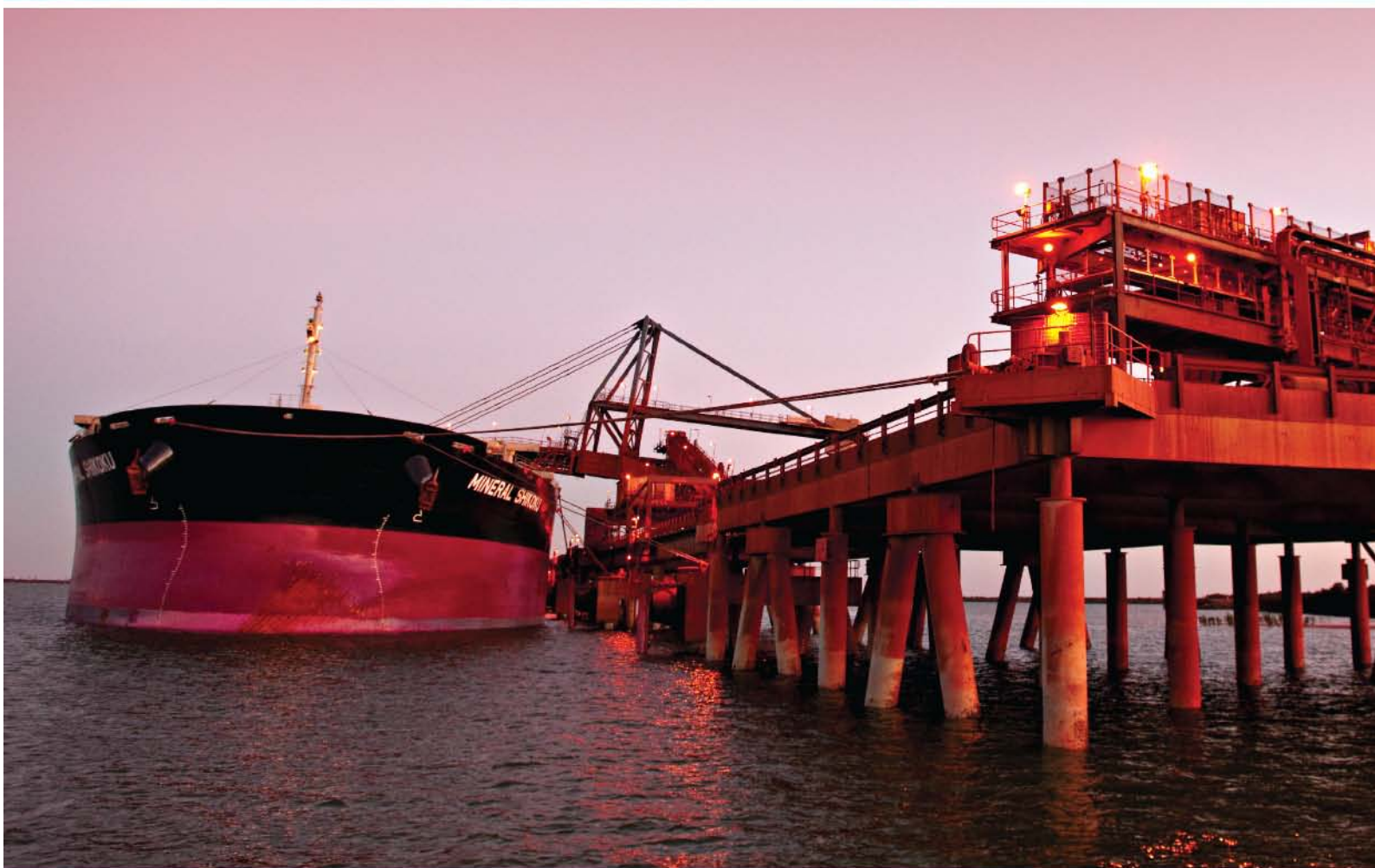


# Port Hedland Port Authority 2010 ANNUAL REPORT



## TABLE OF CONTENTS

HISTORY.....	3
OUR VISION AND MISSION.....	4
CHAIRMAN AND CEO'S REPORT.....	6
OUR DIRECTORS.....	9
OUR EXECUTIVES.....	12
PERFORMANCE OVERVIEW.....	13
STRATEGIC PLANNING AND DEVELOPMENT.....	13
OUR OPERATIONAL PERFORMANCE.....	21
PEOPLE & CULTURE.....	27
OUR ENVIRONMENTAL PERFORMANCE.....	30
CORPORATE GOVERNANCE.....	32
OUR FINANCIAL PERFORMANCE.....	35

The Port Hedland Port Authority was established through the Port Authorities Act 1999.

Its principal place of business is The Esplanade, Port Hedland.

Annual reports and other information are available on our Website: [www.phpa.com.au](http://www.phpa.com.au)

## THE YEAR AT A GLANCE

### Operational

Port Hedland Port Authority facilitated close to \$20 billion in trade, a significant contribution to the Australian economy. The record throughput of 178.6 million tonnes was an increase of nearly 20 million tonnes on last year's figure. Shipping efficiencies have continued to be maximised, including the optimisation of the channel leading to the certification of a further 25mtpa capacity through the year.

### People

To address planned growth in the Port, PHPA developed a new organisational structure defining three business areas, Strategic Planning & Development, Port Operations and Corporate Services. Increased human resources have been planned across these areas with the Port expecting staff numbers to grow to 100 in two years. The Port's focus on safety is demonstrated by a decrease in lost time injuries (LTIs) across the entire port operation.



### Financial

Operating revenue was a record this year in line with the record tonnages shipped. The PHPA's return on assets was 3% for the financial year.

### Environment

The PHPA Environmental Management Plan has been fully implemented and an environmental risk assessment was undertaken. Five E-Samplers have been installed as part of an operational dust management plan. Significant scientific research has been undertaken to determine the feasibility of a mangrove offset program. PHPA has been integral in both the operation of Port Hedland Industries Council and the State Government Dust Taskforce.

### Planning and Development

Construction of the multi-user bulk export facility at Utah Point has progressed, with completion scheduled for October 2010. Significant proponent iron ore capacity expansions are both in progress and under planning. The authority is progressing plans to develop a 10 storey office and residential tower on port land.

Planning continued for the 400Mtpa outer harbour with access corridors for required infrastructure from the Boodarie stockyard area being developed. Concept planning was completed for the Authority's Lumsden Point Hub project to the north of Wedgefield. With the reclamation of 140 hectares of land between Wedgefield and the harbour as part of BHP Billiton Iron Ore's dredging campaign, the authority is planning development of port related infrastructure in the area.

HISTORY



**1896**

Construction of the first Port Hedland jetty began and was extended in 1908 when gold was discovered in Marble Bar.

**1965**

Goldsworthy Mining Ltd (now BHP Billiton Iron Ore) dredged an approach channel and turning basin for ships of up to 65,000 Dead Weight Tonnes (DWT).

Throughput  
**100,000 T**

**1976**

The turning basin was extended and some channel widening took place allowing ships of up to 225,000 DWT to be handled.

Throughput  
**37.1 Mt**

**1986**

The channel was deepened by 2.5m. In conjunction with a computerised under keel clearance program, (the first in an Australian port) this allowed the port to handle ships up to 330m, and 260,000 DWT.

Throughput  
**35.6 Mt**

**2004**

BHP Billiton Iron Ore constructed a second berth on Finucane Island, and construction was underway to extend the Port Authority's No. 1 berth to recreate No. 2 berth.

Throughput  
**89.7 Mt**

**2008**

FMG completed construction of its Herb Elliott port facilities comprising two cape size berths with an installed capacity of 45 Mtpa and shipped its first ore in May.

Throughput  
**130.7 Mt**

**2010**

The first pile was driven in March 2009 to commence construction of the new berth at Utah Point, due for completion later in 2010. Two new berths at Harriet Point are under construction.

Throughput  
**178.9 Mt**

## OUR VISION, MISSION, AND WHO WE ARE

The Authority's Vision and Mission provide guidance in its decision making.

### **Vision**

To be the "Port of Choice" for trade to and from the Pilbara and be the world's leading bulk commodities port.

### **Mission**

To promote, facilitate and expand trade through the port, via the provision of safe and efficient services, and timely infrastructure development, whilst fulfilling our social and environmental responsibilities.

### **Who We Are**

The Port of Port Hedland is the largest bulk minerals export port in the world. This vital infrastructure serves the mineral rich Eastern Pilbara region in Western Australia. Its major export commodity is iron ore. Not only is the Port Australia's largest port based on total annual tonnes throughput but in 2004/05 it was also the first Port in Australia to exceed the 100 million tonnes throughput ceiling. Port Hedland expects to exceed 200 million tonnes per annum within twelve months.

The Port Hedland Port Authority is a statutory authority owned by the Western Australian Government. The Port Authority has a charter to operate along commercial lines and our primary purpose is to facilitate trade through the port.

One of our major functions is the control of all shipping and we maximise the loaded capacity of ships through the use of world leading technology that allows us to maintain minimum safe under keel clearances. The Port Authority also has a responsibility to plan for and manage new developments whilst protecting the environment of the port.

## CHAIRMAN AND CEO'S REPORT

The Port witnessed a 12% growth in trade over the past year with record trade levels of 178.6 million tonnes for 2009/10. Port Hedland maintained the title of the largest tonnage port in Australia, largest bulk export port in the world as well as the largest iron ore port in the world. Construction of 5 of a total of 11 bulk berths envisaged to be developed within the Inner Harbour over the next five years are at varying stages of completion. These berths should bring the total Inner Harbour throughput close to its approved capacity of 495 million tonnes per annum (Mtpa). Plans for a 400 Mtpa Port Hedland Outer Harbour off Finucane Island to cater for proponent needs beyond the Inner Harbour development continue to be progressed. The Port Authority has achieved its objectives for the year and it is thus with great pleasure that we submit this report.

Trade records were again set this year, primarily due to record iron ore exports of 174.0 million tonnes, 19.8 million tonnes more than last year, as Fortescue Metals Group (FMG)/The Pilbara Infrastructure (TPI) ramped up production at their Herb Elliott port facilities with an annualized throughput rate of 48 Mtpa achieved in June 2010. BHP Billiton Iron Ore (BHPBIO) exported 133.8 million tonnes, FMG 39.1 million tonnes, Atlas Iron 0.8 million tonnes and Mineral Resources 0.3 million tonnes.

A record of 2.6 million tonnes of bulk minerals were loaded over the Port Authority's No. 1 Berth shiploader, 40% more than the previous year, with record exports of 1.7 million tonnes manganese, 0.5 million tonnes copper concentrate and 0.3 million tonnes iron ore. Fuel imports reached a new record of 0.82 million tonnes. For the second year general cargo, break bulk and container trade has grown by around 50% from 0.24 last year to 0.36 million tonnes this year. Ship calls for the year increased by 27% to 1303 equating to over 3.5 per day on average.

The Port Authority continues to gear up to manage, the significant future increases in shipping, the commencement of operations at Utah in the last quarter of 2010, facilitating numerous proponent projects and expansions both in iron ore and other areas, whilst also implementing a series of improvement measures. To facilitate this growth a new organisational structure has been implemented during the year with the introduction of three general manager positions. Sixteen additional Port Authority staff positions were filled during the year with plans for staff to exceed 100 in the next 2 to 3 years. The shared Perth office established with the Dampier Port Authority in January 2009 has been a great success with a move to larger premises to meet both ports growing needs implemented in July 2010. The majority of the Port Authority's planning, development and commercial staff are now Perth based enabling us to better service both our current customers as well as future proponent needs.

The Port Authority has implemented further safety, security and environmental improvements during the year, as well as progressing a series of risk mitigation initiatives (larger tugs, oil spill response, simulator) with positive results and the full support of port users. Community relations are good with close consultation on development plans and a number of community related projects being pursued. A number of opportunities for the traditional owners have materialised as a result of the port collaboration and heritage agreement.

The Port Authority charges were generally adjusted by CPI (5%) with the exception of tonnage dues which were escalated by 10% while the cape vessel surcharge remained unchanged. For 2010/11 Port charges will generally be adjusted by 2.5% (less than CPI) with the exception of berthage charges. Due to high utilization, these have been restructured and will increase by around 60% to promote greater efficiency of use.

The financial performance of the Port Authority reflected a net operating loss of \$2.75 million for the year, primarily as a result of a delay in commissioning of the Utah berth originally expected in May 2010, and the undertaking of maintenance dredging this financial year in lieu of 2010/11.

BHPBIO Rapid Growth Project 4 (RGP4) expansions are substantially complete with throughput expected to ramp up to a rate of 155 Mtpa by late 2010. As part of RGP5 the construction of 2 new berths at Harriet Point is advancing well. RGP5 should increase throughput to 205 Mtpa during 2011. Dredging of 2 berths at Burgess Point as part of RGP6 pre approval works are well advanced.

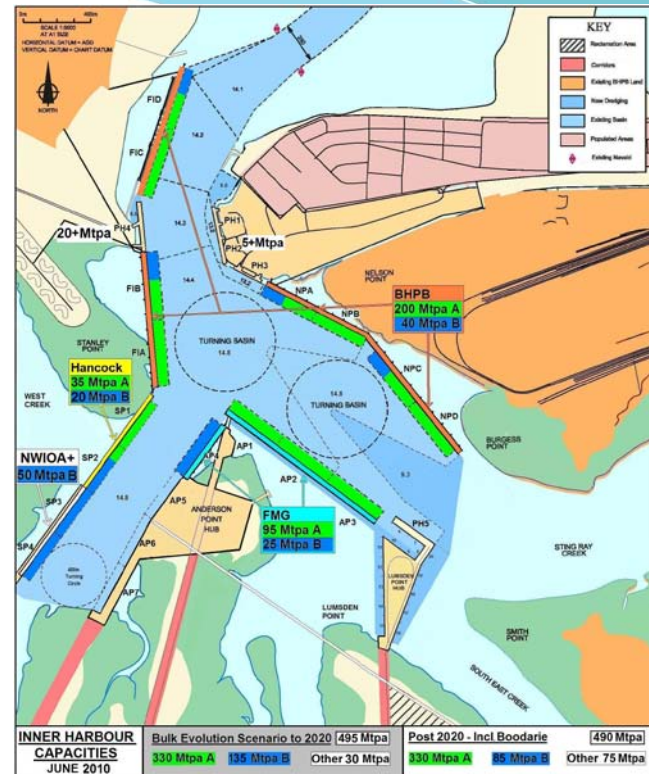
FMG/TPI's Herb Elliott port facilities comprising twin cape size berths (AP1 & AP2) is nearing its name plate capacity of 52 to 55 Mtpa. Construction of TPI's third berth at Anderson Point (AP3 increasing throughput to 95 Mtpa) is scheduled to commence in early 2011. TPI continue to progress development planning for their fourth berth in South West Creek (AP4) which if developed will provide TPI with a total capacity of 120 Mtpa.

Roy Hill Iron Ore (RHIO) a subsidiary of Hancock Prospecting have been allocated 2 berths in South West Creek (SP1 & SP2) with a capacity of 55 Mtpa fed by conveyor from stockyard and rail car dump facilities nearby the Boodarie Industrial Estate.

The North West Iron Ore Alliance comprising a consortium of junior miners have been allocated two berths in South West Creek (SP3 & SP4) with a capacity of 50 Mtpa, with provisions to move/expand via the Outer Harbour at a later date should demand from the Boodarie Industrial Estate require this Inner Harbour capacity.

PHPA are progressing approvals for the dredging of South West Creek to cover the berth developments of RHIO, TPI and the NWIOA, with dredging expected to commence early 2011.

The total approved capacity within the Inner Harbour is as set out below.



