



PORT HEDLAND PORT AUTHORITY
Annual Report 2012

STATEMENT OF COMPLIANCE

TO THE HON TROY BUSWELL MLA

Minister for Transport

In accordance with Section 68 and clauses 34 and 35 of Schedule 5 of the *Port Authorities Act 1999*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Port Hedland Port Authority for the financial year ended 30 June 2012.

Ken Pettit SC

Chairman, PHPA Board of Directors



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OVERVIEW: EXECUTIVE SUMMARY



NOTEABLE ACHIEVEMENTS

1. Total throughput of 246.7 million tonnes for the 2011/12 FY
2. Profit before tax of \$46.184 million for the 2011/12 FY
3. Record breaking cargo (1.040 million tonnes) and number of vessels (six) on a single tide (18 June 2012)
4. Record breaking single iron ore shipment to leave Port Hedland (248,106 tonnes on board the Wugang Innovation – December 2011)
5. Port Hedland's pilotage service (Port Hedland Pilots) achieved certification for the International Standard for Pilotage Organisations Code 2011 (ISPO) and Det Norske Veritas (DNV)
6. In December 2011, PHPA's Integrated Management System (IMS) achieved ABS Quality Evaluation certification for:

ISO 9001: Quality Management

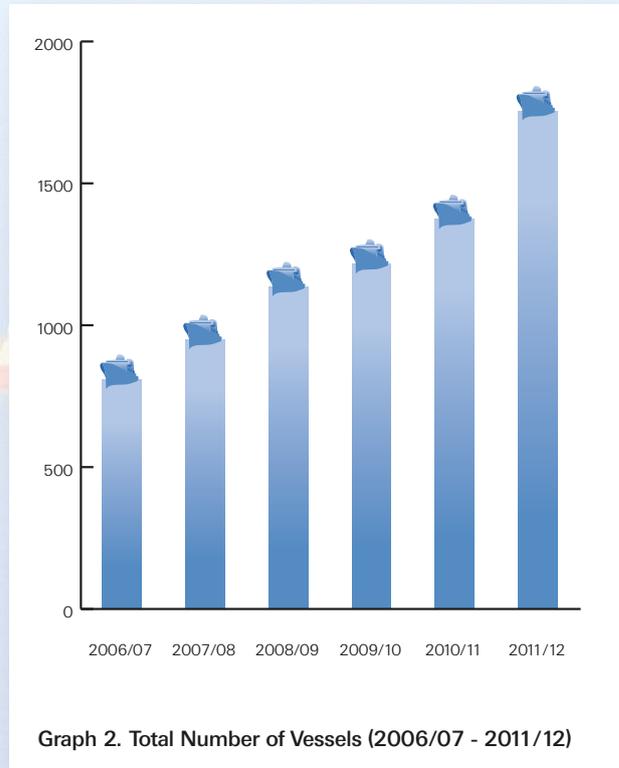
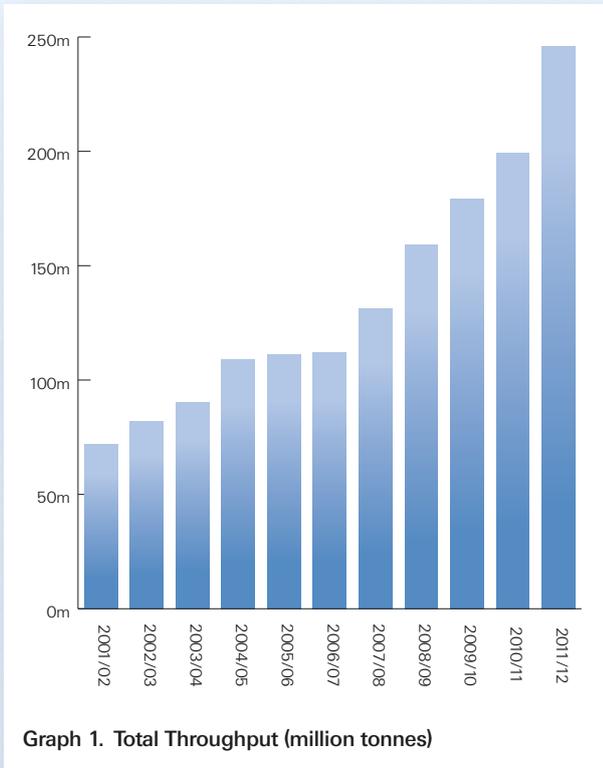
ISO 14001: Environmental Management

AS/NZS 4801: Safety Management

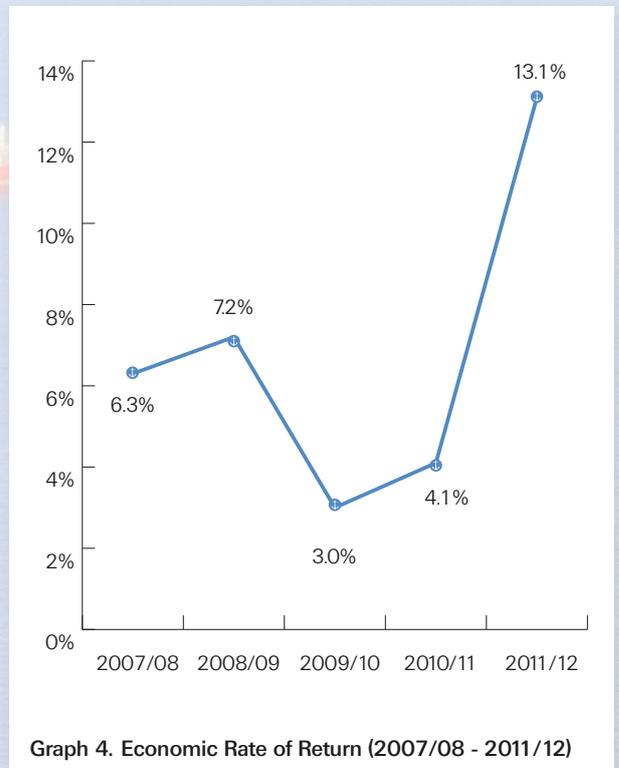
7. Recipient of the following awards:
 - 2011 Lloyds List DCN Environmental Transport Award,
 - 2011 National Engineering Excellence Award,
 - 2011 WA Engineering Excellence Award in the Resource Development Category,
 - 2011 Golden Gecko Award for Environmental Excellence



SIGNIFICANT TRENDS



The return on assets ratio is calculated by dividing the Authority's earnings before interest and taxes (EBIT) by the Authority's average total assets.



The economic rate of return is calculated as follows:

$$\frac{\text{earnings before interest and taxes} + \text{historical depreciation} - \text{deprival depreciation}}{\text{Current assets} + \text{deprival value net non-current assets}}$$



CHAIRMANS REPORT

SUMMARY

It is my pleasure to present the Chairman's Report and to briefly review a significant year for the Port Hedland Port Authority (PHPA).

The PHPA has delivered a year of record-breaking activity - operationally, financially, and organisationally. The PHPA shipped 246.7 million tonnes in the financial year, an increase of 23.9 per cent from the previous year. Further, the PHPA shipped one million tonnes in six vessels on a single tide – a landmark performance, giving further confidence that our target capacity of 495mtpa is achievable.

The PHPA recorded a profit before tax of \$46.2 million, improving upon the previous year's performance by over 800 per cent.

These results indicate that the Port continues to meet its statutory objective of facilitating trade and its goal of enabling substantial economic benefit for the Pilbara region and the State of Western Australia.

HEALTH SAFETY AND ENVIRONMENT

The PHPA continues to regard health, safety and environment (HSE) as vital elements in the operation of the Port. Compliance with the PHPA's HSE policies remains a top priority of the Board. HSE reporting is a standing item on the agenda at the Board's monthly meetings. The PHPA is very pleased to report zero lost time injuries for its employees for the year under review. We will continue to focus on ensuring our staff are kept injury free in the workplace. In particular, renewed focus was given to improving contractor HSE performance and reporting.

The year under review also saw the PHPA receive a Golden Gecko Award for environmental excellence in mangrove monitoring. On behalf of the Board, I wish to formally and gratefully acknowledge the performance of management in winning such a significant award.

HIGHLIGHTS

The PHPA appointed a new Chief Executive Officer and new Chief Financial Officer in January 2012.

The major focus during the financial year 2011-2012 was the progression of the PHPA's major Port development activities, including BHP Billiton Iron Ore's (BHPBIO) Outer Harbour development, facilitating junior miners' access to Port infrastructure, the business case for the development of Lumsden Point and optimising the Utah Multi-User Bulk Handling Facility (Utah Facility).

The Utah facility, which was awarded an Engineering Excellence Award by Engineering Australia, shipped over 11 mt in product in the financial year.

The 2011/12 year also saw the PHPA's Integrated Management System (IMS) achieve ABS Quality Evaluation certification for ISO 9001: Quality Management, ISO 14001: Environmental Management, and AS/NZS 4801: Safety Management.

Looking ahead, we are excited by the PHPA's continued role in facilitating trade in a period of high growth prospects. As a gateway from the Pilbara to the international markets for iron ore and other minerals, the PHPA's projected growth for the next five years remains strong.

... The PHPA has delivered a year of record-breaking activity - operationally, financially, and organisationally ...



Marine Pilot launch



FINANCIAL RESULTS

The 2011/12 financial year represented a significant milestone in the maturation of the PHPA as a business. The annual profit before tax of \$46.2 million brings the Port's financial performance in line with its reputation for operational excellence and high trade volumes. Under the direction of the Board, the PHPA's management team are refocussing the business by introducing and embedding sound commercial pricing and cost management practices.

The results achieved to date are sustainable over the medium term with forecast returns on investment aligning with growing trade volumes and developments in the Port's infrastructure.

A sharpened focus on Balance Sheet management has also seen a material improvement in the Port's cash holdings. A diligent focus on debtor management has also made a significant contribution to the improved cash position.

BOARD

This reporting period saw the retirement of Mr Matthew Currie from the Board on 20 January 2012, and the expiration of Ms Ford's three year term on 30 June 2012.

The Board undertook a number of site visits during the year to meet management operational staff and stakeholders, and to gain a better understanding of the operations of the PHPA and its key mining stakeholders.

I thank the Board for its diligence and application throughout the financial year and acknowledge, in particular, the efforts of those members who contributed to the PHPA's Board Committees.

CONCLUSION

Over the past year, the PHPA has carefully articulated its business case for future investment in Port infrastructure, and has secured significant support for PHPA development plans to underpin the Port's continuing capacity to facilitate future trade requirements.

The profile of PHPA has increased recently, with the Port attracting considerable interest from many sectors. This interest reflects confidence in the Port's administration and capacity to achieve its statutory objectives. None of this could be achieved without the combined effort and support of many people.

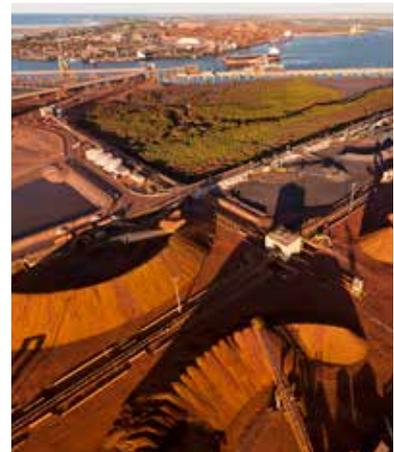
Thanks go to our shareholding Minister, the Minister for Transport, the Honourable Troy Buswell for his guidance and support in Port operations, and for the time he has generously made available for Port matters.

Thanks to a dedicated and professional team of PHPA executives and operatives for delivering the PHPA's strategic and operational objectives for the financial year.

Thanks to the directors, past and present, for their professional and diligent counsel.

I am confident that the Board and the staff will continue to meet the exciting challenges ahead.

Ken Pettit SC
Chairman, PHPA Board of Directors



Stockyard One at the Utah Facility

CHIEF EXECUTIVE OFFICERS REPORT

The PHPA has experienced an incomparable period of growth during 2011/2012, and by a range of measures this has been one of the best years in its history.

A renewed focus on sound fiscal trading, coupled with a record level of trade over this period, has seen the PHPA generate revenue of \$155.1 million and a profit before tax of \$46.2 million. This represents a significant turnaround and a much improved financial performance from the previous financial year. It better positions the PHPA to achieve its core mission: to safely, profitably, sustainably, efficiently and innovatively operate the Port to promote, facilitate and expand regional trade.

Since my appointment, in January 2012, as Chief Executive Officer at the PHPA, I have led a focused effort to improve both the PHPA's safety record and its environmental management. These aspects of our business comprise our licence to operate and are critical success factors for our business.

As Chief Executive Officer, I strive to ensure that every individual that enters the Port leaves in the same, or improved, state of physical and mental wellbeing. Despite the PHPA recording zero lost time injuries for its employees, the PHPA's contractors experienced nine lost time injuries in the same period. My priority in the new financial year is to measurably decrease this number and strive to achieve the same zero lost time incidence record as our employees experienced.

Significant improvements in the PHPA's environmental performance were achieved in this period, with effective dust suppression methods contributing to air quality targets being met during most months. Performance at PHPA's Utah Facility was particularly improved since January 2012, with no exceedences recorded from January to June 2012. This is of particular note, given the facility is operating above its design capacity.

The 2011/12 financial year also saw the PHPA achieve a number of operational milestones. On the back of continued global demand for bulk commodities, the Port's trade reached record levels, with total throughput increasing by 23.9 per cent to 246.7 million tonnes for the period.

In June 2012, the PHPA managed the departure of six vessels on a single tide for the first time in its history. With a combined total cargo of 1,040,062 tonnes, the PHPA also beat the previous record for cargo shipped on a single tide by 92,287 tonnes.

By working closely with the PHPA's Marine Pilots and Towage Service providers, the PHPA's Operations team have been continuously improving processes to safely increase the number of vessels able to sail on a single tide. The PHPA now regularly achieves the sailing of five tidally constrained ships on a single tide, with throughput tonnages approaching one million tonnes.

With the PHPA continuing to experience increasing numbers of vessel movements, it is critical that the best marine pilots are in the field to mitigate the associated risks. Port Hedland Pilots achieved certification for both the International Standard for Pilotage Organisations Code 2011 (ISPO) and Det Norske Veritas (DNV). To be awarded these two prestigious levels of certification, Port Hedland Pilot's operational quality and safety management systems are of a world class standard, and demonstrate the PHPA's commitment to safe and efficient operations. To that extent, the PHPA also continues to meet the security standards required under the International Ship and Port Facility Security (ISPS) code.

... On the back of continued global demand for bulk commodities, the Port's trade reached record levels, with total throughput increasing by 23.9 per cent to 246.7 million tonnes for the period ...



The period under review also saw the advancement of a number of new developments and the commissioning of additional berths within the inner harbour, enabling the PHPA to continue its advance towards its target annual throughput capacity of 495 million tonnes.

In endeavouring to facilitate the diversification of trade through the Port and surrounding region, the PHPA also hosted two cruise ship visits during the 2011/12 financial year. With these historic and highly successful visits to the Port being well received by the local community, the PHPA was pleased to announce that it will be accepting bookings for five cruise ship visits in 2012/13.

As the PHPA continues to grow, my key objectives for the year ahead will be to build upon our operational capabilities and maintain our licence to operate. The PHPA's ability to manage the wellbeing of our people and the health of our environment are of critical importance to me and underpin the PHPA's success.

I would like to thank the Chairman, Ken Pettit for his guidance and support, and the Board of Directors for their contribution throughout the 2011/2012 financial year. I also wish to acknowledge the efforts of the Executive Management Team and staff of the PHPA who have diligently and professionally worked with our customers and stakeholders to enhance the PHPA's status as the world's largest bulk export Port.

Roger Johnston
Chief Executive Officer





Port Hedland Harbour Railway Bridge (1943)

Image source: Australian War Memorial



Ship at Berth (1967)

Image source: Battye Library

A PROUD HISTORY

Discovered in 1863 by Captain Peter Hedland, who was seeking to offload cattle for a nearby station, the Port Hedland Harbour was originally known as Mangrove Harbour. The settlement initially developed around the pastoral and pearling industries, until the discovery of gold in nearby Marble Bar. The need to export the valuable mineral drove investment in the very first export Port, comprising a jetty and eight kilometre causeway into the Port Hedland township, constructed in 1899. The first shipment of gold bullion in 1900 signalled a significant commercial change for the small settlement.

Throughout the early 1900's, the Port primarily facilitated trade in gold, livestock, wool and pearl shells and provided an import facility to support stations located within the Pilbara. The first railway was built in 1911 to connect Marble Bar and Port Hedland and enable the easier shipment of gold.

As a flourishing trading centre, Port Hedland was targeted during World War II. Fortunately, the loss of life and destruction of the township was less significant than that inflicted upon Darwin and Broome.

In 1951, the railway was closed due to falling demand. The Port was then forced to rely on road transportation to facilitate the majority of its trade.

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).

1976

The turning basin was extended and channel widened to accommodate ships up to 225,000 DWT.

