at Glebe Island associated with the staging of major infrastructure works; and deferred spend on the noise attenuation program at White Bay combined with the continued management of costs within target.

19.7 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

19.8 Response to significant issues raised by the Auditor General

There were no significant issues raised by the Auditor General in the 2016/17 financial year audit. Port Authority of New South Wales' response to any significant issues raised by the Auditor General in the 2017/18 financial year audit will be included in the 2018/19 Annual Report.

19.9 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 2017 to 30 June 2018.

During the reporting period, Port Authority received six formal access applications. One application was withdrawn and one remained in progress as at 30 June 2018.

Therefore, Port Authority decided four applications during the year. One application was for personal information and the other three applications related to Port Authority's business activities.

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

Table A: 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 application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	1	1	0	0	0	0	0	1
Members of the public (other)	1	0	0	0	1	0	0	0

*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: 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 application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	1	0	0	0
Access applications (other than personal information applications)	2	1	0	0	0	0	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

Table C: Invalid applications

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

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

Reason for invalidity	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

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

	Number of occasions when application not successful
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

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	1
Decided after 35 days (by agreement with applicant)	3
Not decided within time (deemed refusal)	0
Total	0

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NSW Civil & Administrative Tribunal (NCAT)	0	0	0
Total	0	0	0

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

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

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

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

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

19.10 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 Governing Boards of Government Businesses*. This report outlines Port Authority's governance practices during 2017/18.

19.11 Role of the Board

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

- approving business and financial 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](#).

19.12 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 2017/18:

- 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 during the 2017/18 year was Robert Dunn. Robert is an independent non-executive Director, who was not the Chairman of the Board. Other members of the Committee as at 30 June 2018 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 letters and management's responses
- corporate governance.

The committee provides a forum for communication between the Board, Senior Management and both the internal and external auditors.

The Committee met five times during 2017/18. 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 during the 2017/18 year was Penny Bingham-Hall. Penny is an independent non-executive Director, who was not the Chairman of the Board. Other members of the Committee as at 30 June 2018 were Zorana Bull, Gerard Sutton and Nicholas Whitlam, who were 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
- human resources (HR) management including succession planning, talent development and employee engagement.

During 2017/18, 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 2017/18, and reviewed and evaluated the performance of the Chief Executive Officer and the Executive Management team against agreed performance goals for the 2016/17 year.

The Committee oversaw HR management including HR metrics, enterprise bargaining agreement updates, a bonus scheme review and diversity matters. It also reviewed the planning for an employee engagement survey undertaken during April 2018.

The Committee met four times during 2017/18. 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 comprised all six independent non-executive Directors. It was 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 three times during 2017/18. A copy of the Nominations Committee Charter is available in the Corporate Governance section of the [Port Authority website](#).

19.13 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.

Business Unit Managers provide a quarterly response that they have undertaken a review of the fraud and corruption plan and a review of the controls in place, and that the controls remain current and relevant. The business unit managers also provide written confirmation that they are not aware of any matters within their team that may be considered fraudulent or corrupt. Additionally, 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 (Corporate Governance Section). It works alongside other more detailed policies including the Fraud and Corruption Policy, Disciplinary Policy and Internal Reporting Policy.

A new Code of Conduct was implemented in 2017/18, after review by each Consultative Committee and approval by the Board and the Executive.

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](#).

19.14 Risk management

Port Authority of New South Wales uses an Enterprise Risk Management system to ensure risks are identified and managed in a considered and timely manner. The Enterprise Risk Management system is consistent with the Australian/ New Zealand Standard of Risk Management (AS/NZS/ISO 31000:2009). It is underpinned by a Risk Management Policy and a Risk Management Procedure.

This system encompasses all the activities Port Authority is responsible for under the *Ports and Maritime Administration Act 1995* in addition to corporate-wide strategic risks.

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

- coordinated by the Chief Risk Officer (the Chief Risk Officer for Port Authority is the Chief Financial Officer)
- managed by the Executive Management Team
- overseen, in the first instance, by the Audit and Risk Committee and subsequently by the Port Authority of New South Wales Board.

The strategic risk profile is reviewed monthly by the Executive Management Team and quarterly by the Audit and Risk Committee on a formal basis to:

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

Operational risks are reviewed through a formalised risk assessment process that is conducted within Divisions and coordinated by the 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.

19.15 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, Port Operator Liability cover and Salary Continuance insurance 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.