Class A	Tidally constrained unrestricted Capes (generally 180,000T upwards – with priority sailing)	330 Mtpa
Class B	Tidally constrained restricted Capes (generally 150 to 205,000T – secondary sailing priority)	135 Mtpa
Class C	Non Tidally constrained vessels (generally up to 120,000T – third sailing priority)	30 Mtpa
	<b>Total</b>	<b>495 Mtpa</b>

During the year, PHPA has been able to increase the capacity of the Inner Harbour by way of three initiatives:

1. RHIO funded a \$20M high spot dredging campaign increasing the departure drafts of vessels by greater than 200mm. This work was completed in the first half of 2010.
2. PHPA will undertake maintenance dredging yearly as from 2011/12 in lieu of 3 yearly. This will remove the accumulation of silt in the channel which reduces departure drafts by up to 200mm.
3. Increased the size of vessels able to be accommodated in South West Creek from 150,000t deadweight vessels to 205,000t deadweight vessels.

Port Hedland port capacity is constrained by shipping movements in the channel, so whilst PHPA have committed to service the 495 Mtpa capacity allocated above, the PHPA is encouraging all port users to make use of larger, beamier and more draft efficient ships. This greatly facilitates freight and operating efficiencies, as sailing windows increase and preferred sailing drafts can be better provided.

PHPA's new berth at Utah Point is capable of handling vessels up to 120,000 tonnes deadweight with a capacity of between 17 to 23 Mtpa (C class) and designed to handle multiple bulk mineral products (such as Manganese, Chromite, Iron Ore and Magnetite). Capacity of 17.1 Mtpa on a long term basis has been allocated to foundation customers, Consolidated Minerals, Process Minerals International, Atlas Iron, Aurox Resources, and Mesa Minerals. Some short term capacity has been allocated to BHPBIO.

Utah has the potential to increase its capacity beyond 17.1 Mtpa potentially to 23 Mtpa, subject to the development of a proponent funded multi user Stockyard 2 area with reclaimer able to load out at 7500 tonnes per hour (Tph), all parties maximising the use of mini cape vessels up to 120,000 t deadweight and port users working together to minimise berth idle time.

The removal of Manganese and Chromite exports from No. 1 berth will enable significant expansion in general cargo, containers, fuel and concentrates over the existing public berths from early 2011. New berths planned at Lumsden Point and South West Creek will cater for the medium to long term growth in these commodities. A proposal for a proponent funded logistics base at Lumsden Point comprising 1000m of shallow draft berths and 140 hectares of laydown area is being fast tracked by PHPA for completion in 2011/12. New tug pens to cater for the more powerful and enhanced harbour/escort tugs will be accommodated as part of this facility.

For demands of capacity in excess of the 495 Mtpa proponents are being urged to consider export facilities via the Outer Harbour where a minimum 400 Mtpa of additional bulk export capacity will be able to be accommodated. The Outer Harbour is envisaged to accommodate iron ore vessels up to 320,000T deadweight as well as bulk liquids berths. The stockyards are to be located to the north of the Boodarie Industrial Estate. The Outer Harbour berths are to be located 4.5 kms offshore from Finucane Island and will require a new channel parallel to the existing one.

The Port Hedland port is in the midst of a massive growth phase as multi billion dollar development projects come into operation which could see trade value approach \$40Bn/year. The Authority is moving quickly to enhance its capability to ensure that the increased level of activity from its bulk cargo customers as well as from its own facilities such as Utah Point and the Lumsden Point operations is handled safely and efficiently.

This growth will create significant challenges for the Port Authority, port users and the Town of Port Hedland, but we look forward to working with all stakeholders in the town, the Pilbara and the State to secure the opportunities that comes with this, to achieve the Pilbara Cities vision where people want to live work and retire.

We extend our appreciation to the Directors, Port Authority staff, contractors and service providers for their continued contributions and dedication to achieve our vision of being the world's leading port.



## OUR DIRECTORS

### **IAN WILLIAMS, AO, BE.Elect., FIEAust., FAusIMM**

#### **Chairman**

Ian was reappointed Chairman on 22 September 2009 for a term expiring 31 December 2011. Ian is a widely experienced executive who has held a number of very senior positions within the mining and processing industries in Australian and overseas. Ian is currently a director of Bougainville Copper Ltd, a private fabrication company and chairman of an Aboriginal owned residential development company. Ian holds a degree in Electrical Engineering and is a fellow of the Australasian Institute of Mining and Metallurgy and of Engineers Australia. In June 2010 Ian was awarded the honour of Officer of the Order of Australia for distinguished service to the Indigenous community of Western Australia and Queensland through the establishment of training programs providing sustainable employment in the mining industry, the promotion of social responsibility and as a supporter of business development initiatives.

### **LES LONGDEN BE (Hons), Grad Dip App Fin, FAICD, F Fin**

#### **Deputy Chairman**

Les was appointed to the Board on 1 October 2009 for a term expiring 31 December 2011. Les has over 20 years' experience in the resources industry across a variety of development and operations roles and is currently principal of a Perth based engineering and project management consultancy and executive director of an ASX listed oil exploration and production company. Les is a fellow of the Australian Institute of Company Directors and a fellow of the Financial Services Institute of Australasia.

### **ANGELA RILEY MBA, CPA (inactive USA), GAICD**

#### **Director**

Angela was appointed as a Director on 22 January 2010 for a term expiring 31 December 2012. Angela is an accountant by profession, and has extensive experience with global companies such as 3M, Coopers & Lybrand, Honeywell, Dain Rauscher, and Ball Corporation. Her experience covers corporate governance, external and internal audit, finance, compliance, and strategy in the United States, Canada, Europe, South America, Asia and Australia.

Angela is currently involved with a number of organisations at a board level in Western Australia, including, WA's regional power corporation Horizon Power, Leadership WA, and the three operating trusts of MG Corporation which is an indigenous corporation representing the traditional owners of the Ord River area. Angela has an MBA and CPA (USA, inactive license).

### **JAN FORD Dip Business (RE)**

#### **Director**

Jan was appointed to the Board on 8 June 2009 for a term expiring 30 June 2011. Jan is a local business owner with strong community focus and is involved in several organisations, across industry, community, not-for-profit, planning, environmental and women's sectors. As a former Town Councillor, Jan brings solid understanding of local issues, pressures and opportunities for the enhancement and development of the region. She established the Port Hedland Community Progress Association, a conduit between Community, Industry and Government resulting in industrial expansion within environmental parameters with community engagement.

### **JULIAN TAPP MSc (Distinction), BA (Upper Second)**

#### **Director**

Julian was appointed to the Board on 30 June 2009 for a term of expiring on 31 December 2010. Julian is Head of External Affairs for Fortescue Metals Group. Julian has a Master's Degree in the Theory of Public Finance and worked as an economics lecturer (LSE, Murdoch, Brunel) for 5 years and then as an economist in industry (Ford of Europe, BP and BAE Systems) for 17 years, prior to joining FMG in 2004.

**MATTHEW CURRIE MBA, BE (Hons), Dip Man****Director**

Matt was appointed to the Board on 1 December 2009. He is General Manger – Port Operations for BHP Billiton Iron Ore and has held a number of operational and strategic roles in BHP Billiton's Iron Ore business. He graduated from Monash University as a Mechanical Engineer with First Class Honours. Matt was awarded Deans Honours when receiving his MBA from Melbourne Business School and is a Six Sigma Black Belt.

He brings extensive knowledge of the iron ore industry both domestically and globally. He brings valuable insight as the Registered Manager under the Mines Safety and Inspections Act for the Nelson Point and Finucane Island Port Facilities

**ROGER RICHARDSON****Alternate Director**

Roger was first appointed to the Board as an Alternate Director in 1991 and then as a member in 1996. Roger is Superintendent Shipping for BHP Billiton Iron Ore Pty Ltd and a former Town Councillor. Roger is also Chairman of the Tropical Cyclone Industrial Liaison Committee. Roger was made Alternate Director in October 2009.

**Principal Activities**

Port Hedland Port Authority:

- Provides and maintains essential port facilities including the channel and turning basin, navigation aids, berths, shiploader, storage areas and utilities.
- Provides services for the safe movement of ships within the port including scheduling and movement control, pilotage, and under keel clearance optimisation.
- Controls services provided by others in the port including stevedoring, towage, and line boats.
- Controls the activities of others in the port including the planning and construction of dedicated private facilities.
- Leases industrial land.
- Plans for the future growth and development of the port.

There have been no significant changes in the nature of the principal activities during the financial year.

**Operating Results**

Information on the operations and financial position of the Authority and its business strategies and prospects is summarised in the Performance Overview section on pages 14 – 19 in this Annual Report.

**Dividends Paid or Recommended**

Dividends paid during the year are as follows:

A final dividend of \$ 2,651,188, as recommended in the 2009 report was paid in April 2010.

**Likely Developments and Expected Results**

In the opinion of the Directors, no developments have occurred since 30 June 2010 which are likely to significantly affect the operations of the Port Authority as at the date of this report.

**Significant Changes in the State of Affairs**

There have been no significant changes to the state of affairs of the Authority since the previous Directors' report.

**Events Subsequent to Balance Date**

No events have occurred subsequent to Balance Date that require reporting.

**Remuneration Report**Remuneration Policy

The Minister determines the emoluments of the Directors.

The Board, with the approval of the Minister determines the emolument package of the Chief Executive Officer. The Board delegates to the Chief Executive Officer the power to determine the terms and conditions of other senior executives in accord with competitive emolument packages for senior executives based on benchmarking with other organisations.

The performance and bonus of the Chief Executive Officer and senior executives is monitored against agreed criteria.

**Directors' Emoluments**

The emoluments of each director of the Port Hedland Port Authority have been disclosed in the Financial Statements.

**Directors' Meetings**

The number of meetings of the Authority's Board of Directors' held during this financial year and the number of meetings attended by each Director were:

	Directors' meetings		Special directors' meetings	
	No. of meetings held while in office	Meetings attended	No. of meetings held while in office	Meetings attended
Ian Williams	11	10	-	-
Les Longden	9	7	-	-
Angela Riley	5	5	-	-
Jan Ford	11	11	-	-
Julian Tapp	11	8	-	-
Matthew Currie	8	8	-	-
Roger Richardson	3	3	-	-
Bill Dziombak	2	1	-	-
Tony Cooke	5	5	-	-

**Directors' Interest in Contracts**

During or since the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received, or due and receivable in the accounts or the fixed salary of a full time employee) by reason of a contract made by the Port Authority with the Director or with a firm of which the Director is a member or an entity in which the Director has a substantial financial interest.

## OUR EXECUTIVES

### **ANDRE BUSH**

BSc Civil Engineering (Hons)  
**Chief Executive Officer**

**CAPTAIN LINDSAY COPEMAN**  
**General Manager Operations**

**DAPHNE GOLLOGLY**  
BBus, CPA  
**General Manager Corporate Services**

**LYLE STANLEY**  
BEng (Mech)(Hons), MIEAust, AIPM  
**Manager Technical Services**

**CRAIG WILSON**  
MEBM, BApp Sc (Hons)  
**Environment & Heritage Manager**

**PETER WATSON**  
**Commercial Manager**

**WARREN FARROW**  
BEng (Civil)(Hons), MIEAust, Grad Dip Bus  
**Port Development Manager**

**NADIA NICKOLAI**  
Dip Acct  
**Finance Manager**

**CAPTAIN JOHN FINCH**  
**Marine Operations Manager**

**DAMIEN MILES**  
BSW (Hons)  
**Human Resources Manager**

**JON GILES**  
**Landside Operations Manager**

**GARY DUSCHER**  
**Shipping Superintendent**

### **Executive Emoluments**

The emoluments of the three highest earning executives of the Port Hedland Port Authority have been disclosed in the Financial Statements.

## PERFORMANCE OVERVIEW

This section provides the broad objectives for the Port Hedland Port Authority for 2009/10, and details the corresponding actions towards achieving these.

**Service Provision: The provision of reliable, competitive and efficient port and marine services that meet and are responsive to the needs of users.**

### Marine Operations

Regular operational meetings held with marine service providers throughout the year ensured that all performance KPI's were being met with minimal disruption to marine operations. All non PHPA provided services are operating under licence.

Operational procedures were reviewed as a part of the PHPA's move to obtain ISO certification, with deficiencies rectified and additional areas for improvement are being addressed.

Pilot training for shipping emergencies was conducted using ship bridge simulators at Broome TAFE. Development and implementation of new scheduling software is progressing with full implementation anticipated toward the end of 2010.

### Stevedoring Services

KPIs and operating procedures have been adjusted to improve overall port performance. The appointment of a Landside Operations Officer has ensured the performance of the stevedores was effectively managed and monitored against established KPIs.

### Contracted and Third Party Services

The PHPA Vessel Movement Protocols have been successfully implemented and tested. Minor changes are planned to reflect changes to capacity allocation and vessel classes.

### Maintain Leading Port Status

Portable Pilotage Units (PPU's) have been utilised extensively and further developed over the past year which included conducting Dynamic Underkeel Clearance (DUKC) trials. Implementation will be completed in 2010.

Selective dredging was undertaken to remove high spots in the channel.

The implementation of new technologies has included the Cavotec MoorMaster system on the Utah Point berth; and the port's future towage provision will be met with Rotor Tugs to provide improved operability and enhanced risk mitigation against tug engine failure.

**Port Facilities: The provision and maintenance of suitable, reliable and competitive port facilities to meet user needs.**

### Secure Maintenance Dredger

A tender for lease and manning of a trailer suction hopper dredge for WA Ports was advertised. Responses are being evaluated and subject to approval, it is intended that the dredge will be available in Hedland for July 2011.

### Facilities for Increasing Bulk Export Capacity

Construction of PHPA's multi-user bulk export facility at Utah Point is scheduled for completion in October 2010. The berth is capable of receiving small cape size ships up to 120,000T deadweight and loading at up to 7500 Tph, with 17.1 Mtpa capacity already approved and allocated.

BHP Billiton Iron Ore's Rapid Growth Project (RGP) 5 is underway, with expansions to 205 Mtpa capacity with two new cape size berths at Harriet Point. RGP 6 is awaiting a final investment decision. Development plans for a new 400 Mtpa Outer Harbour have been completed.

The Pilbara Infrastructure (FMG) plan to commence construction of their third berth early 2011 which will ramp up production to 95mtp, while Roy Hill Iron Ore (RHIO) is fast tracking development plans for two berths in South West Creek (55 Mtpa capacity). The two North West Iron Ore Alliance berths and associated 50 Mtpa capacity have planning advancing to Bankable Feasibility Study.

### **Improved Shiploader Performance**

Shiploader cyclone strengthening was completed during the year. A spill plate was fitted to the front of the shiploader to prevent product from spilling into the harbour. Main power supply cable and communications cables were replaced.

### **Appropriate and Compliant Port Infrastructure**

A tender for the replacement of the 80t weighbridge was awarded with installation to be completed in the new financial year. A tender for the installation of a one million litre water tank was also awarded.

### **New Office Block Development**

An expression of interest was advertised for interested parties to develop a 10 storey office/residential tower on port land. A number of responses were received and evaluated, with PHPA in commercial discussions with one of the respondents. It is expected that subject to approvals, earthworks will begin within the 2010/11 year.

### **Staff Housing**

During the year, the PHPA advertised for interested parties to construct and lease back five houses on port blocks. The successful developer is progressing with designs and local government approvals. Other PHPA housing needs are being secured by long term competitive leases wherever possible.

**Planning and Development: Through forward planning, ensure that future development is not unreasonably constrained by external restrictions, effectively meets the needs of expected trades, is coordinated and efficiently uses the port area.**

### **Ultimate Development Plan Update and Strategic Regional Planning**

PHPA augmented the certified capacity of the port to 495 Mtpa following supplementary modelling subject to high spot dredging, annual maintenance dredging and use of larger ships in South West Creek.

The Ultimate Development Plan of the port now incorporates the Outer Harbour and the Logistics Hub at Lumsden Point. The development of a Cultural Heritage and Development Plan for the port is well advanced.