1986

The channel was deepened by 2.5m and a computerised under keel clearance program introduced. The first program of its kind utilised in Australia permitted access to ships 330m long with 260,000 DWT.

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 create No.2 berth.



With the discovery of iron ore shortly after World War II, this reliance was short-lived. This exciting discovery and subsequent changes to legislation in the 1950's, which permitted exportation of the newly discovered mineral, signaled a new growth phase for the Port.

On 27 May 1966, a new era in mineral exportation commenced, with the first shipment of iron ore by BHP Ltd loaded at the Port.

Construction of the Mount Goldsworthy and Newman Railways connected Port Hedland with towns 400 kilometres away and resulted in unprecedented growth in commodity exports for the region.

The introduction of Fortescue Metals Group (FMG) into the market in 2006 cemented Port Hedland's reputation as a true multi-user Port and the largest bulk export facility in the world.



Aerial photo - Port Hedland township, 1969.

Image source: State Library of Western Australia



Port Hedland Township (Circa 1912-1951)

Image source: National Library of Australia

2008

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

2010

The first pile was driven in March 2009 to commence construction of the new berth at Utah Point, that was completed in 2010. Construction of two new berths at Harriet Point commenced.

2011

First ore on ship at the new Utah Point berth. BHPBIO commissioned two new berths and commenced construction of an additional two berths. FMG commenced construction of its third berth.

2012

Record breaking six vessels and over 1 million tonnes on a single tide. FMG completes construction of its third berth, with BHPBIO also completing construction of an additional two berths. Roy Hill completes its dredging program in South West Creek.



THROUGHPUT
130.7 MT

THROUGHPUT
178.9 MT

THROUGHPUT
199.002 MT

THROUGHPUT
246.7 MT

ORGANISATIONAL STRUCTURE

LEGISLATIVE FRAMEWORK

The PHPA, which operates under its registered business name, Port Hedland Port Authority, is a commercialised trading entity under the *Port Authorities Act 1999*.

The Act defines a clear role for all Port Authorities and establishes the lines of accountability and reporting requirements to the State Government. Under the Act, the PHPA has a duty to act on commercial principles, and is afforded the power to perform defined functions, including:

- The facilitation of trade, and planning for future growth and development of the Port for the economic benefit of the State,
- The control of operations and business of the Port, and the power to hold and dispose of assets and enter into commercial arrangements,
- The safe and efficient operation of the Port,
- The maintenance and preservation of property vested in the Port,
- The protection of the Port environment, and minimisation of the impact of Port activities on that environment.

The *Port Authorities Act 1999* adopts financial reporting provisions equivalent to those of Corporations Law and exempts the PHPA from the *Financial Management Act 2006*, with the exception of audit provisions, which require the Auditor General to conduct an annual audit of the PHPA.

It also exempts the PHPA from the *Public Sector Management Act 1994*, but requires it to put in place minimum standards that reflect the principles of the Act, and the Commissioner of Public Sector Standards may direct the Board to report to the Commissioner.

The PHPA's Board of Directors is responsible to the Minister for Transport, with its role being to set the strategic direction of the PHPA, as well as agreeing to goals for management and monitoring the achievement of those goals.

The role of the Board is to "*perform the functions, determine the policies and control the affairs of the Port authority*" (Section 8(2) of the Port Authorities

... the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the State of Western Australia, as well as the PHPA's employees and customers and the community ...



Act 1999 (WA)). In carrying out its responsibilities and exercising its powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the State of Western Australia, PHPA employees, customers and the community.

The enabling legislation sets out the roles, responsibilities and powers of the Board, and the Chief Executive Officer, who is appointed by the Board and responsible for the PHPA's day to day management.

The PHPA's governing body is a Board of six non-executive Directors, including the Chairperson. The Board comprises five Directors appointed, by the Minister for Transport, plus one industry-nominated Director, all of whom are responsible to the Minister.

The PHPA has clearly defined guidelines for operating and capital expenditure. These guidelines include monthly reports against budget for the major business units as well as Board approved levels of delegated financial authority.

The PHPA is required to obtain the approval of the Minister for Transport for major capital works expenditure that exceeds \$2 million. The Board also regularly reviews capital expenditure and cash flows.



Stockpiles at Utah Facility



WHO WE ARE: VISION, MISSION, VALUES

The PHPA's Vision and Mission statements describe the PHPA's business intent. In conjunction with its organisational values, these statements provide guidance for the PHPA in its planning and decision making processes, as it works towards delivering on its strategic goals.

Vision

To be the world's leading Port, helping to create a sustainable region.

Mission

To safely, profitably, sustainably, efficiently and innovatively operate the Port to promote, facilitate and expand regional trade.

The PHPA's success is underpinned by its skilled, experienced and professional people, and their commitment to the following organisational values:

Respect - operate fairly and honestly in all dealings with all stakeholders.

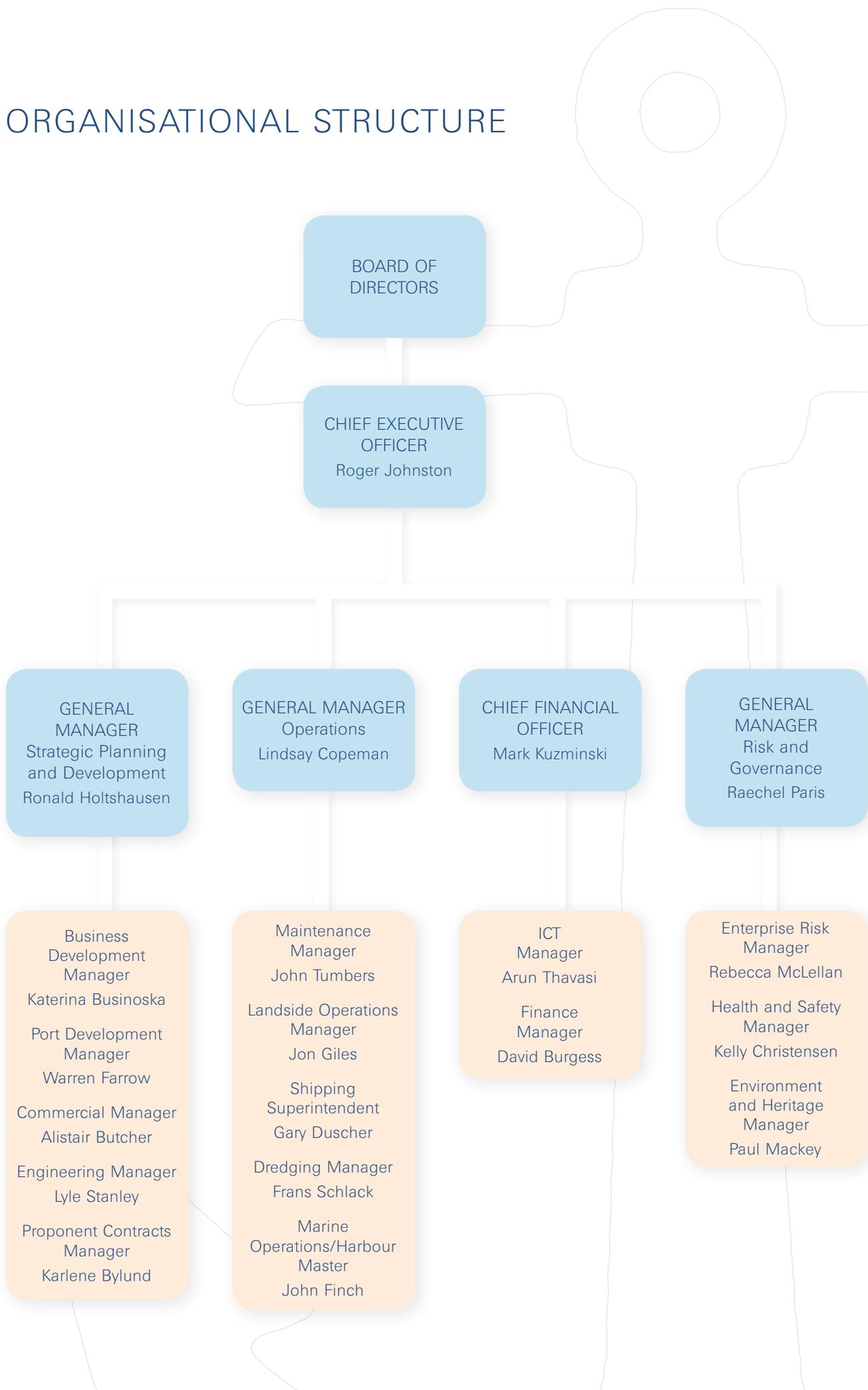
Excellence - strive to be the best in all we do, and maintain strong focus on continuous improvement and innovation.

Courage - do the right thing every time, act with integrity in all we do, and always speak up.

As the PHPA continues to grow, these overarching objectives and principles establish a clear framework by which the PHPA can meet the challenges that accompany such growth, enabling it to deliver the best outcomes possible.



ORGANISATIONAL STRUCTURE



BOARD

Details of the PHPA Board of Directors are provided in the Disclosures and Legal Compliance: Directors Report on page 44.

EXECUTIVE TEAM



Roger Johnston

Chief Executive Officer

Roger joined the PHPA in January 2012.

Well regarded for his clear leadership and focused strategic capabilities, Roger brings with him over 30 years experience as a senior executive and company director.

Prior to commencing at the PHPA, Roger worked in senior roles with a number of multinational logistics companies, and most recently in the construction materials business in WA.

Roger holds a Bachelor of Science Degree and is a Member of the Australian Institute of Company Directors.



Ronald Holtshausen

General Manager, Strategic Planning and Development

Prior to joining the PHPA in June 2011, Ronald was employed as CEO and Chairman of a multinational listed company responsible for the management and development of Port and terminal assets.

He brings extensive experience in the terminal and cargo sector to the PHPA.

Ronald's qualifications include; a Bachelor of Commerce, Higher Diploma in Tax Law, MBA and a Diploma in Leadership through the London Business School. Ronald is also a Registered Accountant with the South African Institute of Chartered Accountants and is a past Director of a number of listed and unlisted companies.



Lindsay Copeman

General Manager, Operations

Captain Lindsay Copeman joined the PHPA in October 2001 as Harbour Master, and has extensive experience in the marine operations sector.

Lindsay has a merchant seafaring background, covering general bulk and passenger trades. He first moved into the Port operations environment at Dampier Port, where he served as Tug Master, Marine Superintendent and Deputy Harbour Master, prior to moving to Port Hedland.

In May 2010, following an organisational restructure, Lindsay was appointed to his current role.





Mark Kuzminski
Chief Financial Officer

Mark joined the PHPA in January 2012. He holds a Bachelor of Business (Accounting) from the University of Western Sydney and is a Certified Practising Accountant.

Mark has over 20 years local and international experience in commercial and government roles. This blend of experience is ideally suited to his role as CFO of the PHPA, as a Government Trading Enterprise.



Raechel Paris
General Manager, Risk and Governance

Raechel joined the PHPA in May 2011. She has more than 14 years experience in legal, commercial and governance roles, with national and international accountability, and brings a wealth of corporate knowledge to the PHPA.

Raechel holds a Bachelor of Arts/Law from Monash University. She is a member of the Chartered Secretaries Institute and a Graduate of the Australian Institute of Company Directors.



PORT PERFORMANCE: The Year at a Glance

The 2011/12 financial year was a period of record achievement and growth for the Port Hedland Port Authority (PHPA), and a year where the PHPA positioned itself for an exciting future.

With a total throughput of 246.7 million tonnes, an increase of 23.9 per cent on 2010/11, the PHPA enhanced its reputation as a facilitator of trade and development. The achievement of a record cargo (1.040 million tonnes) and number of vessels (six) on a single tide, on 18 June 2012, demonstrates the PHPA's ongoing commitment to improvement and excellence, building strong confidence in its ability to meet its target of 495 million tonnes per annum through the inner harbour.

The PHPA achieved a profit before tax of \$46.2 million. This was an increase of 800 per cent on the previous financial year, reflecting strong management and leadership at the PHPA.

In January 2012, the PHPA appointed a new Chief Executive Officer and new Chief Financial Officer. These were significant milestones, as the PHPA prepares for a further period of expansion.

This expansion will also be facilitated by the growth and development of staff at the PHPA. Throughout the 2011/12 financial year, the PHPA continued to recruit resources to match growth, with 125 approved positions (including replacements) filled by the end of the financial year. In Perth, the PHPA moved its offices to larger premises to accommodate its growing team.

The PHPA's commitment to excellence was reflected in the achievement of new certifications and standards during 2011/12. These included the PHPA's pilotage service achieving certification for the International Standard for Pilotage Organisations Code 2011 and Det Norske Veritas. The PHPA's Integrated Management System also achieved ABS Quality Evaluation certification for ISO 9001: Quality Management, ISO 14001: Environmental Management and AS/NZS 4801: Safety Management.

The PHPA's high standards were further recognised throughout the year, through the receipt of a number of awards. These included the 2011 Lloyds List DCN Environmental Transport Award, the 2011 National Engineering Excellence Award, the 2011 WA Engineering Excellence Award (Resources Development Category) and the 2011 Golden Gecko Award for Environmental Excellence.

The PHPA's customer focus and commitment to the community were reflected through the development of a stakeholder engagement plan, as well as the commissioning of the 2011 Customer Satisfaction Survey. Both measures informed the PHPA's decision making throughout the year.

The PHPA ends the 2011/12 financial year with a proud record of achievements, and well prepared for the exciting challenges in the years ahead.



Vessel entering Port Hedland inner harbour

SETTING THE BENCH MARK: Port Operations

The Port of Port Hedland has experienced unprecedented cargo growth over the last decade, and with that growth has come a significant increase in vessel movements and other activities within the PHPA controlled area.

The PHPA's Marine and Landside operations have experienced commensurate growth in their capacity to manage the increase in cargo growth and to mitigate potential risks. The Port is well regarded by its peers around the world as an entity that employs highly skilled Marine and Pilotage staff and professional managers.

The PHPA's Operations Section has continued to experience growth in all areas over the last twelve months, from an increase in the number of operating berths and Port throughput, to the level of construction activity, vessel management requirements and staffing levels.

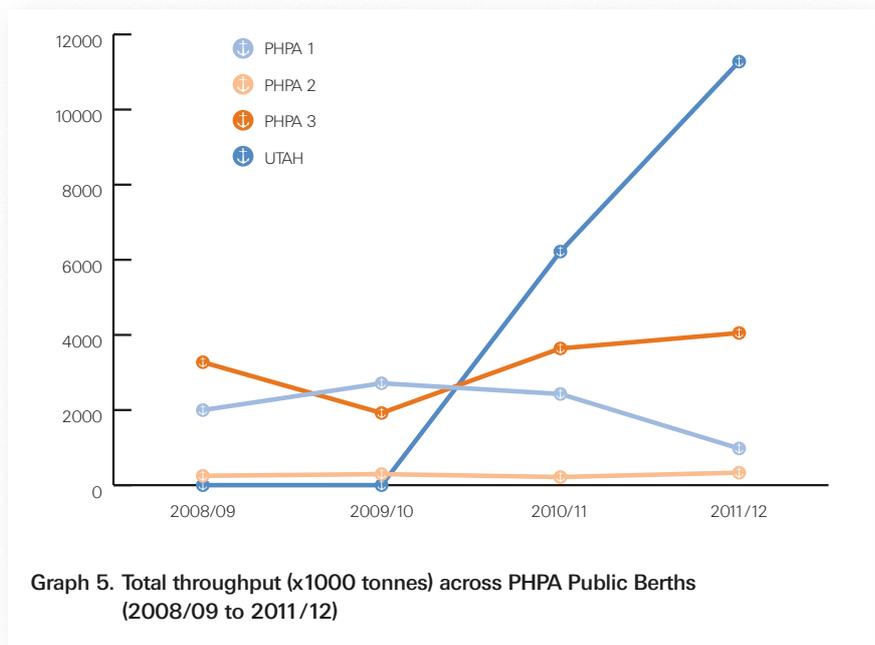
The year in review has seen substantial growth in trade across the PHPA's berths (PHPA 1, 2, 3 and 4 - Utah Facility) with trade increasing from 6.2 million tonnes in 2010/2011 to 13.5 million tonnes this financial year (2011/2012).



PHPA maintenance team at work



Conveyer at Utah Facility



The Utah Facility continues to operate at above design levels for Stockyard 1, with all five foundation customers now shipping product on a monthly basis and achieving exports equal to or in excess of their allocated capacities. The Utah Facility achieved an annual throughput of 11.3 Million Tonnes (Mt) in 2011-12 with the highest single shipment of 120 thousand tonnes (MV Eridge 120,000t) and a monthly record of 1.1 mt being achieved in October 2011 this year.

Other notable developments include two BHP Billiton Harriet Point berths becoming operational from November and December 2011 respectively. This was followed soon thereafter by the Fortescue Metals Group's third Anderson Point berth, which became operational in March 2012.



