

SYDNEY PORTS CORPORATION

ANNUAL REPORT

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Sydney Ports Corporation
Annual Report

contents

Highlights	01
Corporate Overview	02
A joint report	04
Customers are our business	08
Safe harbours	12
Promoting Sydney Ports	18
Building better ports	22
In our backyard	26
Investing in our human capital	30
Board of Directors	36
Corporate Governance	38
Statutory Disclosures	39
Financial Statements Contents	45
Required Disclosures	Inside Back Cover
Glossary	Inside Back Cover
Contact Details	Back Cover

*On front cover (left to right):
Graham Edgely and Anthony Tedesco,
Marine Services Unit, Sydney Ports.*

ISSN 1328 6250

The Hon MR Egan, MLC
Treasurer, Minister for State Development,
Vice President of the Executive Council
Governor Macquarie Tower
Level 33, 1 Farrer Place
Sydney NSW 2000

The Hon MS Knight, MP
Minister for the Olympics
Governor Macquarie Tower
Level 34, 1 Farrer Place
Sydney NSW 2000

Dear Messrs Egan and Knight

This annual report covers Sydney Ports Corporation's operations and statement of accounts for the year ended 30 June 1998, in accordance with the provision of the Annual Report (Statutory Bodies) Act 1984 and the applicable provision of the Public Finance and Audit Act 1983 and the State Owned Corporation's Act 1989, and is submitted for presentation to Parliament.

Yours faithfully



Mr T Brian Finn AO
Chairman



Mr Greg J Martin
Chief Executive Officer



3708

YEAR-END

highlights

FINANCIAL



	1996/97	1997/98
Pre-tax profit	\$38.4M	\$40.9M (6.5% increase)
Income tax payable	\$12.3M	\$14.1M
Capital expenditure	\$3.8M	\$16.6M
Dividend payable	\$14.6M	\$12.7M
Shareholder value added	+\$5.3M	+\$4.6M

TRADE

Total container movements	730,446TEU	800,778TEU (9.6% increase)
Total cargo – mass tonnes	21.3M	22.4M (4.9% increase)
(includes containers, bulks liquids, break bulk, dry bulk and cargo)		

SHIPPING



• Total vessel calls	2368	2336
• Total Gross Registered Tonnes	51M	53.8M
• First vessel calls	20	26
• 428 response operations, including 169 responses to vessel assist calls for incidents such as fire fighting, debris removal and replacement of navigational aids		

PRICES

- Overall reduction in prices of 5% from 1 July 1997
- Abolished \$10 empty container charge (to take effect 1/1/99)

PORT DEVELOPMENT



- Purchased 7 ha of land at Port Botany for port-related leasing
- Purchased 4.6 ha of land at White Bay for future new port access

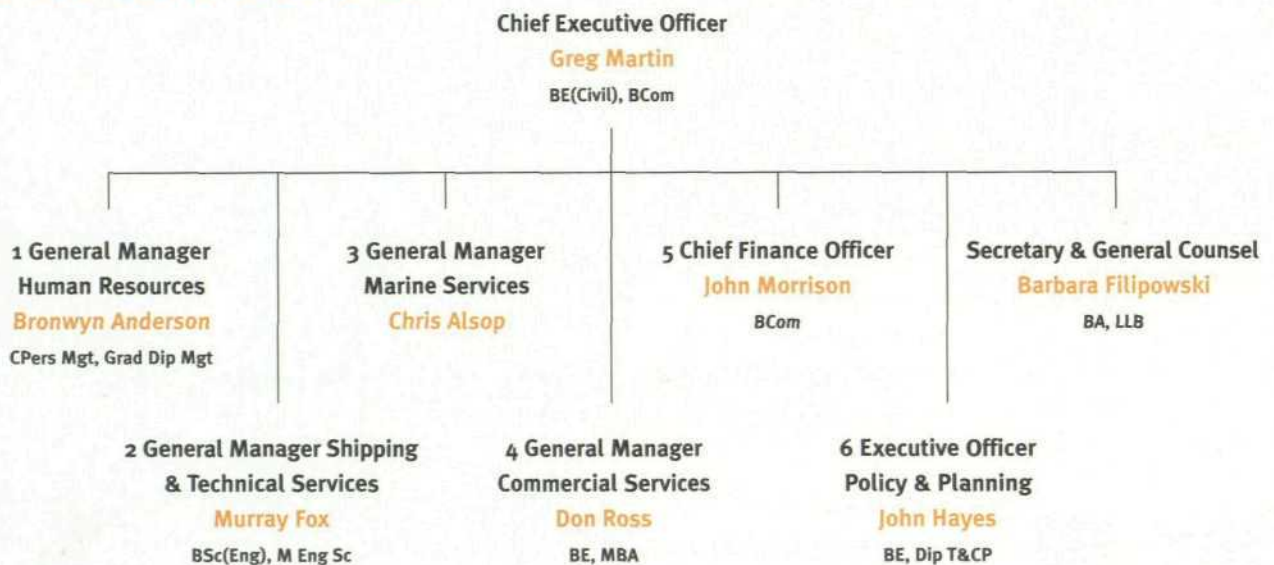
OUR mission

To plan, develop and control the ports of Sydney and Botany, facilitating shipping movements and seaborne trade growth, while effectively managing our business for the optimum benefit of the people of New South Wales.

WHO we are

Sydney Ports Corporation is a statutory State owned corporation established under the State Owned Corporations Act 1989 and the Ports Corporatisation and Waterways Management Act 1995.

ORGANISATION structure



The above group comprises the Executive Committee of the organisation.

WHAT we do

1 Human Resources

Recruitment, training, employee relations, occupational health and safety, payroll management, library services.

2 Shipping and Technical Services

Management of Port Safety Operating Licence, including navigation services, surveying and oversight of pilotage contract. Project management, environmental management and operation of the Central Booking Service.



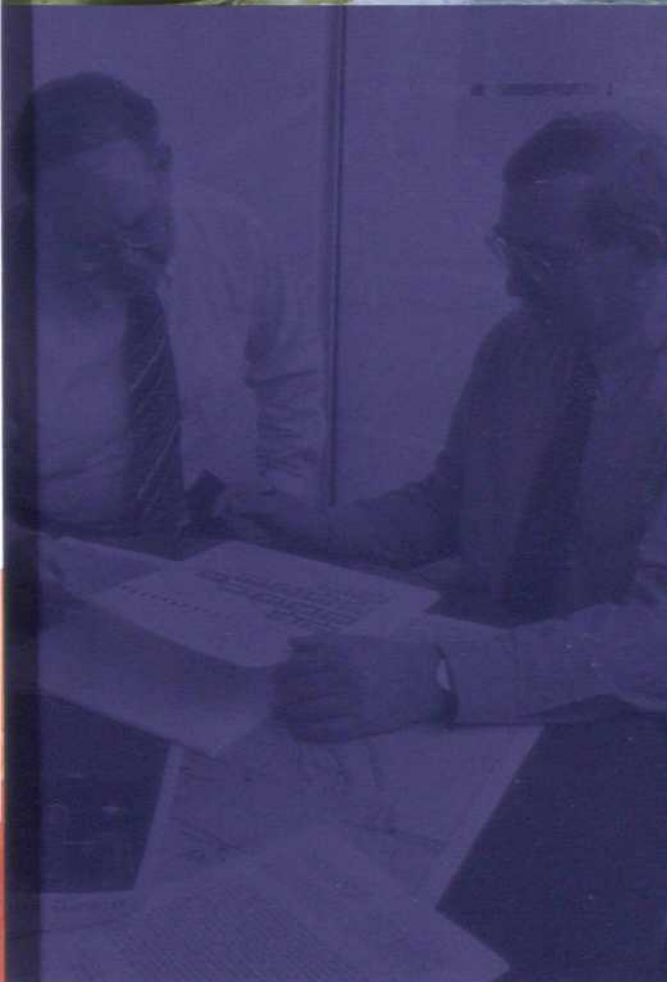
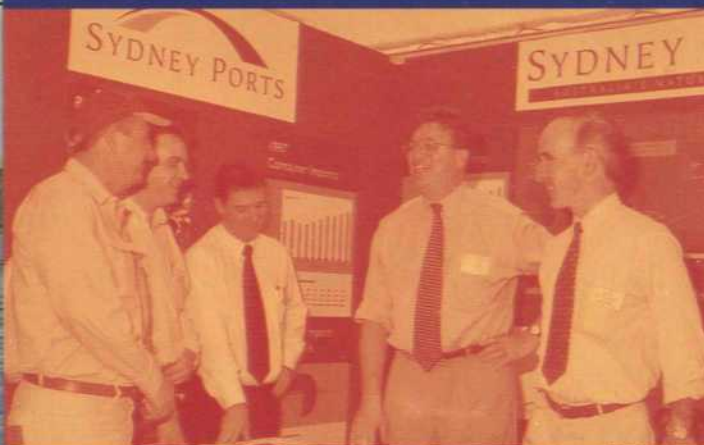


3 Marine Services

Emergency response and pollution control, dangerous goods auditing (Port Safety Operating Licence responsibilities), plus security, plant hire, provision of berth services for common-user facilities.

4 Commercial Operations

Trade development, market research and analysis, logistics research and analysis, port property leasing and management, customer and corporate communications.

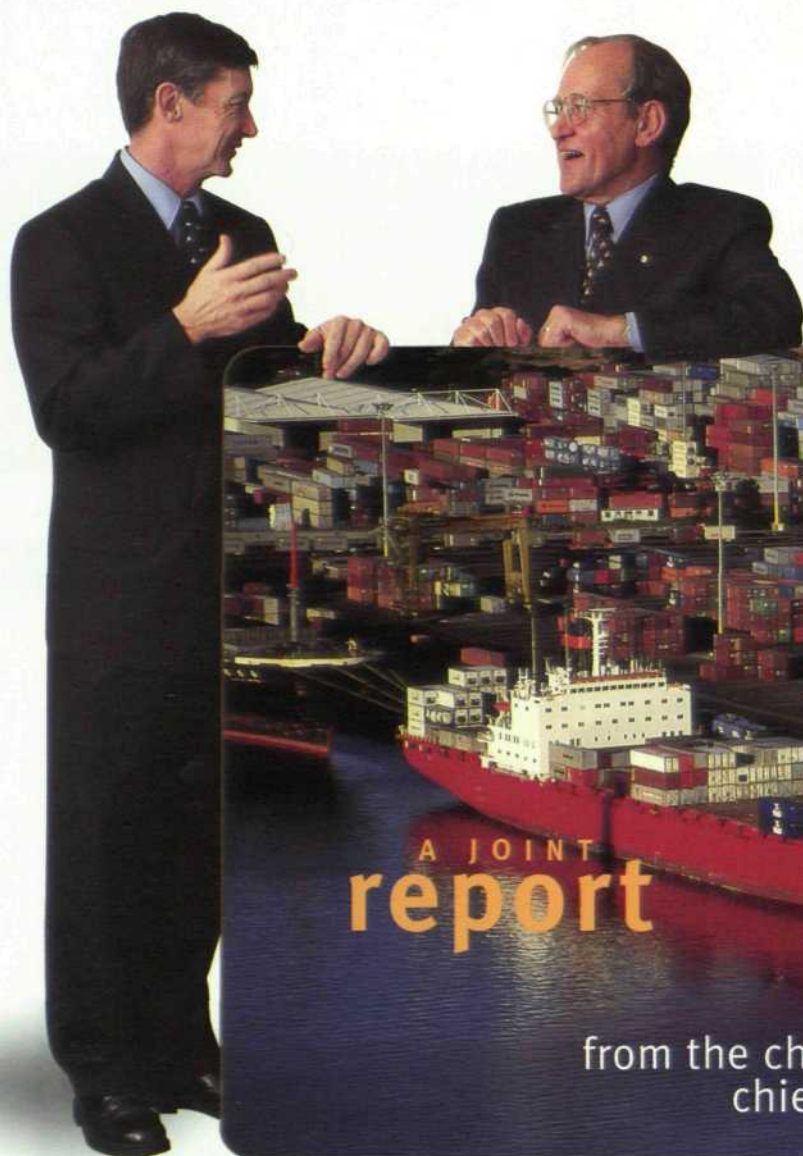


5 Finance

Financial management including revenue raising, accounting and budgeting, information technology and administration.

6 Policy and Planning

Corporate planning, operational analysis, strategy development, international liaison and management of the Corporation's involvement in Olympic Games preparations.



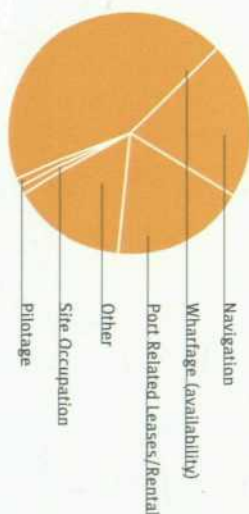
*T. Brian Finn AO Chairman (right)
and Greg Martin, CEO.*

A JOINT report

from the chairman and
chief executive officer

1997/98 IN REVIEW

INCOME
(AS A PROPORTION
OF TOTAL INCOME)



In 1997/98 Sydney Ports Corporation achieved its sixth consecutive year of record container trade, and reported an operating profit before tax of \$40.9M, 6.5% higher than last financial year.

Revenue from port operations increased to \$85.1M from \$79.9M last year. Port charges were reduced by 5% during the period.

With the addition of other operating revenue of \$14.6M, total Sydney Ports Corporation revenue increased to \$99.7M from \$97.2M, an increase of 2.5% over last financial year.

Throughout the year further measures were implemented to improve the competitiveness of Sydney Ports and to streamline commercial business practices. These measures have led to improved customer service and more commercial terms of trade.

The Corporation has recommended a dividend of \$12.7M to shareholders.

The balance sheet has been strengthened by a revaluation of assets which, together with profit growth, has resulted in an increase in shareholder equity from \$146.4M to \$339.4M, against a constant debt level of around \$150.5M.

Another record trade year

The successful financial outcome for 1997/98 is underpinned by another record year in terms of trade volumes. For the sixth year in a row, Sydney Ports Corporation has achieved record container trade, now up to 800,778 TEU, or 9.6% above last year's total of 730,446 TEU. Total trade volumes increased by around 5% to a new record total 22.4 million mass tonnes.

Port prices

From July 1, 1997 Sydney Ports Corporation reduced total port pricing by 5%. This reduction was offered in the form of direct cuts in charges, and through incentives. One of the most significant initiatives was a 2.5% rebate on wharfage charges where manifests are lodged electronically. By June 30, 1998, this incentive had encouraged electronic reporting on around 20% of cargo, and this is expected to increase to over 80% during 1998/99.

The 1997/98 price cuts followed a 5% reduction in port charges in the previous reporting year.

In June 1998 Sydney Ports Corporation announced the abolition of the \$10 wharfage charge on empty containers from January 1, 1999. The abolition of the empty container charge follows a reduction from \$25 to \$10 in 1997.

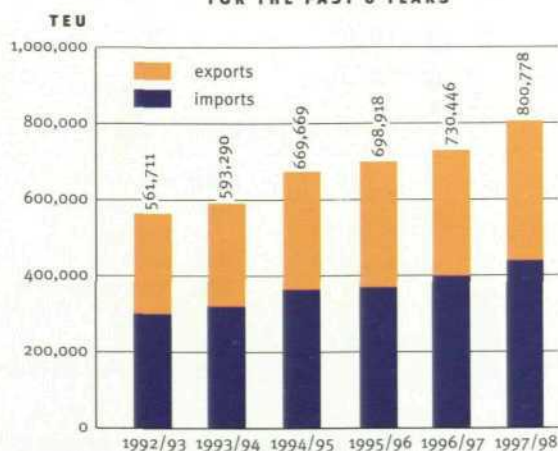
Abolishing this charge will produce significant benefits to the shipping industry. Sydney is the first major east-coast port to remove the charge on empty containers, a measure that will save Sydney shipping customers \$1.4M annually.

Customers

Major emphasis has been placed on continued improvement in service to the customers of Sydney Ports Corporation. The second annual survey of customer satisfaction was undertaken in September 1997 and showed a healthy 10% improvement in the rating over the previous year's result. The survey also provided valuable feedback on areas for further improvement. Strategies are being implemented to improve customer performance in areas such as responsiveness to tenants' concerns and timeliness of monthly trade statistics.

During the year Sydney Ports Corporation re-established the Sydney Ports User Consultative Group (SPUCG) to involve the industry more actively in identifying important issues and possible solutions. The SPUCG set an agenda during the year designed to deliver its theme "Making Sydney No. 1".

**CONTAINER TRADE GROWTH
FOR THE PAST 6 YEARS**





Neighbour communities

Sydney Ports Corporation has maintained its program of meetings with community and business groups to share information and receive feedback from those living near or depending upon port operations.

A major consultative program will take place in the new financial year, with neighbouring residents being invited to provide input to the Glebe Island/White Bay Master Plan.