PHPA continues to collaborate closely with Dampier Port Authority, Pilbara Development Commission, Town of Port Hedland, Main Roads, Landcorp, Departments of State Development and Planning as well as power and water providers, in local and regional Pilbara planning.

### **Outer Harbour Development**

Government approval has been received to expand port vested lands to include Outer Harbour stockyards, rail car dumps and loops to the north of Boodarie Industrial Estate. Plans for the Outer Harbour have been finalised, with the needs of the BHP Billiton Iron Ore Quantum project accommodated.

Expressions of Interest for an infrastructure provider funded 200 Mtpa common user Outer Harbour development have been prepared and are ready for release once sufficient demand materialises and Government approval is obtained.

#### **Inner Harbour Proponent Funded Berth Developments**

BHP Billiton Iron Ore's RGP5 and RGP6 port expansion plans have been accommodated, with new berths at Harriet and dredging at Burgess Point. Plans for new tug pens at Lumsden Point have been facilitated.

The PHPA also facilitated TPI's expansion plans to construct third and fourth berths at Anderson Point; and development planning of Roy Hill Iron Ore and North West Iron Ore Alliance berths in South West Creek and stockyards at Boodarie.

#### **PHPA Berth and Infrastructure Developments**

One thousand metres of shallow draft berth opportunities serviced from Lumsden Point have been progressed using 140 ha of land reclaimed back to Wedgefield. Proponents for Lumsden Point have been identified with detailed designs underway.

Planning has been advanced for the redevelopment of current bulk mineral storage areas (manganese and chromite) to service future break bulk / general and container trade. Plans for the development of a proponent funded common user salt and multi user berth either at South West Creek or Lumsden Point hub are currently under investigation.

#### **New Port Services Infrastructure**

The PHPA road and utilities to Finucane Island have been completed as part of the Utah Point development.

Planning has been progressed of a proponent funded directionally drilled common user fuel pipeline beneath the harbour to Anderson Point and the location of future fuel storage capacity to the rear of the harbour.

The Federal Government realignment of the Great Northern Highway (to the north of Wedgefield) is proceeding. The PHPA has been working with Landcorp to develop PHPA lands abutting the new highway to industry standard. Structure planning commenced for Lumsden Point for port related industrial land use.

#### **Trade Facilitation: Facilitate trade and business opportunities within and through the port.**

##### **Port Development**

PHPA have coordinated and facilitated the development of proponent project plans in a timely manner, whilst market conditions remain buoyant. Proponent needs have been successfully accommodated within PHPA's updated Ultimate Development Plan ensuring new port users and proponents developments are in harmony with the plan and are sustainable.

##### **Increased Production and Shipping of all Shippers**

Channel utilisation has been further optimised with the certification of a further 25 Mtpa of capacity during the year. Furthermore PHPA's draft efficient ships initiative is gaining positive traction.

PHPA is further maximising shipping efficiencies, via enhanced ship scheduling software development, enhanced risk mitigation (escort tugs, Port Hedland based vessel / tug simulators and enhanced control tower), annual maintenance dredging, and high spot dredging. Potential for further draft efficiency gains area also under investigation.

### **Grow Container and Break Bulk Trade**

Plans to develop the first stage of a container park and AQIS washdown and fumigation facility can progress once Utah Point is operational. General and containerised cargo growth neared 50% for the second consecutive year, indicating significant potential.

In light of the significant lay down land space available and subject to timely development, the Lumsden Point hub may well facilitate significant growth in ammonium nitrate, cement and general construction component imports.

### **Capture Port Related Industries for Hedland**

A number of new industries and trade opportunities have been identified during the year, including a proponent seeking to develop a wind farm on port land; LNG imports; a supply base to support the burgeoning oil and gas industry; direct importation of chemicals and reagents for the mining industry; and the establishment of a PPHA maintenance dredger .

**Financial: To establish pricing for users of port services and facilities commensurate with the achievement of the required return on Government investment and consistent with the Authority's trade facilitation objective**

### **Target ROR**

The majority of Port charges were increased by 5% only for 2009/10 and in the coming years increases will generally be 2.5% pa. PPHA achieved a ROR of 3% against the long term average of 6.5%.

### **Business Systems Improvements and ISO Certification**

PPHA is progressing towards ISO 9001, ISO 14001 and AS/NZS4801 certification of its management system.

**Human Resources: To provide a safe, healthy and supportive environment which encourages employees to work with commitment and enthusiasm to achieve corporate objectives.**

### **Increased port management, staff and enhanced service provider contracts to handle future exponential growth.**

PPHA undertook an organization structure review during 2009/10. The new structure now has three General Manager positions and staff numbers are expected to ramp up to 100 within three years.

### **Skilled Employees**

The Port Authority continues to support opportunities for staff development. Plans to secure a Ship and Tug simulator in Port Hedland are progressing with a portable simulator to be contracted in 2010/11.

**Community Support: Establish and maintain a close relationship with the Port Hedland community in order to win support for current port operations and future developments.**

### **Recognition as a Good Corporate Entity**

PPHA's investment in community related projects has exceeded its target of 2% of pre-tax profits, on a three year rolling average.

PPHA has been an active participant in the redevelopment plans of the Spoil Bank in collaboration with the Town of Port Hedland (ToPH) and has continued to provide assistance to the ToPH with maintenance of the existing boat ramp. Plans for a viewing tower, board walk and wharf structure to include a restaurant/coffee shop, marine and heritage interpretive centres on PPHA land alongside Marrapikurrinya Park are well advanced. PPHA's Landscape Master Plan has been rolled out and a lease rebate scheme is progressing with agreements in place to develop the interpretive walk between the port entrance and the tug pens.



Local aboriginal employment opportunities progressed directly with PPHA and also Utah Point contractors. PPHA continued to provide support to the Port Hedland Peace Memorial Seafarers' Centre. PPHA continues to sponsor community events and initiatives.

**Environment, Community Safety and Health: To protect the environment of the port area and minimize the impacts of port activities on the environment and the community by ensuring that environmental management is incorporated in our operations and port development.**

### **Port Security Improvements**

The Electronic Access Control System (EACS) has been put out to tender and awarded with an expected completion date of November 2010.

A high level security exercise was held in partnership with the Critical Infrastructure Unit and Tactical Response Group from the WA Police Service. PPHA hosted a desktop security exercise with the WA Police Tactical Response Group (TRG), Pilbara District Response Group and Water Police.

### **Marine Pollution Response Capability**

A number of staff were trained in oil spill response and oil spill management. A contract was awarded to install first strike response equipment in the inner harbour. This equipment will be installed in the new financial year.

### **2009/10 PPHA Environmental Management Plan (EMP)**

The PPHA EMP was implemented with the majority of targets met.

### **Minimise Contamination of the Harbour Sediments from Product Spillage**

A number of upgrades were undertaken on the No.1 Wharf shiploading system including the installation of concrete bunding to the wharf and the installation of a spill plate to the shiploader. Tender documentation has been prepared for a water treatment system for washdown and storm water.

The Utah Point Berth Facility has been designed to capture all runoff water and rainfall up to one in ten year event. All water will be recycled through the facility.

### **Minimise Dust from PPHA Area**

PPHA has installed five E-Samplers as part of operational dust management program. Dust monitoring data has been analysed and dust exceedance alarms have been developed. The program will be expanded further to include an interactive dust management system to assist operators in dealing with dust events.

PPHA has been integral in both the operation of Port Hedland Industries Council and the State Government Dust Taskforce.

### **Ensure Dust and Noise of Future Developments are Sufficiently Minimised and Mitigated**

PPHA has developed a set of dust management guidelines which have been endorsed by the Board of Directors. These guidelines will be applied to all future developments at the Port and existing operations will be encouraged to retrofit to comply.

### **Manage Mangrove Habitats**

Significant scientific research, including a number of trials, has been undertaken to determine the feasibility of a mangrove offset program.

## STRATEGIC PLANNING AND DEVELOPMENT

The 2009/10 financial year has been a significant year for PPHA, with our fourth berth nearing completion at Utah Point and many other projects being progressed. This significant development and strategic planning for the future has seen the port significantly strengthen its capability in this area. The revised organisational structure recognises the increasing development in the port.

### Major Development during 2009/2010

Major PPHA construction activity for the financial year delivered by our Development and/or Technical Services departments are highlighted below

#### Utah Berth Development

The construction activities at the new bulk handling facility located on the west side of the harbour at Utah Point continued throughout the year. Key achievements included the construction of a seven kilometre two lane roadway; construction and delivery of a 7500 tonnes per hour shiploader; completion of the 272 metre long wharf; completion of stockyard civils; construction and delivery of mobile hopper trains; and on site delivery of other components.

Currently the project is in the final stages of construction and a number of commissioning tasks have commenced. It is planned that first ore on ship (FOOS) will be 17 September, 2010. Full project completion is not expected until October 2010.



#### Channel High Spot Campaign

The authority made use of the *Leonardo Da Vinci* cutter suction dredger following completion of the Harriet Point berth dredging and prior to commencement of the Burgess Point dredging. The high spot dredging campaign was used to pre-cut identified high spots within the channel for later removal during the maintenance dredging campaign planned for later in the year.

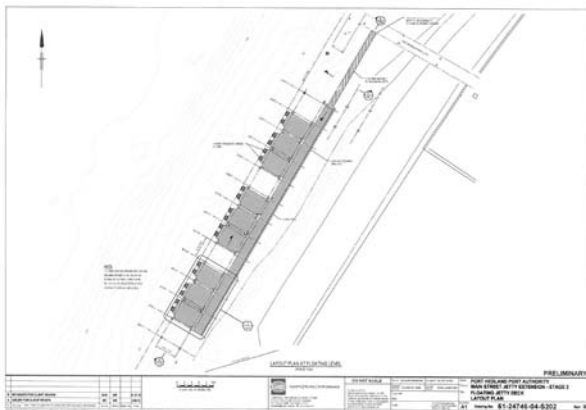
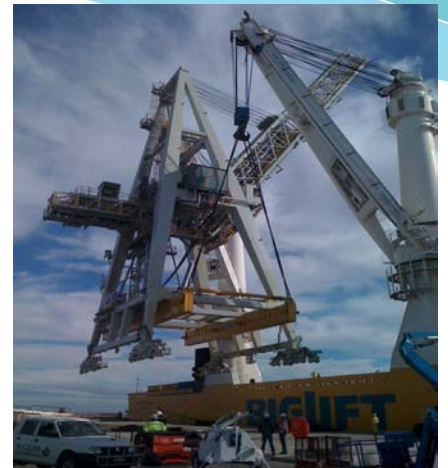
OMC, the developer of the Port's underkeel clearance system, was tasked to review the channel and advise on the depths needed per 100 metre section to achieve an increase in sailing draft from 200 mm to 500mm. These values were converted into dredging plans to identify target areas – with the dredger contracted for a period of 25 days to pre-cut these.

Soon after the pre-cutting was complete, the authority secured a large trailer suction dredge, the *Nile River*, to remove the pre-cut material and undertake maintenance dredging ahead of schedule. These works were completed in early June 2010. The authority is currently waiting on the results of a hydrosurvey to determine the precise draft gain of the high spot removal campaign – which is expected to exceed the target of 200mm – therefore increasing sailing drafts and cargo per vessel.

**Major Development Planned for 2010/11**

Utah Berth Development

Commissioning of the Utah Bulk Handling facility will begin in the new financial year, with first ore on ship targeted for the 17 September 2010. It is expected that the facility will gradually be brought up to name plate shiploading capacity of 7500 tonnes per hours and a 17.1 Mtpa capacity as allocated. Development of Stockyard 2 will potentially increase the capacity to beyond this allocation.



Main Street Jetty Extension

The second stage of the Main Street Jetty extension is to be tendered with a view to complete construction during the year. This stage comprises floating pontoon access for small construction vessels. Stage 3 involves installation of a concrete working deck to service larger vessels such as PHPA’s maintenance dredger while the floating pontoons remain in place for use by the smaller craft.

Interpretive Walk

As a continuation of beautification works, the authority has coordinated for the fence area fronting the public roadway to be landscaped and include interpretive information on the port.



**Current Planning/Future Projects**

South West Creek Dredging and Reclamation Approvals

Due to the significant projected growth in iron ore exports over the next five years, the PHPA has commenced the environmental approvals process for the South West Creek Development. The PHPA, in partnership with those companies allocated berths in SW Creek is responsible for all environmental and heritage approvals required to perform the dredging and reclamation.

The approvals are being progressed in two parts - the first being an initial scope to ensure the significant construction activity in the port has adequate mooring and cyclone safe haven. The second part consists of larger dredging approvals for the full eight berth development of South West Creek.

It is envisaged the approvals will allow dredging to commence late in 2010.

#### New Office Tower

The authority has completed a tender process for the development of a new mixed use facility. The facility will consist of office accommodation, a shipping control tower and fully serviced residential accommodation. PHPA will lease 3 floors of office accommodation totalling approximately 2500 square metres. The top floor of the building will be for the shipping control tower from which the marine and port functions will be carried out.

The proposed development is complimentary to the current Western Australian State Government's vision of creating vibrant and dynamic cities in the north, which is also a vision that is strongly supported by the Port Hedland community.

The Port will act as an anchor tenant, and is currently finalizing approvals to proceed with the project.

#### Boodarie Multi-User Stockyard Area

The multi-user outer harbour concept involves stockpiling material and other infrastructure including rail loops and rail ore car dumpers, located at stockyards to an area north west of the Boodarie Industrial Estate. Stockpiled ore would be transported to the outer harbour port by conveyors. The Boodarie multi-user stockyard area is also conveniently located to service ore shipments via the inner harbour berths in South West Creek.

The PHPA has been working collaboratively with government agencies and proponents to enable the port land area to expand to service both inner harbour and future multi-user outer harbour port trade.

#### Lumsden Point Hub

With the reclamation of 140 hectares of land between Wedgefield and the harbour as part of BHP Billiton Iron Ore's dredging campaign, the authority is planning development in the area of port related infrastructure.

Plans are being progressed to provide proponent funded facilities for a tug harbour and maintenance area capable of handling the significant growth in tug requirements. In addition the authority is planning for a proponent funded logistics base capable of handling offshore oil and gas service vessels and general construction activity including lay down areas. This project shall also accommodate the importation of cement, ammonium nitrate, and other cargoes.

#### Outer Harbour

Planning continues on the Outer Harbour Project ensuring adequate access corridors are available for required infrastructure from the Boodarie stockyard area.

Current inner harbour constraints and the future projections of current and future port users indicate the outer harbour is required in the next five to ten years. Significant studies completed to date indicate the current planning is both technically robust and commercially viable given the envisaged staged development strategy.

## OUR OPERATIONAL PERFORMANCE

### Port Operations

The Operations and Marine Departments have seen a year of significant growth in the size of the port, amount of trade and staffing levels.

The number of staff in the Operations Department increased with the creation of Scheduling and Landside Operations sections. Additional schedulers are in the process of being sourced to coincide with the commissioning of Utah and Harriet Point berths. The appointment of the Landside Operations Manager was the first step in creating a team dedicated to Cargo Operations covering both sides of the harbour.

The Port Shipping Control Tower continues to play a significant role in the expansion and growth of the port. Port Marine Officers are engaged in a long term Vessel Traffic Service Operator (VTSO) training program to enhance their capabilities to manage the projected increase in shipping, as well as ensuring safe management of the Designated Anchorage areas and approaches to the harbour.

Phase Three of the Klein Vessel Traffic Management Information System is also underway, and once installed will significantly reduce the amount of paperwork required from ship's agents.

### Study Tour

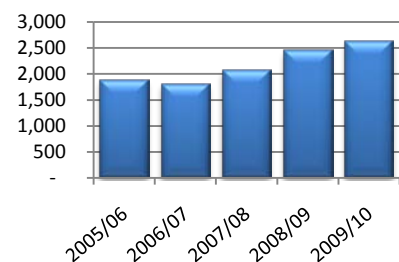
In August and September 2009 the Harbour Master and Shipping Superintendent travelled to a number of major ports and VTS Centres in the UK, Europe, Middle and Far East. Experiencing high volumes of shipping, the ports chosen are considered best practice examples in the way in which they service the high demand.