The increase in cargo throughput, mainly driven by the demand for iron ore exports, resulted in an increase in Port throughput by more than 47.7 million tonnes for the year, reaching a new record throughput of 246.7 million tonnes. This makes the Port the largest bulk export Port in the world. The aforementioned achievement was largely made possible by the new Cape Size berths becoming operational and an upgrade of existing Port infrastructure during the year in review. During the year a new Port single shipment record of 248,106t was achieved by the *MV Wugang Innovation* which was loaded at an Anderson Point berth.

The growth in trade (and resulting growth in demand for Port services) along with the significant increase in large scale construction and dredging activity at the Port, has necessitated a significant increase (22% increase on the previous 12 months) in operational staffing levels over the last twelve months.

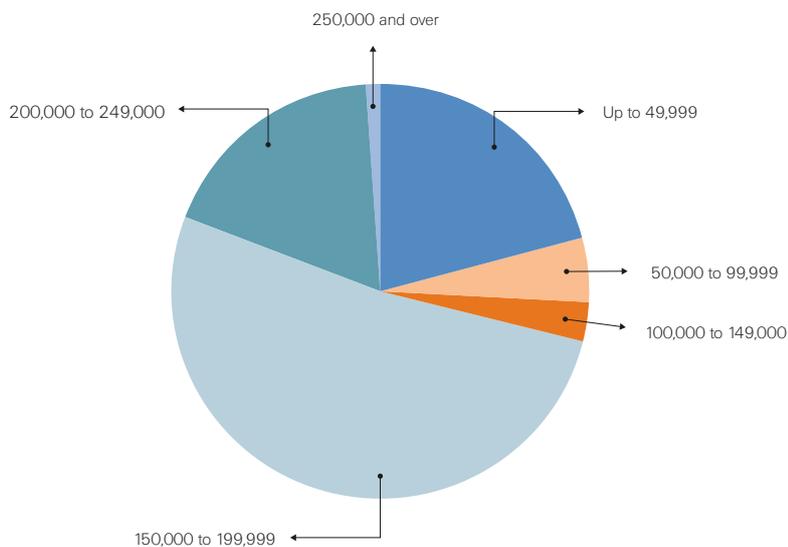
The 2011/12 financial year also saw the establishment of a dedicated, in-house PHPA maintenance team, and operational teams starting the move towards 24 hour operations at the Port's facilities.

MARINE

Pilotage

Port Hedland Pilots continued to provide pilotage services within Port Hedland harbour, and completed the second year of a five-year service contract. Continued growth in shipping movements required an increase from 16 to 18 permanent marine pilot positions, with significant resources being invested in best practice pilot training.

Port Hedland Pilots gained International Safety Management certification for pilotage organisations in 2012, becoming only the second organisation in Australia to meet this standard. In 2011-12, a total of 3,784 piloted shipping movements were undertaken, representing a 25 per cent increase in shipping movements above the 2010-11 financial year.

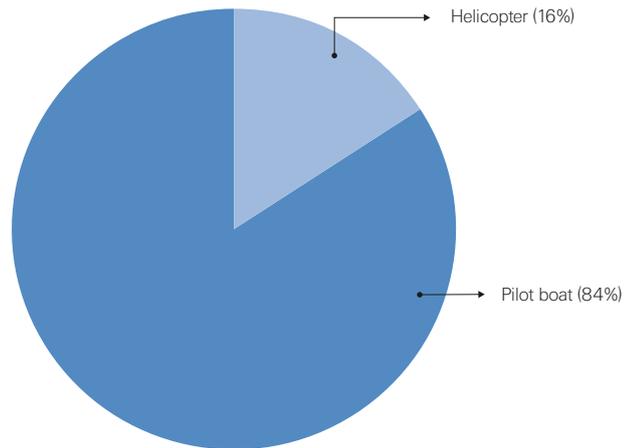


Graph 6. Percentage of vessels piloted by deadweight tonnes



Marine Pilot Transfers

Marine Pilot transfers continued to be operated by Jayrow Helicopters and GO Marine Group, for helicopter and pilot boat operations, respectively. The demand placed upon these services continued to grow, with additional marine and aviation staff and assets being required to manage increased operations and fatigue.



Graph 7. Pilot transit mode of operation



Vessel coming alongside at Utah Facility



Oil spill response equipment at Port Hedland

Port Risk Management Philosophy

The PHPA continued to implement robust risk management strategies for both existing and developing risk-drivers within the Port. The PHPA Risk Review Committee, which was formed in 2010, continues to meet biannually to review identified risk controls.

The PHPA engaged a full time Manager Enterprise Risk to ensure a consistent, coordinated and enterprise-wide approach to risk, and be accountable for the implementation and management of a best practice Risk Management Framework.

In another risk management reduction strategy, *Rightship* ship vetting continued to be an integral part of the Port's vessel management, with all vessels nominated for Port Hedland having to be deemed appropriate for the Port in terms of vessel and operating company performance. The system operated a "star" rating system for operational safety and recently implemented a "green star" system for environmental performance.

Pollution Response Capability

The PHPA continued to invest heavily in its pollution response capability, with the delivery of two response barges, skimmers, equipment and a fast response vessel in the last twelve months. The long-term agreement with Response Resource Management (RRM) to supply and maintain oil spill response equipment and train response staff in preparedness has successfully completed a second year.

The PHPA is now well prepared for such an incident, with significant equipment being available and pre-deployed on barges within the harbour, making the Port the best resourced regional Port in Australia.

Port Security

The PHPA continued to implement rigorous security measures within the Port, to ensure compliance with National Port and Maritime legislative requirements. These included access control systems, on water patrols, CCTV monitoring and extensive training, auditing and exercise requirements.

The Electronic Access Control System (EACS) was completed in late 2011 and is fully operational at both the Eastern Harbour Port Facility and the Utah Facility.

Exercise "Premier" was held in November 2011 as a combined discussion and role-play exercise. It included participants from the PHPA, BHP Billiton, FMG, Port users and operators, State Government emergency services and Federal Government regulators. The aim of the exercise was to explore and test the interoperability between the participating industry and government agencies. The exercise involved security breaches, both on-shore and off-shore, within the security regulated Port boundary of the Port of Port Hedland, by illegal immigrants entering Australia through a vessel berthing at the Port.

MSS Security was awarded the security services contract for the PHPA for a three-year term, which commenced in September 2011.

The PHPA induction package was reviewed and updated, with the Eastern Harbour Safety induction and Utah Facility induction being consolidated into one induction. The updated induction package is now available to Port users via the PHPA internet site.

Maritime Security Identification Card (MSIC)

The PHPA MSIC Issuing Body was approved by the Department of Infrastructure and Transport on 12 May 2006, with over 7,200 MSIC applications having been received to date. The MSIC Issuing Body has established systems and procedures, which have undergone external audits on four occasions by the Office of Transport Security. The PHPA is currently working with the Dampier Port Authority MSIC Issuing Body to upgrade the existing MS Access MSIC database to a more robust SQL MSIC database.

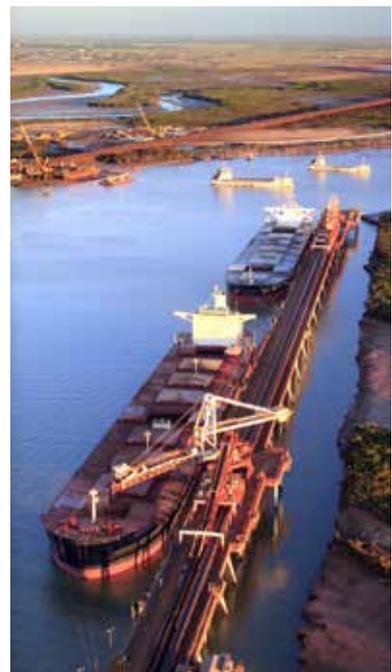
Port Security Plan

The PHPA Port Security Plan was reviewed and updated to include the security and operational risks associated with the introduction of cruise ships and ammonium nitrate ships. The updated PHPA Port Security Plan was submitted to the Office of Transport Security for review and approval in April 2012, with formal approval granted on 7 June 2012.

A security risk assessment workshop was held in March 2012 and included new risks for high-risk vessels, including passenger ships and ammonium nitrate ships. Breaches of water-side restricted zones by recreational vessels were included as a separate risk, due to an increase in incidents involving recreational vessels in late 2011. The Port Security Risk Assessment forms part of the PHPA Port Security Plan.

Port Facility Security Officer (PFSO) Training

Nine PHPA personnel successfully completed the International Ship and Port Security (ISPS) Port Facility Security Officer (PFSO) training course held at the Port in March 2012.



Finucane Island berths A & B



Impacts from Cyclone Events

During the year in review, the PHPA experienced direct impact from one cyclone in March 2012: Tropical Cyclone Lua first formed as a Category 1 system on Tuesday 13 March 2012, and was not expected to move towards the Pilbara coast for at least another 72 hours. On Thursday 15 March 2012, TC Lua was located some 400 nm NW of Port Hedland and was showing initial signs of recurvature towards the Pilbara coast. The system was forecast to intensify later that day to a Category 3 system and further increase in intensity to a Category 4 before crossing the coast on Saturday, to the East of Port Hedland. With some BOM models indicating a more southerly track and impact on Port Hedland, in accordance with Cyclone Procedures the Port commenced shipping evacuation procedures from 1600 on that day.

Evacuation of the inner harbour continued overnight with the last vessel sailing at 0500 on Friday 16 March and clearing the channel at 0800 hours, at which time the Port was closed.

Tropical Cyclone Lua crossed the coast just east of Pardoo at approximately 1500 hours on Saturday 17 March. Although the All Clear had been declared by FESA at 1700, strong winds and significant swell were forecast to continue for some time, preventing the re-opening of the anchorage. Conditions improved early Sunday morning 18 March 2012, enabling anchorage to open at 1000 hours, with the first Port entry and Port opening at 1200 hours.

Port Closure 0800/16 – 1200/18 (52 Hours)

Anchorage Closure 1600/15 – 1000/18 (66 Hours)

Port closures (totalling 94 hours) for the 2011/12 Cyclone Season, including the following cyclonic events in addition to TC Lua:

- Tropical Cyclone Heidi 9-10 January, resulting in Port Closure 0200/11 – 2000/12 (42 Hours), and Anchorage Closure 1600/10 – 1630/12 (48.5 Hours).
- Tropical Cyclone Iggy 28-29 January, resulting in Port Hedland experiencing dangerous swell conditions resulting in the evacuation of the anchorage and suspension of shipping operations. Anchorage Closure 1400/28 – 0600/29 (16 hours - 60 vessels returning post event), shipping suspended due to swell 1200/28 – 0800/29 (no official Port closure).



LANDSIDE

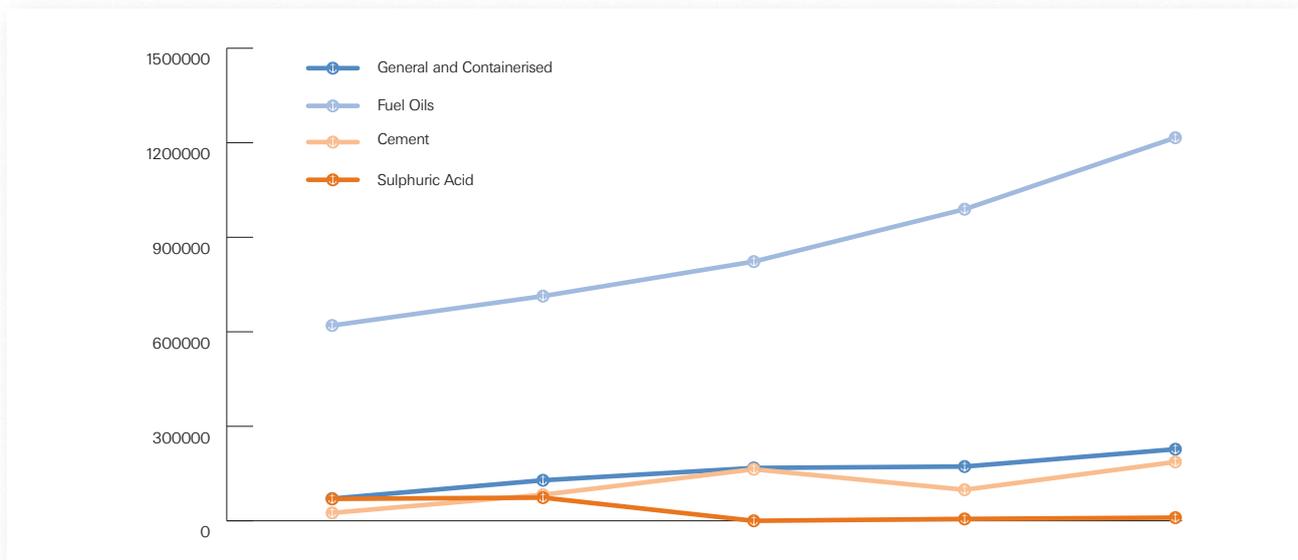
The Landside Operations team continued to expand in numbers, towards a goal of providing 24-hour coordination of cargo and other land based operational activity across the Port. The first stage of this process scheduled rostered shift coverage to commence at the Utah Facility in July 2012.

Stevedoring services on all public berths continued to be provided by Qube Stevedoring under a non-exclusive licence managed by the Landside Operations team. Qube also managed the facility cleaning and road sweeping agreements for both sides of the Port area.

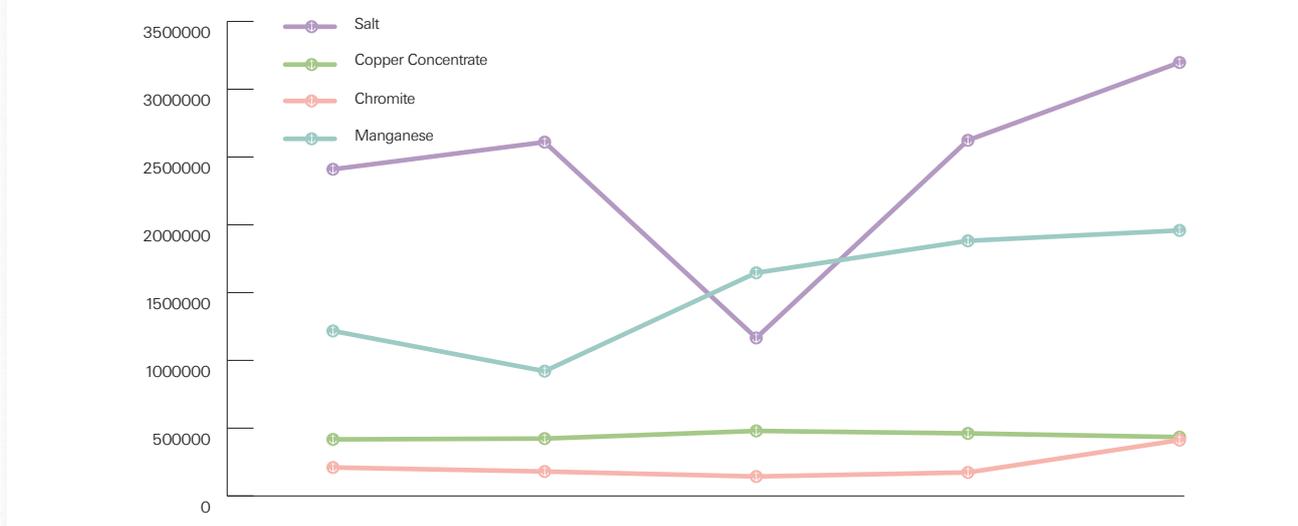
The PHPA application for Special Berth status at No.2 Berth was granted by the Department of Mines and Petroleum in September 2011. The Port is now able to handle shipments of ammonium nitrate through Berth 2 in quantities of up to 3,600 tonnes per vessel.

Numerous expansion projects within the Pilbara have resulted in a significant increase in break bulk, project and general cargo imports. This trend is expected to continue throughout the coming financial year.

Recent trends in cargo trade



Graph 8. Trends in imports (tonnes) across PHPA berths.



Graph 9. Trends in exports (tonnes) across PHPA berths.