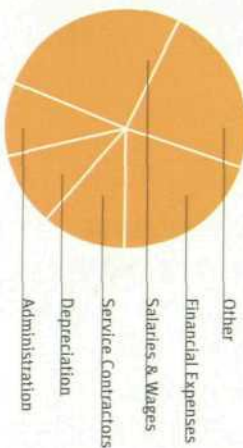
In June 1998 Sydney Ports Corporation and Ward Civil Engineering won the Case Earth Award for work on the restoration of Lady Robinsons Beach. This work was carried out in close consultation with Rockdale Council and the resident community.

Improved technology

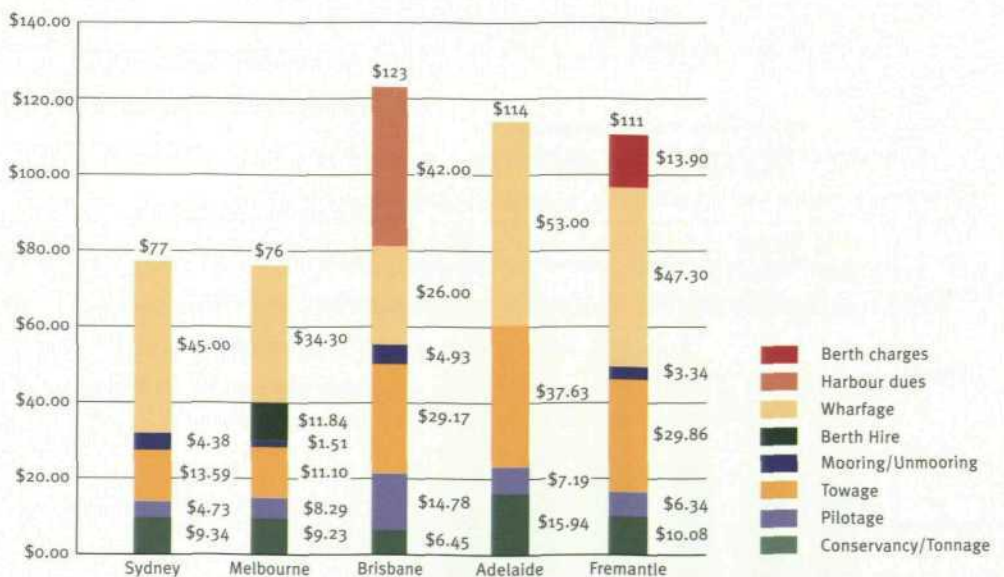
Sydney Ports Corporation has put in place an electronic framework for the management of most aspects of commercial shipping into Sydney, covering marketing, bookings, budgeting, billing, navigation, and manifest reporting.

From December 1, 1997, Sydney Ports Corporation introduced new computer systems to integrate all revenue and expenditure accounting. This measure has improved internal efficiency and management information systems. Customers have benefited from the streamlining of processes and a reduction in the time taken to produce month-end trade statistics.

**EXPENDITURE
(AS A PROPORTION
OF TOTAL
EXPENDITURE)**



**COMPARATIVE PORT AND RELATED EXPORT CHARGES
PER LOADED TEU**



Note: Components may not sum to totals due to rounding

Source: BTCE "Waterline Report" Jan - Jun 1998 Data

In March 1998 a Dangerous Goods Module was added to the Central Booking Service, giving shipping agents a simple means of notifying the port, cargo handlers and other interested parties, such as the Australian Maritime Safety Authority and the Australian Quarantine Inspection Service, of cargoes with special transport and removal requirements.

Port management and development

During the year 2,336 vessels with a combined gross tonnage of 53.8 million GRT (an increase in GRT of 5.5% over last year) visited Port Jackson and Port Botany. Sydney Ports Corporation satisfied the performance standards of the Port Safety Operating Licence (PSOL) with the NSW Government.

Sydney Ports Corporation is developing port infrastructure to meet projected demand for facilities up to the year 2020. Central to our planning is provision for an additional terminal at Port Botany. Extensive discussions were held during the year with the Hong Kong-based shipping line, OOCL, on a proposal for a third container terminal at Port Botany. The development of additional facilities is required within the next five years to meet the long-term trade handling needs of the port.

Other key developments during the year include the purchase of land from State Rail for the future construction of a new access road directly connecting Glebe Island/White Bay terminals with major arterial roads and reducing traffic on suburban streets.

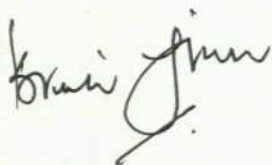
Outlook

The Corporation remains optimistic about growth in trade through Sydney in 1998/99. While adverse economic conditions in parts of Asia are expected to reduce export trade to those countries, the diversification of Sydney's trade in other markets should offset some of the expected downturn.

Sydney Ports Corporation is committed to pursuing improvements in land-side transport distribution and has promoted actively the development of inland hubs for road and rail transport in Western Sydney to minimise traffic congestion in port areas.

Acknowledgments

Sydney Ports Corporation extends its thanks to all members of the port community for their support and cooperation throughout the year. We would like to give special acknowledgment to the staff of the Corporation, who have worked effectively to achieve this year's satisfactory results. We are particularly grateful to the people of the Corporation for their efforts in improving customer service. Paul Binsted, one of the Board Members, has resigned to take up a Board position with Rail Access Corporation. We extend our thanks to Mr Binsted for his contribution to the Corporation over two and a half years.



Mr T Brian Finn AO
Chairman



Mr Greg J Martin
Chief Executive Officer and
Managing Director

CUSTOMERS ARE
our business

In daily operations and
through industry forums,
Sydney Ports is building
customer relationships by
providing value-added services



*Business Development Manager,
Andrew Gibson (centre) and
representatives from Dunavant Enterprises.*



“Working for the benefit of those we serve, providing timely, professional and courteous attention.” Sydney Ports' Corporate Plan 1997-2000

AIMS

Sydney Ports recognises that the development of business through the ports is largely dependent on developing good relationships with its customers and providers of port services. A major aim of the organisation since corporatisation in 1995 has been to enhance the customer focus of staff at all levels.

Not only in daily operations, but also through development of industry forums, Sydney Ports has sought to build a professional relationship with port customers based on developing mutual respect and trust, and on providing value-added services and information to customers.

By improving relationships with companies and organisations operating through the ports, Sydney Ports Corporation seeks to provide leadership on issues where negotiation or coordination achieves positive outcomes for the ports and the State.

A significant aim has been to put Sydney Ports' financial relationships with customers on a more commercial footing.

OUTCOMES

- ◆ Improved performance in the second annual customer satisfaction survey
- ◆ Re-established Sydney Ports User Consultative Group
- ◆ Launched and promoted second *Sydney Ports Handbook*
- ◆ Improved timeliness of reports to customers on trade statistics
- ◆ Commenced electronic manifest transfers and rebate system, with 20% of trade reported over the Internet
- ◆ Introduced improved commercial terms for trade debtors



Measuring and improving customer satisfaction

In August 1997 Sydney Ports commissioned H&B Enterprises to conduct a second Customer Perception Survey to track improvements since the initial survey in October 1996, and identify any areas which still required attention.

Terry Dene (NSW Road Transport Association), John Collier (P&O Ports), Geoff Morris (Wilhelmsen Lines), and Murray Fox (Sydney Ports), at the launch of the Sydney Ports Handbook.

The survey asked customers including stevedores, shipping lines, exporters, importers and service providers to respond to questions designed to gauge perceptions of the organisation in key function areas.

In each of the key function areas Sydney Ports' customers scored the organisation higher than in the previous year.

Sydney Ports is committed to continued improvement in its customer service performance. The results of the 1997 survey have been used to develop strategies and action plans to further improve areas such as responsiveness to tenants' concerns, the timeliness of statistics, services for passenger vessels and communication with the Port Operations Control Centre.

Sydney Ports User Consultative Group

In October 1997 Sydney Ports Corporation re-established Sydney Ports User Consultative Group (SPUCG) as a means of improving coordination of port strategies at a very senior level among major customers. SPUCG is chaired by Mr Peter Dexter, Group Regional Director – Oceania, for Wilhelmsen Lines (see profile insert).

SPUCG set itself an agenda based on three focus areas

- Comparative operational efficiency
- Port development planning
- Transport chain improvements.

Cruise Industry Forum

Sydney Ports maintained contact with the cruise industry throughout the year via the Sydney Cruise Industry Forum. This group provides valuable operational information essential to planning by Sydney Ports for the provision of cruise facilities and promotion of Sydney as a destination. A key topic for discussion by the group during the year was planning for the relocation of the Darling Harbour Passenger Terminal from Wharf 10 Darling Harbour to new facilities at Wharf 8.

Commercial services

The introduction of a new computer-based financial system has improved management information and internal accounting efficiency and, in so doing, allowed the introduction of several measures of benefit to customers, including a reduction in time taken to produce monthly trade statistics.

From July 1, 1997 Sydney Ports introduced more favourable terms of trade for the payment of invoices.

Electronic Data Interchange (EDI)

During the year, Sydney Ports introduced a system for the electronic lodgement of manifests over the Internet. A financial incentive was introduced to encourage take up of the system by shipping lines. At the end of the reporting period manifests accounting for 20% of cargo through Sydney's ports were being submitted electronically.

OUTLOOK FOR 1998/99

Sydney Ports will:

- ◆ Continue to pursue improvements in services to customers by developing strategies prepared in response to the customer satisfaction survey;
- ◆ Remove the requirement for shipping lines and agents to lodge bank guarantees against outstanding debts;
- ◆ Pursue an increase in trade manifest information lodged electronically to 80% in the coming year; and
- ◆ Provide customers with access to the statistical database via the Internet.

SYDNEY PORTS USER CONSULTATIVE GROUP

A report by SPUCG Chairman, Peter Dexter

The Sydney Ports User Consultative Group (SPUCG) is a valuable forum bringing people together to achieve things beyond what we could do individually. Our theme is "Making Sydney No. 1" and having Sydney's ports recognised as the most efficient ports in the country.

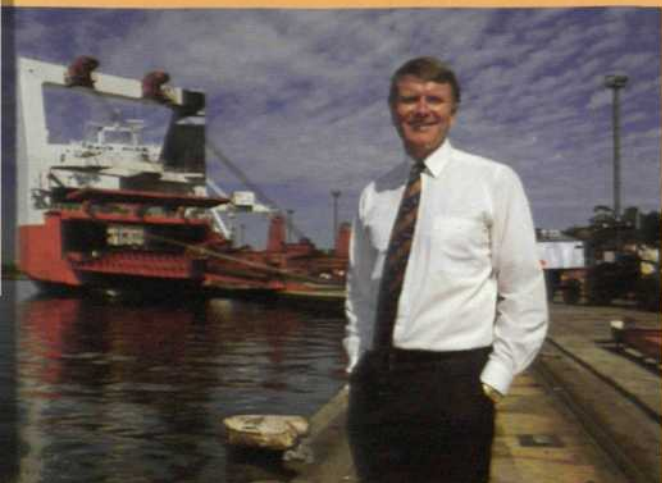
One of the strengths of SPUCG is that it is very representative of the ports' users, service providers and key industry groups. It provides a sounding board for Sydney Ports and an advisory body useful to the Corporation's management.

It is an unique communications tool, helping users understand Sydney Ports Corporation's operations, at the same time giving us a voice in future planning.

We all work independently in terms of our own commercial interests, but SPUCG brings us together to look at things collectively in terms of what will make the ports more efficient.

Our major interest is of course infrastructure, particularly transport to and from the ports. We are also concerned to see that all port services are effective and efficient. It is by increasing efficiency at all levels that Sydney will be able to promote its advances and attract more cargo.

SPUCG is also a body which is able to raise awareness of issues or respond to situations outside the direct control of Sydney Ports.



The waterfront dispute provided us with a catalyst to reflect on the capacity of the ports, and the inter-modal interface, to identify problem areas to work on in the future as a group.

I look forward to progressing our agenda in the coming year and making Sydney No. 1.

*Peter Dexter – Group Regional Director – Oceania,
Wilhelmsen Lines
Chairman, Sydney Ports User Consultative Group.*



“Managing risks and emergencies capably, keeping the port and its users, Corporation staff and the community protected against hazards.”

Sydney Ports' Corporate Plan 1997–2000

AIMS

Sydney has one of the best natural harbours in the world, used for a range of commercial and recreational activities. It also has one of the world's best navigation and safety regimes accredited to international standards.

Through stringent adherence to the requirements of the Port Safety Operating Licence (PSOL), Sydney Ports' goal is to maintain its outstanding safety record and protect the marine environment within the ports.

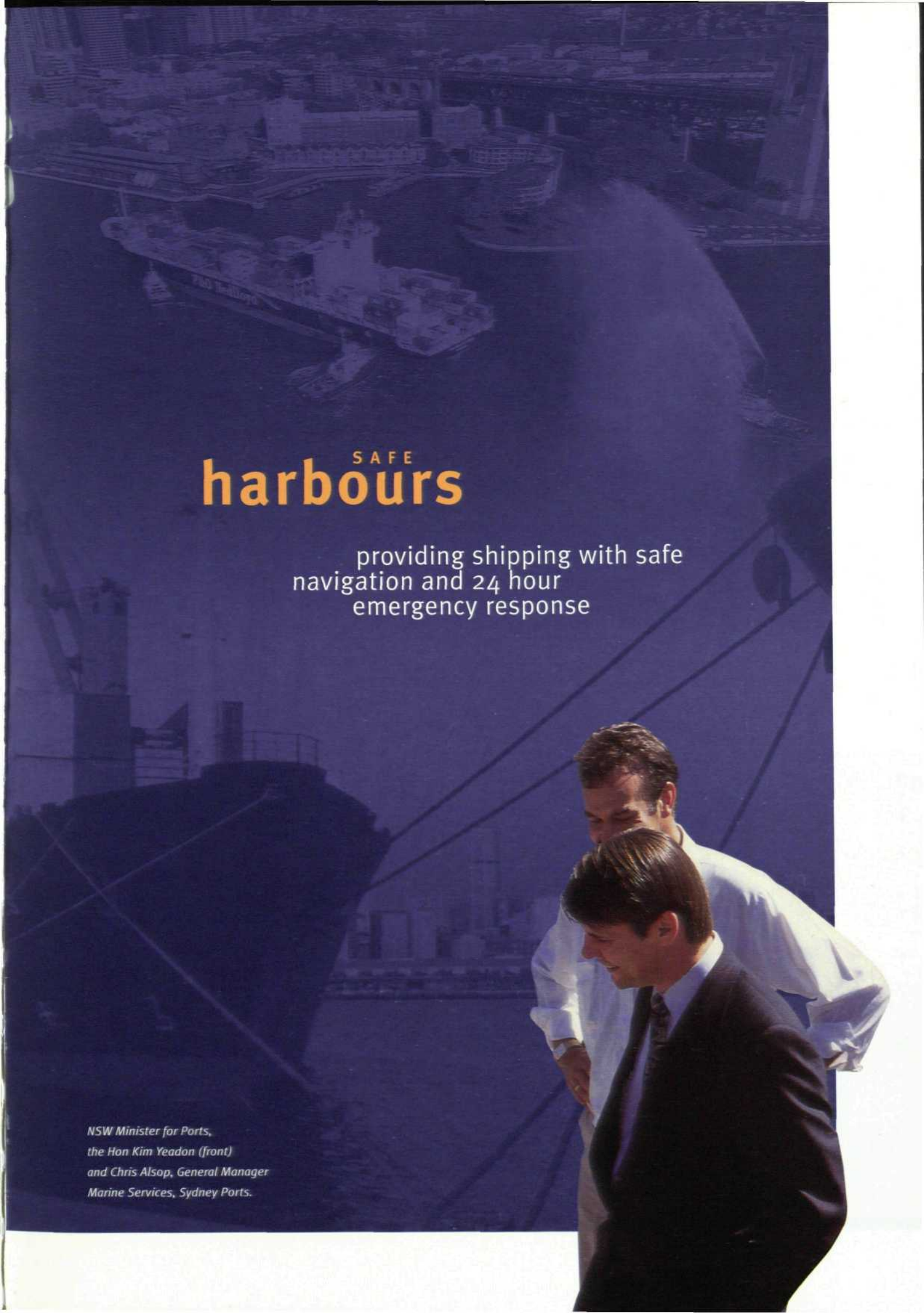
Sydney Ports also aims to meet the needs of the shipping industry through provision of reliable and user-friendly navigation services.

OUTCOMES

- ◆ Added a Dangerous Goods Module to the Harbour Management System
- ◆ Implemented training for shipping agents in the new dangerous goods lodgement procedures
- ◆ Successfully completed two surveillance audits of the ISO9002 quality system required under the PSOL
- ◆ Undertook 428 response operations, including 169 responses for vessel assists such as fire fighting, debris removal and replacement of navigational aids
- ◆ Undertook 767 random and programmed safety audits of containerised goods in accordance with the Dangerous Goods and PSOL requirements
- ◆ Introduced a new specially-developed emergency response database to integrate the maintenance, staffing, costing and supply controls of the Marine Services unit
- ◆ 26 first vessel calls
- ◆ 2336 vessel calls

*Looking toward the city
and Sydney Ports' White Bay
and Darling Harbour berths.*





SAFE harbours

providing shipping with safe
navigation and 24 hour
emergency response

*NSW Minister for Ports,
the Hon Kim Yeadon (front)
and Chris Alsop, General Manager
Marine Services, Sydney Ports.*

Harbour management

The PSOL, issued by the NSW Government, gives Sydney Ports responsibility for:

- the management of shipping in the ports of Sydney Harbour and Port Botany;
- the exercise of safety controls; and
- response to marine-based emergencies.