The information gathered will be used in an effort to progress the PHPA's planning for a tower upgrade to cope with increasing shipping movements, and also as a means of benchmarking the authority's current status.

### Pilotage

Port Hedland Pilots have been retained as the service provider of pilotage services within Port Hedland harbour, with a new five year contract commencing in July 2010. Continued growth in shipping movements has required an increase from 10 to 12 permanent marine pilots with this trend expected to continue. In 2009-10 a total of 2641 shipping movements were undertaken, of which 2624 were under pilotage. This represents a 7% increase on shipping movements in comparison to the previous financial year.

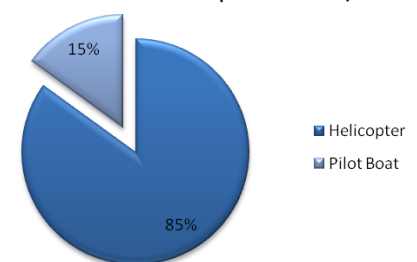
No of Piloted Movements



### Marine Pilot Transfers

The provision of marine pilot transfer services has been secured under new long term contracts for both helicopter and pilot boat operations. Jayrow Helicopters has been awarded the aviation contract which required both an increase in aviation professionals and transition to two new EC120 helicopters – the second of which will commence operations in the second half of 2010. The marine contract has been awarded to GO Marine Group and includes provision of the new 16.1m Norman Wright designed pilot boat "Go Shaula" which entered service in March 2010, and additional craft that provide safety and security services within the port.

Pilot Transit Mode of Operation 2009/10



### High Level Strategic Risk Assessment

A high level risk review workshop was conducted in November 2009 with representation from all major port export groups and service providers. Subsequently, a Port Hedland Port Authority Risk Review Committee was formed in May 2010 and will continue to meet on a biannual basis.

## Rightship

In February 2009, PHPA purchased licenses for access to the Rightships ship vetting system as part of its identified risk mitigation strategies. Rightship is an internationally recognized ship vetting organization that provides ship inspection and feedback reports to customers and vessel charterers, allowing an improved risk management system by rating ships with a star rating.

## Occupational Health and Safety

### Risk Assessments

Two separate Traffic Management Risk Assessments were conducted – the first at the Utah Point Berth Project and the second focused on the Eastern Harbour Port Facility. The risk assessment workshops involved relevant Port Authority personnel and stakeholders - identifying a number of opportunities for improvement and treatment recommendations.

### IFAP OHS Compliance Measurement Audits

The PHPA engaged IFAP (Industrial Foundation for Accident Prevention) to perform an external safety compliance audit of the PHPA and contractors including Cervan Marine, Omega Security, Port Hedland Pilots, Jayrow Helicopters, Go Marine and Los Tres. The audits were performed during November 2009. Compliance measurement was conducted under the guidelines and requirements of AS/NZS 4801/4804 and also included a review of applicable legislative requirements. Individual Reports were provided to the six aforementioned contractors for action as necessary. The individual contractor audit reports contained a list of recommendations on how Occupational Health and Safety performance could be improved, and contractors were requested to develop an action plan to implement the recommendations. The PHPA will request regular updates from the contractors on the status of the treatment recommendations contained within the audit reports.

### Integrated Management System (IMS) Development

The Port Authority is moving forward with the development of an IMS, and PHPA is progressing towards ISO 9001, ISO 14001 and AS/NZS 4801 certification of the system.

### Online Induction Package and Induction Training Database

An updated PHPA Safety, Security, Environment and Cultural Awareness induction package has been completed and is now available internally for staff online. Investigations are underway to determine the feasibility of web-based inductions. The results of all online inductions are recorded electronically within the Induction Training Database.

### Occupational Health and Safety Training

Several OH&S training courses were conducted for staff during the year.

### HSE Committees – Staff and Contractors

Under the PHPA Occupational Health and Safety Continuous Improvement strategy, the format of the monthly Health, Safety and Environment (HSE) Committee Meetings was restructured. A second HSE committee was established for PHPA staff, while the original committee is comprised of port users and contractors.

### Lost Time Injury Frequency Rates (LTIFR)

The Lost Time Injury Frequency Rates encompasses the entire port operation, excluding those port facilities operated by BHP Billiton and Fortescue Metals Group. The number, frequency and incidence rate of LTIs have dropped since the last financial year, and sits below the current three yearly average.

Injury Data	Number of Employees	No of LTIs	Hours Worked	Total Days Lost	LTI Freq Rate (Ind Ave = 12.6)	Incidence Rate (Ind Ave = 2.5)
2010 Financial Year	327.3	1	545,199.3	36	1.8	0.3
2009 Financial Year	303.4	3	533,307.8	70	5.6	1

## Security

In March 2010 the Port Authority exercised its option to extend the Provision of Gatekeeping and Security Services contract with Omega Security Services Pty Ltd. In July 2009 the Go Marine Group commenced water-side security patrols of the harbour and channel.

In September 2009 a high-level security exercise was held in partnership with the Critical Infrastructure Unit and Tactical Response Group from the Western Australia Police Service. The authority hosted a desktop security exercise with the WA Police Tactical Response Group (TRG), Pilbara District Response Group and Water Police.

## Infrastructure

### Maintenance Dredger for the West Coast

The authority is currently assessing submissions for the supply and manning of a 2000 m3 Trailer Suction Hopper Dredger. It is planned that the dredger will be mobilised to Port Hedland around the middle of 2011, and will also be available for other west coast ports. Additionally the authority will tender for the supply of a small cutter suction dredge to support the port's dredging needs.

### Sewerage Works

The authority is progressing with design works for the supply and installation of an environmentally friendly sewerage treatment system. It is intended to tender and install the system within the next 12 months

### Electronic Access System

A contract has been awarded for the installation of swipe access control to the port and key buildings within the port area. This system will enhance the PHPA's security regime.

### Other Engineering Design Work

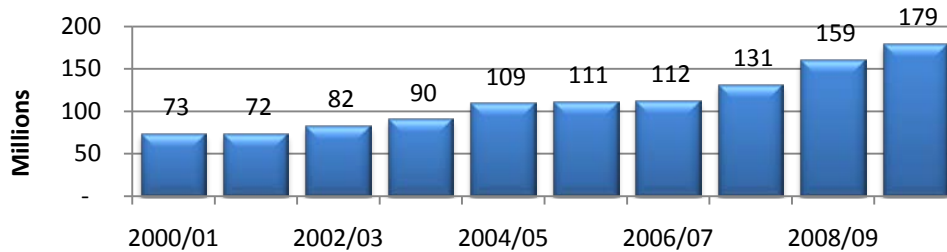
The authority is also progressing engineering designs for a number of other projects including:

- Café, boardwalk and marine and indigenous interpretive located nearby the Main St Jetty.
- Construction of a port observation tower and wharf to benefit tourists.
- Design for the repair of the front edge of No 1 Berth.
- In conjunction with a developer planning to construct a 10 storey office/residential complex.
- Prepare design and specification for a new maintenance workshop.
- Develop EOI documentation for the establishment of an AQIS and container handling facility.
- Prepare plans for development of three of the Ports existing residential blocks.

## Statistics

### Port Throughput

#### Total Throughput in Tonnes

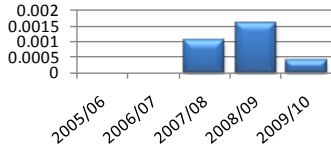


<b>Imports</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>
Sulphuric Acid	-	73,577	69,649	145,583	147,987
Cement	163,604	82,803	25,148	6,872	-
Fuel Oils	822,794	716,411	621,241	531,081	438,155
General/Containers	167,796	136,075	77,908	129,150	43,183
<b>TOTAL</b>	<b>1,154,194</b>	<b>1,008,866</b>	<b>793,946</b>	<b>812,686</b>	<b>629,325</b>
<b>Export</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>
Iron Ore	173,957,507	153,895,882	125,267,292	106,617,011	105,105,906
Hot Briquetted Iron	-	-	-	-	20,698
HBI Fines	44,576	324,389	321,702	-	-
Salt	1,165,401	2,609,954	2,409,527	2,669,441	3,346,372
Manganese	1,645,950	920,216	1,217,026	1,184,927	1,058,844
Feldspar	-	-	-	-	7,874
Copper	479,545	423,050	417,075	249,824	169,856
Chromite	143,421	180,128	209,792	219,337	259,458
Livestock	7,817	5,825	7,951	6,335	2,626
General/Containers	27,038	22,350	62,897	50,562	23,125
<b>TOTAL</b>	<b>177,471,255</b>	<b>158,381,794</b>	<b>129,913,262</b>	<b>110,997,437</b>	<b>109,994,759</b>
<b>GRAND TOTAL</b>	<b>178,625,449</b>	<b>159,390,660</b>	<b>130,707,208</b>	<b>111,810,123</b>	<b>110,624,084</b>

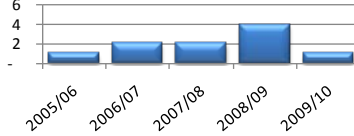


**Operational Performance Indicators**

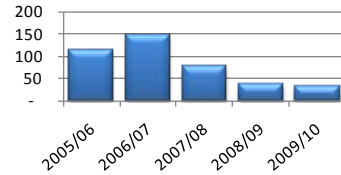
**Ratio of Accidents/Total Vessel Movements**



**Number of Accidents to Vessels and Port**

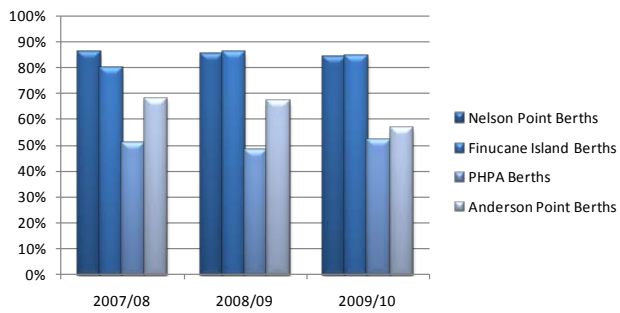


**Port Closure (hours)**

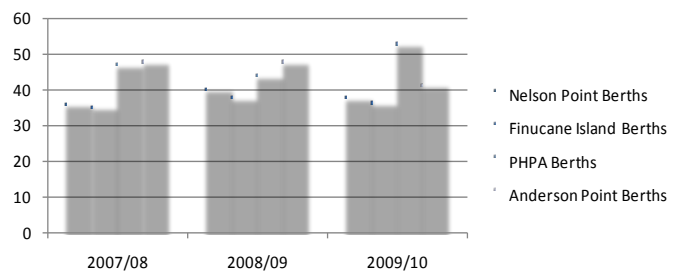


**Operational Statistical Data**

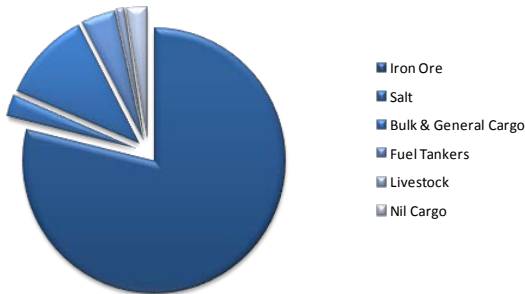
**Berth Occupancy (percent)**



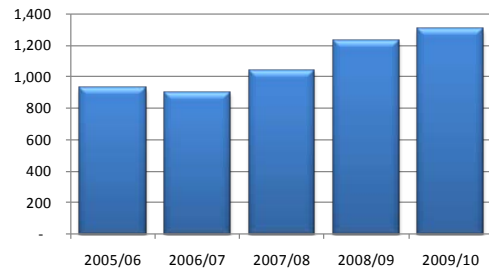
**Average Berth Hours alongside per vessel**



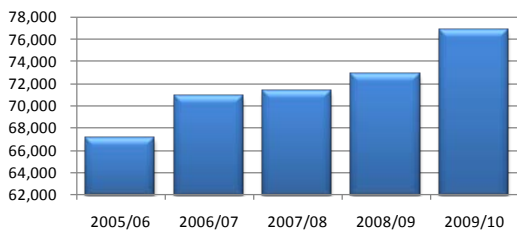
**Number of Vessels by Cargo Type 2009/10**



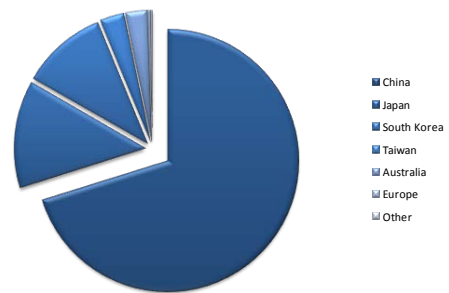
**Total Number of Vessels**



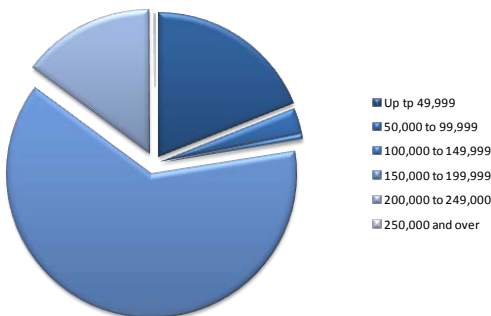
**Average Vessel Gross Registered Tonnage**



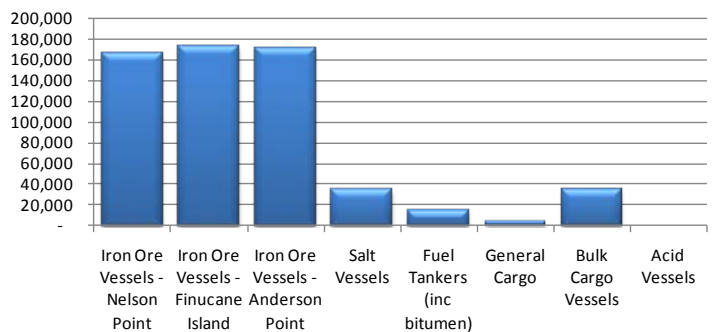
**Iron Ore Distribution by Destination**