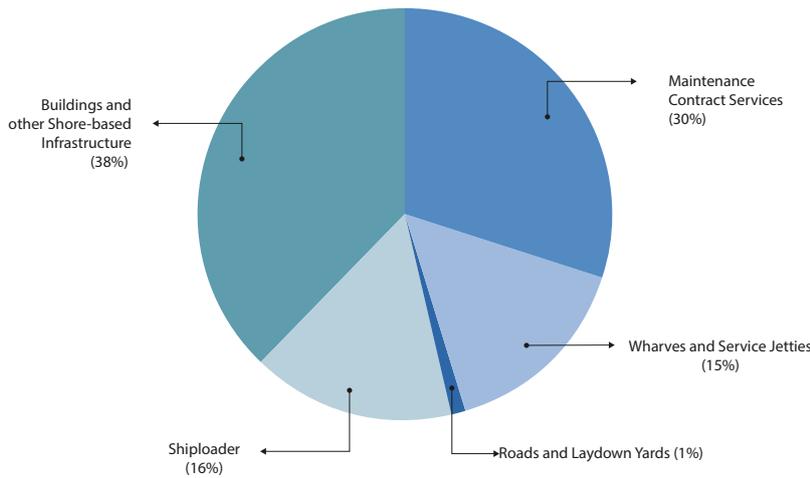


MAINTENANCE

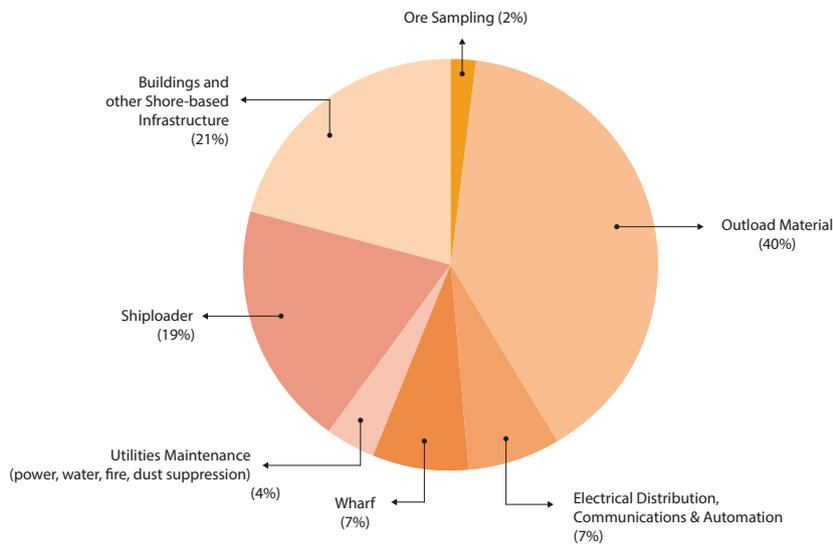
In the year under review, the PHPA Executive Committee resolved to terminate its outsourcing arrangements for maintenance for all PHPA facilities (Eastern Harbour, Shipping Channel and Utah), and bring the function in-house. This has enabled the PHPA to develop a more strategic focus on Asset Management. As part of this program, maintenance management staff have been employed for the Eastern Harbour Bulk Facility and the channel, and a primary maintenance trade workforce will be established.

To support the 'in-house' management of the Port's maintenance functions, base line condition surveys will be conducted on critical eastern harbour and channel assets. This will provide the initial input into the strategic decision-making behind asset maintenance and replacement.

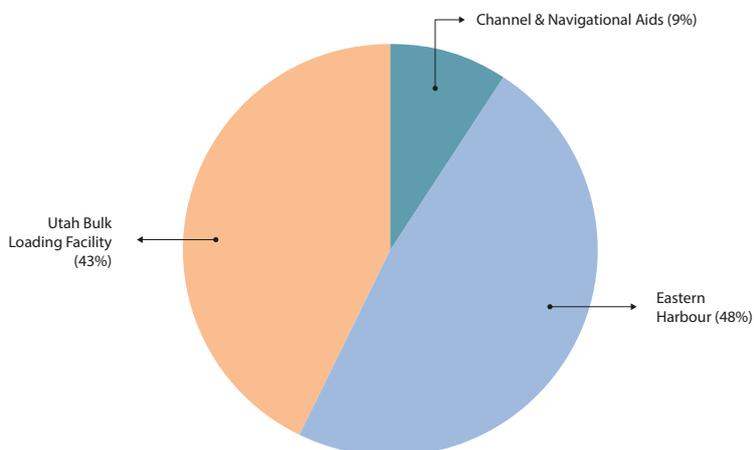




Graph 10. Maintenance Expenditure Eastern Harbour 2011-2012



Graph 11. Maintenance Expenditure Utah Bulk Loading Facility 2011-2012



Graph 12. Maintenance Annual Expenditure 2011-2012

... the PHPA Executive Committee resolved to terminate its outsourcing arrangements for maintenance for all PHPA facilities (Eastern Harbour, Shipping Channel and Utah), and bring the function in-house ...

RISING TO THE CHALLENGE: Strategic planning, business development and trade growth



As the world's largest bulk export port, the Port of Port Hedland has continued to grow to meet burgeoning demand for Port services and global demand for the Pilbara's resources.

The PHPA continues to take a long term strategic view and plan ahead of demand in order to effectively manage the Port's growth.

Internal forecasting and projections from proponents, combined with international forecasting service subscriptions, industry project collaboration, monitoring of media reports and stakeholder consultation, were all used to determine projected resource production and export and import levels. It is through these methods that the PHPA predicts growth in the long-term, despite the softening in demand (particularly from China) for commodities.

General cargo handling across the PHPA's three public berths has increased commensurate with the development of iron ore mining and related industries. It is anticipated that the existing berths will reach their maximum operating capacity within two years as a result of increased general cargo trade. The PHPA has been exploring opportunities to expand its berthing facilities to include a logistics and supply base located at Lumsden Point and is evaluating construction timing of new South West Creek berths to cater for long-term growth in the cargo handling trade.

The last twelve months have seen the PHPA's Strategic Planning and Development (SP&D) team working closely with key stakeholders to ensure that the Port's ongoing development and future planning aligns with the needs of current and future Port users.

By engaging closely with other relevant Government Agencies over the last twelve months, the PHPA has been working hard to ensure that the developments and planning taking place at the Port are delivering the best possible outcomes for the State.

OUTER HARBOUR DEVELOPMENT

BHP Billiton Iron Ore's (BHPBIO) planning for an Outer Harbour Facility at Port Hedland Port off Finucane Island was further progressed during the year in review. BHPBIO, the initial proponent for the Outer Harbour development, undertook initial engineering and planning studies to progress the designs of the new channel, conveyor corridor, stockyards and rail to support its Outer Harbour berths when constructed.

As part of the PHPA's overall Port concept plan, a PHPA Outer Harbour Multi-User Port Facility would be located alongside to the west of the Outer Harbour development project planned by BHPBIO. This separate Port facility would be utilised by multiple proponents, planning to increase their production of bulk minerals and seeking additional Port export capacity.

Key achievements to date include:

- Development by BHPBIO of their concept plan for the Outer Harbour.
- Granting of environmental approval for Outer Harbour development project by BHPBIO.

... The PHPA continues to take a strategic and well-planned approach to managing the Port's growth, and has employed a number of methods to plan for future Port development and throughput ...



- BHPBIO committed a total of A\$866.36 million dollars in pre-commitment funding for further feasibility studies and procurement of long lead in time items.
- Variations to BHPBIO's State Agreements were finalised by the State to facilitate BHPBIO's growth plans.

Moving forward, PHPA will be focusing on:

- Progressing commercial agreements with proponents to facilitate construction works;
- Undertaking further detailed planning for the Outer Harbour Multi-User Facility; and
- Developing a business case for the PHPA Outer Harbour Multi-User Facility

INTEGRATED MARINE FACILITY

The Integrated Marine Facility (IMF), to be developed at Hunt Point in the Inner Harbour, will act as a hub for construction activity related to BHPBIO's Outer Harbour and will facilitate the movement of modules and materials. The IMF comprises the Materials Offload Facility (MOF), Temporary Contractors Load Out Facility (TCLOF) and Crew Transfer Facility (CTF).

Dredging at Hunt Point to enable development of this facility was commenced during the review period.

HUNT POINT TUG HAVEN

As the Port continues its rapid growth (and as ship numbers and average sizes increase), there is increased potential risk of a ship grounding in the channel or entrance to the harbour. The PHPA and Port users are well aware of the risk and this is being mitigated through the purchase of new, larger and more powerful tugs. The existing tug haven cannot cater for the larger tugs and an additional, appropriately located, tug haven is needed.

Taking into account the safety, environmental and financial considerations involved in selecting a location for a new tug haven, as well as the operational needs of the Outer Harbour, a comparison of possible locations was conducted, with a comprehensive business case identifying Hunt Point as the preferred location. Dredging at the site of the new tug haven at Hunt Point commenced in April 2012.

PHPA DEVELOPMENT GUIDELINES AND DEVELOPMENT APPLICATION (DA) PROCESS

The PHPA has acknowledged the critical need to establish a centralised development assessment and approval process which promotes rational, streamlined advice and clarity in the decision-making process. In March 2012 the PHPA Development Guidelines and Development Application (DA) process were adopted by the PHPA.

The Development Guidelines apply to all areas within the PHPA's jurisdiction. The guidelines contain development provisions that identify key issues that



Marine pilot transfer by helicopter



Iron ore stockpile



are required to be addressed by proponents, including, the management of environmental impacts, and marine and landside design measures. These development provisions have objectives and performance criteria that detail measures to achieve desired outcomes.

A key principle of the development provisions is that they are not intended for rigid application and have been implemented to promote flexible and innovative solutions, whilst also providing minimum standards for proponents.

ENGINEERING EXCELLENCE AWARDS

In 2007, planning commenced on the Utah Facility to facilitate export capacity for junior miners. The terminal was originally designed to enable throughput of between 12Mtpa and 15Mtpa. However increased demand from proponents for export opportunities, led to modifications that will now facilitate an export volume of up to 19Mtpa when stockyard two is fully operational.

Since being commissioned in September 2010, the Utah Facility has exceeded expectations and is achieving throughput of up to 1Mt per month, whilst at the same time managing environmental outcomes and reducing impacts on the Port Hedland community. Shifting mineral exports to the West side of the harbour led to a reduction in dust and noise emissions, reduced groundwater and harbour contamination risks, and minimised impacts upon native flora.

In November 2011, the Utah Facility was recognised for its innovative engineering design, project execution and environmental management outcomes, as well its contribution to the economy, when it was one of six projects that received a National Engineering Excellence Award from Engineers Australia. This followed the WA award for State Engineering Excellence in the resource development category.



GOLDEN GECKO AND LLOYDS LIST DCN AWARDS

As part of its environmental monitoring program for the South West Creek Dredging and Reclamation Project, the PHPA, in partnership with Worley Parsons, has implemented a world-first method for assessing sedimentation using real-time scanners.

Consequently, the PHPA and Worley Parsons were awarded the 2011 Golden Gecko Award for Environmental Excellence. This has set a new benchmark for mangrove impact assessment monitoring, and will change the way mangrove-monitoring programs are delivered into the future.

The combined environmental outcomes of the PHPA's initiatives at South West Creek and the Utah Facility were also awarded the 2011 Lloyds List DCN Environmental Transport Award.

Lloyd's List Australia
...The Daily Commercial News



Australian Shipping & Maritime
Industry Awards 2011

SOUTH WEST CREEK DREDGING PROGRAM

Under the PHPA's environmental approval, Port proponents have completed dredging of the berths in South West Creek. When construction of the wharf infrastructure is complete, these berths will provide valuable export capacity for The Pilbara Infrastructure (a subsidiary of FMG) and Roy Hill Infrastructure.

CYCLONE MOORING APPROVAL

The PHPA actively manages the cyclone mooring requirements within the harbour and commences planning after each season to ensure all vessels within the harbour have an appropriate engineered design, as well as installed and approved mooring before the commencement of each season. To



accommodate growth and demand from construction and dredging vessels, the PHPA has gained approvals for additional cyclone moorings to facilitate growth plans and enable the PHPA to manage cyclone risks over coming years in a holistic and coordinated way.

UTAH POINT EXPANSION PROJECT (UPEP) – STOCKYARD 2

The Utah Facility addresses the resource industry's need for expanded Port facilities to meet growth in global demand for Western Australian mineral resources and to facilitate export for emerging mineral producers in the region. Sustained growth in throughput has been a catalyst for expansion within the area known as Stockyard 2 to the North of the established Utah Facility. The PHPA continues to assist Atlas Iron Ltd with the planning and development associated with the UPEP – Stockyard 2 to facilitate sustainable expansion of the Port and support the emerging mineral producers within the region.

CATERING FOR FUTURE GENERAL CARGO TRADE

Trade forecasts for the PHPA identify growth in general cargo and non-iron ore bulk commodities to more than double to 9.2 Mtpa by 2016/17 (PHPA 2012 Strategic Development Plan).

Recent modelling conducted by the PHPA, shows that PHPA berths 1, 2 and 3 will reach an operational capacity of 6.3-6.5 mtpa by 2014/15, and will experience significant congestion in 2015/16. The PHPA has previously identified the need to develop additional general cargo capacity within the inner harbour (Ultimate Development Plan 2007), and accordingly has undertaken investigations into the development of a general cargo common user facility at Lumsden Point.

Lumsden Point provides the PHPA with a strategic site to develop a facility to cater for Port growth in general cargo and non-iron ore commodities. The PHPA has identified new value add trades that have the potential to establish a base of operations through Lumsden Point including concentrates exports, ammonium nitrate imports, and rock exports.

The PHPA proposes to develop Lumsden Point as a multi-purpose, multi-user general cargo terminal providing an opportunity for a variety of users and trades to access the Port utilising berths designed for shallower draft Handymax vessels. It will allow the separation of activities that place different demands on berth and channel infrastructure, in particular facilitating major bulk trades like fuel and salt through dedicated facilities at existing berths 1, 2 and 3.



... The Utah Facility addresses the resource industry's need for expanded Port facilities to meet growth in global demand for Western Australian mineral resources ...



OUR PEOPLE AND CULTURE: Human Resources

The PHPA is committed to developing and implementing procedures and practices that build a strong and positive workplace culture that supports the diversity of employees, potential employees, and people generally.

With the continued expansion of the Port, employee numbers continued to increase, with a total of 125 approved positions in place at the end of the year in review. As all of the PHPA's employees are based where they work (no Fly In, Fly Out), the PHPA coordinated 99 residential properties for employees, key contractors and transit. Increased staffing levels have seen the PHPA move its Perth office to larger premises at 1195 Hay Street in West Perth.

The PHPA continued to ensure that it is a workplace that fosters fairness, equity and diversity, by providing equal employment and advancement opportunities based on merit. Merit is measured on the basis of qualifications, experience, potential suitability and job performance. Merit is determined regardless of sex, age, race, pregnancy, marital status, family responsibility or family status, religious conviction, political conviction or impairment. In support of the PHPA's commitment, the Human Resources team has been provided with training from the Public Sector Commission on Standards and Recruitment, as well as Accountable & Ethical Decision Making (AEDM) training. The AEDM is currently being developed into a broader "Working with Respect" training and will be delivered internally to all employees in the next year.

The PHPA is aware that access to opportunity is often a prerequisite to building merit. As such, through the Port Collaboration and Heritage Agreement with Marapikurrinya, the PHPA has outlined specific employment and contracting undertakings. The PHPA is currently recruiting for the two positions under the Heritage Agreement and is looking to improve representation via the initiatives recently developed in its Equal Opportunity & Diversity Management Plan.

The PHPA's diversity representation is as follows:

	% Representation as at 30 June 2012
Women	41.9%
People from culturally diverse backgrounds	11.2%
Indigenous Australians	0%
People with Disabilities	0%

RECRUITMENT

Recruitment and selection was undertaken in accordance with the criteria set down in our recruitment and selection procedure. The procedure is designed to ensure the PHPA attracts and retains high quality staff to assist in the achievement of the PHPA's business objectives. Permanent and long-term contract employees are selected on merit (i.e. selection of the best available person for the job on the basis of job related criteria from a pool of applicants in open competition). The PHPA ensured that selection processes were free from bias, unlawful discrimination, patronage and nepotism. To this end, the recruitment procedure is also publicly available via the PHPA's webpage.

Whilst upholding the standards of selection on merit, the procedure creates flexibility in advertising options with a focus on internet and use of other appropriate media. The procedure also enables panels to look at options that evaluate merit outside traditional interviews.



PHPA mangrove nursery



Cavotec control room at Utah Facility



The procedure was internally audited in January 2012, with a number of improvements recommended and currently being implemented, including moving to an online recruitment and selection tool.

CODE OF CONDUCT

The Code of Conduct is designed to communicate the PHPA's standards of conduct and integrity and to promote professionalism in the provision of services to the PHPA's customers, Port users and the community. A review of the Code of Conduct was undertaken during 2011/12 and revisions were approved by the Board in January 2012.

The PHPA's Code of Conduct is available via the PHPA intranet and is publicly available online via our webpage. The new 'Working With Respect' training will explore the Code of Conduct with all employees.

During 2011/12, the PHPA did not receive any complaints 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. There were two breaches of the Code of Conduct investigated and these were found to have occurred. All follow up actions have occurred in relation to these matters and they are now closed.

TRAINING

The PHPA continued to demonstrate commitment to training in job competency requirements, as well as broader professional development throughout the 2011/12 financial year. This has included the development and auditing of an updated training procedure. This new procedure saw the advent of a competency training database that outlines mandatory and desirable training for each position in the PHPA.

The PHPA also focused on leadership and management development for supervisory staff this year. Murdoch University Executive Education Centre delivered a six module Management Masterclass for senior managers and supervisors, as well as Transition to General Management for our General Managers. Opportunities to undertake a Diploma in Management were also provided to three employees.