A computer-based Harbour Management System (HMS) allows Sydney Ports to exercise its control over shipping, including:

- vessel tracking and surveillance;
- the bookings of berths;
- navigation.

Computer-based shipping management

The Central Booking Service (CBS), a part of the HMS, provides the communications link which ensures that shipping agents and service providers such as tugs, pilots and lines service, can obtain immediate on-line information concerning vessel movements.

There are currently 479 subscribers to the system, receiving real-time information about vessel movements, service requirements, visit history and vessel specifications, all of which assist users in their own planning of services to shipping.

During the reporting period extensive work was undertaken to upgrade the HMS, improve the graphic user interface, and make it available on the Internet. This work is expected to be complete in the second half of 1998, and will open up access to an increasing number of users.

In March 1998 a Dangerous Goods Module of the HMS was brought on line. This module automatically classifies dangerous goods as either redline (immediate removal) or greenline when entered by the shipping agents, thus coordinating cargo planning between ship, stevedore and transport operator.

Marine response operations

During the reporting year Sydney Ports' Marine Services personnel undertook a total of 428 response operations. Of these 259 were pollution incidents, 132 of which required action while the remaining 127 were investigated with no further action required.

The other 169 responses were for vessel assists, including fire fighting attendances, debris removal, replacement of navigation aids etc.

*Testing oil containment booms
outside Moores Warehouse.*

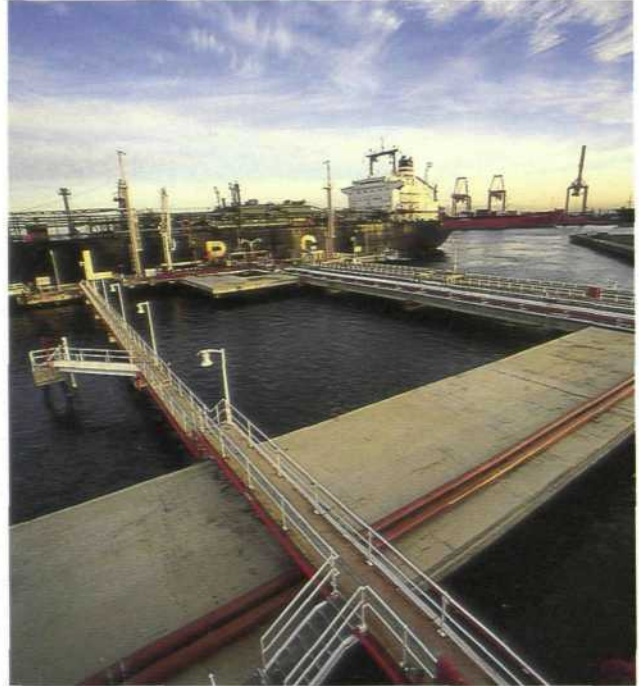


Dangerous Goods auditing

In accordance with the PSOL, Sydney Ports is responsible for auditing performance standards for the handling of dangerous goods. In 1997/98 Sydney Ports attended a total of 960 bulk dangerous goods liquids transfers.

In relation to these, a total of 3,686 inspections were completed.

A total of 767 audits, both programmed and random, were undertaken of containerised dangerous goods to ensure storage practices, separation distances, segregation and compliance with immediate removal requirements were being met.



Bulk Liquids Berth, Port Botany.

Ready to respond

To ensure staff are trained in readiness to respond to emergencies, Sydney Ports participates in simulation exercises. There were seven formal exercises held in Sydney and Botany Bay during the reporting period. In March a number of personnel took part in a tabletop exercise organised by TeeKay Tankers Canada. This fulfilled the PSOL tabletop exercise requirement for 1998.

Ship to shore

To enhance radio communications with vessels approaching the ports of Sydney and Botany from the south, the Maintenance Section redesigned and commissioned Marine VHF radio equipment on Saddleback Mountain behind Kiama.

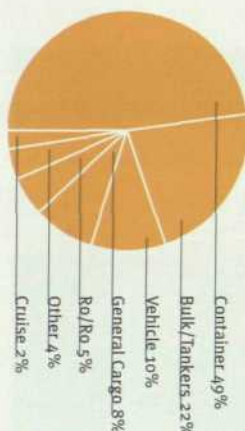
Gore Cove Vessel Movement Simulation

Sydney Ports in conjunction with Shell, Sydney Sea Pilots and Adsteam Marine commissioned the Australian Maritime College (AMC) to undertake a simulator exercise to study the tidal working of tankers and their assisting tugs when entering Gore Cove. While all the preparation for the simulation was carried out in the reporting period, the simulation exercise will be conducted at the AMC in Launceston, Tasmania, during August 1998.

Ship visits

VESSEL CALLS

BY TYPE



Pilotage

Sydney Sea Pilots Pty Ltd continued to provide pilotage services to the shipping industry under contract to Sydney Ports, for the third year of a three-year contract.

First vessel calls

July 1997

- *Fukaku Maru* (an addition to Toyofuji Shipping Co Ltd pure car carrier service operating between Australia and Japan).

September 1997

- *MSC Osaka* (first container vessel in the new Mediterranean Shipping Co [MSC] service to Asian destinations, including China).
- *MSC/Busan* (second addition to the MSC Asian Service).
- *Kama Bhum* (1,000 TEU capacity vessel for the RCL/Hanjin/ Lloyd Triestino ASA Consortium to South East Asia).

October 1997

- *MSC Monica* (vessel with container capacity of 3,424 TEUs, the largest container vessel to visit Australia. It joined the upgraded MSC Australia-Europe service).
- *MSC Chiwan* (third addition to the MSC Asian Service).
- *Stolt Azami* (first of four new 11,500 DWT chemical tankers for Stolt Neilson).

December 1997

- *Seabourn Legend* (a seven star cruise vessel operated by Seabourn Cruise Line. The vessel made a total of three Sydney calls during 1997/98).
- *Mekhanik Kalyuzhniy* (addition to FESCO's FANAL service to West Coast North America).

January 1998

- *Switzerland* (originally *Port Sydney* - 1955 built, 15,000 GRT cruise vessel operated by Leisure Cruises).
- *Don Carlos* (first of Wallenius Lines' new class of pure car and truck carrier vessels).
- *Mekhanik Moldovanov* (addition to FESCO's FANAL service to West Coast North America).

February 1998

- *Rotterdam* (Holland America Lines' newbuilt 46,000 GRT, 1,300 passenger cruise vessel).
- *Saga Rose* (formerly *Sagafford* - Saga Cruise Lines' 1965 built 25,000 GRT passenger cruise vessel).
- *Arcadia* (P&O Cruises' 54,000 GRT passenger cruise vessel).
- *C Columbus* (Hapag-Lloyd's new cruise passenger vessel).

March 1998

- *Jitra Bhum* (1,000 TEU vessel for the RCL/Hanjin/Lloyd Triestino ASA Consortium to South East Asia).
- *Mirai* (Japanese oceanographic research and education vessel).



April 1998

- *Bunga Teratai Satu* (Malaysian International Shipping Corporation's [MISC]) new container vessel in the Triple A Service to South East Asia).
- *Contship London* (Contship Containerlines' 2,200 TEU addition to the Contship/CGM/Marfret Group round the world service).

May 1998

- *Contship Rome* (new 2,200 TEU container vessel for the Contship/CGM/Marfret Group round the world service).
- *Contship Washington* (new 2,200 TEU container vessel for the Contship/CGM/Marfret Group round the world service).
- *P&O Nedlloyd Sydney* (new 2,900 TEU container vessel for the P&O Nedlloyd/Contship service to the Mediterranean).

June 1998

- *Kota Harmuni* (Pacific International Lines' newbuilt 1,000 TEU addition to its OOCL joint venture Australian Express Service sailing to Singapore and South East Asian ports).
- *Takasago* (first of two 19,800 deadweight Wilhelmsen newbuilt pure car and truck carriers with capacity for 5,890 motor vehicles).
- *Bunga Teratai Dua* (MISC new container vessel in the Triple A service to South East Asia).

OUTLOOK

- ◆ The Central Booking Service and EDI system for manifest reporting will be accessible from late 1998 from the home page of the Sydney Ports' Internet site.
- ◆ A new three year contract for pilot services will be let from October 1998.



Contship Washington, made its first call to Sydney in May 1998.

PROMOTING
sydney ports

to australia and
the world



*CEO Greg Martin, and Master of the
P&O Nedlloyd Sydney, Captain Derk Jan Jager.*



“ Supporting the economic activity of the State by promoting the ports of Sydney and providing an operating climate conducive to trade growth.” Sydney Ports' Corporate Plan 1997-2000

AIMS

In an increasingly competitive environment, Sydney Ports Corporation is working to increase its market share, cargo volumes, ship visits and to be recognised as the premier port on the eastern seaboard.

Promotion of the port involves a combination of marketing, customer contact and service, advertising, sponsorship and media relations. In each of these areas Sydney Ports seeks to build the image of Sydney as the preferred port through which to do business, with natural advantages over other ports. These advantages include direct access from natural harbours to the open sea, a technological edge, superior inter-modal links, ready access to empty containers and available export slots, Australia's largest consumer market and Sydney's central geographic location.

The overall objective is to increase the level of trade through the ports to reduce unit costs, thus supporting the business objectives of key customers.

OUTCOMES

- ◆ Sixth consecutive year of increase in containerised trade, up by 9.6% to 800,778TEU
- ◆ Increase in total trade volumes by 4.9% to 22.4M mass tonne
- ◆ Announcement that Norwegian Capricorn Line would base a new cruise service in Sydney bringing 23 additional visits to Sydney during 1998/1999
- ◆ Appointment of Sydney Ports' first overseas-based trade representative in Singapore
- ◆ Participation in trade promotional events targeted at importers and exporters of key commodities
- ◆ Sponsorship support of major industry-based events and conferences to target new and existing business
- ◆ Successful launch of the second *Sydney Ports Handbook*, a practical and promotional tool

container trade by TEU (12 months ended June 30, 1998)

	Exports		Imports		Total		% Variance
	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	
Full	231,653	250,903	372,866	404,637	604,519	655,540	8.44%
Empty	106,204	129,428	19,723	15,810	125,927	145,238	15.34%
Total	337,857	380,331	392,589	420,447	730,446	800,778	9.63%

Exceeding corporate goals

In executing its role as manager of port assets, Sydney Ports works in accordance with two documents: the *Statement of Corporate Intent 1997/98* and the *Sydney Ports Corporation Corporate Plan 1997/2000*. Though covering a three-year period, the *Corporate Plan* is updated annually and lodged with the NSW Treasury.

The *Statement of Corporate Intent* is Sydney Ports' agreement, updated annually, with its shareholding Ministers, representing the NSW Government, outlining the Corporation's core business, objectives, financial performance targets, capital program and risk management plan. The *Corporate Plan* is a more detailed expression of business objectives and strategies, and forms part of the *Statement of Corporate Intent*.

During 1997/98 Sydney Ports exceeded the goals established in its *Statement of Corporate Intent* for major performance indicators including operating profit before tax, shareholder value added and target dividend payable.

These targets were exceeded primarily because of a better-than-anticipated trade performance and internal cost-containment measures.

total trade by commodity groupings (thousands mass tonnes, 12 months ended June 30, 1998)

	Exports			Imports			Total		
	1996/97	1997/98	%Variance	1996/97	1997/98	%Variance	1996/97	1997/98	%Variance
Oil (Crude & Refined)	1,039	1,113	7.12%	10,324	10,649	3.15%	11,363	11,762	3.51%
Containers	3,567	3,875	8.63%	4,138	4,489	8.48%	7,705	8,364	8.55%
Bulk Liquids & Gas	114	134	17.54%	444	384	-13.51%	558	518	-7.17%
Dry Bulk	0	1	0.00%	902	947	4.99%	902	948	5.10%
General Cargo	92	56	-39.13%	714	735	2.94%	806	791	-1.86%
Total	4,812	5,179	7.63%	16,522	17,204	4.13%	21,334	22,383	4.92%

container contents by commodity (12 months ended June 30, 1998)

Top Exports	mass tonnes	Top Imports	mass tonnes
Non-ferrous Metals	377,768	Chemicals & Related Products	675,398
Chemicals & Related Products	328,977	Paper & Paper Products	495,912
Cereals	294,696	Machinery	387,792
Cotton	288,317	Food Preparations	150,737
Meat	263,154	Iron & Steel	138,434
Iron & Steel	239,426	Textile Yarns	121,283
Paper & Paper Products	174,435	Fruit & Vegetables	99,751
Animal Foods	145,408	Beverages	99,101
Wool	144,775	Non-ferrous Metals	90,366
Oil Seeds	121,021	Rubber Manufactures	54,885
Food Preparations	110,648	Fish & Seafood	49,016
Machinery	75,730	Cereals	33,717

Trade volumes continue to rise

Sydney achieved record container trade for a sixth consecutive year rising from 730,446 in 1996/97 to 800,778 TEU in 1997/98, a rise of 9.6%, and total cargo volumes increased by 4.9% to 22.4M mass tonnes over the same period.

The largest full container import trading partners for Sydney during the year were China, USA, Singapore and Japan, while for export trade they were New Zealand, Japan, China and the USA, in that order. The largest container export commodities were non-ferrous metals, chemicals, cereals and cotton, while the most significant container imports were chemicals, paper, machinery and food preparations.

Cruising – travelling well

Whilst the number of Sydney cruise vessel calls declined in 1997/98, some significant announcements during the year mean a resurgence in visits will take place in 1998/99. There were 53 vessel visits during 1997/98, down from 79 in 1996/97, due largely to the failure of CTC Cruises. At the end of the reporting period, however, 83 vessels had already booked for the 1998/99 cruising season.

Sydney Ports played pivotal promotional roles throughout the year in attracting more cruising to Sydney and the region through its involvement in Cruising Down Under and Cruising the Southern Cross, two bodies formed to promote cruising in the region. Sydney Ports also provided staff to underpin the Sydney Meet and Greet program for cruise visitors, and commenced a series of on-board Sydney Harbour commentaries, which are proving popular with shipping lines.

Business to business communications

Sydney Ports continued to promote the twin ports of Sydney Harbour and Port Botany through a range of communication channels and business programs, including sponsorship of major industry events, participation in trade promotional events, advertising, publications, and an extensive customer contact program.

OUTLOOK

- ◆ Sydney Ports will continue promotional activities as a significant means of adding value to its services for customers
- ◆ A major upgrade of Sydney Ports' website will make the Internet a more effective promotional tool and provide a wider range of information to customers and the general public



Developing port infrastructure for the long-term benefit of shipping and trade in New South Wales.

AIMS

Among Sydney Ports Corporation's key functions is the management and development of port assets and infrastructure. This includes planning for future development in line with the expected needs of the businesses and people of NSW. Sydney Ports also provides guidance on the planning process to tenants and prospective lessees to assist their future developments.

Throughout the reporting year, Sydney Ports worked to consolidate existing port space to achieve enhanced performance from the limited terminal area and available wharves, while minimising environmental impacts. Its role also involves the maintenance of existing port assets to safe and suitable standards.