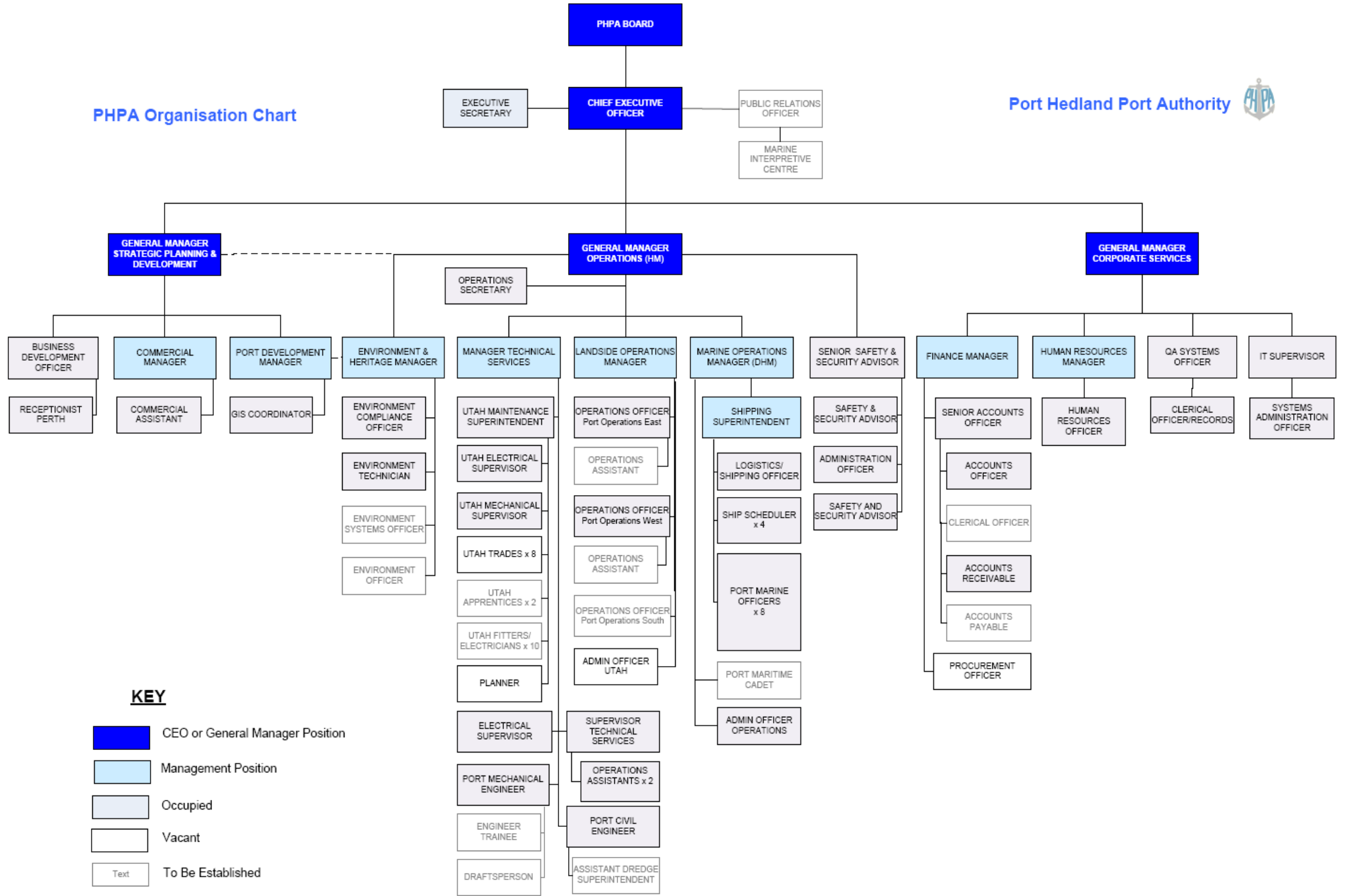
**Vessels Piloted by Deadweight Tonnes**



**Average Cargo Tonnes per Vessel**



PHPA Organisation Chart



**KEY**

- CEO or General Manager Position
- Management Position
- Occupied
- Vacant
- To Be Established

## PEOPLE & CULTURE

The Port Hedland Port Authority prides itself on being a workplace that fosters fairness, equity and diversity. We provide equal employment and advancement opportunities based on merit. We measure merit on the basis of qualifications, experience, potential suitability and job performance, regardless of sex, age, race, pregnancy, marital status, family responsibility or family status, religious conviction, political conviction or impairment. In support of our commitment, all PPHA employees were provided with Equal Opportunity and Anti-Bullying training in September 2009.

Port Hedland Port Authority is aware that access to opportunity is often a prerequisite to building merit. As such, through the Port Collaboration and Heritage Agreement with Marapikurrinya we have outlined specific employment and contracting undertakings. We also generally encourage the provision of employment opportunities for the Traditional Owners of the port area, both within the Authority and through contractors.

The Port Hedland Port Authority's Representation in diversity areas are as follows:

	<b>% Representation</b>
	<b>As at June 2010</b>
Women	38
People from culturally diverse backgrounds	11
Indigenous Australians	2
People with Disabilities	0

The Authority is committed to developing and implementing procedures and practices that build a strong and positive workplace culture that is tolerant to the diversity of employees, potential employees, and people generally. This commitment is supported by the staff consultative committee established to assist in the review of policies and procedures that have a material impact on staff.

### Workplace Injuries Performance Indicators

	Notes	2009/10	2008/09	2007/08	2006/07
Number of Fatalities	(1)	0	0	0	0
Number of Severe Claims	(2)	0	0	0	0
Number of Lost Time Injury/Diseases	(3)	1	0	0	0
Lost Time Injury Severity Rate	(4)	0.3	0	0	0

#### Notes

1. Number of compensated work related fatalities.
2. Number of claims in the financial year where the estimate for lost time exceeds 60 days. Fatal claims are included.
3. Number of claims occurring in the financial year where 1 day or more is estimated to be lost.
4. Number of severe claims divided by the number of Lost Time Injury/Diseases multiplied by 100.

### **Recruitment Practices**

The PHPA recruitment and selection process is undertaken in accordance with the criteria set down in our Recruitment Policy. This process ensures selection is based on merit and equity. In acknowledging our people as the energisers of our organisation we have determined recruitment as a key area for review and update in 2010/11.

### **Code of Conduct**

The Code of Conduct is designed to communicate the PHPA's standards of conduct and integrity and to promote professionalism and best practice in the provision of services to our customers, port users and the community.

During 2009/10 there was one breach of the Code of Conduct investigated and found to have occurred. A follow up investigation was also undertaken by the Corruption and Crime Commission in relation to an incident in 2006. All follow up actions have occurred in relation to both matters and they are now closed.

### **Corruption Prevention**

PHPA is required to specifically consider risk of corruption and misconduct of its staff. To support and promote employee responsibility for identifying, minimising and preventing risk of corruption 21 staff attended Corruption Prevention training in March 2010.

The duty to act ethically and to comply with the code of conduct and PHPA policy and procedures is discussed and required to be acknowledged during induction and orientation of new employees.

### **Training**

The Port Hedland Port Authority has demonstrated a continued commitment to Professional Development throughout the 2009/10 financial year. A diverse range of training opportunities in areas including Occupational Safety and Health, Information Technology, Environment, Administration, Records Management, Equal Employment Opportunity, Oil Spill Response, Finance, Operations, Corruption Prevention and Risk and Quality Management have been made available to employees to improve the effectiveness of the organisation and individuals.

Where available the Port has provided external agencies with appropriate training. This has proved particularly beneficial in the area of Oil Spill Response as it increases the total capability to respond to incidents by building a larger population of trained responders.

### **Record Keeping**

PHPA has implemented a record keeping policy and plans in accordance with statutory requirements and monitors record handling practices and procedures to ensure compliance with the endorsed statutory requirements. Relevant employees are informed of their obligations under the State Records Act, and are advised of their responsibility regarding record keeping. A review of the Authority's Record Keeping Plan was commenced in 2010 with completion expected in the first quarter of the 2010/11 Financial Year. Electronic storage of records through our document management system will be progressed in 2010/11.

### **Freedom of Information**

The provisions of the Freedom of Information Act 1992 apply. During the year, we received 2 applications under the Act one was withdrawn and the other had been responded to by PHPA. Of the 3 outstanding from 2009/10 all are currently with the Information Commissioner for external review.

### **Workers Compensation & Injury Management**

Workers Compensation and Injury Management provides timely and effective intervention for employees that have injured themselves at work or those employees who have injuries that may affect their ability to undertake their duties. PHPA ensures that injured employees receive their entitlements and can access 'best practice' injury management interventions and rehabilitation programs including structured 'return to work' programs providing light or restricted duties for those employees with injuries. These programs are developed in conjunction with the employee, their doctor, medical providers, and their manager.

### **Future Direction – Human Resources**

PHPA's continued success is directly attributable to the efforts and commitment of our people. We are committed to developing a workplace culture where employees are valued and offered the opportunity to develop their skills and experience. The Authority is also committed to achieving a balance between work and family life for its employees. In the first half of 2010, the PHPA employed a Human Resources Manager in recognition of the need to increase our strategic approach to supporting our people and continuing to build a positive culture. Some of the areas to be incorporated into the human resources strategy include workforce planning, review of current procedures and development of a complete human resources management system, accommodation requirements, training and communication.

## OUR ENVIRONMENTAL PERFORMANCE

### Environmental Management Plan Review

The Port Hedland Port Authority's Environmental Management Plan was reviewed again this financial year as part of the continuous improvement program. An environmental risk assessment was undertaken and the environmental risk register was updated to record the significant environmental risks to the business. A number of new management initiatives have been planned for the 2010-011 financial year.

### Environmental Management System

The Port Hedland Port Authority (PHPA) continued to work on the development of an ISO14001 Environmental Management System. A number of procedures have been identified and developed to standardise work practices throughout the port. The Environmental Management System is being developed as part of an integrated system. It has synergies with both the Quality Management and Occupational Health and Safety Management Systems.

### Air Quality Management

The operational dust monitoring program continued to be developed throughout the year. Further data analysis from the five E-Sampler stations was undertaken and alarm levels developed to assist in operational dust control. A user-friendly dust management tool is being developed which will guide the operators through a series of decision matrices to determine the most appropriate dust management option for any alarm.

The authority continued to fulfil a role as a major stakeholder in the Port Hedland Industries Council, which became financially operable in the 2009-10 financial year. The main objective of the Industries Council in the 2009-10 financial year was to develop a real time dust reporting website with full public access. This objective was achieved with the website due to go live on August 1, 2010.

The authority was also a member of the State Government Dust Management Taskforce and provided valuable information to the group on dust and noise issues in Port Hedland. The authority has committed to undertake certain responsibilities through the Port Hedland Air Quality and Noise Management Plan.

A study into emissions of combustion was undertaken to determine current and predicted increases in nitrous oxide (NOx) and sulphur dioxide (SOx) levels in Port Hedland as a result of transport vectors associated with port operations. The modelling was also used to determine appropriate sites for gas monitoring stations to validate the model and provide data on NOx and SOx levels. The study identified that emissions from combustion sources would increase into the future however would remain within guideline limits.

The authority also developed a set of dust management guidelines which have subsequently been endorsed by the Board. These Guidelines will be reviewed by the Department of Environment and Conservation with the aim of implementing them for any new development at the port to ensure best practice dust management.

### Long Term Sea Dump Permit

Port Hedland Port Authority's Long Term Dredge Material Management Plan was approved by the Commonwealth Department for the Environment, Water, Heritage and the Arts (DEWHA) prior to maintenance dredging being undertaken in May 2010. The maintenance dredging occurred without environmental incident and impacts were below trigger levels with both the trailer hopper suction and cutter suction dredges working in the inner harbour area.

In light of the process to secure its own dredge, the authority has approached DEWHA regarding a new long term Sea Dump Permit. The processes have commenced to secure this permit, which include the design of the new long term sediment monitoring program, and the review and redrafting of a new long term dredge material management plan.

### Utah Point Berth Project Environmental Approvals

With the commencement of construction of the Utah Point Berth Project, this year consisted of ensuring compliance with regulatory and statutory environmental requirements throughout the construction process. A number of audits of construction contractors were undertaken to ensure compliance with contractor specific management plans as well as regulatory requirements. The audits demonstrated a high level of compliance with minor corrective actions addressed in a timely manner.

### **Department of Environment and Conservation Port Assessment Program**

Following on from the Esperance Port Authority lead incident, the Department of Environment and Conservation (DEC) implemented a Port Assessment Program to audit and review West Australian ports which load bulk minerals. The Port Hedland Assessment was undertaken during the year. A number of issues were identified and reported to the PPHA.

The report's main recommendation was that authority holds the Environmental Licence for the bulk loading operations rather than a stevedoring company. The PPHA Board agreed to this recommendation and the authority has been negotiating with DEC in regards to environmental licensing requirements. It is expected that the existing licence will be transferred to the authority early in the 2010-11 financial year and then amended to take into account new provisions including the requirement to develop an Environmental Improvement Plan. This should see an improvement in the environmental management of bulk loading operations at the port.

### **Mangrove Research**

Further mangrove research has taken place during the year, particularly relating to the mangrove offset project. A preferred site has been identified and significant work undertaken to determine proposed construction methodologies and techniques required to ensure maximum mangrove growth. A successful trial propagation study was undertaken during the year which identified that mangroves from the region could be successfully grown from cuttings.

The project is now at the stage where on ground trials will commence - including trial excavations and mangrove planting.

### **Carbon Neutral Program**

The authority again participated in the Carbon Neutral Program. All of the carbon dioxide emissions from the Authority's vehicles, and other plant used throughout the port including front end loaders, other mobile plant and the pilot boat and work boat, were calculated. The appropriate number of trees were planted to offset these emissions. The authority also included the offset of air travel in this year's calculations.

### **Feral Animal Control**

Due to reported sightings of foxes on the Utah Point construction site, the authority undertook feral animal trapping in an attempt to reduce feral animal populations on authority land. As a result of high catch numbers, the program was expanded to include other land owners in the area including Rio Tinto Minerals, BHP Billiton Iron Ore and Fortescue Metals Group. The program now involves quarterly trapping on large areas of land around the port area with foxes and feral cats the main target species.

### **Water and Energy Audit**

The authority undertook both water and energy audits of port operations during the year and has subsequently implemented a number of upgrades and trials to improve efficiencies in these areas. A number of different light types have been trialled in both operational and office environments with a number of successful outcomes. New lights are currently being phased in throughout the port which will significantly improve energy consumption.

### **Aboriginal Heritage**

#### Port Collaboration and Heritage Agreement

In May 2008, PPHA and Marapikurrinya Pty Ltd developed and ratified the Port Collaboration and Heritage Agreement. The agreement allows for a cooperative approach to heritage management and the port for a better management outcome.

A number of initiatives were implemented during the year including the provision of employment positions, the provision of contracting opportunities through the Utah Point Project contracts, the development of a cultural awareness package and the development of a Cultural Heritage Master Plan.

## CORPORATE GOVERNANCE

Port Hedland Port Authority and the Board are committed to achieving and demonstrating the highest standard of corporate governance.

The relationship between the Board and senior management is critical to the Authority's long term success. The Board has adopted the following corporate governance principles to enhance the interests of the government shareholder and other key stakeholders.

### Legislative Framework

Port Hedland Port Authority is commercialised trading entity under the *Port Authorities Act 1999*. The Act defines the functions of the Port Authority among others to facilitate trade, plan future growth and act in accordance with prudent commercial principles. The Act further defines the accountability of the Port to the State Government.

While Port Hedland Port Authority is substantially exempt from the provisions of the Public Sector Management Act 1985, it is still subject to audit by the Auditor General and the Commissioner of Public Sector Standards may direct the Board to report to the Commissioner.

### Board of Directors

The responsibilities of the Board include:

- Providing strategic guidance to the Authority including contribution to the development of and approving the corporate strategy;
- Reviewing and approving business plans, annual budgets and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring;
  - Organisational performance and the achievement of the Authority's strategic goals and objectives;
  - Compliance with the Authority's Code of Conduct;
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- Monitoring financial performance including approval of the annual and half year financial reports and liaison with the Authority's auditors;
- Appointment, performance assessment and, if necessary, removal of the Chief Executive Officer;
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team;
- Ensuring there are effective management processes in place and approving major corporate initiatives;
- Enhancing and protecting the reputation of the Authority; and
- Overseeing the operation of the Authority's system for compliance and risk management.

### Composition of Board

The Authority had six non executive directors including the Chairman. The six directors were made up of five appointed by the Minister, plus one industry nominated Board Director. The Board generally meets once a month and as required during the year when special meetings may be called.

### Appointments and Retirement of Directors

The appointment of a Director is by the Minister in accordance with Section 7 (1) of the Port Authorities Act 1999. Directors are appointed for periods of up to three years and are eligible for reappointment. The Minister may at any time remove a Director from office and is not required to give any reason for doing so. The Minister appoints a Director as Chairman and another as Deputy Chairman.



### **Independent Professional Advice**

The Authority will permit any Director to seek external professional advice as considered necessary in the performance of their responsibility as a Director at the Authority's expense, with the approval of the Chairman.

### **Conflicts of Interest**

In the event that a potential conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members and to make improper use of information or their position.

Fees for Directors are determined in accordance with Section 10 of the Port Authorities Act 1999.