As noted above, the PHPA provided specific work competency training that included training such as Appointed Persons Training (Mines Safety and Inspection Act), Working at Heights, Global Maritime Distress Safety System, Senior First Aid, Marine Oil Spill Response, and High Voltage Switching. The PHPA also provided a diverse range of other opportunities, which included Transforming Teams, Media Training, Shipping, Ports & Marine Fundamentals, Wildlife Rehabilitation, and Safety Law Training.

... The PHPA continued to demonstrate commitment to training in job competency requirements, as well as broader professional development throughout the 2011/12 financial year ...



OUR LICENCE TO OPERATE: Environment, Health and Safety, and Corporate Governance



The PHPA stands firm on its commitment to maintaining a social licence to operate. For the PHPA, the social licence to operate comprises not only meeting the necessary government and regulatory approvals and ongoing compliance, but also being sensitive to the needs of the local community and surrounding Port environment. A social licence to operate incorporates our sustainable development policies and procedures, environmental and safety management systems, governance, stakeholder engagement, and management of social performance.

In 2011-12, the PHPA maintained its social licence to operate by delivering on its commitment to strong stakeholder engagement by creating a safe workplace for our employees and contractors, by managing our impact on the environment, and by respecting human rights.

INTEGRATED MANAGEMENT SYSTEMS

The PHPA's Integrated Management System (IMS) achieved OHS, Environment and Quality Management Certification in December 2011 to ISO standards 14001; AS4801; and ISO9001. The systems Management Representative is the General Manager of Risk & Governance. A review of the system reported that it has been very well developed and implemented. The IMS System has been set up to support the continued growth of the PHPA. There is a very hands-on approach to the system from all senior managers.

ENVIRONMENT AND HERITAGE

Environmental Management System

The PHPA holds the Environmental Licence for the public access berths PH1, PH2, PH3, and PH4 (Utah Facility). The PHPA implemented an Environmental Management System which achieved ISO 14001 certification in 2011. This ensured the PHPA's environmental programs were managed in a comprehensive, systematic, planned and documented manner. The system focuses on continuous improvement of environmental performance and management of risk.

The environmental risk of the PHPA's activities underwent an annual review in 2011/12 and the environmental risk register was subsequently updated.

Air Quality Management

The PHPA monitors dust at the boundary of its two operational sites at Berth 1 and Berth 4. Alarms from these monitoring stations are used in conjunction with weather forecasts to predict and proactively respond to excessive levels of dust being generated. This has resulted in a substantial reduction in dust levels, with no exceedances at the Utah Facility recorded since January 2012.

The predictive and pre-emptive ability to control dust has been enhanced with the commissioning of software providing site-specific 48-hour forecasts. Proponents made significant changes to their upstream operations to deliver



PHPA Administration Entrance



Salt stockpile

product to each facility in the best possible condition for export, with minimal risk to the environment.

The PHPA remained a major stakeholder in the Port Hedland Industries Council (PHIC), which convened several sub-committees focusing on areas of common interest to industry. The PHIC monitored ambient air quality in the Port Hedland region and the results were published in real time via the web.

Long Term Sea Dump Permit

The PHPA commenced maintenance dredging in May 2012 under its existing Long Term Dredge Material Management Plan to remove built-up sediment from the berth pockets and channel.

The PHPA has also engaged with the Department of Sustainability, Environment, Water, Populations and Communities (SEWPaC) regarding a new long term Sea Dumping Permit. The PHPA commenced the process to secure this permit, including the development and approval of a new long term sediment monitoring program.

Utah Facility

The Utah Facility has been fully operational for over a year. The PHPA has made a range of improvements to reduce the environmental impacts of dust and waste and satisfy the conditions of its environmental licence. Following a Department of Environment and Conservation site visit in November 2011, and a subsequent request for greater focus on the environmental management of the infrastructure, the PHPA has planned for an additional range of improvements to be undertaken in the coming year. The additional improvements are focused on the areas of waste ore storage, drainage and stormwater management. In parallel, with the improvements being pursued with the existing infrastructure, an approval has been sought to develop the second stockyard for the export of iron ore which will take the facility to full capacity.

Berth 1 and 2 Facilities

The loading and unloading of cement by various methods was approved at Berths 1 and 2, as has the export of copper concentrate, via closed containers tipped directly into ship holds.

On average, the Berth 1 ship loader only handled copper concentrate less than seven days per month. Maintenance was undertaken to optimise the infrastructure for this product and minimise the potential for emissions to the environment. Capital works totaling \$1.7M commenced in May 2012 to contain wastewater on Berth 1.

Environmental Approvals (2011/12)

South West Creek Dredging and Reclamation Environmental Approvals

As part of the inner harbour capacity expansion, dredging in South West Creek was completed in May 2012. Three of the eight approved shipping berths were dredged. The PHPA was responsible for ensuring compliance with regulatory and statutory environmental requirements during dredging and throughout the construction of an onshore dredge material management area.

... The predictive and preemptive ability to control dust has been enhanced with the commissioning of software providing site-specific 48-hour forecasts ...



Mangrove *pneumatophores* (above-ground roots)



Small Vessel Cyclone Mooring Protection Facility Project Environmental Approvals

The PHPA gained regulatory approval to develop a Small Vessel Cyclone Mooring Protection Facility at the entrances to Sting Ray Creek and South East Creek. Similar to South West Creek, these approvals were obtained to facilitate works by third party proponents. Dredging commenced on 14 April 2012, with all dredged material disposed of at sea. Under the conditions of its Sea Dumping Permit for the project, the PHPA undertook environmental monitoring, in accordance with its approved Dredging and Spoil Disposal Management Plan.

Mangrove Research

As part of a commitment to offset habitat destruction, the PHPA continued mangrove propagation trials in a purpose built nursery and the only one of its kind in Western Australia. Success was limited when propagating mangroves from cuttings on a large scale, therefore in October 2011 the scope of the trial was shifted towards propagation from seeds.

Intensive seed collection occurred throughout summer, resulting in the Mangrove Nursery now housing over 10,000 seedlings, representing the seven species of mangroves found in Port Hedland. The field trial construction methodologies and techniques were defined and a preferred site for the pilot field trial was identified. Furthermore, a dust-affected area adjacent to Utah Rd has been set aside for re-vegetation, with mangroves to commence early August 2012 with seedlings that are currently undertaking the saltwater hardening process.

Carbon Neutral Program

All of the carbon dioxide emissions from the PHPA's vehicles, as well as other plant used throughout the Port, including front-end loaders and small vessels, were calculated. A corresponding number of trees were planted to offset these emissions via a third party. Emissions attributed to PHPA air travel were also offset through the program.

Feral Animal Control

Quarterly feral animal trapping continued over the last year to reduce feral animal populations on PHPA land. Efforts were focused on the turtle beaches at Downes Island and Paradise Beach. Foxes and feral cats were the main target species.

Coordination between the feral animal control efforts of organisations such as BHP Billiton, FMG, Dampier Salt and the Town of Port Hedland has had a substantial effect on target species populations. It is hoped that native quolls and other species may be able to recover from the effects of years of predation from feral cats and foxes.

Water Efficiency Management Plan

The PHPA reduced water usage per tonne exported by more than 50 per cent in 2011/12 as part of its participation in the Industry Water Efficiency Program run by the Water Corporation. This was achieved by reusing a substantial amount of water captured onsite during heavy summer rainfall, and earned the PHPA a gold award from the Water Corporation.

IMP Management

In collaboration with the Department of Fisheries and other major WA ports, the PHPA continued to monitor for invasive marine species in the harbour. Again,

... The PHPA reduced water usage per tonne exported by more than 50 per cent in 2011/12 as part of its participation in the Industry Water Efficiency Program run by the Water Corporation ...

no invasive marine species were detected this financial year. The Department of Fisheries secured additional funding and is planning to undertake a second marine pest survey, under the Commonwealth marine pest survey process, following on from the survey done in the first half of 2011.

Aboriginal Heritage

The PPHA continued its strong relationship with the local traditional owners through the Port Collaboration and Heritage Agreement. Aboriginal site identification surveys were undertaken over the area of the Boodarie Industrial Estate vested in the PPHA. Further surveys were also completed to the north of Wedgefield on PPHA land. The purpose of these surveys was to identify Aboriginal heritage sites on PPHA land in an effort to influence Port planning processes.

In addition to the heritage survey work, the PPHA also commissioned the Traditional Owners to undertake a project to map the extents of the Marapikurrinya Yintha within Port Hedland Harbour. The Marapikurrinya Yintha is an anthropological site over which there has been significant contention due to uncertainty around its extents. It is anticipated that this project will assist in setting a clear definition around the extents of the Yintha.

The PPHA also contributed to the local Aboriginal community through employment and business development opportunities with the Traditional Owners and sponsorship and participation in the Many Rivers micro financing project.



PHPA east-side berths



East-side berths lay-down area



HEALTH AND SAFETY

The Port Hedland Port Authority is committed to preventing injury and disease in the workplace. The provision of safe and healthy work environments for all persons within Port controlled areas, as well as ensuring that the general community is not subject to harmful effects arising from its operations, is a primary focus at all levels of the business. This focus is directed and championed by the Executive.

The PHPA Executive, in addition to maintaining data relating to employee OSH performance, also require and regularly review performance data for all contractors and Port users as part of their commitment to the effective management of OSH for all PHPA stakeholders.

During the last financial year, the PHPA implemented an Injury Management Policy, a copy of which can be found on the PHPA's website. Legislative requirements underlie the minimum standard for implementation of the PHPA Injury Management Policy. The PHPA provides appropriate guidance and resources to ensure that each Manager recognises their individual responsibility and accountability for overseeing the injury management process within their department.

Staff Consultation

The PHPA has clearly defined accountabilities for ensuring effective OSH communication and consultation is undertaken in the workplace. The PHPA's aim is to ensure employees are well informed of workplace matters affecting their health and safety and the environments they work and live in. All employees are appropriately represented in OSH decision-making processes. The PHPA Health and Safety Committee, as well as the HSE Port Users Meetings, are formal meetings conducted monthly to facilitate the engagement of employees, senior management, contractors and Port Users. In addition, the PHPA actively supports shared risk assessments and inspection processes in conjunction with OSH notice boards, HSE Bulletins and the more informal toolbox sessions, to provide opportunities for the sharing of hazards and risks and an open forum for sharing recommendations, standards and experience.

Injury Management

Should an employee be injured in the course of work, the PHPA ensures that appropriate treatment is applied and that, based on medical advice, an injury management program for the injured employee is developed and commenced as soon as practicable. In the event of this expectation being unrealistic or unrealised, then retraining, redeployment or termination is considered. The PHPA seeks to provide suitable or alternate duties/employment as an integral part of the injury management program and consults with an injured employee, their treating doctor and, where requested, industrial union representation, to ensure that the injury management program is maintained effectively.



Marine Pilot transfer by helicopter



Safety Performance: A report of annual safety performance of PHPA Employees Only:

Measure	Actual Results		Results against Target	
	2011-2012 (1)	2009-2010 (1)	Target	Comment on result
Number of fatalities	0	0	0	Target Met
Lost time injury and/or disease incidence rate No. of LTI/D/full time equivalent employees x 100	0.00	0.30	0 or 10% reduction(2) (actual target can be stated)	Target of 0 Met Reduction of 30% of 3 year trend
Lost time injury and/or disease severity rate No. of Severe Injuries (>60 days lost)/No. of LTI/D x 100	0	0	0 or 10% reduction(2) (actual target can be stated)	Target Met
Percentage of injured workers returned to work: (i) within 13 weeks	100% Or N/A	100%	Actual result to be stated	Target Met
(ii) within 26 weeks	100% Or N/A	100% Or N/A	Greater than or equal to 80%	
Percentage of managers trained in occupational safety, health and injury management responsibilities	71.4%	66.6%	Greater than or equal to 80%	Target Not Met

Note (1) This is a three-year trend, thus, the year is to be three years prior to current reporting year (i.e. current year is 2010-11; previous year is 2008-09).
Note (2) The reduction may be calculated over a three year period.

The 2011/12 PHPA annual performance of zero lost time injuries for their direct employees is an enviable report, however it is important to acknowledge that the performance of PHPA Contractors and Port Users reporting a total of nine (9) lost time injuries (LTI/D rate of 2.39) in the same period with a severity rate of 11.1 falls short of PHPA expectations.

The PHPA Executive continues to actively support and promote the importance of reviewing the performance of all stakeholders and commits to fostering strong engagement and consultation processes with all Port Users on improving what PHPA views as the inclusive PHPA health and safety performance.



Entrance to Utah Facility



CORPORATE GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

Corporate governance is integral to the way the PHPA does business. It shapes the PHPA's relationships with its stakeholders, and provides the framework and control systems that help to the PHPA adhere to the highest ethical and performance standards. The PHPA's approach to governance is to foster an organisation that supports individual and professional integrity and responsible behaviour in all facets of our business.

The PHPA Risk and Governance team is responsible for managing the frameworks and processes through which the PHPA ensures good planning, decision making and appropriate management of risk and accountability, thereby ensuring that the Port's corporate governance, risk, and compliance obligations are effectively identified and discharged.

The Risk and Governance team's risk management policies and procedures form an important part of the PHPA's Corporate Governance Program and are very closely linked with its Compliance Program. Whilst risk management focuses on the future, the PHPA's Compliance Program focuses on the present for every business risk the PHPA identifies, there is a corresponding compliance obligation designed to either control or treat the risk.

In 2011/12, the Risk and Governance team had responsibility for a number of activities including:

- Enterprise Risk Management
- Compliance Programs
- Business Continuity Management
- Internal Audit
- Insurances
- Policy Management
- Corporate Governance Practices
- Integrated Management System

Risk Management

The PHPA recognises that risk management is an integral part of good management practice and has committed to managing risk in accordance with the Australian/New Zealand Risk Management Standard ISO 31000:2009. The 2011/12 financial year, saw the Risk and Governance team build on the level of specialist risk management support and advice it provides to the PHPA's business units. The PHPA's Risk Management Policy, which can be found on its website, was formally approved by the PHPA Board in late 2011.

The PHPA's Enterprise Risk Management strategy underpins an embedded culture of risk identification and management, and assists the PHPA in achieving its strategic goals. The strategy, through a comprehensive risk management program and implementation plan, builds on the PHPA's current risk management framework.

The PHPA's Enterprise Risk Management framework assists in a process to identify, prioritise and manage risk in a coordinated manner throughout the PHPA, and equip staff to make informed decisions based on risk assessments.

A risk-aware organisational culture is fostered at the PHPA, with risks identified, evaluated and managed by responsible officers in all aspects of the PHPA's

... The PHPA recognises that it will achieve its goals and objectives more efficiently through the implementation of a robust legal compliance system. To that end, the PHPA implemented a compliance risk management framework as part of its broader risk management and governance program, during the 2011/12 financial year ...



business, including marine and land operations, safety and environmental impacts, planning and development and commercial dealings.

This ongoing assessment process accounts for the likelihood of the risk occurring, its potential impact and the range of implications on the PHPA's operations. These risks are centrally collated, with extensive reporting capabilities for the Executive, the Risk and Audit Committee and the Board, of the PHPA.

Compliance

The PHPA recognises that it will achieve its goals and objectives more efficiently through the implementation of a robust legal compliance system. To that end, the PHPA implemented a compliance risk management framework as part of its broader risk management and governance program, during the 2011/12 financial year.

The framework is compliant with Australian Standard AS3806-2006 and assists the PHPA in conducting its business activities lawfully, maintaining the highest standards of compliance with applicable laws, regulations and policies. It also enables the PHPA to promptly detect and correct any non-compliance and provides a uniform approach throughout the organisation to the management of the PHPA's compliance obligations.

Compliance obligations are managed through an enterprise-wide compliance program, coordinated by the Manager Enterprise Risk. The Manager Enterprise Risk, who was appointed in February 2012, is responsible to the General Manager Risk and Governance for the management of the PHPA's compliance obligations, with the Board receiving regular updates on the status of the compliance program.

The PHPA complies with the Public Interest Disclosure Act 2003 and has now appointed a Public Interest Disclosure Officer. No matters have been reported under the Act during 2011/12. The PHPA maintains a Public Interest Disclosure Policy relating to fraud management, including reporting and investigation arrangements and whistleblowing procedures.

Business Continuity

The PHPA's Business Continuity Management (BCM) Program is designed to ensure that critical functions can be maintained or restored in a timely fashion in the event of a material business disruption. The purpose of the PHPA's BCM Program is to minimise the financial, legal, reputational and other consequences arising from the disruption.

A number of the risks that the PHPA faces will have a direct impact on its ability to ensure continuity of business operations. As a consequence, BCM forms a subset of the overall Enterprise Risk Management Program within the PHPA.

However, disruptions may occur which have not been considered through formal risk assessment processes, which means that the BCM Response Plans must retain a high degree of flexibility so as to allow the PHPA to place itself in the best position to manage the consequences of unforeseen events.

Business Continuity Management has three complementary components: Business Continuity, Emergency Response and Crisis Management. The Risk and Governance team provides the expertise in developing these plans for implementation, testing and maintenance by the broader operational teams.