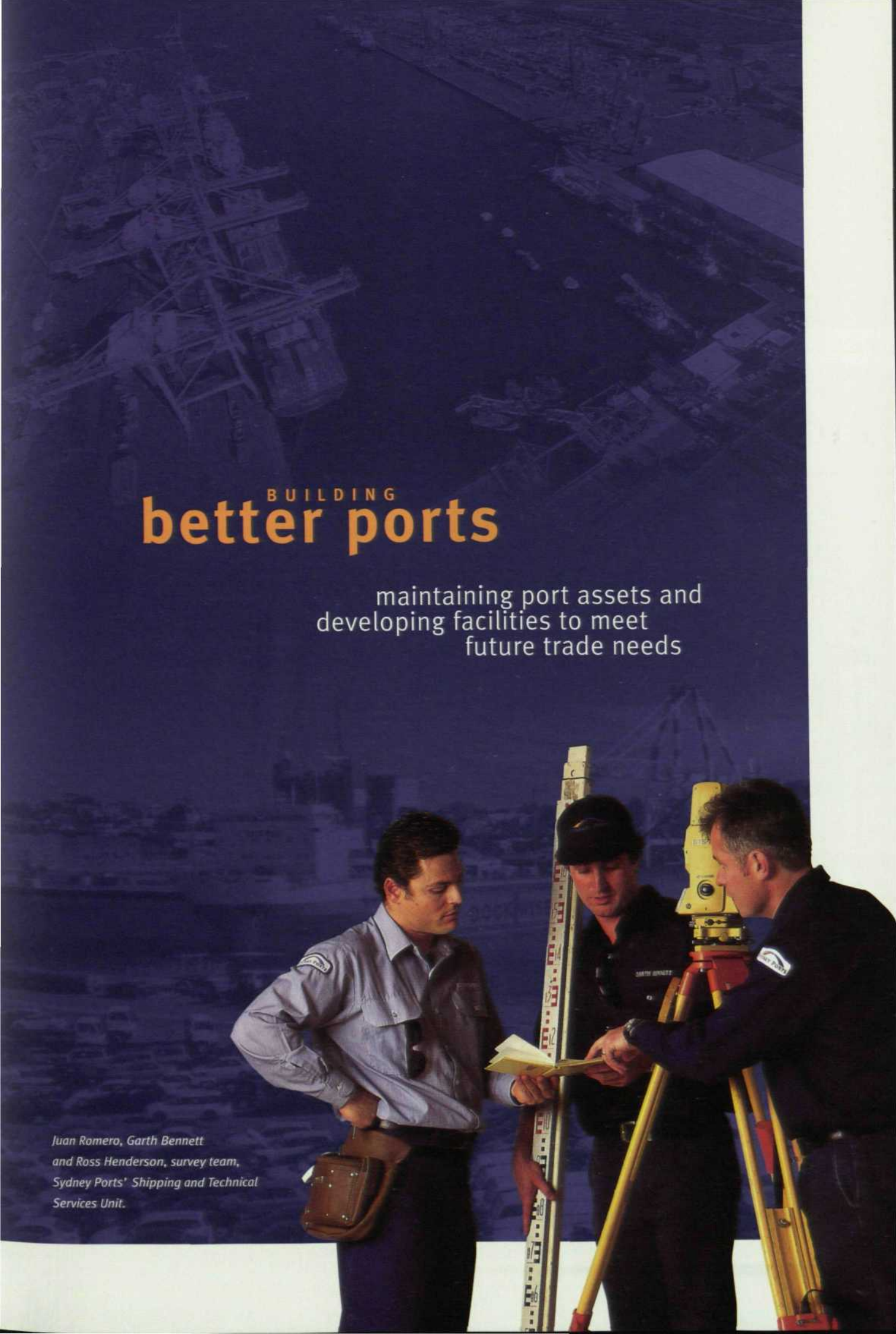
Sydney Ports is working to secure the long-term future for trade into Sydney Harbour and is planning for, and promoting development of, expanded container facilities at Port Botany.

OUTCOMES

- ◆ Received commitment that Sydney Harbour will remain a working port through gazettal of SREP 26 – Amendment 7
- ◆ Commenced detailed master planning process for White Bay/Glebe Island
- ◆ Purchased land at White Bay from the State Rail Authority for port activities and new road and rail port access
- ◆ Purchased lots 11, 12 and 13 at Port Botany from the Marine Ministerial Holding Corporation in preparation for leasing
- ◆ Obtained necessary consent for the relocation of passenger terminal facilities from Darling Harbour No.10 to Darling Harbour No.8
- ◆ Strengthened in-house statutory planning skills



Aerial view of White Bay and Glebe Island.



BUILDING better ports

maintaining port assets and
developing facilities to meet
future trade needs

*Juan Romero, Garth Bennett
and Ross Henderson, survey team,
Sydney Ports' Shipping and Technical
Services Unit.*

The working port

Quashing speculation that pressure from commercial and residential development would squeeze commercial port activity out of Sydney Harbour, Sydney Ports pursued and received assurance of continued port operations in the Harbour through amendments to environmental planning instruments. In December 1997 the Minister for Urban Affairs and Planning announced the gazettal of Sydney Regional Environment Plan 26 – Amendment 7 which confirms the future of the White Bay and Glebe Island areas for port use.

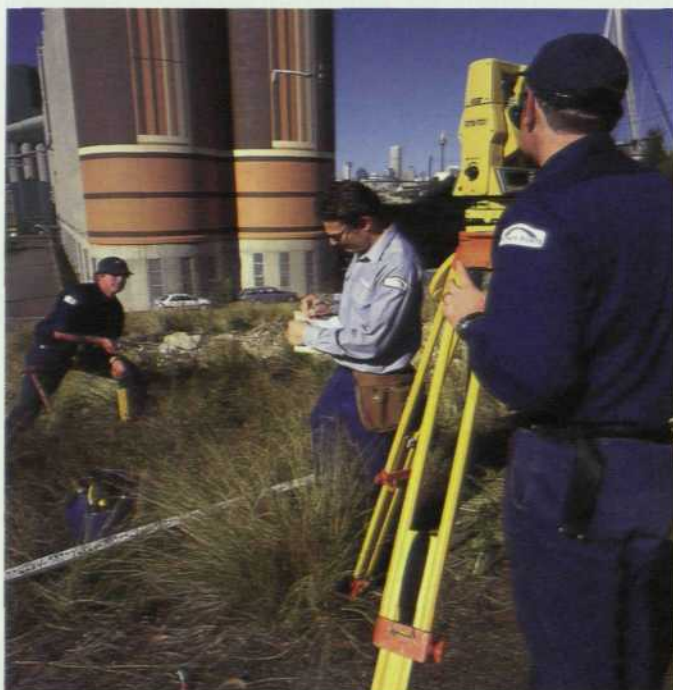
A consequence of the amendment was the vesting of greater planning control over White Bay and Glebe Island with Sydney Ports Corporation, pursuant to the completion of a detailed master plan.

Consolidation for the future

In line with the aim of improving the port assets at White Bay and Glebe Island to achieve

enhanced future use, 1997/98 saw several significant achievements. In June 1998 Sydney Ports, after extensive planning and negotiations, purchased from the State Rail Authority a strategically important parcel of land in the south-west corner of White Bay east of Victoria Road. This purchase will allow Sydney Ports to develop new road and rail access to White Bay and Glebe Island.

On June 25, 1998, Sydney Ports' application to demolish the disused silo blocks on Glebe Island was approved by the Minister for Urban Affairs and Planning.



*Sydney Ports surveyors
at work at White Bay.*

Improved commercial use of assets

In late 1997 Sydney Ports called for tenders for vacant Port Botany lots 11, 12 and 13, located between Friendship, Bumborah Point and Simblist Roads. At the end of the reporting period a tender evaluation process was nearly complete.

In June 1998 an extension to Simblist Road, Port Botany, was completed at a cost of \$1.4M. This project provided an additional emergency access to Port Botany and opened land for commercial leasing.

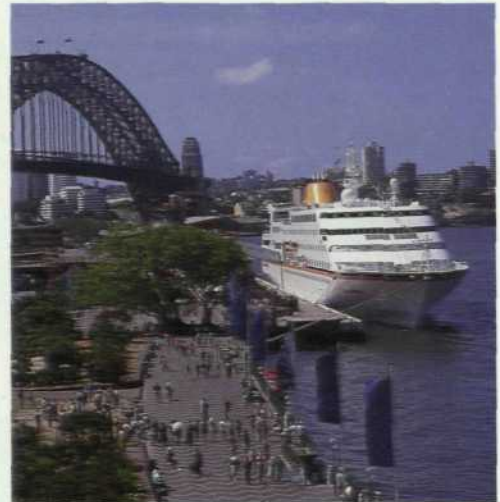
In May 1998 Sydney Ports leased White Bay Wharves 1 and 2 to Sydney Water for a period of two years for the disposal of spoil from the Northside Storage Tunnel Project. The White Bay activity facilitates a major initiative of the NSW Government, to manage sewerage overflows.

In working order

An important function of Sydney Ports is the upgrading and maintenance of assets. A total of \$3.9M was spent on general maintenance during 1997/98. One of the major projects was the second-phase of a three-year refurbishment and upgrade of the Bulk Liquids Berth at Port Botany to accommodate vessels of up to 90,000 deadweight tonnes.

Cruising into the future

Cruise shipping is among the fastest growing forms of tourism, and with the Sydney Olympics providing the perfect showcase for Sydney Harbour, cruising has a bright future. During 1997/98 Sydney Ports considered plans to refurbish Sydney Cove Passenger Terminal (SCPT) and called tenders for the new passenger terminal at Darling Harbour Wharf No. 8. Extensive consultations were undertaken with the cruising industry and other stakeholders on the \$7.0M new Darling Harbour terminal, programmed for completion in April 1999.



*C.Columbus at the
Sydney Cove Passenger Terminal.*

Third terminal operator

In the first quarter of the reporting period extensive discussions were held involving Sydney Ports, the NSW Government, and potential terminal operator, OOCL. In-principle agreement was reached on the major parameters of the proposal for a third container terminal at Botany. However, at the end of the reporting period, OOCL had not confirmed its intention to proceed. The proposal continues under active discussion.

2020 Vision

Sydney Ports continued long-term planning activities to ensure the Corporation's vision meets the trade needs of the State into the future. This included a review of strategies to ensure consistency with previous public statements on land use plans. A principal focus of planning has been to ensure improved road and rail transport access to both ports.

OUTLOOK

Sydney Ports will:

- ◆ Commence discussions with stakeholders and the local community on the White Bay/Glebe Island Master Plan with a view to developing a draft plan
- ◆ Demolish the Glebe Island Silos with an expected completion date of late 2000
- ◆ Pursue options for further container facilities at Botany in line with long-range planning needs
- ◆ Construct the new Darling Harbour Passenger Terminal by April 1999, and
- ◆ Sign an agreement to lease lots 11, 12, 13 Port Botany in the third quarter of 1998

A young boy in a white t-shirt is in the foreground, holding a bunch of yellow balloons. He is looking off to the side with a focused expression. The background is a dark, purple-tinted photograph of a community event. It shows people sitting at tables and a fenced-in area where a game or sport is being played. The overall mood is community-oriented and festive.

IN OUR
backyard

port neighbours
and the community

*A young spectator
enjoys the Botany Gift.*



“Supporting the public interest through conscientious regard for our neighbours and other port users.” Sydney Ports' Corporate Plan 1997–2000

AIMS

Sydney Ports Corporation recognises its important role in the community in managing essential public assets for the benefit of the people of NSW, with its customers operating close to residential areas and on environmentally sensitive waterways.

Sydney Ports aims to reduce risks to the community and the environment through a combination of strategies including:

- Identification and quantification of potential risks;
- Development of procedures to minimise risks to the public and the environment;
- Careful monitoring of operations;
- Application of modern environmental protection measures; and
- Maintenance of communication links with the various port communities.

OUTCOMES

- ♦ Completed Lady Robinsons Beach restoration, returning foreshore land to community recreational use
- ♦ Won NSW Case Earth Award for best environmental project valued between \$1M and \$10M for Lady Robinsons Beach restoration
- ♦ Implemented new Port Botany emergency radio communication system
- ♦ Continued community consultation program resulting from *Port Land Use Safety Study*

Managing potential risks

Port Botany handles containers and bulk liquids such as chemicals, oil and LP gas. Recognising that some of these activities have the potential to impact on public safety and the environment, Sydney Ports, in conjunction with the Department of Urban Affairs & Planning (DUAP), undertook the *Port Botany Land Use Safety Study*, the results of which were released in September 1996.

The results of the Study confirm that the risk to all surrounding residential areas posed by current and probable future port activity is comfortably less than the levels set by DUAP.



Sydney Ports Marine Services vessel working in Sydney Harbour.

During the reporting year Sydney Ports continued to implement measures outlined in the Study, including communication of outcomes to the community. A further measure implemented during the year was the introduction of an emergency radio community system for companies operating at Botany. The system ensures that all port operators have simultaneous information about incidents to assist reporting and coordination of emergency responses. The system consists of individual stations located at each of the 14 lessees' and other companies' premises.

The system will form part of the Port Botany Emergency Plan and is an improvement in safety in the area.

COMMUNITY LIAISON

Sydney Ports maintains formal links with the community through a number of liaison committees to provide information on developments and issues that arise with the port, and to receive feedback. Sydney Ports convenes the Port Botany Neighbourhood Consultative Committee established to address matters raised in the *Port Land Use Safety Study*, and is the facilitator of the White Bay/Glebe Island Noise Reference Committee. Sydney Ports Corporation staff also participate in a range of committees involving harbour operations or fostering wider links with the community including:

- Gore Bay Community Consultative Group
- Northside Storage Tunnel Community Liaison Committee
- La Perouse Precinct Committee
- Botany Bay Business Enterprise Centre
- The First Port Club
- Botany and Eastern Region Environment Protection Agency (BEREPA)
- Bizwatch
- Botany Bay Coastal Management Committee



Botany Gift

The Botany Gift, a foot-race that has a lengthy history in the area, attracts a class field of international athletes, and is strongly supported by local businesses and the community. As part of efforts to raise awareness of port activities and support community endeavours, Sydney Ports sponsored the children's playground at the event held in March 1998.

The people's harbour

Sydney is a harbour city, and Sydney Harbour is the focus of many events of significance to the people of the city. Sydney Ports, as manager of commercial shipping in the Harbour, therefore has an important coordination role in many of the events which mark our special occasions and annual festivals. Involvement often extends beyond shipping coordination to working alongside the community and other agencies in the planning and management of events.

A lasting legacy

Over more than 30 years strong rips and currents stripped Lady Robinsons Beach at Botany Bay of its sand. Sydney Ports resolved to confront the problem and carried out a major study to determine the causes of the erosion and obtain contributions from several agencies to renourish the beach.

Funding was obtained from the Ministry for Forests and Marine Administration, Sydney Airport and the Department of Land and Water Conservation to undertake the extensive restoration project.



Community workshop regarding Lady Robinsons Beach.

Work commenced in February 1997, with effective completion in August of 1997. Close liaison with the community was integral throughout the project.

The project was recognised in June 1998 with the Case Earth Award, given by the Civil Contractors Federation recognising environmental engineering achievements.

Monitoring water quality at Botany

In June 1998 NSW Fisheries was commissioned jointly by Sydney Ports and the Ministry for Forests and Marine Administration to conduct a comprehensive survey of introduced species in Botany Bay. The survey, scheduled for completion in early 1999, will identify any problem species which have colonised in the Bay. Information gained will help develop control strategies, if required, in conjunction with procedures adopted by Australian Quarantine Inspection Service.

Responding to emergency needs

Sydney Ports maintains and operates an emergency response service capable of dealing with environmental spills on Sydney Harbour, Botany Bay and, under contract, to waterways further afield.

A total of 259 notifications of environmental spills were reported and responded to by Sydney Ports during 1997/98. This included an oil spill resulting from a land-based incident in Woolloomooloo Bay. Sydney Ports mounted a rapid response to the reported spill, had it contained to a two hectare area within half an hour of notification, and mounted an around-the-clock clean-up operation.

Aerial view of a section of Lady Robinsons Beach.



OUTLOOK

- ◆ In 1998/99 Sydney Ports will turn its attention to the northern end of Lady Robinsons Beach following a 1997 study into restoration options. Further workshops with government and the community will be held to determine the preferred restoration option.
- ◆ Community consultation will be undertaken as part of the master planning process for Glebe Island and White Bay.
- ◆ Sydney Ports will continue to work closely with the Sydney Organising Committee of the Olympic Games in preparation for events which will take place on the Harbour, including the first Olympic sailing test event in September 1998 and a second trial during September 1999.



"Providing a working environment and conditions which ensure that employees are suitably motivated, skilled and rewarded to perform in accordance with the Corporation's objectives, delivering a quality service." Sydney Ports' Corporate Plan 1997-2000

AIMS

Sydney Ports recognises that the quality of its output and its ability to serve the needs of its customers is determined largely by the quality of its people. The Human Resources Unit (HR) provides services to assist managers to develop the human investment of the Corporation.

Sydney Ports aims to recruit on equity and merit, create a positive work environment, maintain a well-trained work force, reduce sick leave to four days per person per year, and zero lost time injuries.