### **Ethical and Public Sector Standards**

The Board recognises that the Authority's corporate governance, safety, occupational health, environmental and ethical standards must reflect best Australian and international practices. The Board therefore keeps these practices under review. All Directors and employees are required to meet the minimum standards set out under the Port Authorities Act (1999) and Section 8 and 9 of the Public Sector Management Act 1994 for Ethical Business Practice and Code of Conduct.

The Port has not had any incidences, complaints, or grievances regarding recruitment nor any cases of unfair dismissal. Occupational health issues and accidents were dealt with appropriately by management and no further action by the Board was required. During 2009/10 there was one breach of the Code of Conduct investigated and found to have occurred. Follow up actions have occurred and the matter is now closed.

### **Remuneration Committee**

The Remuneration Committee consists of two Directors, I Williams (Chair) and A Riley and the CEO by invitation. They review employment conditions for the Authority. All Directors are involved in the performance and review of the remuneration of the Chief Executive Officer. A comprehensive annual review includes performance evaluation, having regard to comparative remuneration and independent advice as necessary. Ministerial approval is sought for recommendations to the salary and conditions for the Chief Executive Officer.

### **Audit and Risk Management Committee**

The Audit and Risk Management Committee consists of three Directors, J Tapp (Chair), A Riley and M Currie. The General Manager Corporate Services attends by invitation. The Committee and performs the following functions:

- Ensures compliance with statutory responsibilities relating to accounting policy and disclosure;
- Liaises with, assesses the quality and reviews the scope of work and reports of the external and internal auditors;
- Assesses the adequacy of accounting, financial and operating controls;
- Reviews proposed reported financial information and recommends its approval or otherwise to the board;
- Monitors the identification, management and control of risk.

### **Development Committee**

The Development Committee consists of three directors, I Williams (Chair), Jan Ford and Les Longden. The role of the Development Committee in conjunction with management is to identify development opportunities and requirements.

### Internal Audit

Through the Internal Audit process, the auditors work with the management of Port Hedland Port Authority to improve business processes and provide reasonable assurance that the activities of the Port are carried out efficiently and effectively in accordance with sound business practices, regulatory and legislative requirements.

Internal Audit work during 2009/10 year included reviews of contract, cash and asset management, capital budgeting, network management, insurance, leases, procurement, purchasing and accounts payable, receipts and banking.

### Internal Controls and Risk Management

Procedures have been established at the Executive and Board level that are designed to safeguard the assets and interests of the Authority and to ensure the integrity of reporting.

These include accounting, financial reporting and internal control policies and procedures.

The Authority has in place the following arrangements to monitor:

- Approval and review by the Board of the annual budget, Statement of Corporate Intent and Strategic Development Plan. These are to be agreed between the Minister and the Board with the concurrence of the Treasurer;
- Authorisation of major capital and contract commitments by the Board;
- Guidelines, limits and controls on all financial exposure;
- A comprehensive annual insurance program operated with the assistance of professional outside advisors;
- Compliance with equal opportunity covering affirmative action, sexual harassment, discrimination and the environment;
- A regulatory compliance program to cover corporations law requirements.

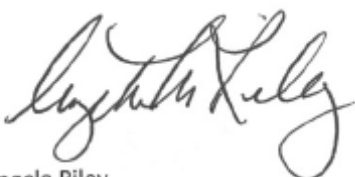
The Board reviews actual financial results against budget each month. The Authority prepares six monthly financial statements and performance reports which are submitted to the Minister.

Risk management is discussed at monthly senior managers' meetings where operational and business risks are assessed and appropriate action implemented.

### Expenditure Guidelines

The Authority has clearly defined guidelines for operating and capital expenditure. These include monthly reports against budget for the major business units as well as formally approved levels of delegated financial authority endorsed by the Board. The Authority is required to obtain the approval of the Minister for major capital works expenditure that exceeds \$2,000,000. The Board also reviews capital expenditure and cash flows on a monthly basis.

Signed in accordance with a resolution of the Directors.



Angela Riley  
Director

14 September 2010



Les Longden  
Deputy Chairman

14 September 2010

## PORT HEDLAND PORT AUTHORITY FINANCIAL STATEMENTS – 30 JUNE 2010

### TABLE OF CONTENTS

<b>Financial Overview</b> .....	36
Statement of Comprehensive Income for the Year Ended 30 June 2010.....	38
Statement of Financial Position for the Year Ended 30 June 2010.....	39
Statement of Changes in Equity for Year Ended 30 June 2010.....	40
Statement of Cash Flows for Year Ended 30 June 2010.....	41
 <b>Notes to and Forming Part of the Accounts</b>	
NOTE 1 Basis of Preparation.....	42
NOTE 2 Summary of Significant Accounting Policies.....	44
NOTE 3 Revenue.....	49
NOTE 4 Expenses.....	49
NOTE 5 Depreciation and Amortisation Expense.....	50
NOTE 6 Finance Costs.....	50
NOTE 7 Other Expenses.....	50
NOTE 8 Employee Benefits.....	51
NOTE 9 Income Tax Expense.....	51
NOTE 10 Cash and Cash Equivalents.....	52
NOTE 11 Current Assets – Trade and Other Receivables.....	52
NOTE 12 Current Assets – Inventories.....	53
NOTE 13 Non Current Assets – Property, Plant and Equipment.....	53
NOTE 14 Non Current Assets.....	55
NOTE 15 Current Liabilities.....	55
NOTE 16 Current Liabilities - Provisions.....	56
NOTE 17 Non Current Liabilities.....	57
NOTE 18 Non Current Liabilities - Provisions.....	58
NOTE 19 Dividends.....	58
NOTE 20 Financial Instruments.....	59
NOTE 21 Director and Executive Disclosures.....	63
NOTE 22 Remuneration of Auditors.....	65
NOTE 23 Contingencies.....	65
NOTE 24 Commitments.....	65
NOTE 25 Related Parties.....	66
NOTE 26 Events Occurring after Statement of Financial Position Date.....	66
NOTE 27 Reconciliation of Profit after Income Tax to Net Cash Flow from Operating Activities.....	67
 <b>Directors' Declaration</b> .....	68

**The Port Hedland Port Authority was established through the  
Port Authorities Act 1999.**

**Its principal place of business is The Esplanade, Port Hedland.**

Annual reports and other information are available on our Website: [www.phpa.com.au](http://www.phpa.com.au)

## FINANCIAL OVERVIEW

### ANALYSIS OF REVENUE BY SOURCE

	2009/10		2008/09		VARIATION	
	\$000	%	\$000	%	\$000	%
Charges on Ships	34,856	45	28,712	24	6,144	14
Charges on Cargo	14,289	18	10,716	9	3,026	7
Lease Rental	7,254	9	6,041	5	862	2
Other Revenue	21,411	28	74,884	62	(52,575)	(123)
<b>Total</b>	<b>77,810</b>	<b>100</b>	<b>120,353</b>	<b>100</b>	<b>(42,543)</b>	<b>(100)</b>

### PRINCIPAL ITEMS OF REVENUE AND EXPENDITURE

	2009/10		2008/09		2007/08		2006/07		2005/06	
	\$000	%	\$000	%	\$000	%	\$000	%	\$000	%
<b>REVENUE</b>										
Pilotage and Tonnage	32,869	42	27,298	23	19,641	51	13,402	49	12,267	51
Wharfage and Berthage	10,684	14	8,476	7	7,827	20	6,422	24	5,641	23
Other	34,257	44	84,579	70	10,785	29	7,306	27	6,276	26
<b>Total</b>	<b>77,810</b>	<b>100</b>	<b>120,353</b>	<b>100</b>	<b>38,253</b>	<b>100</b>	<b>27,130</b>	<b>100</b>	<b>24,184</b>	<b>100</b>

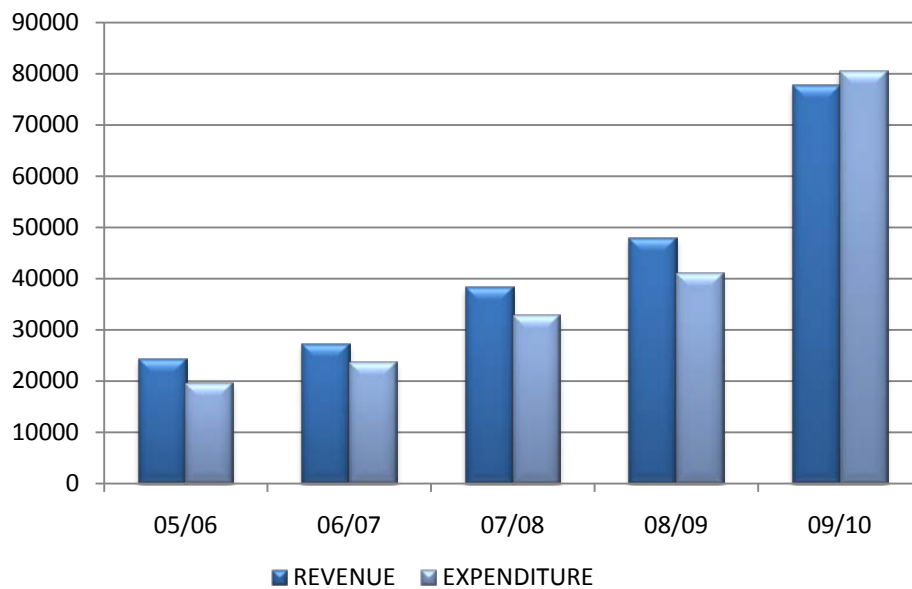
### CHARGES AGAINST REVENUE

	2009/10		2008/09		2007/08		2006/07		2005/06	
	\$000	%	\$000	%	\$000	%	\$000	%	\$000	%
Maintenance	38,401	48	9,108	22	7,982	24	4,935	21	3,578	18
Salaries	5,240	6	4,042	10	3,303	10	2,647	11	1,867	10
Depreciation	8,777	11	6,699	16	4,732	14	4,178	18	3,094	16
Pilotage and Hydro Survey	12,899	16	10,840	27	8,141	25	6,580	28	5,575	28
Other Charges	15,244	19	10,317	25	8,619	27	5,194	22	5,363	28
<b>Total</b>	<b>80,561</b>	<b>100</b>	<b>41,006</b>	<b>100</b>	<b>32,777</b>	<b>100</b>	<b>23,534</b>	<b>100</b>	<b>19,477</b>	<b>100</b>

**APPROPRIATION STATEMENT**

	2009/10	2008/09	2007/08	2006/07	2005/06
	\$000	\$000	\$000	\$000	\$000
Net Profit / (Loss)	(2,577)	6,848	5,476	3,596	4,707
Capital Contributions	-	72,500	-	-	-
Income Tax Expense	849	(23,584)	(1,854)	(1,189)	(1,497)
Prior Period Tax Adjustments	235	289	116	100	-
Accumulated Profit	101,811	47,627	45,143	44,241	24,414
<b>Total</b>	<b>100,318</b>	<b>103,680</b>	<b>48,881</b>	<b>46,748</b>	<b>27,624</b>
<b>Less Appropriations</b>					
Adjustment for Prior Periods (IFRS)	-	-	-	-	16,617
Dividend Paid	(2,651)	(1,869)	(1,254)	(1,605)	-
<b>Accumulated Profit as at 30 June</b>	<b>97,667</b>	<b>101,811</b>	<b>47,627</b>	<b>45,143</b>	<b>44,241</b>

**Figure 1 - PHPA OPERATING REVENUE & EXPENDITURE**



## Statement of Comprehensive Income for the Year Ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Revenue	3	56,970	46,920
Other Income	3	20,840	73,433
Depreciation and Amortisation Expense	5	(8,777)	(6,699)
Marine Expenses		(17,709)	(14,713)
Port Operations Expenses		(2,159)	(1,813)
General Administration		(4,040)	(3,086)
Asset Maintenance		(38,353)	(8,587)
Environmental Expenses		(1,379)	(749)
Port Utilities		(1,129)	(971)
Safety and Security		(1,656)	(1,586)
Finance Costs	6	(4,153)	(2,325)
Other Expenses	7	(1,032)	(476)
<b>Profit before income tax</b>		<b>(2,577)</b>	79,348
Income tax benefit/(expense)	8	1,084	(23,295)
<b>Net profit/(loss) for the year</b>		<b>(1,493)</b>	56,053
<b>Total Comprehensive Income for the year</b>		<b>(1,493)</b>	56,053

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Financial Position as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	50,393	47,082
Trade and other receivables	11	13,314	8,715
Inventories	12	1,241	344
Current tax asset	11	2,602	-
Total current assets		<u>67,550</u>	<u>56,141</u>
<b>Non current assets</b>			
Property, plant and equipment	13	297,643	127,551
Trade and other receivables	14	43,118	-
Deferred tax assets	14	1,316	1,002
Total non current assets		<u>342,077</u>	<u>128,553</u>
<b>Total assets</b>		<u>409,627</u>	<u>184,694</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	40,103	17,038
Interest bearing borrowing	15	5,000	15,000
Current tax liabilities		-	20,118
Provisions	16	1,199	880
Total current liabilities		<u>46,302</u>	<u>53,036</u>
<b>Non current liabilities</b>			
Other non-current liabilities	17	108,483	25,985
Deferred tax liabilities	17	281	1,465
Interest bearing borrowing	17	133,700	-
Provisions	18	529	732
Total non current liabilities		<u>242,993</u>	<u>28,182</u>
<b>Total liabilities</b>		<u>289,295</u>	<u>81,218</u>
<b>Net Assets</b>		<u>120,332</u>	<u>103,476</u>
<b>EQUITY</b>			
Contributed equity		22,665	1,665
Retained earnings		97,667	101,811
<b>Total equity</b>		<u>120,332</u>	<u>103,476</u>

The above Statement of Financial Positions should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity for the Year Ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Balance of equity at start of period</b>		<u>103,476</u>	<u>49,292</u>
<b>Contributed Equity</b>			
Balance at start of period		1,665	1,665
Transactions with Owners in their capacity as owners			
Capital Contribution		<u>21,000</u>	<u>-</u>
Balance at end of period		22,665	1,665
<b>Retained Earnings</b>			
Balance at start of period		101,811	47,627
Total Comprehensive Income for the year		(1,493)	56,053
Transactions with Owners in their capacity as owners			
Dividends paid	19	<u>(2,651)</u>	<u>(1,869)</u>
Balance at end of period		97,667	101,811
<b>Balance of equity at end of period</b>		<u>120,332</u>	<u>103,476</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*



## Statement of Cash Flows for the Year Ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		54,100	49,748
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(49,265)</u>	<u>(22,223)</u>
		4,835	27,525
Other revenue		21,386	589
Other receipts		20,536	90,160
Receipt for BHPB Rehabilitation		20,003	
Interest paid		(4,111)	(2,287)
Interest received		618	1,127
Income taxes paid		<u>(23,135)</u>	<u>(2,098)</u>
<b>Net cash inflow from operating activities</b>	27	<u>40,132</u>	<u>115,016</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(180,467)	(60,392)
Proceeds from sale of property, plant and equipment		<u>1,585</u>	<u>662</u>
<b>Net cash outflow from investing activities</b>		<u>(178,882)</u>	<u>(59,730)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		123,700	-
Repayment of borrowings		-	(10,000)
Equity contributions		21,000	
Other		12	
Dividends paid	19	<u>(2,651)</u>	<u>(1,869)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>142,061</u>	<u>(11,869)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>3,311</b>	<b>43,417</b>
Cash and cash equivalents at the beginning of the financial year		<u>47,082</u>	<u>3,665</u>
<b>Cash and cash equivalents at the end of the financial year</b>	10	<u><u>50,393</u></u>	<u><u>47,082</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements and Forming Part of the Accounts for the Year Ended 30 June 2010

### Note 1. Basis of Preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the financial reporting provisions of the Port Authorities Act 1999, except as disclosed in note 1(b).

The financial statements were authorised for issue on 14 September 2010 by the Board of Directors of Port Hedland Port Authority ("the Authority").