Utah loading conveyor





Record Keeping

The PPHA is committed to achieving best practice in recordkeeping in support of good corporate governance. Records of the organisation's actions and decisions are knowledge assets and are a vital part of the PPHA's corporate memory. During the 2011/2012 financial year, the PPHA's employees undertook Records Awareness Training in respect to their responsibilities under the State Records Act 2000, through an on line training program.

The PPHA's Retention and Disposal schedule was approved by the State Records Advisory Committee and the State Records Commission on the 5th August 2011.

Internal Audit

Internal Audit is an important element of the overall process by which the Executive and the Board obtains the assurance it requires that risks are being properly identified, managed and controlled. Risk-based internal audit plans, prepared on an annual basis, are approved by the Risk Assurance and Audit Board Committee.

The PPHA's internal audit function completed a full program of work during the 2011/12 financial year, focusing on:

1. Strategic Communications;
2. Monitoring of Legislative and Regulatory changes;
3. Fixed Assets;
4. Travel and Entertainment;
5. Management of Common User Berth Arrangements; and
6. IT General Controls.

Findings and agreed management actions were reported to management and to the Risk Assurance and Audit Board Committee.

The PPHA's internal audit function was supplemented by services provided by Ernst & Young as an outsourced service provider.

Insurance

The Risk and Governance group coordinates all insurances and claims for the PPHA. The PPHA limits potentially adverse financial impacts associated with risk exposures by purchasing appropriate insurance cover from RiskCover. RiskCover, the operating arm of the Insurance Commission of WA, provides the PPHA with policies that cover its statutory insurance obligations as well policies necessary to carry out business in a prudent manner. The PPHA also requires that parties who enter into contractual arrangements with the PPHA effect and maintain appropriate levels of insurance with respect to the work to be undertaken.

Policy Management

The Risk and Governance group oversees the development, review, approval and publishing of the PPHA's policies and procedures. The PPHA develops policies and procedures in support of its strategic aims, to improve risk management, facilitate compliance and maximize efficient Port operations.



Cavotec mooring system at Utah Facility



The following new policies were formally endorsed by the PHPA Board in 2011/12:

- Environmental Policy;
- Procurement Policy;
- Occupational Health and Safety Policy;
- Injury Management Policy;
- PHPA Record Keeping Policy;
- Quality Policy;
- Stakeholder Engagement and Communications Policy;
- Corporate Authorisations Policy;
- Corporate Governance Policy;
- Risk Management Policy;
- Legal Compliance Policy; and
- Security Policy.

Stakeholder Engagement

The PHPA understands that open, transparent and effective two-way stakeholder engagement and communications are critical to building the support, confidence and trust necessary for the Port to optimise its operations.

The PHPA is a vital part of the Port Hedland and wider Pilbara communities, and is working closely with the State Government, the Town of Port Hedland and the Pilbara Development Commission to build a vision for the region's future.

By aligning its strategic planning with regional strategies such as the Town of Port Hedland's 'Pilbara's Port City Growth Plan', and the State Government's 'Pilbara Cities' vision, the PHPA is playing a major role in supporting the economic growth and environmental sustainability within the Pilbara region and the resources sector.

Through best practice communication and engagement strategies, the PHPA is committed to building stakeholder awareness, understanding and support of its operations and activities.

Engagement Initiatives

As part of the PHPA's ongoing performance measurement and reporting requirements, the Port conducts a biennial Customer Satisfaction Survey (CSS) of key stakeholders to obtain feedback on the PHPA's operations and services. The most recent survey was conducted in late 2011.

The PHPA places considerable importance on the views acquired through the survey process, with decisions about future growth and development of the Port made in consultation with its stakeholders through this formal process and other mechanisms.

On completion of the 2011 CSS, the PHPA held a number of briefing sessions for stakeholders to provide feedback on the survey outcomes. The PHPA also endorsed the recommendation for the CSS to be conducted on an annual basis, with the next survey to be conducted in late 2012.

2011/12 has also seen the PHPA Board of Directors formally endorse a PHPA Stakeholder Engagement and Communications Policy, with the policy's objectives now underpinning the Port's approach to stakeholder engagement.

... The PHPA is a vital part of the Port Hedland and wider Pilbara communities, and is working closely with the State Government, the Town of Port Hedland and the Pilbara Development Commission to build a vision for the region's future ...

During 2011/12, the PHPA also commenced the development of formal Engagement Strategy and Communications Action (ESCA) Plans for key stakeholder groups. These annual plans, through a range of initiatives and communications tools, will provide a strategic framework that guides the PHPA's engagement with stakeholders.

The appointment of the Corporate Communications Specialist in late 2011 has also seen an increase in the level of engagement with key stakeholders in the media and government, and building on existing relationships in these areas.

Community Outreach

The PHPA is firmly committed to establishing and strengthening active partnerships in the local community. The Port works hard to play an active part in the local community, and has endeavoured to be a good corporate citizen through its participation in community events and sponsorship during the 2011/12 financial year.



DISCLOSURES AND LEGAL COMPLIANCE: Directors Report

DIRECTORS

The PHPA Board is committed to the principle of best practice in corporate governance. Through its corporate governance arrangements, the PHPA provides clarity to the Board, management and staff regarding their respective roles and responsibilities and established a model for excellence in governance, thereby earning confidence from the PHPA's stakeholders.

The PHPA adheres to the corporate governance principles of:

- Transparency and Accountability
- Integrity
- Risk Management

The Board is responsible for the governance of the PHPA, on behalf of the Western Australian government as shareholder, within a framework of policies and controls which provide for effective risk assessment and management. The Board provides leadership and articulates the PHPA's objectives and its strategies in achieving those objectives. The Board sets standards of conduct and the values, mission and vision of the PHPA.

The Directors possess a range of experience and are of sufficiently high calibre to bring independent judgment to bear on issues of strategy, performance, and resources that are vital to the success of the PHPA.

The Board sets overall policy and delegates the authority to implement that policy to the Chief Executive Officer and the Executive. During the year under review, the PHPA developed a Board Charter, Corporate Governance Policy, a Compliance Policy and a revised Code of Conduct and Ethics.

The Board meets eight times a year and otherwise as required, when special meetings may be called. The Board is remunerated out of PHPA funds, with remuneration and allowances determined by the Minister.

Whilst the Board focuses on strategic issues, financial performance, risk management and critical business issues, it also has a formal schedule of matters specifically referred for its decision. These reserved matters are documented in a comprehensive regime of delegations that detail the retained powers of the Minister for Transport and those powers delegated to the Board and management.

The Board is satisfied that it meets the requirements of the Port Authorities Act 1999 (WA) in maintaining an effective Board, which is collectively responsible for the success of the PHPA.



Details of the Board of Directors of the PHPA during the financial year and until the date of this report are:



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 Australia 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.

Mr Williams retired from the Board on 30 June 2011.



KEN PETTIT

SC, AIT; BA; B.Juris; LLB - Chairman

Ken joined the Board as non-executive chairman in July 2011 for a term expiring 30 June 2013. He is also the chair of the PHPA Remuneration Committee. Ken is a senior barrister practicing from Francis Burt Chambers in Perth Western Australia. He joined the independent bar in 1995 and was appointed as Senior Counsel in 2003.

Ken has 25 years' experience specialising more recently in the fields of mining, property, planning, native title, commercial and industrial relations law, and he worked for the State Solicitor's office between 1986 and 1995.

Before entering the legal profession, Ken graduated and worked as a pharmacist.

Ken is also a Board Member of the Diabetes Research Foundation WA and the Keogh Institute for Medical Research. He is no longer a director of any listed company.



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 2013. 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.





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 a 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.

Ms Ford retired from the Board on 30 June 2012.



JULIAN TAPP

MSc (Distinction), BA (Upper Second) - Director

Julian was appointed to the Board on 30 June 2009 for a term expiring on 31 December 2012. Julian is Director of Strategy 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 five 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. As the industry nominated Director appointed under rights granted in the Port Authorities Act 1999 (WA) Matt's last Board Meeting was 20 January 2012. Matt was replaced by BHP Billiton Iron Ore representative Peter Wilshaw.

Mr Currie retired from the Board on 20 January 2012.



ELISA FEAR

B Comm, MBA

Elisa was appointed on 15 June 2010 for a term expiring 31 December 2012. Elisa has held a wide variety of positions within the financial sector, both in Australia and the United Kingdom, including three years with Macquarie Bank's Project and Structured Finance Division providing advice in relation to infrastructure assets in Western Australian.

Elisa is also Chair of the PHPA Risk Assurance and Audit Committee.



PETER WILSHAW

Peter was first appointed to the Board as an Alternate Director on 17 August 2011. Peter has a BSc (Hons) BSc (Hons) 1st Class, Chemistry from the University of Loughborough and later acquired a Master's degree in Business Leadership from the University of South Africa.

Peter has 30 years' experience in the resources industry, starting out at Impala Platinum in South Africa in 1980, in Impala's graduate program. He joined Hillside Aluminium in 1994 as a member of the operations management team for Hillside's successful start-up. In 1997 he moved onto the Mozal smelter project as General Manager Operations.

After completion of the second phase of Mozal he joined Worsley Alumina in 2004 as General Manager of the JV and President and Chief Operating Officer of BHP Billiton Aluminium Australia. At the beginning of 2008 he took up the role of CEO of the Guinea Alumina Corporation JV before moving to Melbourne to head up the Resource and Business Optimisation Group Function. He joined BHP Billiton Iron Ore in January 2011 in his current role as VP Logistics and Infrastructure.



APPOINTMENTS AND RETIREMENTS

The appointment of a Director is by the Minister for Transport in accordance with Section 7 (1) of the Port Authorities Act 1999 (WA). 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.

Retirement	Date	Appointment	Date
Mr Ian Williams (Chairman)	31 July 2011	Mr Ken Pettit (Chairman)	15 August 2011
Mr Matthew Currie	20 Jan 2012		

There were no other changes to the membership of the Board during the year.

BOARD PERFORMANCE

Nine scheduled Board meetings were held during the year and one Strategic Planning Session. Attendance by Directors at Board Meetings and at meetings of standing committees of the Board is shown below. All Directors had access to the advice and services of the Corporate Secretary, who is responsible to the Board for ensuring that all governance matters are complied with, and that Board Evaluations are undertaken. During the year under review, the Board moved to an online boardroom portal to improve efficiencies, access and board performance and reduce administration costs.

All Board Meetings are held variously between the Port Hedland and Perth locations.

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

The Board Charter provides for the rights of all directors to take independent professional advice at the expense of the PHPA in the furtherance of their duties.

There are three formally constituted committees of the Board. A detail of attendance at Board and committee meetings is given below. The role and work of these committees is described in detail in the Board Committees Terms of Reference.

Director	Board	Audit (4)	Remuneration (1)	Development Committee (0)
Mr Ian Williams*	1			
Mr Ken Pettit#	9		1	
Mr Les Longden	9	1		
Ms Jan Ford	10			
Mr Julian Tapp	10	4	1	
Ms Elisa Fear	10	4		
Mr Matthew Currie**	7	3	1	
Mr Peter Wilshaw (Alternate Director)	3			

*Retired on 30 June 2011

Appointed on 15 August 2011

**Retired on 20 January 2012

... During the year under review, the Board moved to an online boardroom portal to improve efficiencies, access and board performance and reduce administration costs ...





CHAIRMAN AND CHIEF EXECUTIVE OFFICER

A clear separation is maintained between the responsibilities of the Chairman and the Chief Executive Officer. This is documented in the Board Charter. The Chairman is responsible for leadership of the Board and creating the conditions for overall Board and individual director effectiveness, while the Chief Executive Officer is responsible for overall performance of the PHPA, including the responsibility for arranging the effective day-to-day management controls.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee consists of three directors, Ken Pettit, Elisa Fear (appointed by the Board at its meeting held on 31 May 2012 to replace Matthew Currie) and Julian Tapp and the CEO by invitation. The Committee is chaired by Ken Pettit (formerly Matthew Currie). The Committee assists the Board in the effective discharge of its responsibilities for the:

1. appointment, review of performance and succession of the Chief Executive Officer;
2. system of remuneration and benefits for senior executives; and
3. determination of boundaries of salary movements generally.

All Directors are involved in the performance and review of the remuneration of the Chief Executive Officer. A comprehensive annual review includes performance evaluation and the establishment of Key Performance Indicators. Ministerial approval is sought for recommendations to the salary and conditions for the Chief Executive Officer.

The principal roles of the Remuneration Committee are:

1. to consider and determine all elements of the remuneration of the Chief Executive Officer and the Executive;
2. to make recommendations on incentive schemes; and
3. to consider and report on systems and processes relevant to employee performance and reward.

The Committee met once during the year. The Chief Executive Officer attends meetings by invitation but does not participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration is being discussed or participate in any recommendation or decision concerning his remuneration.

The Remuneration Committee's activities in respect of the year under review included:

- (a) determining the bonuses for managers under an incentive scheme for 2011/12 performance and salaries for 2012/13 for the Chief Executive Officer and the Executive;
- (b) approving the Chief Executive Officers' Key Performance Indicators for the 2012/13 financial year;
- (c) reviewing and amending the Committee's Terms of Reference.



Tugs escorting a vessel



Risk Assurance and Audit Committee (RAAC)

The RAAC consists of three Directors, E Fear (Chair), J Tapp and L Longden. The General Manager Risk and Governance, the General Manager Operations and the Chief Financial Officer attend by invitation. The RAAC assists the Board in the effective discharge of its responsibilities for financial reporting, internal control structures, internal and external audit functions, corporate governance and risk management systems.

The RAAC met four times this year. The RAAC's activities in respect of the year under review included:

1. overseeing the implementation of a new Legal Compliance Framework;
2. overseeing the implementation of a new Enterprise Risk Management Framework;
3. reviewing the program, scope and implementation of internal audit recommendations;
4. reviewing the annual financial statements and recommendations to the Board;
5. reviewing the major operations and financial risks and their controls;
6. seeking assurances as to the compliance of the PHPA with its internal controls, codes of conduct, policies and procedures.

The Group administers a specific policy governing the conduct of non-audit work by the external auditors.

The auditors are permitted to provide non-audit services that are not in conflict with auditor independence. Reports are made to the RAAC detailing non-audit fees paid to both the external and internal auditors. However, prior approval of the Audit Committee is required for each specific service provided by the external auditors. A range of non-audit services has been pre-approved in principle by the Audit Committee. However, where the fee is likely to be in excess of \$100,000 for such services, specific re-approval is required, while prior approval of the Chief Financial Officer is required for those pre-approved services where the fee is likely to be less than \$100,000.

Development Committee

Due to the unprecedented growth plans of the PHPA and the strategic significance of the development options considered during the year under review, Port development matters were agreed to be considered by the full Board without interim recommendations from the Development Committee. On that basis the Development Committee did not meet during 2011/12.

EMOLUMENTS

In accordance with Section 13(c) (ii) of Schedule 5 of the *Port Authorities Act 1999*, included below is the nature and amount of each element for each Director and the three named officers of the Port Hedland Port Authority receiving the highest emoluments.



Dump hopper at the Utah Facility

Directors' Emoluments

The Minister determines the emoluments of the Board of Directors.

Details of emoluments provided to Directors are as follows:

	Directors fee \$	Post-employment superannuation \$	Total \$
I Williams	5,192	467	5,659
K Pettit	42,350	0	42,350
L Longden	26,154	2,354	28,508
J Ford	16,500	1,485	17,985
J Tapp	16,500	1,485	17,985
M Currie *	9,197	0	9,197
E Fear	16,500	1,485	17,985
P Wilshaw *	7,303	0	7,303

* Directors' fees are paid directly to Directors' respective employers

Executives' Emoluments

Details of emoluments provided to three senior executives receiving the highest emoluments are as follows:

	Salary \$	Incentive \$	Non Cash Benefit \$	Post- employment superannuation \$	Total \$
Lindsay Copeman	317,929	26,357	22,713	44,692	411,691
John Finch	278,015	10,000	23,717	37,377	349,109
Ronald Holtshausen	249,718	24,524	29,190	25,215	328,647

MINISTERIAL DIRECTIVES

The Minister may give directions in writing to the Board of Directors with respect to the performance of the functions prescribed by legislation.

There were no Ministerial directives during the year in review.

BOARD PERFORMANCE EVALUATION

The Board undertook an evaluation of its performance during May 2012. The process was devised and conducted internally under the direction of the Corporate Secretary and CEO. In general, Directors were satisfied with the Board's performance with the survey results showing the Board generally felt its performance in the areas of Risk Management, Compliance, Relationship with Management, Communication and Conflicts of Interest was sound. A commitment was made to further review performance in the coming year to continue the evaluation against stated objectives.



Iron ore stockpile at Finucane Island





FINANCIAL CONTROLS AND REPORTING

The Board is mindful of its responsibility to present a balanced and clear assessment of the PHPA's financial position. This assessment is primarily provided in the Chairman's Report, the Chief Executive Officer's Report, and the Financial Statements contained in this Report. The Statement of Directors' Responsibilities in respect of the Consolidated Financial Statements are set out in the Director's Report.