19.16 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 for the year to 30 June 2018 was Nicholas Whitlam. Nicholas was an independent Director and his role was 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.

Mr Whitlam's term as Chairman expired on 30 June 2018.

19.17 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.

19.18 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 *NSW Treasury Guidelines for Governing Boards of Government Businesses*, which cover whether the Director:

- is employed, or has been employed in an executive capacity 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 partner, director or senior employee of a provider of material professional services to the business
- has, within the last three years, been in a material business relationship with the entity, or an officer of or otherwise associated with, someone in such a relationship
- has a material contractual relationship with the business other than as a Director of the business
- has close family ties with any person who falls within any of these categories
- has been a director of the entity for such a period (10 years or greater) that his or her independence may have been compromised.

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.

19.19 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.

19.20 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.

19.21 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.

19.22 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 2017/18, 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 19.23 and 19.24.

19.23 Attendance at board meetings 2017/18

	Board meetings		Term of appointment
	A	B	
N. Whitlam	9	9	1 July 2017 – 30 June 2018
G. Gilfillan	8	8	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 2018 – 1 February 2021
G. Sutton	9	9	1 January 2017 – 31 December 2019

A: number of meetings eligible to attend during year.

B: number of meetings attended.

19.24 Attendance at committee meetings 2017/18

	Audit and Risk Committee		Remuneration and Human Resources Committee		Nominations Committee	
	A	B	A	B	A	B
N. Whitlam	5	5	4	4	3	3
G. Gilfillan	-	-	-	-	-	-
P. Bingham-Hall	5	5	4	4	3	3
Z. Bull	-	-	4	4	3	3
R. Dunn	5	5	-	-	3	2
P. Forsythe	5	5	-	-	3	2
G. Sutton	-	-	4	4	3	3

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.

19.25 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 briefings.

The remuneration for Directors of Port Authority is determined by the Voting Shareholders.

19.26 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. An external review was completed in February 2018.

19.27 Equity, diversity and inclusion

A new Employee Diversity and Inclusion Policy was implemented in 2017/18 after a review by each Consultative Committee and final approval by the Executive and Board of Directors. This policy outlines the principles that Port Authority values diversity and inclusion; recruits, develops and promotes with diversity in mind; and commits to measuring and monitoring its diversity progress.

The policy is complemented by the Bullying and Harassment Policy that defines unacceptable behaviours and the potential consequences if such behaviour occurs in the workplace. Both policies were launched with accompanying Professional Workplace Behaviour training, which has been compulsory for all staff to complete.

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, consistent with the organisation's consciousness of being an inclusive workplace.

Port Authority is in the process of developing a Traineeship/Cadet program to be launched in 2018/19. The program will support the Employee Diversity and Inclusion Policy by conscious awareness at ensuring the offering of these opportunities includes a variety of age profiles and under-represented groups such as females, Indigenous peoples and people with a disability.

As a State Owned Corporation, Port Authority measures itself against NSW Government benchmarks as outlined by the NSW Public Service Commission. Information is collected annually 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 voluntary and anonymous, with employees having the right to request that their data be withheld from the collection. Where there is insufficient information supplied or the numbers are too low, a 'N/A' (not available) is displayed.

Equal Employment Opportunity group

Diversity	Percentage of staff at 30 June 2018		
	Benchmark	2017	2018
Women	50%	22.8 %	21.65 %
Aboriginal and Torres Strait Islander peoples	3.3%	0.0 %	0.0%
People whose first language as a child was not English	19%	8.0 %	13%
People with a disability	N/A	0.6 %	0.3%
People with a disability that required work-related adjustments	N/A	0.0 %	0.0%

Diversity	Distribution Index at 30 June 2018		
	Benchmark	2017	2018
Women	100	76	81
Aboriginal and Torres Strait Islander people	100	N/A	N/A
People whose first language as a child was not English	100	100	100
People with a disability	100	N/A	100
People with a disability that required work-related adjustments	100	N/A	N/A

Tables (above) of diversity measures represent total staff at 30 June 2018 (excluding casual staff).

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

19.28 Work Health and Safety

Work Health and Safety (WHS) is now part of our everyday activities and the Work Health and Safety (WHS) is part of everyday Port Authority activities and business. The reporting year 2017/18 has again seen new safety milestones achieved in all three business units of Port Authority (Newcastle/Yamba; Sydney; and Port Kembla/Eden) throughout the year. The most significant was Sydney Operations and Support services passing the milestone of one year without a Medical Treatment Injury or Lost Time Injury.