OUTCOMES

- ◆ Completed the Corporation's first organisational climate survey, measuring employee perception of various aspects of the work environment
- ◆ Two lost time injuries occurred resulting in 34.5 lost days in 1997/98 reduced from 76.5 days in 1996/97
- ◆ 6,940 hours total training, or an average of 35 hours per employee
- ◆ Signed a Heads of Agreement for a new Enterprise Agreement to the year 2001
- ◆ Implemented a new payroll system as the first stage of an integrated management information system incorporating HR
- ◆ Sick leave for 1997/98 reduced to an average of 4.2 days per employee from 4.9 in 1996/97
- ◆ Staffing level of 199 as at June 30, 1998
- ◆ Australian Quality Council Guided Self Assessment completed November 1997

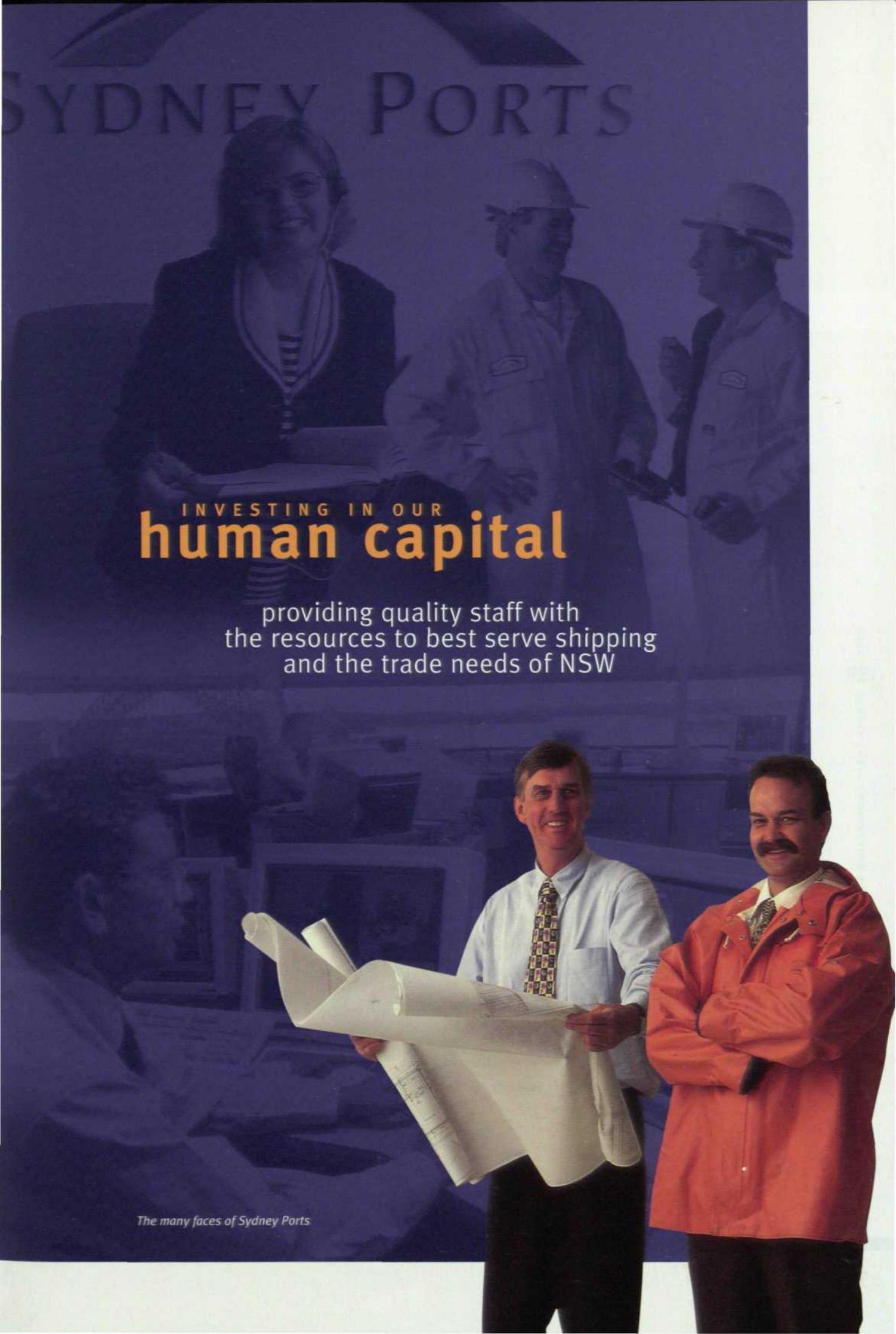
Our human capital

Sydney Ports' investment in employees is demonstrated in individual and corporate achievement and is captured in the knowledge of staff, new or revised business processes and the intellectual property owned by the Corporation.

Quality Systems

While certain functions of Sydney Ports have operated according to national and international quality accreditation systems for a number of years, Sydney Ports has embarked upon a quality process to extend to the rest of the organisation the benefits of continuous improvement. Plans have been developed to incorporate improved business practices and quality systems across each of the Corporation's Units.

SYDNEY PORTS



INVESTING IN OUR
human capital

providing quality staff with
the resources to best serve shipping
and the trade needs of NSW

The many faces of Sydney Ports

Training

Training is both an investment and a measure of the value of the human capital of an organisation. A formal training plan is developed which specifies group or individual training plans. During 1997/98, employees received an average of 35 hours of training each, or a corporation-wide total of 6,940 hours. Courses were conducted both internally and externally, with a focus on computer training, occupational health/hazardous materials training, quality awareness and managerial and professional development.

Enterprise Agreement Negotiations

Negotiations were held during the last half of 1997/98 to establish a new Enterprise Agreement. This process resulted in a Heads of Agreement for the Sydney Ports Corporation Enterprise Agreement 1998-2001 being signed on June 24, 1998 ahead of the final Enterprise Agreement. The new Agreement provides a 12% salary increase over its three-year life. A significant outcome of the Agreement was that a component of the annual increments will only be available retrospectively upon achievement of clearly defined and measurable corporate performance goals.

Occupational Health and Safety (OH&S)

Preventative OH&S matters remain a priority with staff participation in OH&S channelled through the OH&S Committee. A new draft management plan has been prepared and will be finalised and audited against AS/NZS 4804.

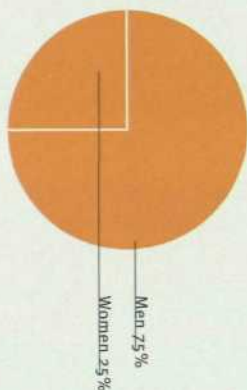
Health initiatives implemented during the year include awareness programs organised on personal health and well-being issues.

The effectiveness of OH&S policies and their implementation was indicated by a significant drop in days lost due to workplace injury, from 76.5 in 1996/97 to 34.5 in 1997/98. There were two lost time injuries compared to nine in 1996/1997. There were no work-related illnesses or prosecutions under the Occupational Health and Safety Act 1983 during the year under review.

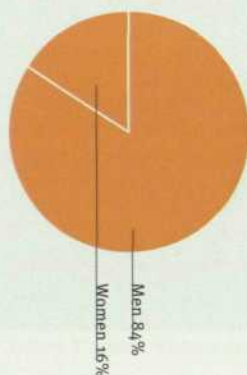


*Staff participating
in a back care program.*

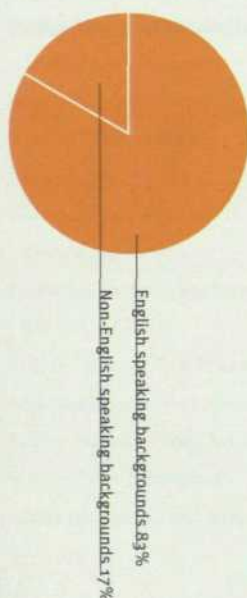
**WOMEN IN
CORPORATION'S
EXECUTIVE**



**WOMEN AS A % OF
TOTAL STAFF**



**TOTAL STAFF FROM
NON-ENGLISH
SPEAKING BACKGROUNDS**



Organisation Climate Survey

HRMS Consulting was engaged to conduct the first organisational climate survey since corporatisation in 1995.

Measurements taken will provide a baseline for gauging progress in achieving change across a range of employment issues.

Results indicate that generally staff had high levels of career satisfaction, and indicated satisfaction with technology, resources, training, remuneration and employment benefits.

A range of potential improvement areas was identified and will be addressed at appropriate levels throughout the Corporation in coming months.

Internal Communications

Effective internal communications enhance the achievement of corporate objectives.

Further improvements to internal communications are being made possible with the introduction of new management information systems. The first stage of the new three-stage system was put in place with the introduction of a new payroll system in May 1998.

Other communications initiatives included all-staff briefings, the supervisors and managers off-site workshop in November 1997 and follow-up briefing, and meetings of supervisors and managers.

The employee Consultative Committee is a conduit for information and considers a wide range of issues such as policy development, customer service reports, organisational performance, as well as contributing to training and development functions.

Equal Employment Opportunity Report

The Corporation updated its required report to the Director of Equal Opportunity in Public Employment for the new reporting period to June 30, 1998. New or amended job descriptions conform with Equal Employment Opportunity Guidelines. Throughout the year 20 males and nine female employees were employed or promoted within the Corporation.

Staff Service Awards and Appointments

Service awards recognise employees who have given long and dedicated service to the Sydney Ports Corporation and its predecessor organisations. A total of 59 awards were presented to staff during the year by the Chairman of the Board.

During the year, 23 internal appointments were made representing the results of restructuring and staff promotions, and there were six external appointments.

overseas visits

Name & Position	Country Visited	Purpose	Dates
Greg Martin <i>Chief Executive Officer</i>	• Hong Kong	• Meet with OOCL in relation to Port Botany development	29 – 30.9.97
Barbara Filipowski <i>Secretary & General Counsel</i>			
Don Ross <i>General Manager, Commercial</i>	• Singapore • Hong Kong • China	• Customer visits • Trade development • TOC '97 (Container terminal conference)	14 – 24.9.97
Andrew Gibson <i>Business Development Manager</i>			
Greg Martin <i>Chief Executive Officer</i>	• Canada • USA	• Deltaport Terminal visit • Long Beach Terminal visit • Visit Georgia Ports Authority • Attend Seatrade Convention and Miami cruise terminals inspection	26.2 – 5.3.98
Don Ross <i>General Manager, Commercial</i>			
Peter Medlock <i>Director</i>			
Jennifer de Wit <i>Shipping Manager</i>	• Japan	• Work exchange programme, review and report on port operations	2 – 30.4.98
John Hayes <i>Executive Officer Policy & Planning</i>	• USA	• Attend IAPH meeting – Mr Hayes is a Director of the Association	26.4 – 3.5.98
Andrew Gibson <i>Business Development Manager</i>	• China • Hong Kong • Taiwan	• Attend conference Dalian Port • Meet with shipping lines, shipping agents, customers and port authorities.	21.6 – 1.7.98
Brian Donkin <i>Business Development Executive</i>			

OUTLOOK

- ◆ The target of 185 permanent positions is anticipated by further voluntary redundancy and natural attrition during 1998/99
- ◆ Introduction of new human resources and time management systems will occur in 1998/99
- ◆ Information on all HR matters including awards, agreements, staff policies and procedures will be accessed on line through a new communication system
- ◆ A second organisational climate survey will be conducted during the year

STAFF WHO ARE MEMBERS OF EXTERNAL COMMITTEES

Chris Alsop

Director of The Missions
to Seamen
The Pacific Ports Association

Bronwyn Anderson

Nanbaree Childcare Centre
Management Committee

Kevin Davis

Port Botany Neighbourhood
Consultative Group
Standards Australia
White Bay Noise Management
Reference Committee

Denis Dillon

Business Efficiency Group of the
Association of Australian Ports
and Marine Authorities
Incorporated

Murray Fox

Chairman, Association of Chief
Engineering Managers, NSW
Govt. Agencies
Port Botany Neighbourhood
Consultative Group
Bulk Liquids Industry Association
Sydney Harbour Committee for
Australia Day Celebrations

Liam Gavin

State Marine Committee
Navigation Committee (Pilots)
Navigators Committee –
Navy/Waterways/Pilots/OMA
Boxing Day – Sydney to Hobart
Yacht Race Committee
Ampol Refineries Meeting
National Plan Pollution
Committee
Olympic Trial Regattas
Committee
Foreshore Shore Assessment &
Clean-Up Group
Sydney Harbour East User Group
Middle Harbour User Group
Sydney Harbour West User Group
Sydney Zone Emergency
Management Committee

Mission to Seamen

Mosman Local Emergency
Management Committee
Ausgroup Consulting Committee
Waterways Advisory Committee
New Years Eve Committee
Australia Day Council

Andrew Gibson

State Chamber of Commerce
Transport Policy Committee
NSW Cargo Facilitation
Committee
Sydney Cruise Industry Forum
Cruising Down Under
Cruising the Southern Cross

Rhonda Griffin

Northside Storage Tunnel White
Bay Community Liaison
Committee
Bizwatch

John Hayes

IAPH Executive Committee
IAPH/IMO Interface Working
Group
IAPH Port Planning and
Construction Committee
Sydney Ports User Consultative
Group
Association of Australian Port
and Marine Authorities
Incorporated Executive
Committee (Senior Vice
President)
Olympic Waterways Working
Committee and Ports
Operations Sub-committee
First Port Club (President)

Shane Hobday

Port Botany Neighbourhood
Consultative Group
Botany Local Emergency
Management Committee
Bulk Liquids Berth Users
Committee
Marine Emergency Committees –
Sydney, St George and
Sutherland
Port Botany Emergency Response
Committee
Shell Community Consultative
Committee
State Committee of the National
Plan to Combat Pollution of the
Sea by Oil
Sydney City Zone Emergency
Management Committee
Eastern Suburbs District
Emergency Management
Committee
Bizwatch

John Huckson

Member, Sydney Airport
Consultative Committee
Director, Botany Bay Business
Enterprise Centre

Greg Martin

Sydney Ports User Consultative
Group
Missions to Seamen Board
PIANC Congress Committee

John Morrison

IAPH Finance/Budget Committee
State Treasury – Accounting
Issues Reference Panel

Tony Navaratne

Maritime Panel Institution of
Engineers Australia
Office of Marine
Administration – Port
Operations Sub-committee of
the Olympic Waterways
Working Group

Morgan Noon

NSW Department of Transport
Task Force Committee
City South Freight Movements
Study Steering Group

Stephen Potter

Property Council of Australia –
NSW Infrastructure
Committee
ICHCA Awards Committee

Phil Rosser

State Chamber of Commerce –
Transport Policy Committee
Sydney Ports User Consultative
Group
Olympic Waterways Working
Committee and Port
Operations Sub-committee
ICHCA National and State
Executive Committee

Max Willoughby

Chairman, Botany Bay Coastal
Management Committee
Year 2000 International
Conference on Coastal
Engineering, Local Organising
Committee
Maritime Panel, Institution of
Engineers, Australia

Internal committees established

Year 2000 (Y2K) Steering
Committee
Sydney Ports User Consultative
Group

SYDNEY PORTS CORPORATION

Paul Binsted **BEC, LLB, ASIA**

Mr Binsted is an investment banker. He specialises in corporate financial advice. He is a Vice Chairman of Salomon Smith Barney Australia Pty Ltd as well as a Director of Barker Foundation Limited. Previous appointments include Director and Joint Head of Investment Banking, Schroeders Australia Ltd and Director and Principal, Lloyds Corporate Advisory Services.

Cheryl Bart **BCom, LLB** **Director**

Ms Bart is a lawyer and company director. She is Chairman of the Australian Sports Foundation, Director of ETSA Corporation, ETSA Transmission Corporation, ETSA Energy Corporation and is also a member of the Legal Compliance Committee. She is a Director of the Institute of Biomedical Research at the University of Sydney and a member of the Advisory Board of the PA Consulting Group. Ms Bart is the Executive Chairman of a private company which manufactures, exports and imports plastics and textiles. She holds directorships with a number of private companies and is the chairman of a charitable organisation.

Padraig Crumlin **Staff Director**

Mr Crumlin is the Assistant National Secretary for the Maritime Union of Australia. He is currently a Director of the Seafarers Rehabilitation and Compensation Authority, Maritime Workers of Australia Credit Union, Seafarers Retirement Fund and Tranby Aboriginal College.

Peter Medlock **BEC** **Director**

Mr Medlock is currently a Director of Fellows Medlock & Associates, which specialises in providing industrial relations and human resource management advice to organisations in the public and private sectors and is also a member of the Advisory Board of Totalcare Industries.

Previous appointments have included a role with Concrete Constructions Pty Ltd, Senior Adviser to the Federal Minister for Employment and Industrial Relations, member of the Expert Panel - Federal Government Best Practice Demonstration Program and member of the Advisory Board - Australian Construction Services.



BOARD OF
directors



Vic Smith
Director

Mr Smith is the Mayor of South Sydney City Council. Previous appointments include Manager Community Services – Sydney City Council, Deputy Director Community Services – South Sydney Municipal Council and Assistant Electorate Officer, Minister for Police. He is currently Vice Chairman of South Sydney Development Corporation and a Director of Southern Sydney Waste Board.

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

Mr Martin was appointed Chief Executive Officer of Sydney Ports Corporation and took office on April 15, 1996. He was appointed Managing Director on May 29, 1996. From 1990 to 1996 he was Chief Executive Officer of the Port of Brisbane Corporation and was a former Senior Vice President of the Association of Australian Ports and Marine Authorities Inc.

Brian Finn AO
FACS, FIE(Aust), FTSE, FUTS
Chairman

Mr Finn was formerly Chief Executive of IBM Australia Ltd and is currently the Chairman of the Advisory Board of IBM Australia Ltd. He is Chairman of Impart Corporation Pty Ltd, Deputy Chairman of Southcorp Limited, a Director of National Mutual Holdings Limited, Winterthur Holdings Australia Limited, the John Holland Group Pty Ltd and more recently Heytesbury Pty Ltd.

Previous appointments include Chairman of CitiPower Ltd, Director of Telstra Corporation Ltd, Chairman of the Australian National Training Authority, a Member of the Board of Governors of the University of Western Sydney and Chairman of the National Science and Technology Centre.



CORPORATE GOVERNANCE

Good corporate governance creates and sustains an ethical and legal environment which recognises the interests of all the stakeholders in a corporation.

The role of the Board

The Board oversees the business and commercial affairs of the Corporation, approves the business and financial objectives and strategies proposed by and subsequently implemented by management and monitors performance and policy. Apart from participating in regular Board and committee meetings, the Directors from time to time visit the Corporation's operations and informally meet port users and staff.