Procedures have been established at the Executive and Board level that are designed to safeguard the assets and interests of the PHPA and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures.

The PHPA has in place arrangements to monitor:

1. 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 for Transport and the Board with the concurrence of the Treasurer;
2. Authorisation of major capital and contract commitments by the Board;
3. Guidelines, limits and controls on all financial exposure; and
4. A comprehensive annual insurance program operated with the assistance of professional outside advisors.

The Board reviews actual financial results against budget each month. The PHPA prepares half yearly financial statements and quarterly performance reports which are submitted to the Minister for Transport.

DISCLOSURES AND LEGAL COMPLIANCE: Legal Requirements

FREEDOM OF INFORMATION

The provisions of the Freedom of Information Act apply to the PHPA, with the PHPA required to provide the Office of the Information Commissioner with a Freedom of Information Statement every twelve months.

During the 2011/12 financial year, the PHPA received 3 new applications and no partial transfers under the Act. One application from the previous year was closed during this same period. No applications are still with the Information Commissioner for external review. All of the new applications have been responded to by the PHPA or are in consultation with third parties.

EXPENDITURE GUIDELINES

The PHPA 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 PHPA is required to obtain the approval of the Minister for major capital works expenditure that exceeds \$2 Million. The Board also reviews capital expenditure and cash flows at its ordinary meetings.



Unloading Iron Ore at the Utah Facility

ADVERTISING, MARKET RESEARCH AND SPONSORSHIP

In accordance with Section 175Ze of the Electoral Act 1907, the PHPA incurred the following expenditure in, market research, sponsorship, direct mail and media advertising:



Item	Organisation/s	Expenditure
Sponsorship	Port Hedland Chamber of Commerce	\$177,883.33 – Total Sponsorship
	Volunteer Marine Rescue Service	
	Pilbara Music Festival	
	Port Hedland Seafarers	
	National Breast Cancer Foundation	
	Training Ship Pilbara Inc.	
	Town of Port Hedland - Christmas Lights	
	Town of Port Hedland – Australia Day Fireworks	
	JaBat Dance Inc.	
	Hedland BMX Club Inc.	
	Port Hedland Historical Society – Koombana Exhibition	
	Australia’s Biggest Morning Tea	
	Many Rivers	
Media Advertising	Market Creations – Business Directory	\$25,156.11 – Total Media Advertising
	Real Time Promotions	
	Cathy Finch Photography	
	North West Telegraph	
	Twenty Twenty Marketing	
	Informa Australia (Lloyds List DCN)	
	Ipad Careers Expo	
	Bladon WA	
	Pilbara Photographics	
	WA Newspapers	
Market Research	Campaign Capital - 2011 Customer Satisfaction Survey	\$13,200 – Total Market Research
TOTAL EXPENDITURE		\$216,239.44

PORT HEDLAND PORT AUTHORITY

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Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Revenue	3	155,120	98,263
Other income	3	15,678	5,931
Depreciation and amortisation expense	5	(18,353)	(12,667)
Marine expenses		(29,879)	(19,406)
Port operations expenses		(13,539)	(6,754)
General administration		(11,124)	(7,903)
Asset maintenance		(14,275)	(23,936)
Environmental expenses		(2,950)	(2,339)
Port utilities		(5,133)	(3,319)
Safety and security		(800)	(3,302)
Finance costs	7	(18,495)	(15,036)
Other expenses	8	(10,066)	(4,577)
Profit before income tax		46,184	4,955
Income tax benefit/(expense)	9	(13,870)	(1,838)
Net profit/(loss) for the year		32,314	3,117
Total comprehensive income for the year		32,314	3,117

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



Statement of Financial Position

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	77,778	27,632
Trade and other receivables	12	39,939	23,394
Inventories	13	2,323	2,310
Total current assets		120,040	53,336
Non current assets			
Property, plant and equipment	14	332,514	340,971
Intangible assets	15	10,168	10,461
Trade and other receivables	16	36,360	39,729
Deferred tax assets	16	25,747	24,034
Total non current assets		404,789	415,195
Total assets		524,829	468,531
LIABILITIES			
Current liabilities			
Trade and other payables	17	22,650	19,962
Interest bearing borrowing	17	4,000	15,000
Current tax liabilities	18	15,249	(7,125)
Provisions	19	10,504	1,629
Total current liabilities		52,403	29,466
Non current liabilities			
Other non-current liabilities	20	27,789	42,495
Deferred tax liabilities	20	15,946	16,942
Interest bearing borrowing	20	204,700	193,700
Provisions	19	63,504	61,729
Total non current liabilities		311,939	314,866
Total liabilities		364,342	344,332
Net assets		160,487	124,199
EQUITY			
Contributed equity		29,415	23,415
Retained earnings		131,072	100,784
Total equity		160,487	124,199

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



Statement of Changes in Equity

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Balance of equity at start of period		124,199	120,332
Contributed equity			
Balance at start of period		23,415	22,665
Transactions with owners in their capacity as owners			
Capital contribution		6,000	750
Balance at end of period		29,415	23,415
Retained earnings			
Balance at start of period		100,784	97,667
Total Comprehensive Income for the year		32,314	3,117
Transactions with owners in their capacity as owners			
Dividends paid	10	(2,026)	-
Balance at end of period		131,072	100,784
Balance of equity at end of period		160,487	124,199

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



Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		142,812	84,735
Payments to suppliers and employees (inclusive of goods and services tax)		(80,065)	(90,063)
Other revenue		12,398	5,999
Other receipts		(10,712)	(4,026)
Interest received		1,568	1,101
Interest paid		(12,705)	(11,786)
Income taxes paid		5,795	(12,418)
Net cash inflow / (outflow) from operating activities		59,091	(26,458)
Cash flows from investing activities			
Payments for property, plant and equipment		(9,769)	(66,520)
Proceeds from sale of property, plant and equipment		9	36
Finance Revenue		2,631	2,612
Finance Costs		(5,790)	(3,169)
Net cash outflow from investing activities		(12,919)	(67,041)
Cash flows from financing activities			
Proceeds from borrowings		-	70,000
Repayment of borrowings		-	-
Equity contributions		6,000	750
Other		-	(12)
Dividends paid	10	(2,026)	-
Net cash inflow / (outflow) from financing activities		3,974	70,738
Net increase / (decrease) in cash and cash equivalents		50,146	(22,761)
Cash and cash equivalents at the beginning of the financial year		27,632	50,393
Cash and cash equivalents at the end of the financial year	11	77,778	27,632

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



Notes to the Financial Statements

For the year ended 30 June 2012

1. Basis of preparation

(a) Statement of compliance

The Port Hedland Port Authority ("the Authority") is a not-for-profit entity that prepares general purpose financial statements 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 17th August 2012 by the Board of Directors of the Authority.

(b) Presentation

(i) Statement of Comprehensive Income

Statement of comprehensive income classification of expenses by nature is considered to provide more relevant and reliable information than classification by function due to the nature of the Authority's operations.

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, asset maintenance, environmental expenses, safety and security and finance costs. 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 functional 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 6 to the financial statements.

(ii) Format

The format of the financial statements for the year ended 30 June 2012 has been modified to align with the model financial statements issued by Government.

This modification ensures that the financial report is in accordance with Australian Accounting Standards (AASB's) and the financial reporting provisions of the Port Authorities Act 1999. It also ensures consistency with other WA Port Authorities in the presentation of the financial statements for the year ending 30 June 2012.

(c) Basis of measurement

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



Notes to the Financial Statements

For the year ended 30 June 2012

1. Basis of preparation (continued)

(d) Functional and presentation currency

These financial statements are presented in Australian dollars which is the Authority's functional currency. All financial information presented in Australian dollars has been 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

Provision for environmental remediation

Various assumptions are required in determining the 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 3.04% has been applied.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies

(a) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

(i) Rendering of services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Interest revenue

Interest revenue is recognised as it accrues using the effective interest rate method. (see note 2(b))

(iii) Rental income

Rental income is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

(b) Finance income and finance costs

Finance income comprises interest income on funds invested and interest receivable under finance leases. Interest income is recognised as it accrues in profit or loss, using the effective interest method. The interest receivable component of finance lease receivables is also recognised in the Statement of Comprehensive Income using the effective interest method.

Finance costs comprise interest expense on borrowings and finance charges payable under finance leases. All borrowing costs are recognised in profit or loss using the effective interest method. The interest expense component of finance lease payments is also recognised in the Statement of Comprehensive Income using the effective interest method.

Borrowing costs are recognised as expenses in the period in which they are incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset in which case they are capitalised as part of the cost of the asset, in accordance with AASB 123 Borrowing Costs.

In determining the amount of borrowing costs to be capitalised during the financial year, investment revenue earned directly relating to the borrowings is deducted from the borrowing costs incurred.

(c) 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 or in other comprehensive income.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss 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 for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences 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, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

(d) Receivables

(i) Trade receivables

Trade receivables are recognised and carried at the original invoice amounts less an allowance for any uncollectible amounts. Receivables 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.

(ii) Lease receivables

A finance lease receivable is recognised for leases of property, plant and equipment which effectively transfers to the lessee substantially all of the risks and benefits incidental to legal ownership of the leased asset. The lease receivable is initially recognised as the amount of the present value of the minimum lease payments receivable at the reporting date plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term.

Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease with interest revenue calculated using the interest rate implicit in the lease and recognised directly in the Statement of Comprehensive Income.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies (continued)

(e) Inventories

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

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the following:

- » The cost of materials and direct labour,
- » Any other costs directly attributable to bringing the assets to a working condition for their intended use,
- » When the Authority has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- » Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is calculated as the difference between the net proceeds from disposal and the carrying amount of the item and is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Authority. The carrying amount of a replaced part is de-recognised. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies (continued)

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings and port improvements	25 - 40 years	Straight line
Capital dredging	40 years	Straight line
Navigational aids	2 - 30 years	Straight line
Wharves and utilities	10 - 40 years	Straight line
Office furniture, fittings and equipment	3 - 20 years	Straight line

(g) Intangible assets

(i) Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Authority intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iii) Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset.

(iv) Amortisation

Intangible assets are amortised on a straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

» Computer software 4 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies (continued)

(h) Impairment

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is any indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Unless an asset has been identified as a surplus asset, the carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each reporting date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Leases

Leases are classified as either finance leases or operating leases based on the economic substance of the lease agreements.

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. A finance lease liability is also recognised. 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.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies (continued)

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 where appropriate.

(j) Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

- » Financial assets
 - › Cash and cash equivalents,
 - › Trade and other receivables.
- » Financial liabilities
 - › Trade and other payables,
 - › Interest bearing liabilities.

Refer to Note 21 for further information on the classification of financial instruments.

Initial recognition and measurement is at fair value plus directly attributable transaction costs for assets not carried at fair value through profit or loss. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables approximates their carrying amount because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material. Gains or losses are recognised when the financial assets are derecognised or impaired.

(k) Payables

Payables, including trade payables, 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.

(l) Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process.

Borrowing costs are expensed as incurred unless they relate to qualifying assets.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies (continued)

(m) Employee benefits

The liability for annual and long service leave expected to be settled within 12 months after the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled using the remuneration rates expected to apply at the time of settlement. Annual and long service leave expected to be settled more than 12 months after the reporting 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 reporting date.

When assessing expected future payments, consideration is given to estimated future wage and salary levels including non-salary components, as well as the experience of employee departures and periods of service. The expected future payments are discounted to present value using market yields at the reporting 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 reporting date.

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

(n) Dividends

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

(o) 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.

(p) 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 item as applicable.

Receivables and payables are stated inclusive of GST. 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.



Notes to the Financial Statements

For the year ended 30 June 2012

2. Statement of significant accounting policies (continued)

(q) 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. 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.

The unwinding of the discount is recognised as finance cost.

(r) Contributed equity

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

(s) New accounting standards and interpretations not yet adopted

No new amendments to standards and interpretations have been identified which may impact the entity in the period of initial application.



Notes to the Financial Statements

For the year ended 30 June 2012

3. Revenue

	2012	2011
	\$'000	\$'000
Revenue consists of the following items		
Rendering of services		
Charges on cargo	76,877	45,091
Charges on ships	33,385	26,065
Shipping services	28,574	16,485
Interest revenue	1,568	1,101
Rental and leases	14,716	9,521
Total revenue	155,120	98,263
Other revenue		
Other revenue (a)	15,678	5,931
Revenue from ordinary activities	170,798	104,194
Total revenue	170,798	104,194

(a) Includes finance revenue (rehabilitation) of \$2.6m (2012) and \$2.6m (2011).



Notes to the Financial Statements

For the year ended 30 June 2012

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.

5. Depreciation and amortisation expense

	2012	2011
	\$'000	\$'000
Depreciation		
Channels and breakwaters	214	215
Land improvements	-	-
Buildings and improvements	1,139	690
Plant and equipment	8,597	5,752
Berths, jetties and Infrastructure	7,865	5,580
Total depreciation	17,815	12,237
Amortisation		
Intangible assets	538	430
Total amortisation	538	430
Total depreciation and amortisation	18,353	12,667



Notes to the Financial Statements

For the year ended 30 June 2012

6. Employee benefits

	2012	2011
	\$'000	\$'000
Wages and salaries (a)	15,488	9,499
Superannuation (b)	1,744	1,155
Long service leave	29	188
Annual leave	1,170	822
	18,431	11,664

Allocated to the following line items on the statement of comprehensive income

	2012	2011
	\$'000	\$'000
Marine expenses	3,366	2,325
Port operations expenses	7,738	4,501
General administration	4,597	3,255
Environmental expenses	616	459
Safety and security	524	541
Other expenditure	1,590	583
	18,431	11,664

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

(b) Includes defined benefits plan.

7. Finance costs

	2012	2011
	\$'000	\$'000
Interest expensed	2,086	2,182
WATC borrowing costs	10,619	9,604
Finance costs (rehabilitation)	5,790	3,169
Foreign exchange loss	-	81
Finance costs expensed	18,495	15,036

Finance costs include borrowing costs. AASB 123.5 defines borrowing costs as interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs may include finance charges in respect of finance leases recognised in accordance with AASB 117 Leases (AASB 123.6(d)). AASB 119 requires the unwinding of the discount of employee benefits to be recognised under employee benefits expense rather than separately as a finance cost.



Notes to the Financial Statements

For the year ended 30 June 2012

8. Other expenses

	2012	2011
	\$'000	\$'000
Rented accommodation	5,881	3,609
Loss on disposal of fixed assets	160	43
Port development costs	3,135	925
Risk and governance	890	-
Doubtful debts	-	-
	10,066	4,577

9. Income tax expense

	2012	2011
	\$'000	\$'000
(a) Income tax expense		
Current taxation	16,675	2,014
Deferred income tax	(2,792)	(228)
Under (over) provision in prior year	(13)	52
	13,870	1,838
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	46,184	4,955
Tax at the Australian tax rate of 30% (2011 30%)	13,855	1,487
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment and travel	24	26
Non-deductible consulting expense	-	-
Investment allowance	-	-
Adjustment to tax fixed assets	-	-
Consumables	-	272
Other	4	-
Depreciation on plant and equipment (non-depreciable for tax)	-	1
	13,883	1,786
Under (over) provision in prior years	(13)	52
Total income tax expense	13,870	1,838



Notes to the Financial Statements

For the year ended 30 June 2012

10. Dividends

	2012	2011
	\$'000	\$'000
Dividends paid in the financial year	2,026	-

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 65% of after tax profits. However, in accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June 2012 have not been provided as they are expected to be approved by Government and declared by the Board after the reporting date

A dividend of \$2,026k in respect of the financial results for the year ended 30 June 2011 was paid by 30 June 2012.

11. Cash and cash equivalents

	2012	2011
	\$'000	\$'000
Current		
Bank balances	57,778	27,632
Term deposits	20,000	-
Cash and cash equivalents in the statement of cash flows	77,778	27,632

The Authority's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 20.