The safety awareness and safety leadership of our operations and support employees have seen greater near-miss reporting in the last 12 months. However, we have seen an increase in the number injuries resulting in short-term restricted duties (Medical Treatment Injuries) when embarking and disembarking ships during pilotage.

There were no high consequence or potential high consequence incidents in 2017/18. Port Authority has continued to invest in safety training and improving incident investigation understanding and processes.

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 2017/18 includes each of Port Authority's operations in Sydney, Newcastle, Port Kembla, Eden and Yamba. The WHS performance is summarised in the table below, which includes the historical Lost Time Injury and Medical Treatment Injury performance.

Port Authority Work Health and Safety statistics

	2016/17	2017/18
Total number of incidents and hazards reported	330	374
Number of Lost Time Injuries	4	4
Number of Medical Treatment Injuries	2	5
Lost Time Injury Frequency Rate (LTIFR)	6.44	6.30
Total Recordable Injury Frequency Rate (TRIFR)	9.65	13.3
Workplace Inspections	109	132
Percentage of planned WHS meetings held	100%	100%

Notes:

Lost Time Injury - an incident / injury that resulted in person losing one or more shift as a result of the injury sustained.

Medical Treatment Injury - an incident / injury where the assessment and treatment from the medical practitioner resulted in a restriction that prevented the ability of the person to perform full duties.

There were no fatalities in the four lost time injuries recorded in 2017/2018.

LTIFR is the calculation of the number of lost time injuries per million man hours worked.

TRIFR is the calculation of the number of lost time injuries and the number of medical treatment injuries per million man hours worked.

19.29 Overseas travel by Port Authority employees

Name	Date	Destination	Purpose
Grant Gilfillan, Chief Executive and Director	8–11 May 2018	Baku, Azerbaijan	To attend the 2018 International Association of Ports and Harbours (IAPH) World Conference, and visit Dubai to conduct a port inspection at Jebel Ali Port prior to attending the IAPH Conference.
Jeanine Drummond, General Manager Marine Operations and Deputy Harbour Master Sydney	8–11 May 2018	Baku, Azerbaijan	To attend the 2018 International Association of Ports and Harbours (IAPH) World Conference, and visit Dubai to conduct a port inspection at Jebel Ali Port prior to attending the IAPH Conference.

19.30 Funds granted to non-government community organisations

There were no funds granted to non-government community organisations in 2017/18.

19.31 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 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

19.32 Publications

During the reporting year, Port Authority published the following publications:

- *Cruise Schedules*
- *Notices to Mariners*
- *Dangerous Goods Management Guidelines*
- *Harbour Master's Directions*
- *Port Authority of New South Wales Annual Report 2016/17*
- *Schedules of Port Charges effective 1 July 2017*
- *Statement of Corporate Intent 2016/17.*

A new Port Authority website www.portauthoritynsw.com.au was launched to provide information to stakeholders and the community.

A newsletter, *Port Matters*, featuring news and stories, is emailed quarterly to subscribers. Subscription to the newsletter can be made at <https://www.portauthoritynsw.com.au/newsletter>.

19.33 Annual Report cost

The total cost of producing (editing and design services) the *Port Authority of New South Wales Annual Report 2017/18* was \$31,160. The report is available at www.portauthoritiesnsw.com.au.

19.34 Land disposal

Port Authority of New South Wales did not dispose of any land assets of value greater than \$5 million during the period 1 July 2017 to 30 June 2018.

19.35 Executive positions

At 30 June 2018, there were nine executives with remuneration equal to or exceeding the equivalent SES level 1, eight males and one female.

The Chief Executive Officer received remuneration exceeding level 8. This remuneration was in the range of \$522,500–700,000. As at 30 June 2018, the gender ratio of male to female is 8:1.

Executives with remuneration equal to or exceeding the equivalent of SES level 1

SES level	30 June 2018	30 June 2017	Gender 2018		Average total remuneration package in band
			Male	Female	
Level 8	0	0	0	0	N/A
Level 7	3	2	2	1	\$418,183
Level 6	3	0	3	0	\$354,107
Level 5	2	4	2	0	\$332,689
Level 4	1	1	1	0	\$280,556
Level 3	0	2	0	0	N/A
Level 2	0	0	0	0	N/A
Level 1	0	0	0	0	N/A
Gender ratio, male to female	8:1	8:2	8	1	

19.36 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 2018
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.



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