The composition and procedures of the Board

The Board of seven Directors comprises five non-executive directors (one of whom is the Chairman), the Chief Executive Officer and a Staff Director who is selected in accordance with the procedures set out in the Ports Corporatisation and Waterways Management Act 1995. The Directors are appointed by the Governor on the recommendation of the voting shareholders.

The proceedings and certain procedures of the Board are governed by the State Owned Corporations Act 1989 and the Articles of Association of the Corporation.

Board Remuneration

Non-executive Directors and the Staff Director are remunerated by fees determined by the voting shareholders from time to time. These fees are comparable with those paid to directors of similarly constituted and similarly sized corporations.

Board Committees

Three committees support the Board.

The *Audit Committee* considers internal accounting controls and procedures, the activities of the internal and external auditors, the relationship between management and the external auditors, and the financial statements of the Corporation.

The Audit Committee comprises all non-executive Directors and has a specific charter.

The *Remuneration Committee* considers remuneration policies and practices, the remuneration of the executive management group and merit recognition arrangements.

The majority of the Corporation's staff are remunerated on the basis of an Enterprise Agreement which is dated July 25, 1996 and was registered on October 18, 1996. This agreement is in force until June 30, 1998.

In line with developments in the employment market, executive and senior management are remunerated by fixed base salaries coupled with "at risk" performance incentives.

The Remuneration Committee comprises P.A. Binsted, T.B. Finn AO and V.J. Smith.

The *Trade Committee* considers, among other things, the Corporation's marketing strategy and plans, strategic alliances, the retention and attraction of new trade and appropriate pricing strategies and policies.

The Trade Committee comprises C.S. Bart, G.J. Martin and P.J. Medlock.

Attendance at Board and Committee Meetings

	Regular Board Meetings		Board Audit Committee		Board Remuneration Committee		Board Trade Committee		Term of Appointment
	A	B	A	B	A	B	A	B	
T.B. Finn AO	11	11	1	1	1	1	—	—	4/12/1995 – 3/12/1998
C.S. Bart	11	10	1	1	—	—	2	2	4/12/1995 – 3/12/1998
P.A. Binsted*	11	11	1	1	1	1	—	—	4/12/1995 – 3/12/1998*
P.J. Crumlin	9	8	1	1	—	—	—	—	22/7/1997 – 24/4/1999
G.J. Martin	11	11	—	—	1	1	2	1	29/5/1996 – 28/5/1999
P.J. Medlock	11	11	1	1	—	—	2	2	5/6/1996 – 4/6/1999
V.J. Smith	11	9	1	1	1	1	—	—	4/12/1995 – 3/12/1998

The column marked A indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

The column marked B indicates the number of those meetings attended by the Director. *MR BINSTED RESIGNED FROM THE BOARD ON JULY 31, 1998.

An informal telephone meeting, called at short notice, occurred on April 14, 1998. Five Directors were able to participate in that meeting.

STATUTORY DISCLOSURES

The following statutory disclosures are made in accordance with the Public Finance and Audit Act 1983, the Annual Reports (Statutory Bodies) Act 1984 and the Annual Reports (Statutory Bodies) Regulation 1995.

Funds Granted to Non-Government Community Organisations

The following grants were made to non-government community organisations during the year:

- The Childrens Medical Research Institute \$450
- The Returned Services League \$500

1997/98 Annual Report

Number of copies printed: 5,000
Average cost per copy: \$8.50

Exemptions from the Reporting Provisions

Section 41B(1)(c)(va) of the Public Finance and Audit Act 1983 and clause 19 of the Annual Reports (Statutory Bodies) Regulation 1995 require a statutory body to include in its annual report statements of all exemptions, omissions, modifications and variations from reporting provisions which have been granted by the Treasurer under section 41BA of that Act and Regulation and which apply to the statutory body and a summary of the reasons for them.

As a statutory body in competition, the following exemptions, omissions, modifications and variations apply to Sydney Ports Corporation.

Requirements from which we are exempt	Legislative source of requirements	Conditions (if any) attaching to exemption
Financial Reporting Exemptions		
<i>Format of financial statements</i>	<i>Public Finance and Audit Act 1983 (PF&AA)</i>	
Financial Statements	Section 41B(c) PF&AA	Exempt from preparing manufacturing, trading and profit and loss statements. Required to prepare a summarised Operating Statement (ie summarising major categories of revenues and expenses).
<i>Notes: Income and Expenditure</i>	<i>Public Finance & Audit (General) Regulation 1995 (PF&AGR): Schedule 1, Part 1</i>	
Amounts set aside for renewal or replacement of fixed assets	Clause 2	
Amounts set aside to any provision for known commitments	Clause 4	
Amount appropriated for repayment of loans/ advances/debentures/deposits	Clause 6	
Material items of income and expenditure on a program or activity basis	Clause 13	Required to summarise the material items of revenues and expenses on a program or activity basis.
<i>Notes: Additional information</i>	<i>PF&AGR: Schedule 1, Part 3</i>	
Excess of non-current asset value over replacement cost	Clause 13	
Annual Reporting Exemptions		
<i>Budgets</i>	<i>Annual Reports (Statutory Bodies) Act 1984 (ARSBA) and Annual Reports (Statutory Bodies) Regulation 1995 (ARSBR)</i>	
• detailed budget for the year reported on	Section 7(1)(a)(iii) ARSBA	
• outline budget for next year	Section 7(1)(a)(iii) ARSBA	
• particulars of material adjustments to detailed budget for the year reported on	Clause 6 ARSBR	
<i>Report of Operations</i>		
Summary Review of Operations	Section 7(1)(a)(iv) ARSBA and Schedule 1 ARSBR	Exempt subject to the condition that comments and information relating to the "summary review of operations" are to be disclosed in a summarised form.
• narrative summary of significant operations		
• selected financial and other quantitative information associated with the administration of programs or operations		
Management & Activities	Schedule 1 ARSBR	Exempt subject to the condition that comments and information relating to "management and activities" are to be disclosed in a summarised form.
• nature and range of activities		
• measures and indicators of performance		
• internal and external performance reviews		
• benefits from management and strategy reviews		
• management improvement plans and achievements		
• major problems and issues		
• major works in progress, cost to date, estimated dates of completion and cost overruns		
• reasons for significant delays etc. to major works or programs		
Research & Development	Schedule 1 ARSBR	
• completed research including resources allocated		
• continuing research including resources allocated		
• developmental activities including resources allocated		

Requirements from which we are exempt	Legislative source of requirements	Conditions (if any) attaching to exemption
Human Resources - number of employees by category & comparison to prior three years - exceptional movements in employee wages, salaries or allowances - personnel policies and practices - industrial relations policies & practices	Schedule 1 ARSBR	Exempt subject to the condition that overseas visits with the main purposes highlighted are required to be disclosed.
Consultants - for each engagement costing greater than \$30,000 - name of consultant - title of project - actual cost - for each engagement costing less than \$30,000 - total number of engagements - total cost - if applicable, a statement that no consultants were engaged	Schedule 1 ARSBR	Exempt subject to the condition that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.
Land Disposal - properties disposed of during the year - total number - total value - if value greater than \$5,000,000 and not by public auction or tender - list of properties - for each case, name of person who acquired the property & proceeds from disposal - details of family or business connections between the purchaser & the person responsible for approving the disposal - purposes for which proceeds were used - statement indicating that access to the documents relating to the disposal can be obtained under the Freedom of Information Act	Schedule 1 ARSBR	
Consumer Response - extent & main features of complaints - services improved/changed in response to complaints/suggestions	Schedule 1 ARSBR	Exempt subject to the condition that comments and information relating to "consumer response" are to be disclosed in a summarised form.
Payment of Accounts performance in paying accounts, including action to improve payment performance	Schedule 1 ARSBR	
Time for Payment of Accounts - reasons for late payments - interest paid due to late payments	Schedule 1 ARSBR	
Report on Risk Management and Insurance Activities	Schedule 1 ARSBR	Exempt subject to the condition that the comments and information are to be disclosed in a summarised form.
Disclosure of Controlled Entities details of objectives, operations, activities of controlled entities and measures of performance	Schedule 1 ARSBR	Exempt subject to the condition that the names of the controlled entities are to be disclosed along with a summarised disclosure of the controlled entities' objectives, operations and activities and measures of performance. Sydney Ports Corporation currently has no controlled entities.
Investment Management Performance	Clause 12 ARSBR	
Liability Management Performance	Clause 13 ARSBR	
Financial Statements of Controlled Entities	Section 7(1)(a)(ia) ARSBA	Exempt from preparing manufacturing and trading statements. Required to prepare a summarised Operating Statement (ie summarising major categories of revenues and expenses). Sydney Ports Corporation currently has no controlled entities.

These exemptions, omissions, modifications and variations arise from a review of the External Reporting Framework for Statutory State Owned Corporations (SOCs) and Particular Statutory Bodies by the NSW Treasury and are based on commercial sensitivity and commercial damage considerations. A number of exemptions relate to financial reporting requirements that are redundant or not considered essential for performance assessment and accountability purposes.

Response to Significant Issues Raised by the Auditor General

There were no significant issues raised by the Auditor General in his 1996/97 report.

Risk Management

During the year Sydney Ports Corporation continued its development of strategies for the management of risk. Progressive risk identification processes were accompanied by action to minimise perceived risks. Initiatives undertaken during the period include:

- Completing and testing the Information Technology Business Resumption Plan
- Preparing a scoping exercise on Strategic and Operational Risk Management with the National Management Education Centre
- Establishing a Year 2000 Steering Committee within the Corporation for the purpose of identifying and managing matters associated with the so-called "Millennium Bug"

1997/98 Performance Relative to Statement of Corporate Intent (SCI)

The only material deviations from targets set in the 1997/98 Statement of Corporate Intent are:

- Increased Operating Profit as a result of record cargo moved through Sydney's ports in 1997/98
- Improved Income Tax Equivalent and Dividend payments resulting from increased operating profit
- Reduced expenditure on Capital Works as a result of factors external to the Corporation, including the effects of the Asian slowdown on the preparedness of a prospective investment partner to commit capital to port expansion in Botany Bay

Freedom of Information (FOI)

Sydney Ports Corporation is required to report annually on its administration of FOI inquiries. The following tables detail statistics required to be reported under the Act for the period July 1 to June 30 for the corresponding years 1996/97 and 1997/98. During the reporting period no requests were transferred to another organisation or agency. One request was carried forward to the reporting period 1998/99. No reviews were requested either internally, to the Ombudsman or to the District Court during the reporting period.

FOI applications and applications determined

	Personal		Other		Total	
	1997	1998	1997	1998	1997	1998
New	3	2	0	0	3	2
Completed	3	1	0	0	3	1
Granted in Full	2	1	0	0	2	1
Refused (Exempt)	1	0	0	0	1	0
Total Processed	3	2	0	0	3	0

days to process FOI applications

Elapsed Time	Personal		Other	
	1997	1998	1997	1998
0-21 days	1	0	0	0
22-35 days	1	0	0	0
Over 35 days	1	2	0	0

processing time

Processing Hours	Personal		Other	
	1997	1998	1997	1998
0-10 hours	2	0	0	0
11-20 hours	1	2	0	0

During the period no Ministerial Certificates were issued, no formal consultations requested, no amendments or notations to records made. Assessed costs for the two FOI requests were \$30.00 each, for which a total of \$60.00 in fees was received. No applications were made for a reduction in fees. The Corporation's compliance with the FOI Act did not raise any major issues in the reporting period nor did compliance with the Act have any significant impact on Sydney Ports Corporation's activities. The Corporation's FOI Act Statement of Affairs will be published separately. This document will be available by contacting the Corporation's FOI Coordinator.

Code of Conduct

The Corporation has a Code of Conduct which is observed by all staff. During the year no amendments were made to the Code.

Legal Changes and Subordinate Legislation

There have been no material legal changes or changes to subordinate legislation or significant judicial decisions that have had any significant effect on the operations of Sydney Ports Corporation.

Factors Affecting Achievement of Operational Objectives

There were no unanticipated factors during the year that led to any material affect on the achievement of Sydney Ports Corporation's operational objectives.

Action Plan for Women

Sydney Ports Corporation is an equal employment opportunity employer. Nine female staff successfully applied for 29 vacant positions in 1997 or 31% of vacancies. The female/male staffing ratio is 15.08% female to 84.92% male and 20% of the women hold managerial positions.

Women currently are employed in all areas of the Corporation except in the marine emergency response area. With rationalisation of operations and very little external advertising, opportunities for women to apply for positions in this area are limited and maritime qualifications are a pre-requisite for many roles thus limiting recruitment.

In order to accommodate staff needs and encourage a family friendly workplace a range of flexible work practices are in place. These include:

- mutually agreed daily starting and finishing times within a spread of hours
- approved hours worked in addition to contract hours can be taken as time off in lieu (TIL)

- aged and dependant care leave to arrange or provide short term care for sick, injured or aged dependants or family members (five days per annum)
- unlimited sick leave
- a wide range of special leave types to accommodate the needs of employees
- study assistance including payment of fees and time off work to attend lectures
- attendance at specifically identified short course training to improve the skills of existing women in the workforce
- capacity for part-time or job-share arrangements.

The Corporation has also taken a pro-active approach to women's health maintenance and encouraged participation at awareness sessions.

A recent initiative has been to formulate plans for a selective trainee program. This will attempt to broaden the representation of women in non-traditional work areas.

Contract and Market Testing

During the year Sydney Ports Corporation tested the market for the following services: Telecommunication Services, Fleet Management and Maintenance.

No appointments were made in these areas.

Recycling Activities

Sydney Ports Corporation uses recycled materials as well as taking opportunities to recycle material capable of being recycled.

Consultancy Fees

Total Fees paid and/or becoming payable to consultants engaged by Sydney Ports Corporation for the period July 1, 1997 to June 30, 1998 amounted to \$1.735M (\$0.495M for the year ended June 30, 1997).

The main purposes of the engagements were:

- planning and development work for the bulk liquids berth – Port Botany, the new Darling Harbour Passenger Terminal, the possible refurbishment of the Sydney Cove Passenger Terminal, port assets at Glebe Island and White Bay, and general infrastructure requirements at Port Botany,
- wave and coastal process numerical modelling assistance,
- restoration of eroded beach at the southern end of Lady Robinsons Beach on Botany Bay (subsequently reimbursed),
- environmental impact study work to investigate expansion options at Port Botany, and
- implementation of the enterprise management system.

Year 2000 (Millennium) Bug

Sydney Ports Corporation has established a Year 2000 Steering Committee, chaired by the Corporation's Secretary. The objective of this committee is to ensure that the Corporation will be Year 2000 ready and will be able to protect the value of its business and honour its obligations.

The Steering Committee has completed an assessment of the Year 2000 issue on the Corporation and is overseeing the remediation of identified risks where those risks are within the Corporation's control, preparing contingency plans and liaising with customers, clients and suppliers as to their Year 2000 readiness and the significance of their readiness to the Corporation. The work of the committee will be reviewed by the Corporation's internal auditors, PriceWaterhouseCoopers.

At this time it is unlikely that our Year 2000 project will involve significant costs.