#### (b) Presentation of the statement of comprehensive income

According to AASB 101 *Presentation of Financial Statements*, expenses classified by nature are not reallocated among various functions within the entity. However, the Authority has allocated employee benefits expenses to various line items on the statement of comprehensive income including marine expenses, port operations expenses, general administration, and asset maintenance. This allocation reflects the internal reporting structure of the Authority which allocates labour expenses to significant expense items in the statement of comprehensive income based on the nature of the expenses incurred. The Authority believes that the allocation is more relevant to the understanding of the financial performance of the Authority and does not result in a function of expense presentation.

The directors have concluded that the financial statements present fairly the Authority's financial position, financial performance and cash flows and that it has complied with applicable standards and interpretations, except that it has departed from AASB 101, para 99, to achieve a fair presentation.

Total employee benefits expenses are disclosed in note 8 to the financial statements.

#### (c) Basis of measurement

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

#### (d) Functional and presentation currency

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

#### (e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

*Provision for environmental remediation*

Various assumptions are required in determining Port Hedland Port Authority's environmental rehabilitation obligation including the extent of environmental damages to be rectified and the methodology and timing for rectifications. A discount rate of 5.11% was applied over 10 years.

## Note 2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 1(b)).

### (a) Revenue recognition

Revenue from ordinary activities is net of returns and taxes, for services to entities outside the Authority and is recognised as revenue when the services have been provided. Lease revenue, derived from the lease of vacant land and buildings is recognised in income a straight line basis over the lease term. Other Revenue and Interest Revenue which includes interest on short term investments, is recognised when accrued.

### (b) Income tax

The Authority operates within the national tax equivalent regime ("NTER") whereby an equivalent amount in respect of income tax is payable to the State Government. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of participation in the NTER, the Authority is required to comply with AASB 112 *Income Taxes*.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (c) Receivables

Trade debtors are recognised and carried at the original invoice amounts less an allowance for any uncollectible amounts. Debtors are generally settled within 30 days except for property rentals, which are governed by individual lease agreements.

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Authority will not be able to collect its debts.

**(d) Inventories**

Inventories consist of stores which are measured at the lower of cost and net realisable value.

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

Land and buildings (note 13) are shown at cost less subsequent depreciation for buildings. All other property, plant and equipment is stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings and Port Improvements	25 - 40 years	Straight line
Capital Dredging	40 years	Straight line
Navigational Aids	2 - 10 years	Straight line
Wharves and Utilities	10 – 40 years	Straight line
Office Furniture, Fittings and Equipment	3 – 20 years	Straight line

**(f) Impairment**

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(g) Leases**

Leases in terms of which the Authority assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Authority's Statement of Financial Position.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**(h) Financial instruments**

In addition to cash, the Authority has three categories of financial instruments:

- Loans and receivables;
- Held to maturity investments; and
- Financial liabilities measured at amortised cost.

Refer to Note 20 for further information on the classification of financial instruments.

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

**(i) Payables**

Payables, including trade creditors, amounts payable and accrued expenses, are recognised for amounts to be paid in the future for goods and services received prior to the reporting date. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

**(j) Borrowing Costs**

Borrowing costs are expensed as incurred.

**(k) Employee benefits**

The liability for annual and long service leave expected to be settled within 12 months after the Statement of Financial Position date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the Statement of Financial Position date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the Statement of Financial Position date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the Statement of Financial Position date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the

Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Associated payroll on-costs are included in the determination of other provisions.

Contributions are made by the Authority to employee superannuation funds and are charged as expenses as when incurred.

**(l) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**(m) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank, at call deposits and term deposits due within 30 days.

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

**(n) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(o) Provisions**

A provision is recognised if, as a result of a past event, the Authority has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

**(p) Contributed equity**

The Authority receives support from the WA Government. The amount received is recognised directly as a credit to contributed equity.

**(q) New accounting standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report. AASB 9 *Financial Instruments* and AASB 124 *Related Party Disclosures*



### Note 3. Revenue

Revenue consists of the following items	2010 \$'000	2009 \$'000
<b>Rendering of Services</b>		
Charges on Cargo	14,139	10,532
Charges on Ships	20,767	17,371
Shipping Services	14,192	11,619
Interest Revenue	618	1,127
Rental and Leases	<u>7,254</u>	<u>6,271</u>
	<u>56,970</u>	<u>46,920</u>
<b>Other Revenue</b>		
Other Revenue (b)	<u>20,840</u>	<u>933</u>
Revenue from Ordinary Activities	<u>77,810</u>	<u>47,853</u>
Contribution from Users for Port Infrastructure (a)	<u>-</u>	<u>72,500</u>
<b>Total Revenue</b>	<u>77,810</u>	<u>120,353</u>

(a) Represents funds contributed by users for the construction of Utah Point Berth and Tug Pen Access Modifications.

(b) Includes \$20m proponent contribution toward high spot dredging.

### Note 4. Expenses

Operating expenses are presented on the face of the statement of comprehensive income using a classification based on the nature of expenses (see note 1(b)). Marine expenses include those expenses derived from water based activities, port operations expenses include those expenses related to land based support activities, whilst general administration expenses includes expenditure of an administrative nature.

## Note 5. Depreciation and Amortisation Expense

	2010	2009
	\$'000	\$'000
<b>Depreciation</b>		
Buildings and Port Improvement	580	495
Navigation Aids	240	361
Wharves and utilities	1,228	969
Other Equipment	<u>1,196</u>	<u>1,016</u>
	<u>3,244</u>	<u>2,841</u>
<b>Amortisation</b>		
Capital Dredging	<u>5,533</u>	<u>3,858</u>
	<u>5,533</u>	<u>3,858</u>
<b>Total Depreciation and Amortisation</b>	<u><u>8,777</u></u>	<u><u>6,699</u></u>

## Note 6. Finance Costs

	2010	2009
	\$'000	\$'000
Interest Expensed	2,200	1,335
WATC Interest and Borrowing Costs	1,941	990
Foreign Exchange Loss	<u>12</u>	<u>-</u>
	<u>4,153</u>	<u>2,325</u>

## Note 7. Other Expenses

	2010	2009
	\$'000	\$'000
Rented Accommodation	848	352
Loss on Disposal of Fixed Assets	21	108
Port Development Costs	168	-
Doubtful Debts	(5)	9
Bad Debts	<u>-</u>	<u>7</u>
	<u>1,032</u>	<u>476</u>

## Note 8. Income Tax Expense

	2010	2009
	\$'000	\$'000
<b>(a) Income Tax Expense</b>		
Current Taxation	551	24,107
Deferred Income Tax	(1,400)	(523)
Under (Over) Provision in Prior Year	<u>(235)</u>	<u>(289)</u>
	<u>(1,084)</u>	<u>23,295</u>
<b>(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable</b>		
Profit Before Income Tax Expense	<u>(2,577)</u>	<u>79,348</u>
Tax at the Australian Tax Rate of 30% (2009 - 30%)	(773)	23,804
Tax Effect of Amounts Which are not Deductible (Taxable) in Calculating Taxable Income:		
Entertainment and Travel	21	18
Non Deductible Consulting Expense	2	126
Investment Allowance	(72)	(153)
Adjustment to tax fixed assets	21	(171)
Other	(52)	(44)
Depreciation on Plant and Equipment (Non Depreciable for Tax)	<u>4</u>	<u>4</u>
	(849)	23,584
Under (Over) Provision in Prior Years	<u>(235)</u>	<u>(289)</u>
Total Income Tax Expense	<u>(1,084)</u>	<u>23,295</u>

The \$750,000 tax on capital contribution of \$2.5m will be returned to PHPA as a state equity contribution refer Note 24.

## Note 9. Employee Benefits

	2010	2009
	\$'000	\$'000
Wages and Salaries (a)	4,993	4,009
Superannuation (b)	718	555
Long Service Leave	105	253
Annual Leave	<u>525</u>	<u>279</u>
	<u>6,341</u>	<u>5,096</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefit tax component.

(b) Includes defined benefits plan.

**Note 10. Cash and Cash Equivalents**

	2010	2009
	\$'000	\$'000
<b>Current</b>		
Cash and Cash Equivalent	50,393	505
Restricted Cash (a)	-	46,577
	<u>50,393</u>	<u>47,082</u>

(a) Restricted cash held to be used only for the purpose of capital expenditure.

**Note 11. Current Assets – Trade and Other Receivables**

	2010	2009
	\$'000	\$'000
<b>Net trade Receivables</b>		
Trade Receivables	13,193	8,687
Provision for Doubtful Debts	-	(9)
Prepayments	121	37
	<u>13,314</u>	<u>8,715</u>
<b>Current Tax Asset</b>		
Current Tax Asset	2,602	-
	<u>15,916</u>	<u>8,715</u>

	2010	2009
	\$'000	\$'000
<b>Ageing of Receivables Past due but not Impaired</b>		
Not more than 3 months	-	711
More than 3 months but less than 6 months	-	-
More than 6 months but less than 1 year	-	-
More than 1 year	-	-
	<u>-</u>	<u>711</u>

**Note 12. Current Assets - Inventories**

	2010	2009
	\$'000	\$'000
Spares – at Cost	<u>1,241</u>	<u>344</u>

**Note 13. Non Current Assets - Property, Plant and Equipment****Land and Buildings**

## Freehold Land

At Cost	<u>1,305</u>	<u>2,839</u>
	<u>1,305</u>	<u>2,839</u>

## Buildings

At Cost	18,037	17,387
Less: Accumulated Depreciation	<u>(5,183)</u>	<u>(4,603)</u>
	<u>12,854</u>	<u>12,784</u>

## Capital Dredging

At Opening Carrying Value	7,505	13,744
Less: Accumulated Depreciation	<u>(5,533)</u>	<u>(6,239)</u>
	<u>1,972</u>	<u>7,505</u>

**Plant and Equipment**

## Navigational Aids

At Cost	7,686	7,940
Less: Accumulated Depreciation	<u>(4,483)</u>	<u>(4,497)</u>
	<u>3,203</u>	<u>3,443</u>

## Wharves and Utilities

At Cost	40,771	39,538
Less: Accumulated Depreciation	<u>(10,554)</u>	<u>(9,326)</u>
	<u>30,217</u>	<u>30,212</u>

## Other Equipment

At Cost	16,358	14,384
Less: Accumulated Depreciation	<u>(6,560)</u>	<u>(5,587)</u>
	<u>9,798</u>	<u>8,797</u>
	<u><u>59,349</u></u>	<u><u>65,580</u></u>

**Work in Progress**

## Work in Progress

At Cost	<u>238,294</u>	<u>61,971</u>
	<u><u>238,294</u></u>	<u><u>61,971</u></u>

**Total Property Plant & Equipment**

	<u><u>297,643</u></u>	<u><u>127,551</u></u>
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### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment and work in progress at the beginning and end of the current and previous financial year are set out below:

PPE	Freehold land \$'000	Buildings and port improvement \$'000	Capital dredging \$'000	Navigation aids \$'000	Wharves and utilities \$'000	Other equipment \$'000	Total \$'000
Carrying Amount at 1 July 2009	2,839	12,784	7,505	3,443	30,212	8,797	65,580
Adds & Transfers	-	650	-	1	1,233	2,260	4,144
Disposals	(1,534)	-	-	-	-	(63)	(1,597)
Depreciation Expense	-	(580)	(5,533)	(241)	(1,228)	(1,196)	(8,778)
Carrying Amount at 30 June 2010	1,305	12,854	1,972	3,203	30,217	9,798	59,349

WIP	Freehold land \$'000	Buildings and port improvement \$'000	Capital dredging \$'000	Navigation aids \$'000	Wharves and utilities \$'000	Other equipment \$'000	Total \$'000
Carrying Amount at 1 July 2009	-	-	8,164	-	53,806	-	61,970
Adds & Transfers	-	-	-	-	176,324	-	176,324
Carrying Amount at 30 June 2010	-	-	8,164	-	230,130	-	238,294

### Impairment of Assets

There were no indications of impairment to property, plant and equipment as at 30 June 2010. The Authority held no goodwill or intangible assets with an indefinite useful life at reporting date. All surplus assets at 30 June 2010 have been classified as non-current assets held for sale or written off.

**Note 14. Non-Current Assets**

	2010	2009
	\$'000	\$'000
<b>Deferred Tax Assets</b>		
<b>The Balance Comprises Temporary Differences Attributable to:</b>		
Movements:		
Opening Balance at 1 July	1,002	1,564
Charged/(Credit) to the Statement of comprehensive income	314	(801)
Movement Attributable to the Prior Year Adjustments	<u>-</u>	<u>239</u>
Closing Balance at 30 June	<u><b>1,316</b></u>	<u><b>1,002</b></u>
<b>Amounts recognised in profit or loss:</b>		
Accrued Expenses	46	39
Employee Benefits	570	484
Incentive Provision	7	22
Doubtful Debts	-	3
Income Received in Advance	394	381
Capital Works Expenditure	39	65
Fixed Assets	256	-
Business Related Costs	-	8
Forward FX Contract	4	-
	<u><b>1,316</b></u>	<u><b>1,002</b></u>
<b>Other Non-Current Assets</b>		
Rehabilitation Costs Receivable	<u><b>43,118</b></u>	<u>-</u>
	<u><b>43,118</b></u>	<u>-</u>

**Note 15. Current Liabilities****Trade and Other Payables**

Trade and Other Payables	17,699	14,573
Rental Received in Advance	1,312	1,269
Other Payables	731	869
Accrued Expenses	<u>20,361</u>	<u>327</u>
	<u><b>40,103</b></u>	<u><b>17,038</b></u>

**Interest Bearing Borrowings**

WA Treasury Corporation Loans	<u>5,000</u>	<u>15,000</u>
	<u><b>5,000</b></u>	<u><b>15,000</b></u>

**Note 16. Current Liabilities - Provisions**

	<b>2010</b>	2009
Employee Benefits - Annual Leave	<b>752</b>	560
Employee Benefits - Long Service Leave	<b>410</b>	284
Other Employee Benefits	<b>37</b>	36
	<b><u>1,199</u></b>	<u>880</u>

## Movements in Provisions

Movements in each class of provision during the financial year are set out below.

<b>2010</b>	<b>Employee Benefits – Annual Leave</b>	<b>Employee Benefits – Long Service Leave</b>	<b>Other Employee Benefits – Pension Scheme</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
Current				
Carrying Amount at Start of Year	560	284	36	880
Additional Provisions Recognised	408	151	1	560
Payments/Other Sacrifices of Economic Benefits	(216)	(25)	-	(241)
Carrying Amount at End of Year	<u>752</u>	<u>410</u>	<u>37</u>	<u>1,199</u>

Reconciliation of other employee benefits – pension scheme, see note 18 (a).



## Note 17. Non Current Liabilities

### Deferred Tax Liabilities

	2010	2009
The Balance Comprises Temporary Difference Attributable to:	<b>\$'000</b>	\$'000
Inventory	<b>272</b>	1,456
Others	<b>9</b>	9
	<u><b>281</b></u>	<u>1,465</u>

Net Deferred Tax Liabilities

### Movements:

Opening Balance at 1 July	<b>1,465</b>	2,839
Charged/(Credit) to the Statement of comprehensive income	<b>(1,086)</b>	(1,324)
Movement Attributable to the Prior Year Adjustments	<u><b>(98)</b></u>	<u>(50)</u>
Closing Balance at 30 June	<u><b>281</b></u>	<u>1,465</u>

### Other Non Current Liabilities

Prepaid Revenue	<b>46,521</b>	25,985
Land Rehabilitation	<u><b>61,962</b></u>	<u>-</u>
	<u><b>108,483</b></u>	<u>25,985</u>

### Loans

WA Treasury Corporation Loans	<u><b>133,700</b></u>	<u>-</u>
	<u><b>133,700</b></u>	<u>-</u>

## Note 18. Non-Current Liabilities - Provisions

	2010	2009
Employee Benefits - Long Service Leave	170	428
Other Employee Benefits	<u>359</u>	<u>304</u>
	<u>529</u>	<u>732</u>

### Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

2010	Employee Benefits		Total \$'000
	– Long Service Leave \$'000	Other Employee Benefits \$'000	
<b>Non Current</b>			
Carrying Amount at Start of Year	428	304	732
Movements for the Year	(258)	55	(203)
Carrying Amount at End of Year	<u>170</u>	<u>359</u>	<u>529</u>

### (a) Pension and Gold State Scheme

#### Reconciliation of the Present Value of the Defined Benefit Obligation

	2010	2009
	\$'000	\$'000
Present Value of Defined Benefit Obligations at the Beginning of the Year	304	287
Interest Cost	15	19
Actuarial (Gains)/Losses	76	32
Benefits Paid	<u>(37)</u>	<u>(34)</u>
Present Value of Defined Benefit Obligations at End of the Year	<u>358</u>	<u>304</u>

Two persons remain in this scheme

## Note 19. Dividends

	2010	2009
	\$'000	\$'000
Dividends Paid in the financial year	<u>2,651</u>	<u>1,869</u>

A dividend is recommended after financial year end by the board in accordance with S84 of the Port Authorities Act 1999, based on the dividend formula agreed between the Minister for Transport and the Treasurer. As the after tax result for 2009/10 is a loss, therefore there will be no dividend proposed this financial year (2009 dividend was \$2,651k).

## Note 20. Financial Instruments

### (a) Financial Risk Management Objectives and Policies

Financial instruments held by the Authority are cash and cash equivalents, term deposits, loans, Treasurer's advances and receivables and payables. The Authority has limited exposure to financial risks. The Authority's overall risk management program focuses on managing the risks identified below.

#### *Credit risk*

Credit risk arises when there is the possibility of the Authority's receivables defaulting on their contractual obligations resulting in financial loss to the Authority. The Authority measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at Statement of Financial Position date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 11.

The Authority trades only with recognised, creditworthy third parties. The Authority has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

The Authority has very low levels of default. All overdue accounts are reviewed monthly by the Board and legal action instigated if necessary. There has only been one case where this action was necessary in the current year and none in the prior year.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 11 'Receivables'.

The Authority's credit risk management is further supported by rental agreements and sections 116 & 117 of the Port Authorities Act 1999. Section 116 refers to the liability to pay port charges in respect of vessels and Section 117 refers to the liability to pay port charges in respect of goods. Port charges are defined in Section 115.

#### *Liquidity risk*

The Authority is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Authority is unable to meet its financial obligations as they fall due. The Authority's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and finance leases. The Authority has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

#### *Market risk*

The Authority does not trade in foreign currency and is not materially exposed to other price risks (*for example, equity securities or commodity prices changes*). The Authority's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than as detailed in the Interest rate sensitivity analysis table, the Authority has limited exposure to interest rate risk because it has no borrowings other than WATC borrowings.

**(b) Categories of Financial Instruments**

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the Statement of Financial Position date are as follows

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Financial Assets</b>		
Cash and cash equivalents	<b>50,393</b>	47,082
Loans and receivables	<b>13,193</b>	8,715
Held-to-maturity investments	<u>-</u>	<u>-</u>
	<b><u>63,586</u></b>	<b><u>55,797</u></b>
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Financial Liabilities</b>		
Bank overdraft	-	-
Financial liabilities measured at amortised cost	<u>178,804</u>	<u>28,501</u>
	<b><u>178,804</u></b>	<b><u>28,501</u></b>

**(c) Composition and Maturity Analysis**

Financial Liabilities are expected to be paid as follows:

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Less than 6 months	<b>40,103</b>	12,232
6 months to 1 year	<b>5,000</b>	15,000
1 to 5 years	<b>66,000</b>	-
Over 5 years	<u>67,700</u>	<u>-</u>
	<b><u>178,803</u></b>	<b><u>27,232</u></b>

Receivables are expected to be collected as follows:

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Less than 6 months	<b>13,193</b>	8,678
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	<u>-</u>	<u>-</u>
	<b><u>13,193</u></b>	<b><u>8,678</u></b>

2010	Within one year Weighted Average Interest Rate	Floating	Non Interest	Total
		Interest Rate	Bearing	
Financial Assets and Liabilities		\$'000	\$'000	\$'000
Cash and Cash Equivalents	3.30%	50,392	1	50,393
Receivables		-	13,193	13,193
Interest Bearing Borrowings	4.58%	(138,700)	-	(138,700)
Trade and Other Payables		-	(40,103)	(40,103)
Net Financial Assets (Liabilities)		(88,308)	(26,909)	(115,217)

2009	Within one year Weighted Average Interest Rate	Floating	Non Interest	Total
		Interest Rate	Bearing	
Financial Assets and Liabilities		\$'000	\$'000	\$'000
Cash and Cash Equivalents	3.79%	47,080	1	47,081
Receivables		-	8,715	8,715
Interest Bearing Borrowings	5.68%	(15,000)	-	(15,000)
Trade and Other Payables		-	(17,038)	(17,038)
Net Financial Assets (Liabilities)		32,080	(8,322)	23,758

**(d) Net Fair Value of Financial Assets and Liabilities**

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the Authority approximates their carrying amounts.

	2010		2009	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<b>On Statement of Financial Position</b>				
<i>Non Traded Financial Assets</i>				
Cash and Cash Equivalents	28,796	28,796	1,904	1,904
Deposits	21,597	21,597	45,177	45,177
Trade Debtors	13,193	13,193	8,687	8,687
Trade Creditors	(37,153)	(37,153)	(11,905)	(11,905)
Other Creditors	(2,950)	(2,950)	(5,133)	(5,133)
	23,483	23,483	38,730	38,730

**(e) Interest rate sensitivity analysis and price risk**

The following table represents a summary of the interest rate sensitivity of the Authority's financial assets and liabilities at the Statement of Financial Position date on the surplus for the period and equity for a

**1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.**

	Carrying amount (\$000's)	2009/10		+1% change	
		-1% change Profit (\$000's)	Equity (\$000's)	Profit (\$000's)	Equity (\$000's)
<i>Interest rate sensitivity analysis</i>					
<b>Financial Assets</b>					
Cash and cash equivalents	50,393	(504)	(504)	504	504
<b>Financial Liabilities</b>					
Borrowings	138,700	(1,387)	(1,387)	1,387	1,387
Other financial liabilities					

	Carrying amount (\$000's)	2008/09		+1% change	
		-1% change Profit (\$000's)	Equity (\$000's)	Profit (\$000's)	Equity (\$000's)
<i>Interest rate sensitivity analysis</i>					
<b>Financial Assets</b>					
Cash and cash equivalents	47,080	(471)	(471)	471	471
<b>Financial Liabilities</b>					
Borrowings	15,000	(150)	(150)	150	150
Other financial liabilities					

## Note 21. Director and Executive Disclosures

### (a) Directors

The following persons were directors of Port Hedland Port Authority during the financial year:

#### Chairman – Non Executive

I Williams

#### Directors – Non Executive

A Cooke (to December 09)

M Currie (from November 09)

M Dziombak (to September 09)

J Ford

L Longden (from October 09)

R Richardson (to October 09)

A Riley (from January 2010)

J Tapp

#### Alternate Directors – Non Executive

P Slocombe (to October 09)

R Richardson (from November 09)

#### Directors' Emoluments

The emoluments of each Director of the Authority are as follows:

##### 2010

Director	Directors' Fees	Committee Fees	Superannuation Benefits	Allowance	Non Cash Benefits	Total
I Williams	45,000	-	4,050	-	-	49,050
A Cooke	10,153	-	914	-	-	11,067
M Dziombak	4,442	-	400	-	-	4,842
R Richardson*	6,875	-	-	-	-	6,875
M Currie*	9,625	-	-	-	-	9,625
J Ford	16,373	-	1,473	-	-	17,846
L Longden	18,462	-	1,661	-	-	20,123
A Riley	7,044	-	634	-	-	7,678
J Tapp	16,373	-	1,473	-	-	17,846

\* Directors' fees are paid to the Directors' respective employers.

##### 2009

Director	Directors' Fees	Committee Fees	Superannuation Benefits	Allowance	Non Cash Benefits	Total
I Williams	45,000	-	4,140	1,000	-	50,140
M Dziombak	16,500	-	1,485	-	-	17,985
A Cooke	16,500	-	1,485	-	-	17,985
R Richardson*	16,500	-	-	-	-	16,500
A Watling (Resigned 12/08)	16,183	-	1,456	-	-	17,639
G Stocker	22,700	-	2,044	-	-	24,744

\* Directors' fees are paid to the Directors' respective employers.

**(b) Key Management Personnel**

The following also had the authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly during the financial year:

<b>Name</b>	<b>Position</b>
A Bush	Chief Executive Officer
L Copeman	General Manager Operations
D Gollogly	General Manager Corporate Services
L Stanley	Manager Technical Services
C Wilson	Environmental Manager
P Watson	Commercial Manager
W Farrow	Port Development Manager

All of the above persons were also specified executives during the year ended 30 June 2009. Additionally the following persons had the authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly during the financial year:

N Nickolai	Finance Manager
J Finch	Marine Operations Manager
D Miles	Human Resources Manager
J Giles	Landside Operations Manager
G Duscher	Shipping Superintendent

**Executive Emoluments**

The emoluments of the Executive Officers receiving the highest emoluments for the Authority are as follows:

**2010**

Officer	Date Commenced	Salary	Superannuation Benefits	Incentives	Non Cash Benefits	Total
Andre Bush	06/12/05	285,181	45,180	64,575	21,138	416,074
Lindsay Copeman	11/10/01	235,545	31,580	11,586	14,628	293,339
Lyle Stanley	10/09/01	190,896	26,023	9,790	16,565	243,274

**2009**

Officer	Date Commenced	Salary	Superannuation Benefits	Incentives	Non Cash Benefits	Total
Andre Bush	06/12/05	270,828	36,549	13,649	23,522	344,548
Lindsay Copeman	11/10/01	226,734	30,105	16,236	17,875	290,950
Lyle Stanley	10/09/01	185,513	25,244	9,169	18,834	238,760



## Note 22. Remuneration of Auditors

Remuneration Payable to the Auditor General in respect to the audit for the current financial year is as follows:

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Auditing the accounts and the financial statements	<u>30</u>	<u>23</u>

## Note 23. Contingencies

### Contingent Liabilities

Under the Contaminated Sites Act 2003, the Authority is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly contaminated – investigation required, the Authority may have a liability in respect of investigation or remediation expenses.

Port Hedland Port Authority have made submissions under the Act and where the possibility of contamination is suspected the Port is working with the lessees to investigate and will work with them to remediate should remediation be required.

## Note 24. Commitments

<b>Service Contracts – Port Operations</b>	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Within One Year	<b>15,042</b>	10,564
Later Than One Year but Not Later Than 5 Years	<b>35,137</b>	37,743
Later Than 5 Years	<u>4,683</u>	<u>2,500</u>
<b>Total</b>	<b><u>54,862</u></b>	<b><u>50,807</u></b>

### Capital Commitments

Within One Year	<b>50,825</b>	45,609
Later Than One Year but Not Later Than 5 Years	-	-
Later Than 5 Years	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>50,825</u></b>	<b><u>45,609</u></b>

### Operating Lease Commitments

Within One Year	<b>226</b>	102
Later Than One Year but Not Later Than 5 Years	<b>428</b>	77
Later Than 5 Years	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>654</u></b>	<b><u>179</u></b>

Construction is nearing completion on a new multi-user public berth at Utah Point, Port Hedland. It has been funded by capital contributions, prepaid charges and borrowings.

The prepaid charges will be applied as future prepaid revenue as the new port facilities are utilized. The amount advanced as at 30 June 2010 was \$46.5 million, included as part of prepaid revenue in Note 17 and the capital contribution of \$70 million was received in 2008/09. The remaining funding has been sourced from port borrowings, which will be fully repaid with port user fees within ten years.

#### Lease Rentals

Properties are leased to tenants under operating leases with rental payments in accordance with the terms of the lease agreement. Minimum lease payments receivable on property leases are as follows:

Minimum lease payments under non-cancellable operating leases not recognised in the financial statements are as follows:	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Within One Year	<b>4,262</b>	3,893
Later Than One Year but not Later than Five Years	<b>16,089</b>	14,249
Later Than Five Years	<b>41,079</b>	39,855

## Note 25. Related Parties

#### Directors

Mr. M Currie and his alternate Mr. R Richardson are employees of BHP Billiton Iron Ore Pty Ltd. Mr J Tapp, also a director, was an employee of Fortescue Metals Group Pty Ltd. Both BHPB and FMG use port facilities for the export of iron ore commodities and the terms or trade offered to these customers are equivalent to those offered to all other port users.

BHPB and FMG are leaseholders of the Port Hedland Port Authority, and the lease agreements are based on normal commercial terms and conditions.

Port Hedland Port Authority lease a house from Mr. André Bush to assist with staff housing needs. This house is leased at the lower end of market rates.

Mr. Ian Williams has declared a non-pecuniary interest in the Pinc Group. Pinc Group provide management posts as part of a PHPA integrated construction management team for the construction of the Utah Berth.

#### Remuneration Benefits

Information on remuneration of Directors is disclosed in the Directors' Report.

## Note 26. Events Occurring after the Statement of Financial Position Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in future financial years.

## Note 27. Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

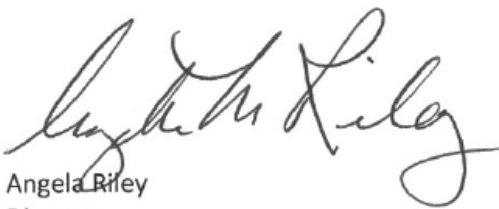
	2010	2009
	\$'000	\$'000
Profit for the Year	(1,493)	56,053
Depreciation and Amortisation	8,777	6,699
Net (Gain) Loss on Sale of Non-Current Assets	12	(410)
Decrease (Increase) in Trade Debtors	(45,918)	882
Decrease (Increase) in Inventories	(896)	(22)
Decrease (Increase) Prepayments	(84)	(9)
Increase (Decrease) in Accrued Charges	13,800	3,103
Increase (Decrease) in Trade Creditors	6,682	7,125
Increase (Decrease) in Rehabilitation Liability	62,818	-
(Increase) Decrease in Future Income Tax Benefit	(315)	562
Increase (Decrease) in Provisions for Income Taxes Payable	(22,721)	22,009
Increase (Decrease) in Provision for Deferred Income Tax	(1,183)	(1,374)
Increase (Decrease) Prepaid Revenue	20,536	20,160
Increase (Decrease) in Other Provisions	<u>117</u>	<u>238</u>
Net Cash (Outflow) Inflow From Operating Activities	<u><u>40,132</u></u>	<u><u>115,016</u></u>

## Directors' Declaration

In the opinion of the directors of Port Hedland Port Authority (the "Authority"):

- (a) the financial statements and notes, set out on pages 35 - 67, are in accordance with the financial reporting provisions of the Port Authorities Act 1999, including:
  - (i) giving a true and fair view of the Authority's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Port Authorities Act 1999;
- (b) there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Angela Riley  
Director

14 September 2010



Les Longden  
Deputy Chairman

14 September 2010



## Auditor General

### INDEPENDENT AUDIT REPORT ON PORT HEDLAND PORT AUTHORITY

#### To the Parliament of Western Australia

I have audited the financial statements of the Port Hedland Port Authority. The financial statements comprise the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

#### Directors' Responsibility for the Financial Statements

The directors of the Port Hedland Port Authority are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Port Authorities Act 1999. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Summary of my Role

As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial statements based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. This document is available on the OAG website under "How We Audit".

An audit does not guarantee that every amount and disclosure in the financial statements is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

#### Audit Opinion

In my opinion, the financial statements of the Port Hedland Port Authority are in accordance with schedule 5 of the Port Authorities Act 1999, including:

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

COLIN MURPHY  
AUDITOR GENERAL  
20 September 2010