FINANCIAL STATEMENTS

contents

Operating Statement	46
Balance Sheet	47
Statement of Cash Flows	48
Notes to and Forming Part of the Financial Statements	49
Note 1 Summary of Accounting Policies	49
Note 2 Operating Revenue	53
Note 3 Operating Expenditure	53
Note 4 Taxation	54
Note 5 Receivables	55
Note 6 Investments	56
Note 7 Inventories	56
Note 8 Other Non-current Assets	56
Note 9 Property, Plant and Equipment	57
Note 10 Creditors and Borrowings	59
Note 11 Provisions	60
Note 12 Capital and Reserves	61
Note 13 Financial Instruments	62
Note 14 Capital Expenditure Commitments	64
Note 15 Operating Leases	64
Note 16 Contingent Liabilities	64
Note 17 Year 2000 Issues	64
Note 18 Consultancy Fees	64
Note 19 Notes to the Statement of Cash Flows	65
Note 20 Directors' Remuneration and Loans	65
Note 21 Events Occurring After Reporting Date	65
Directors' Statement	66
Independent Audit Report	67
Statement of Land	68

OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998 \$000	1997 \$000
Operating Revenue	2	99,650	97,208
Operating Expenditure	3	58,792	58,839
Operating Profit Before Income Tax Equivalent		40,858	38,369
Income Tax Equivalent	4	15,359	14,619
Operating Profit After Income Tax Equivalent		25,499	23,750
Retained Earnings at the Beginning of the Financial Year		20,871	11,679
Total Available for Appropriation		46,370	35,429
Dividend to State Government	11	12,749	14,558
Retained Earnings at the End of the Financial Year		33,621	20,871

BALANCE SHEET

AS AT 30 JUNE 1998

	Note	1998 \$000	1997 \$000
Current Assets			
Cash	19(a)	1,296	793
Receivables	5	15,815	12,915
Investments	6	45,080	39,615
Inventories	7	12	100
Total Current Assets		62,203	53,423
Non-current Assets			
Receivables	5	1,062	2,479
Property, Plant and Equipment	9	457,634	272,770
Other	8	13,819	8,472
Total Non-current Assets		472,515	283,721
Total Assets		534,718	337,144
Current Liabilities			
Creditors and Borrowings	10	10,417	30,825
Provisions	11	23,042	21,815
Total Current Liabilities		33,459	52,640
Non-current Liabilities			
Borrowings	10	150,508	128,816
Provisions	11	11,368	9,275
Total Non-current Liabilities		161,876	138,091
Total Liabilities		195,335	190,731
Net Assets		339,383	146,413
Capital, Reserves and Retained Earnings			
Share Capital	12	-	-
Reserves	12	305,762	125,542
Retained Earnings		33,621	20,871
Total Capital, Reserves and Retained Earnings		339,383	146,413

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998 \$000 Inflow/ (Outflow)	1997 \$000 Inflow/ (Outflow)
Cash Flows from Operating Activities			
Cash receipts in the course of operations		97,625	87,239
Cash payments in the course of operations		(38,996)	(46,051)
Interest received		2,378	2,789
Interest paid		(13,160)	(9,482)
Income tax equivalent paid		(11,244)	(18,293)
Net cash provided by operating activities	19(b)	36,603	16,202
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(16,072)	(4,579)
Proceeds from sale of property, plant and equipment		542	553
Net cash used in investing activities		(15,530)	(4,026)
Cash Flows from Financing Activities			
New borrowings		-	291
Repayment of borrowings		(496)	-
Dividends paid		(14,609)	(15,091)
Net cash used in financing activities		(15,105)	(14,800)
Net Increase in Cash Held		5,968	(2,624)
Cash at the Beginning of the Financial Year		40,408	43,032
Cash at the End of the Financial Year	19(a)	46,376	40,408

1 Summary of Accounting Policies

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

Basis of Accounting

The accompanying financial statements have been prepared in accordance with Section 41B(1) of the Public Finance and Audit Act 1983. The financial statements are a general purpose financial report and exhibit a true and fair view of the financial position and transactions of the Corporation. They have been prepared with regard to current Australian Accounting Standards, rulings of the Urgent Issues Group established by the two major accounting bodies and industry practices. The financial statements also incorporate financial reporting requirements specified in the Public Finance and Audit (General) Regulation 1995, the Annual Reports (Statutory Bodies) Act 1984 and the Annual Reports (Statutory Bodies) Regulation 1995.

Proper accounts and records for all the Corporation's operations have been kept as required under Section 41(1) of the Public Finance and Audit Act 1983.

The financial statements have been prepared on the basis of full accrual accounting using historical cost accounting conventions except for non-current physical assets which are shown at valuation and superannuation which is shown at actuarially assessed present value. The accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

The Treasurer has exempted the Corporation from certain reporting requirements under the Public Finance and Audit Act 1983 and the Public Finance and Audit (General) Regulation 1995. The exemptions are from disclosing amounts set aside to any provision for known commitments, the amount appropriated for repayment for loans/advances/debentures/deposits, material items of income and expenditure on a program or activity basis (summary required), and where non-current asset values exceed replacement cost. The Corporation is also exempt from preparing manufacturing and trading statements however it is required to prepare a summarised operating statement.

The Corporation had no controlled entities during the year ended 30 June 1998.

Statement of Accounting Policies

(a) Cash in the Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks (net of any outstanding bank overdraft) and short term investments in securities with the NSW Treasury Corporation which are classified under Current Assets.

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the relevant items in the Balance Sheet (refer note 19[a]).

(b) Bad and Doubtful Debts

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

(c) Inventories

Inventories have been recorded at cost price on acquisition and charged on issue at the weighted cost of each stock line. A perpetual inventory system is adopted and is supported by annual stocktakes. Stock deterioration and obsolescence is reviewed regularly. Stock write-downs as a result of stocktakes, stock obsolescence, and valuation at the lower of cost and net realisable value are charged directly to operating expenditure.

1 Summary of Accounting Policies (continued)**(d) Operating Leases**

Operating lease assets are not capitalised and rental payments are charged against operating profit in the period in which they are incurred.

(e) Valuation of Property, Plant and Equipment

A valuation of the Corporation's property, plant and equipment was carried out during the year with an effective date of 30 June 1998. The "deprival value" concept was used consistent with the following guidelines:

Guidelines on Accounting Policy for the Valuation of Assets of Government Trading Enterprises,
Guidelines for the Valuation of Land and Heritage Assets in the NSW Public Sector, and
Australian Accounting Standard AAS10 Revaluation of Non-current Assets.

Independent assessments were obtained of the deprival value of non-current assets based on existing use.

Refer note 9.

In accordance with these guidelines a recoverable amount test was performed to ensure asset carrying values did not exceed recoverable amounts at 30 June 1998. AAS10 defines "recoverable amount" in relation to an asset as "the net amount that is expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal". Forward estimates were used to determine cash inflows and outflows arising from the continued use of the Corporation's assets. Cash inflows arising from the subsequent disposal of the Corporation's assets were estimated by extrapolating projected cash inflows and outflows for 2008, the final year of the estimate period, into perpetuity and discounting them at the Corporation's weighted average cost of capital.

Asset carrying values did not exceed recoverable amounts. An asset revaluation reserve was created for the difference between the assets' previous carrying values and their deprival values.

Refer note 12.

(f) Capitalisation of Property, Plant and Equipment

All expenditure of \$300 or more on land and buildings; roadways; wharves, jetties and breakwaters; and plant is capitalised where it is expected to provide future economic benefits to the Corporation for at least three years. Only those assets completed and ready for service are taken to the Property, Plant and Equipment accounts. The remaining capital expenditures are carried forward as construction in progress and are included in Property, Plant and Equipment in the Balance Sheet.

(g) Depreciation of Property, Plant and Equipment

Depreciation has been calculated on depreciable assets, using rates estimated to write off the assets over their remaining useful lives to the Corporation on a straight line basis in accordance with Australian Accounting Standard AAS4, Depreciation of Non-current Assets. Land assets have been treated as non-depreciable. The remaining useful lives of assets to the Corporation were reassessed as part of the valuation process.

The remaining useful lives of depreciable assets to the Corporation as at 30 June 1998 were:

Buildings	7 to 37 years
Roadways	2 to 20 years
Wharves, Jetties and Breakwaters	5 to 72 years
Plant	2 to 40 years

1 Summary of Accounting Policies (continued)

(h) Employee Entitlements

Benefits for long service leave and annual leave have been provided on the basis of emerged entitlements for recognised service for long service leave (five years and over) and quantum due at balance date for annual leave. During the year ended 30 June 1998, the Corporation continued to provide fully for all employee entitlements in accordance with Australian Accounting Standard AAS30, Accounting for Employee Entitlements. The long service leave nominal undiscounted provisions method presently used provides a result which is considered to be not materially different from the present value basis of measurement required by AAS30. The average sick leave taken by employees based on past experience is less than the entitlement accruing each period. It is considered improbable that existing accumulated entitlements will be used and therefore no liability has been recognised.

(i) Reporting of Income and Expenditure

The policy on reporting of income and expenditure has been reviewed having regard to the requirements of existing accounting standards and generally accepted accounting principles.

Based on this review a decision has been taken to report on a gross basis.

The impact of this change in policy on the Operating Statement is to increase operating revenue and operating expenditure. Operating profit is unchanged.

(j) Taxation Equivalent Regime

The Corporation is required to pay taxation equivalents 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 by the Corporation if it were liable to pay taxes under the law of the Commonwealth. The tax equivalents involved relate to income tax and sales tax.

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

(k) Dividend

The Corporation reviews its financial performance for the accounting period and recommends to its shareholders an appropriate dividend payment in light of the Corporation's current financial position and longer term financial commitments. The amount is set aside in a provision in the Balance Sheet.

(l) Investments

Investments are carried at market value. Interest revenues are recognised as they accrue.

(m) Borrowings

Borrowings are carried at their face value after deducting any unamortised discount or adding any unamortised premium. Any discount or premium is deferred and amortised over the term of the borrowing.

1 Summary of Accounting Policies (continued)**(n) Financial Instruments**

Financial instruments give rise to positions that are a financial asset of either Sydney Ports Corporation or its counterparty and a financial liability (or equity instrument) of the other party. For Sydney Ports Corporation these include cash, receivables, investments, creditors, borrowings and derivative financial instruments (futures contracts).

In accordance with AAS 33 "Presentation and Disclosure of Financial Instruments" information is disclosed in note 13 in respect of credit risk and interest rate risk of financial instruments. All such amounts are carried in the accounts at net fair value unless otherwise stated. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded at cost comprise:

- Cash
- Receivables
- Creditors
- Borrowings

Classes of instruments recorded at market value comprise:

- Investments

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

(o) Comparative Figures

Comparative figures have not been provided on the financial instruments disclosure because AAS 33 "Presentation and Disclosure of Financial Instruments" has been applied for the first time to the Sydney Ports Corporation's financial statements.

(p) Rounding Amounts to Nearest \$000

In the financial statements, all amounts have been rounded to the nearest thousand dollars (shown as \$000) in accordance with Clause 12 of the Public Finance and Audit (General) Regulation 1995.

2 Operating Revenue

	Note	1998 \$000	1997 \$000
Port Revenue		85,079	79,919
Interest Received		2,360	2,781
Increase in Retirement Benefits (Superannuation)	8	3,266	2,069
Profit on Disposal of Non-current Assets		105	—
Miscellaneous Sources		8,840	12,439
		<u>99,650</u>	<u>97,208</u>

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

3 Operating Expenditure

Salaries and Wages		13,003	14,967
Amounts Credited to Provisions for			
Annual Leave	11	1,135	1,203
Long Service Leave	11	677	866
Doubtful Debts	5	765	40
Depreciation	9	6,030	5,631
Interest and Related Financing Charges		13,783	13,591
Auditors' Remuneration		90	94
Directors' Remuneration	20	210	207
Consultants' Fees		1,102	469
Rental on Operating Leases		1,361	1,429
Loss on Disposal of Non-current Assets		6	47
Other Operations and Services		20,630	20,295
		<u>58,792</u>	<u>58,839</u>

4 Taxation**(a) Income tax equivalent expense**

The difference between income tax equivalent expense provided in the financial statements and the prima facie income tax equivalent expenses reconciled as follows:

	Note	1998 \$000	1997 \$000
Operating Profit Before Income Tax Equivalent		40,858	38,369
Prima Facie Tax Thereon at 36%		14,709	13,813
Add/(Less) Tax Effect of Permanent and Other Differences:			
Entertainment Expenses		26	19
Legal Expenses		-	13
Depreciation not Deductible		718	804
Other		(94)	(30)
Total Income Tax Equivalent Attributable to Operating Profit		15,359	14,619
Total Income Tax Equivalent Comprises Movements in:			
Provision for Income Tax Equivalent		14,119	12,301
Provision for Deferred Income Tax Equivalent		1,805	2,435
Future Income Tax Equivalent Benefit		(565)	(117)
		15,359	14,619
(b) Provision for Income Tax Equivalent	11		
Opening Balance		4,780	10,772
Income Tax Equivalent Paid		(11,244)	(18,293)
Underprovision for Income Tax Equivalent in Prior Years		-	51
Income Tax Equivalent Payable on Operating Profit		14,119	12,250
Closing Balance		7,655	4,780
(c) Future Income Tax Equivalent Benefit	8		
Attributable to Timing Differences:			
Provisions and Employee Entitlements		3,188	2,732
Accrued Expenditure		247	138
		3,435	2,870
(d) Provision for Deferred Income Tax Equivalent	11		
Attributable to Timing Differences:			
Superannuation		3,738	2,051
Depreciation		1,849	1,223
Income Receivable		533	999
Prepaid Expenditure		30	72
		6,150	4,345

5 Receivables

	1998 \$000	1997 \$000
Current		
Trade Debtors	3,364	4,128
Other Debtors	11,374	5,460
Accrued Income (a)	2,056	3,510
	<u>16,794</u>	<u>13,098</u>
Less: Provision for Doubtful Debts (b)	(979)	(183)
	<u>15,815</u>	<u>12,915</u>
Non Current		
Rent Debtor	1,082	2,530
Less: Provision for Doubtful Debts (c)	(20)	(51)
	<u>1,062</u>	<u>2,479</u>

The Corporation has entered into a formal agreement with its non-current debtor for repayment of the outstanding debt at a future time. Repayments due within the next twelve months under this agreement are included with current other debtors.

Based on a review of the current and non-current debtors, the Corporation carries an appropriate provision for its doubtful debts.

(a) Accrued Income comprises:

Operating Income	2,049	3,485
Interest from Investments	-	17
Bank Interest	7	8
	<u>2,056</u>	<u>3,510</u>

(b) Provision for Doubtful Debts – Current Receivables

Opening Balance	183	157
Add: Current Year's Charge	796	63
	<u>979</u>	<u>220</u>
Less: Bad Debts Written Off	-	(37)
Closing Balance	<u>979</u>	<u>183</u>

(c) Provision for Doubtful Debts – Non-current Receivables

Opening Balance	51	74
Less: Write Back	(31)	(23)
	<u>20</u>	<u>51</u>
Less: Bad Debts Written Off	-	-
Closing Balance	<u>20</u>	<u>51</u>

6 Investments

Investments at 30 June 1998, consisting of securities with the NSW Treasury Corporation, are in the form of:

	1998 \$000 Market Value	1998 \$000 At Cost	1997 \$000 At Cost
TCorp Hour Glass Facilities	45,080	45,080	20,066
Bank Accepted Commercial Bills	-	-	5,268
Negotiable Certificates of Deposit	-	-	12,081
Fixed Term Deposits	-	-	2,200
	45,080	45,080	39,615

The Hour Glass Facilities were valued by the NSW Treasury Corporation.

7 Inventories

	Note	1998 \$000	1997 \$000
Store Items		12	100

Progressive stocktakes of all store items have been carried out during 1997/98 to determine stock obsolescence and stock on hand adjustments.

8 Other Non-current Assets

Future Income Tax Equivalent Benefit	4(c)	3,435	2,870
Retirement Benefits (Superannuation) (a) and (b)		10,384	5,602
		13,819	8,472

(a) Retirement Benefits (Superannuation)

As at 30 June 1998, Sydney Ports Corporation's superannuation position is:

	1998			1997		
	Total Liability \$000	Total Funding \$000	Net Asset \$000	Total Liability \$000	Total Funding \$000	Net Asset \$000
State Superannuation Scheme	17,915	26,467	8,552	15,203	19,638	4,435
State Authorities Superannuation Scheme	5,282	6,317	1,035	4,854	6,038	1,184
State Authorities Non-Contributory Superannuation Scheme	1,856	2,653	797	1,659	1,642	(17)
	25,053	35,437	10,384	21,716	27,318	5,602

The 1998 superannuation liability assessment is undertaken by the New South Wales Government Actuary and is based on membership databases as at 30 April 1998. The Actuary has met the requirements of Australian Accounting Standard AAS25 Financial Reporting by Superannuation Plans by applying a "market determined risk adjusted discount rate" as the valuation interest rate in the calculation of the value of accrued benefits.

8 Other Non-current Assets (continued)

Assumptions adopted by the Actuary in the valuation of the funds are:

	1997/98 %	1998/99 %	1999/2000 %	Thereafter %
Rate of Investment Return	7.0	7.0	7.0	7.0
Rate of General Salary Increase	3.7	4.0	4.0	5.0
Rate of Increase in CPI (Sydney, All Groups)	1.1	2.0	2.5	3.25

The funding balances in the Corporation's reserve accounts held at the SAS Trustee Corporation have increased at a faster rate than the actuarially assessed superannuation liabilities due to:

- relatively high earnings rates credited to the reserve accounts during the year,
- the Corporation continuing to over-fund the reserve accounts during the year, and
- the NSW Treasury requiring only the principal amount of over-funding at the date of corporatisation (1 July 1995) to be transferred to the Crown ie earnings from the over-funding have been retained in the reserve account.

(b) Movement in Retirement Benefits (Superannuation)

	Balance 30 June 1997 \$000	Current Charge to Revenue \$000	Current Charge to Capital \$000	Payments \$000	Balance 30 June 1998 \$000
State Superannuation Scheme	4,435	3,420	(20)	717	8,552
State Authorities					
Superannuation Scheme	1,184	(744)	(3)	598	1,035
State Authorities Non-Contributory					
Superannuation Scheme	(17)	590	(2)	226	797
	5,602	3,266	(25)	1,541	10,384

9 Property, Plant and Equipment

	1998 \$000	1997 \$000
Property, Plant and Equipment (at Cost or Valuation)	454,332	280,658
Accumulated Depreciation	(3,295)	(10,311)
Construction in Progress	6,597	2,423
	457,634	272,770

(a) Property, Plant and Equipment (at Cost or Valuation):

	1998			1997		
	Cost \$000	Valuation \$000	Total \$000	Cost \$000	Valuation \$000	Total \$000
Land and Buildings	5,445	244,614	250,059	1,127	122,000	123,127
Roadways	—	4,431	4,431	677	3,383	4,060
Wharves, Jetties and Breakwaters	36	186,957	186,993	10,376	130,913	141,289
Plant	8,572	4,277	12,849	7,769	4,413	12,182
Total	14,053	440,279	454,332	19,949	260,709	280,658

Property, plant and equipment assets at valuation include additions to assets at valuation which have been capitalised since the valuation date.

9 Property, Plant and Equipment (continued)

(b) Accumulated Depreciation:

	1998			1997		
	Cost	Valuation	Total	Cost	Valuation	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Buildings	2	—	2	54	1,038	1,092
Roadways	—	—	—	53	338	391
Wharves, Jetties and Breakwaters	—	—	—	610	6,104	6,714
Plant	2,035	1,258	3,293	1,227	887	2,114
Total	2,037	1,258	3,295	1,944	8,367	10,311

(c) Construction in Progress:

	1998	1997
	\$000	\$000
Land and Buildings	1,274	459
Roadways	1,711	240
Wharves, Jetties and Breakwaters	2,404	1,035
Plant	1,208	689
Total	6,597	2,423

Movement in Property, Plant and Equipment:

Opening Balance	280,658	275,000
Add: Revaluation	167,590	—
Acquisitions	6,146	—
From Construction in Progress	917	6,609
	455,311	281,609
Less: Disposals	(725)	(814)
Write Offs	(254)	(137)
Closing Balance	454,332	280,658

Movement in Accumulated Depreciation:

Opening Balance	10,311	4,941
Add: Depreciation Charge	6,030	5,631
	16,341	10,572
Less: Write Back due to Revaluation	(12,630)	—
Write Back due to Disposals	(282)	(214)
Write Back due to Write Offs	(134)	(47)
Closing Balance	3,295	10,311

9 Property, Plant and Equipment (continued)

Movement in Construction in Progress:

	1998 \$000	1997 \$000
Opening Balance	2,423	5,258
Add: Acquisitions	5,091	3,774
	7,514	9,032
Less: To Property, Plant and Equipment	(917)	(6,609)
Closing Balance	6,597	2,423

A revaluation of the Corporation's property, plant and equipment was effected as at 30 June 1998.

The revaluation allowed for:

- Ninety five percent of non-current assets in total value being revalued in line with Australian Accounting Standard AAS5 Materiality. Those assets not revalued are recorded at their historical cost.
- Property, plant and equipment purchased within twelve months of the date of the revaluation being considered to have current values and therefore recorded at their historical cost.

The State Valuation Office (A. Stibbard, AAPI) valued land and most buildings. A quantity consultant and construction cost consultant, MDA Australia Pty Ltd (K. Thomson, AAIQS B. Build), valued roadways, the remaining buildings, and wharves, jetties and breakwaters.

In accordance with the guidelines listed above, recoverable amount tests have been applied to all valuations as at 30 June 1998. Valuation amounts did not exceed recoverable amounts.

Sale of Property, Plant and Equipment:

Property, Plant and Equipment	725	814
Less: Accumulated Depreciation	(282)	(214)
	443	600
Less: Proceeds from Sale	(542)	(553)
Net Loss/(Profit) on Sale	(99)	47

10 Creditors and Borrowings

Current

Trade Creditors	393	119
Other Creditors	9,409	8,217
Income Received in Advance	577	664
Borrowings	38	21,825
	10,417	30,825

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10 Creditors and Borrowings (continued)

	Note	1998 \$000	1997 \$000
Non-current			
Borrowings		<u>150,508</u>	<u>128,816</u>
Total Borrowings		<u>150,546</u>	<u>150,641</u>
Amount Payable in Respect of Borrowings:			
Payable no later than one year		38	21,825
Payable later than one, not later than two years		28,248	—
Payable later than two, not later than five years		24,697	44,513
Payable later than five years		<u>97,563</u>	<u>84,303</u>
		<u>150,546</u>	<u>150,641</u>

11 Provisions

Current			
Dividend		12,749	14,609
Income Tax Equivalent	4(b)	7,655	4,780
Employee Entitlements, Including Oncosts		<u>2,638</u>	<u>2,426</u>
		<u>23,042</u>	<u>21,815</u>
Non-current			
Deferred Income Tax Equivalent	4(d)	6,150	4,345
Employee Entitlements, Including Oncosts		<u>5,218</u>	<u>4,930</u>
		<u>11,368</u>	<u>9,275</u>

Movement in Provisions	Balance 30 June 1997 \$000	Current Charge to Revenue \$000	Current Charge to Capital \$000	Payment \$000	Balance 30 June 1998 \$000
Current					
Dividend	14,609	12,749	—	(14,609)	12,749
Income Tax Equivalent	4,780	14,119	—	(11,244)	7,655
Employee Entitlements, Including Oncosts:					
Annual Leave (a)	2,126	1,135	7	(935)	2,333
Voluntary Separations	300	73	—	(68)	305
	<u>21,815</u>	<u>28,076</u>	<u>7</u>	<u>(26,856)</u>	<u>23,042</u>

11 Provisions (continued)

	Balance 30 June 1997 \$000	Current Charge to Revenue \$000	Current Charge to Capital \$000	Payment \$000	Balance 30 June 1998 \$000
Non-current					
Deferred Income Tax Equivalent	4,345	1,805	—	—	6,150
Employee Entitlements Including Oncosts:					
Long Service Leave (b)	4,930	677	5	(394)	5,218
	<u>9,275</u>	<u>2,482</u>	<u>5</u>	<u>(394)</u>	<u>11,368</u>

(a) Employee Entitlements

Annual Leave: The liability for annual leave is calculated at 30 June 1998 wage rates and entitlements of personnel, and is fully provided.

(b) Employee Entitlements

Long Service Leave: The liability for long service leave is calculated at 30 June 1998 wage rates and entitlements of personnel, and is fully provided. This figure excludes allowance for personnel still subject to completion of service conditions.

12 Capital and Reserves

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

One \$1 share is held by each of the Corporation's voting shareholders the Hon. M R Egan, MLC and the Hon. M S Knight, MP.

	1998 \$000	1997 \$000
Reserves		
Share Premium Reserve	125,542	125,542
Asset Revaluation Reserve	<u>180,220</u>	<u>—</u>
	<u>305,762</u>	<u>125,542</u>
Movement in Asset Revaluation Reserve:		
Opening Balance	—	—
Add Revaluation	<u>180,220</u>	<u>—</u>
Closing Balance	<u>180,220</u>	<u>—</u>

13 Financial Instruments

(a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Sydney Ports Corporation's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised at the balance sheet date, are as follows:

							1998
Financial Instruments	Floating Interest Rate	Fixed Interest Rate Maturing in:			Non-interest Bearing	Total Carrying Amount as per the Balance Sheet	Weighted Average Effective Interest Rate*
		1 year or less	Over 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
Financial Assets							
Cash	1,294				2	1,296	4.09
Receivables	660	1,677	1,062		7,984	11,383	4.11
Investments	45,080					45,080	4.89
Futures Contracts					291	-	N/A
Total Financial Assets	47,034	1,677	1,062		8,277	57,759	
Financial Liabilities							
Creditors					9,801	9,801	N/A
Borrowings	38		52,945	97,563		150,546	9.11
Total Financial Liabilities	38		52,945	97,563	9,801	160,347	

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

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. Sydney Ports Corporation's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the balance sheet.

Credit Risk by Classification of Counterparty*

	Governments	Banks	Other	Total
	1998	1998	1998	1998
	\$000	\$000	\$000	\$000
Financial Assets				
Cash	294	1,002		1,296
Receivables	556	7	10,820	11,383
Investments	45,080			45,080
Total Financial Assets	45,930	1,009	10,820	57,759

*The only significant concentration of credit risk arises in respect of investments with NSW TCorp (78% of total financial assets). The largest single debtor included in Receivables totals \$4.041m (7% of total financial assets).

13 Financial Instruments (continued)**(c) Net Fair Value**

As stated in note 1(n), all financial instruments are carried at net fair value, unless stated otherwise. The aggregate net fair values of financial assets and financial liabilities (both recognised and unrecognised), which are carried at balance date on a basis other than net fair value, are as follows:

	Total Carrying Amount as per the Balance Sheet	Aggregate Net Fair Value
	1998	1998
	\$000	\$000
Financial Assets		
Futures Contracts	*	291
Total Financial Assets	*	291
Financial Liabilities		
Borrowings	150,546	171,267
Total Financial Liabilities	150,546	171,267

* Not applicable since financial instruments are not recognised in the financial statements.

(d) Derivative Financial Instruments

The nature of Sydney Ports Corporation's business gives rise to gaps in maturity of its cashflows and to exposures arising from possible changes in the repricing of financial positions upon their maturity.

The Corporation has identified the risks that arise from such gaps and exposures and has established policies to prudentially monitor and limit those risks. In managing such risks, the Corporation may be involved in derivative financial instruments.

A derivative financial instrument is a contract or agreement whose value is derived from the value of the underlying instrument, reference rate or index. Derivative financial instruments (futures contracts) are used to alter and modify the natural risks inherent in the balance sheet.

The Corporation uses futures contracts to hedge financial exposures arising from its borrowing portfolio thereby limiting the risk that changes in interest rates will adversely affect profit.

Because derivative financial instruments are entered into for the purpose of hedging financial exposures of the Corporation, the policy is to account for derivative financial instruments (including gains and losses thereon) in a manner that is not inconsistent with the underlying exposure.

Net Exposure

The market value of the Corporation's transactions in derivative financial instruments outstanding at the year end are as follows:

	1998 \$000
Derivative Financial Instruments Receivable	
Futures	292
Derivative Financial Instruments Payable	
Futures	1
Net Amount Receivable/(Payable) Under Derivative Financial Instruments	291

The net amount receivable or payable on the derivative financial instruments is fully offset by underlying physical positions contained within the Corporation's balance sheet.

13 Financial Instruments (continued)

At year end the Corporation's futures position was:

	Number of Contracts	
	Sold	Bought
90 Day Bank Bill Contracts	1	
3 Year Bond Contracts		215
10 Year Bond Contracts		12

14 Capital Expenditure Commitments

Forward obligations of the Corporation under major contracts committed as at 30 June 1998 but not otherwise brought to account have been assessed at \$0.390M (nil 1997).

15 Operating Leases

	1998 \$000	1997 \$000
Operating Lease Expenditure Contracted For at Balance Date, But Not Provided For in the Financial Statements:		
Payable no later than one year	1,149	870
Payable later than one, not later than two years	1,035	804
Payable later than two, not later than five years	2,811	1,772
Payable later than five years	305	555
Total	5,300	4,001

16 Contingent Liabilities

The estimated value of liability claims against the Corporation as at 30 June 1998 is \$0.240M (nil 1997).
The Corporation believes that negotiated solutions will be possible in respect of these claims.

17 Year 2000 Issues

The Corporation is investigating if and to what extent the date change from 1999 to 2000 may affect its activities. The Corporation has established a program to ensure that the impact of this transition is minimised by seeking to ensure that its significant/core computer hardware, software and/or systems are year 2000 compliant. At the date of this financial report, the Corporation is not aware of any reasons why the plan should not be achieved.

18 Consultancy Fees

Total fees paid and payable to consultants engaged in capital and operating projects by the Sydney Ports Corporation during 1997/98 amounted to \$1.735M (\$0.495M 1997).

19 Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks (net of any outstanding bank overdraft) and short term investments in money market instruments which are classified as current assets. Cash as at 30 June 1998 as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:-

	1998 \$000	1997 \$000
Cash	1,296	793
Current Investments	45,080	39,615
	<u>46,376</u>	<u>40,408</u>

(b) Reconciliation of Operating Profit After Income Tax Equivalent to Net Cash Provided by Operating Activities

Operating Profit After Income Tax Equivalent	25,499	23,750
Add/(Less) Non-cash Items		
Depreciation	6,030	5,631
Amortisation of Discount on Borrowings	317	349
Net Loss/(Profit) on Sale of Borrowings	84	-
Net Loss/(Profit) on Sale of Non-current Assets	(99)	47
Assets Written Off	120	90
	<u>31,951</u>	<u>29,867</u>
Add/(Less) Changes in Assets and Liabilities		
(Increase)/Decrease in Receivables	3,917	(4,981)
(Increase)/Decrease in Inventories	88	55
(Increase)/Decrease in Other Assets	(5,347)	(3,557)
(Decrease)/Increase in Creditors	814	(2,063)
(Decrease)/Increase in Provisions	5,180	(3,119)
Net Cash Provided by Operating Activities	<u>36,603</u>	<u>16,202</u>

20 Directors' Remuneration and Loans

Directors' remuneration includes emoluments and other benefits paid, or due and payable, to Directors but does not include amounts paid by way of salary to full-time Directors of the Corporation.

Directors' remuneration for 1998 was \$0.210M (\$0.207M 1997).

During the year the Corporation made no loans to Directors.

21 Events Occurring After Reporting Date

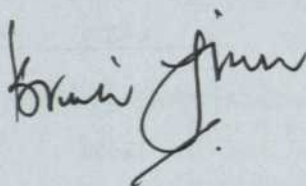
There are no known events occurring after reporting date that materially affect the financial statements. This information is provided in accordance with Australian Accounting Standard AAS8, Events Occurring After Reporting Date.

DIRECTORS' STATEMENT

In accordance with a resolution of the directors of the Sydney Ports Corporation, Clause 14 of the Public Finance and Audit (General) Regulation 1995, and pursuant to Section 41C(1C) of the Public Finance and Audit Act 1983, in the opinion of the directors:

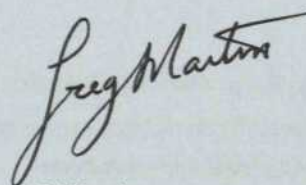
1. The accompanying financial statements exhibit a true and fair view of the financial position of the Corporation as at 30 June 1998 and transactions for the year then ended.
2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, and the Public Finance and Audit (General) Regulation 1995.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



T B Finn, AO
Chairman

Date: Monday, 12 October, 1998



G J Martin
Chief Executive Officer

Date: Monday, 12 October, 1998



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

SYDNEY PORTS CORPORATION

To Members of the New South Wales Parliament and Members of the Corporation

Scope

I have audited the accounts of the Sydney Ports Corporation for the year ended 30 June 1998. The members of the board of the Corporation are responsible for the financial report consisting of the accompanying balance sheet, and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and members of the Corporation based on my audit as required by section 24A of the *State Owned Corporations Act 1989* and sections 34 and 41C(1) of the *Public Finance and Audit Act 1983*.

My audit has been conducted in accordance with statutory requirements and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with my understanding of the Corporation's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Sydney Ports Corporation complies with statutory requirements and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation as at 30 June 1998 and the results of its operations and its cash flows for the year then ended.

E. LUMLEY, FCPA

ASSISTANT AUDITOR-GENERAL

(duly authorised by the Auditor-General of New South Wales
under section 41C(1A) of the Act)

SYDNEY
14 October 1998

STATEMENT OF LAND

AS AT 30 JUNE 1998

Land is disclosed in the financial statements under the asset grouping "Land and Buildings" within Property, Plant and Equipment. In the following summary, land has been separated from buildings and other non-current assets to show land value and usage in terms of balance sheet valuations.

	Note	1998 \$000
Land and Buildings		
Port Land	1	205,527
Buildings		<u>45,804</u>
Total		251,331
Other Property, Plant and Equipment		
Roadways		6,142
Wharves, Jetties and Breakwaters		189,397
Plant		<u>10,764</u>
Total Property, Plant and Equipment (as per balance sheet)		<u>457,634</u>

Note 1:

Port Land is land on Sydney Harbour and at Botany Bay which is used for port purposes.

Annual Reports (Statutory Bodies)

Act 1984

<i>Disclosure</i>	<i>Ref.</i>	<i>Page</i>
Freedom of Information	s.5A	42-43
Audited Financial Statements	s.7(1)(a)(i)	45-66
Audit Opinion	s.7(1)(a)(ii)	67
Matters Raised by the Auditor General	s.7(1)(a)(ia)	42
Letter of submission to Shareholder	s.9A	Inside front cover
Other Statutory Disclosures		39-44

Legislation

Sydney Ports Corporation operates in accordance with the:

- Ports Corporatisation and Waterways Management Act 1995; and
- State Owned Corporations Act 1989.

Other significant legislation affecting the Corporation includes the:

- Dangerous Goods Regulation 1978;
- Marine Pollution Act 1987 and associated regulation;
- Management of Waters and Waterside Lands Regulation - NSW;
- Marine Pilotage Licensing Regulation 1995;
- Maritime Services Act 1935; and
- Navigation Act 1901.

Glossary

CBS	Central Booking Service
EDI	Electronic Data Interchange
GRT	Gross Registered Tonne
IAPH	International Association of Ports and Harbours
ICHCA	International Cargo Handling Co-ordination Association
MMHC	Marine Ministerial Holding Corporation
OH&S	Occupational Health and Safety
POCC	Port Operation Control Centre
PSOL	Port Safety Operating Licence
SCI	Statement of Corporate Intent
SREP	Sydney Region Environment Plan
SOCOG	Sydney Organising Committee of the Olympic Games
SPUCG	Sydney Ports User Consultative Committee
TEU	Twenty-foot equivalent units

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Maritime and Emergency Response Operations

Moore's Wharf Store The Rocks

The Container Port at Botany Bay