12. Trade and other receivables

	2012	2011
	\$'000	\$'000
Net trade receivables		
Trade receivables	33,496	16,839
Provision for doubtful debts	-	-
Prepayments	443	555
	33,939	17,394
Other current assets		
Rehabilitation costs receivable	6000	6000
	39,939	23,394



Notes to the Financial Statements

For the year ended 30 June 2012

At 30 June, the ageing analysis of trade debtors past due but not impaired is as follows:

	2012	2011
	\$'000	\$'000
Not more than 3 months	6,119	2,370
More than 3 months but less than 6 months	1,050	446
More than 6 months but less than 1 year	467	1,143
More than 1 year	-	-
	7,636	3,959

13. Inventories

	2012	2011
	\$'000	\$'000
Spares – at cost	2,323	2,310

14. Property, plant and equipment

	2012	2011
	\$'000	\$'000
Channels and breakwaters		
At cost	7,480	7,524
Less: Accumulated depreciation	(4,480)	(4,615)
Less: Accumulated impairment losses	-	-
	3,000	2,909
Land		
At cost	1,305	1,305
Less: Accumulated depreciation	-	-
Less: Accumulated impairment losses	-	-
	1,305	1,305
Buildings and improvements		
At cost	32,485	31,190
Less: Accumulated depreciation	(5,192)	(4,059)
Less: Accumulated impairment losses	-	-
	27,293	27,131



Notes to the Financial Statements

For the year ended 30 June 2012

	2012 \$'000	2011 \$'000
Plant and equipment		
At cost	132,097	129,387
Less: Accumulated depreciation	(19,935)	(11,710)
	2012 \$'000	2011 \$'000
Less: Accumulated impairment losses	-	-
	112,162	117,677
Berths, jetties and infrastructure		
At cost	213,056	209,875
Less: Accumulated depreciation	(25,786)	(17,926)
Less: Accumulated impairment losses	-	-
	187,270	191,949
Total property, plant and equipment at net book value	331,030	340,971
Add: Work in progress (at cost)	1,484	-
Total Property plant & equipment	332,514	340,971
Reconciliation of carrying amounts		
	2012 \$'000	2011 \$'000
Channels and breakwaters		
Carrying amount as at 1 July	2,909	3,122
Additions	395	7
Transfer from work in progress	-	-
Depreciation for year	(214)	(215)
Disposals	(90)	(5)
Impairment losses	-	-
Carrying amount as at 30 June	3,000	2,909
Land		
Carrying amount as at 1 July	1,305	1,305
Additions	-	-
Transfer from work in progress	-	-
Depreciation for year	-	-
Disposals	-	-
Impairment losses	-	-
Carrying amount as at 30 June	1,305	1,305



Notes to the Financial Statements

For the year ended 30 June 2012

	2012	2011
	\$'000	\$'000
Buildings and improvements		
Carrying amount as at 1 July	27,131	10,385
Additions	1,302	17,447
Transfer from work in progress	-	-
	2012	2011
	\$'000	\$'000
Depreciation for year	(1,139)	(690)
Disposals	(1)	(11)
Impairment losses	-	-
Carrying amount as at 30 June	27,293	27,131
Plant and equipment		
Carrying amount as at 1 July	117,677	9,126
Additions	3,142	114,353
Transfer from work in progress	-	-
Depreciation for year	(8,597)	(5,751)
Disposals	(60)	(51)
Impairment losses	-	-
Carrying amount as at 30 June	112,162	117,677
Berths, jetties and infrastructure		
Carrying amount as at 1 July	191,949	32,684
Additions	3,200	164,845
Transfer from work in progress	-	-
Depreciation for year	(7,865)	(5,580)
Disposals	(14)	-
Impairment losses	-	-
Carrying amount as at 30 June	187,270	191,949
Work in progress		
Carrying amount as at 1 July	-	8,164
Additions	1,484	-
Transfer to property, plant and equipment	-	-
Transfer to intangible assets	-	(8,164)
Carrying amount as at 30 June	1,484	-



Notes to the Financial Statements

For the year ended 30 June 2012

Impairment of assets

There were no indications of impairment to property, plant and equipment as at 30 June 2012.

The Authority held no goodwill or intangible assets with an indefinite useful life at reporting date.

All surplus assets at 30 June 2012 have been classified as non-current assets held for sale or written off.

15. Intangible assets

	2012	2011
	\$'000	\$'000
Channels		
At cost	21,909	21,909
Less: Accumulated amortisation	(12,231)	(11,968)
Less: Accumulated impairment losses	-	-
	9,678	9,941
Computer software		
At cost	1,328	1,082
Less: Accumulated amortisation	(838)	(562)
Less: Accumulated impairment losses	-	-
	490	520
Total intangible assets	10,168	10,461
Reconciliation of carrying amounts		
Channels		
Carrying amount as at 1 July	9,941	1,972
Additions	-	8,164
Impairment losses	-	-
Amortisation expense	(263)	(195)
Carrying amount as at 30 June	9,678	9,941
Computer software		
Carrying amount as at 1 July	520	755
Additions	245	-
Impairment losses	-	-
Amortisation expense	(275)	(235)
Carrying amount as at 30 June	490	520



Notes to the Financial Statements

For the year ended 30 June 2012

16. Other non current assets

	2012	2011
	\$'000	\$'000
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Movements:		
Opening balance at 1 July	24,034	1,316
Charged/(credit) to the statement of comprehensive income	1,796	16,889
Movement attributable to the prior year adjustments	(83)	5,829
Closing balance at 30 June	25,747	24,034
Amounts recognised in profit or loss:		
Accrued expenses	58	25
Employee benefits	724	634
Incentive provision	-	4
Borrowing expenses	143	55
Income received in advance	-	-
Capital works expenditure	2,938	3,104
Fixed assets	406	409
Forward FX contract	-	-
Sundry items	-	29
	4,269	4,260
Other:		
Rehabilitation contribution	21,478	19,774
	25,747	24,034
Other non-current assets		
Rehabilitation costs receivable	36,360	39,729
	36,360	39,729



Notes to the Financial Statements

For the year ended 30 June 2012

17. Trade and other payables

	2012	2011
	\$'000	\$'000
Trade payables	9,873	5,885
Rent received in advance	3,993	1,846
Other payables	2,114	7,408
Accrued expenses	6,670	4,823
	22,650	19,962
Interest bearing borrowings		
WA Treasury Corporation loans	4,000	15,000
	4,000	15,000

18. Current tax liabilities

	2012	2011
	\$'000	\$'000
Opening balance	(7,125)	(2,602)
Current year true up	(96)	5,881
June instalment paid	(188)	-
September instalment paid	(209)	(3,723)
December instalment paid	(216)	(5,214)
March instalment paid	(717)	-
Additional tax – BHP rehab	-	(3,480)
2011 Tax refund	7,125	-
Tax payable	16,675	2,013
	15,249	(7,125)



Notes to the Financial Statements

For the year ended 30 June 2012

19. Provisions

	2012	2011
	\$'000	\$'000
Current		
Employee benefits provision		
Annual leave	1,280	995
Long service leave	511	597
Other employee benefits	38	37
Other		
Provision for rehabilitation	8,675	4,670
	10,504	6,299
Non-Current		
Employee benefits provision		
Long service leave	186	136
Other employee benefits	400	350
Other		
Provision for rehabilitation	62,918	61,243
	63,504	61,729

Provision for rehabilitation has been disclosed under provisions for the 2011/12 financial year. In the 2010/11 annual report it was disclosed in other non-current liabilities (Note 17 in the 2010/11 annual report). The format of the financial statements for the year ended 30 June 2012 has been modified to align with the model financial statements issued by Government.

This modification ensures that the financial report is in accordance with Australian Accounting Standards (AASB's) and the financial reporting provisions of the Port Authorities Act 1999. It also ensures consistency with other WA Port Authorities in the presentation of the financial statements for the year ending 30 June 2012.



Notes to the Financial Statements

For the year ended 30 June 2012

Movements in provisions

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

	2012	2011
	\$'000	\$'000
Current		
Annual leave		
Carrying amount at 1 July	995	752
Provisions made during the year	1,169	822
Amounts utilised during the year	(884)	(579)
Carrying amount at 30 June	1,280	995
Long service leave		
Carrying amount at 1 July	597	410
Provisions made during the year	1	223
Amounts utilised during the year	(87)	(36)
Carrying amount at 30 June	511	597
Other employee benefits		
Carrying amount at 1 July	37	37
Provisions made during the year	1	-
Amounts utilised during the year	-	-
Carrying amount at 30 June	38	37
Rehabilitation		
Carrying amount at 1 July	4,670	856
Provisions made during the year	4,115	3,887
Amounts utilised during the year	(110)	(73)
Carrying amount at 30 June	8,675	4,670



Notes to the Financial Statements

For the year ended 30 June 2012

	2012	2011
	\$'000	\$'000
Non-current		
Long service leave		
Carrying amount at 1 July	136	170
Movements during the year	50	(34)
Carrying amount at 30 June	186	136
Other employee benefits		
Carrying amount at 1 July	350	359
Movements during the year	50	(9)
Carrying amount at 30 June	400	350
Rehabilitation		
Carrying amount at 1 July	61,243	61,962
Movements during the year	1,675	(719)
Carrying amount at 30 June	62,918	61,243
(a) Pension and gold state scheme		
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligations at the beginning of the year	350	358
Interest cost	17	18
Actuarial (gains)/losses	71	11
Benefits paid	(38)	(37)
Present value of defined benefit obligations at end of the year	400	350

Two persons remain in this scheme



Notes to the Financial Statements

For the year ended 30 June 2012

20. Non-current liabilities

	2012	2011
	\$'000	\$'000
Deferred tax liabilities		
The balance comprises temporary difference attributable to:		
Inventory	-	-
Others	18	12
Fixed assets	3,220	3,211
Receivable	12,708	13,719
Net deferred tax liabilities	15,946	16,942
Movements:		
Opening balance at 1 July	16,942	281
Charged/(credit) to the statement of comprehensive income	(996)	16,661
Movement attributable to the prior year adjustments	-	-
Closing balance at 30 June	15,946	16,942
Other non-current liabilities		
Prepaid revenue	27,789	42,495
	27,789	42,495
Loans		
WA Treasury Corporation loans	204,700	193,700
	204,700	193,700



Notes to the Financial Statements

For the year ended 30 June 2012

21. Financial instruments

(i) Financial risk management objectives and policies

The Authority's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing borrowings, and finance leases. 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. With respect to credit risk arising from cash and cash equivalents, The Authority's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of the cash and cash equivalents.

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting the industry. The maximum exposure to credit risk at reporting 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 12 'Trade and other receivables'.

The Authority follows stringent credit control and management procedures in reviewing and monitoring debtor accounts and outstanding balances as evidenced by the historical aged debtor balances. In addition, management of receivable balances includes frequent monitoring thereby minimising the Authority's exposure to bad debts. For financial assets that are either past due or impaired, refer to note 12 'Trade and other receivables'.

The Authority has very low levels of default. Aged accounts receivable and key debts are reviewed monthly by the Board and legal action instigated if necessary. There has been no case where this action was necessary in the current year and only one in the prior year.

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

Liquidity risk is the risk that the Authority will not be able 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 cash reserves and its borrowing facilities. The Authority manages its exposure to liquidity risk by ensuring appropriate procedures are in place to manage cash flows, including 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



Notes to the Financial Statements

For the year ended 30 June 2012

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.

Sensitivity analysis

The Authority's policy is to manage its finance costs through diversification and variation in maturity dates with the objective of achieving optimum returns whilst managing interest rate risk to avoid uncertainty and volatility in the market place.

The Authority constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and alternative financing structures.

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, the effect would be as follows:

	2011/12				
	Carrying amount (\$000's)	-1% change		+1% change	
		Profit (\$000's)	Equity (\$000's)	Profit (\$000's)	Equity (\$000's)
Interest rate sensitivity analysis					
Financial assets					
Cash and cash equivalents	77,778	(778)	(778)	778	778
Financial liabilities					
Borrowings	208,700	2,087	2,087	(2,087)	(2,087)

	2010/11				
	Carrying amount (\$000's)	-1% change		+1% change	
		Profit (\$000's)	Equity (\$000's)	Profit (\$000's)	Equity (\$000's)
Interest rate sensitivity analysis					
Financial assets					
Cash and cash equivalents	27,632	(276)	(276)	276	276
Financial liabilities					
Borrowings	208,700	2,087	2,087	(2,087)	(2,087)



Notes to the Financial Statements

For the year ended 30 June 2012

Categories of financial instruments

Set out below are the carrying amounts of the Authority's financial instruments. The Directors consider the carrying amounts of the financial instruments represent their fair values.

	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	77,778	27,632
Loans and receivables	39,496	22,839
	117,274	50,471
	2012	2011
	\$'000	\$'000
Financial liabilities		
Financial liabilities measured at amortised cost	231,350	228,662
	231,350	228,662

The risk implied from the values shown in the table below reflects cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Authority's overall liquidity risk.



Notes to the Financial Statements

For the year ended 30 June 2012

The table below reflects the contractual maturity of financial liabilities and financial assets. The table includes both interest and principal cash flows.

Risk associated with the liability on borrowings is reduced by the Authority paying a guarantee charge. This charge guarantees payment to the WATC by the Government for outstanding borrowings in case of default.

	2012 \$'000	2011 \$'000
Composition and maturity analysis		
Financial Liabilities are expected to be paid as follows:		
Less than 6 months	22,650	19,962
6 months to 1 year	4,000	15,000
1 to 5 years	80,000	74,000
Over 5 years	124,700	119,700
	231,350	228,662

	2012 \$'000	2011 \$'000
Receivables are expected to be collected as follows:		
Less than 6 months	39,496	22,839
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	39,496	22,839

2012	Weighted average effective interest rate	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets and liabilities				
Cash and cash equivalents	3.65%	77,777	1	77,778
Receivables	-	39,496	39,496	
Interest bearing borrowings	5.06%	(208,700)	-	(208,700)
Trade and other payables		-	(22,650)	(22,650)
Net financial assets (Liabilities)		(130,923)	16,847	(114,076)



Notes to the Financial Statements

For the year ended 30 June 2012

2011	Weighted average effective interest rate	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets and liabilities				
Cash and cash equivalents	3.90%	27,631	1	27,632
Receivables		-	22,839	22,839
Interest bearing borrowings	5.24%	(208,700)	-	(208,700)
Trade and other payables		-	(19,962)	(19,962)
Net financial assets (liabilities)		(181,069)	2,878	(178,191)

(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.

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
On statement of financial position				
Non traded financial assets				
Cash and cash equivalents	57,778	57,778	13,692	13,692
Deposits	20,000	20,000	13,940	13,940
Receivables	39,496	39,496	22,839	22,839
Trade and other payables	(22,650)	(22,650)	(19,962)	(19,962)
	94,624	94,624	30,509	30,509

Fair values

All financial assets and liabilities recognised in the statement of financial position, whether they are carried at amortised cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.



Notes to the Financial Statements

For the year ended 30 June 2012

22. Remuneration of auditors

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

	2012	2011
	\$'000	\$'000
Auditing the accounts and the financial statements	37	35

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. During the reporting period, a section of land vested in the Port Hedland Port Authority was listed under the Contaminated Sites Act as Contaminated-Remediation Required. 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. The Port Hedland Port Authority has made submissions under the Act and is working with the lessees to manage the remediation.

24. Commitments

	2012	2011
	\$'000	\$'000
Service contracts – Port operations		
Within one year	34,026	18,963
Later than one year but not later than five years	166,275	56,075
Later than five years	-	-
Total	200,301	75,038
Capital commitments		
Within one year	3,580	753
Later than one year but not later than five years	-	-
Later than five years	-	-
Total	3,580	753



Notes to the Financial Statements

For the year ended 30 June 2012

	2012	2011
	\$'000	\$'000
Operating lease commitments		
Within one year	64	273
Later than one year but not later than five years	513	300
Later than five years	-	-
Total	577	573

The prepaid charges relating to the Utah Point Berth continue to be applied as prepaid revenue as the new port facilities are utilised. The balance as at 30 June 2012 is \$27.7 million, included as part of prepaid revenue in Note 18.

	2012	2011
	\$'000	\$'000
Operating lease commitments – employee housing		
Within one year	6,246	5,891
Later than one year but not later than five years	7,729	5,601
Later than five years	2,131	2,277
Total	16,106	13,769

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:

	2012	2011
	\$'000	\$'000
Within one year	18,703	7,280
Later than one year but not later than five years	92,827	24,878
Later than five years	89,258	85,008
Total	200,788	117,166



Notes to the Financial Statements

For the year ended 30 June 2012

25. Related Parties

Directors

Mr. P Wilshaw who is an alternate board member is an employee of BHP Billiton Iron Ore Pty Ltd. Mr J Tapp is 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 of trade offered to these customers are equivalent to those offered to all other port users.

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

Remuneration Benefits

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

26. Subsequent events

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.



PORT HEDLAND PORT AUTHORITY

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ABN 94 987 448 870

Directors Declaration

In the opinion of the Directors of the Port Hedland Port Authority (the PHPA):

(a) the financial statements and notes, are set out in accordance with the financial reporting provisions of the *Port Authorities Act 1999*, including:

- (i) giving a true and fair view of the financial position of the PHPA as at 30 June 2012 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Port Authorities Act 1999*; and

(b) there are reasonable grounds to believe that the PHPA will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Directors.

Ken Pettit SC

Chairman
10 September 2012

Elisa Fear

Director
10 September 2012





Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

PORT HEDLAND PORT AUTHORITY

I have audited the financial report of the Port Hedland Port Authority. The financial report comprises the Statement of Financial Position as at 30 June 2012, 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 Report

The directors of the Port Hedland Port Authority are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Port Authorities Act 1999, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Opinion

In my opinion, the financial report of the Port Hedland Port Authority is 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 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.



Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Port Hedland Port Authority for the year ended 30 June 2012 included on the Authority's website. The Authority's directors are responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
12 September 2012



Financial Performance Indicators

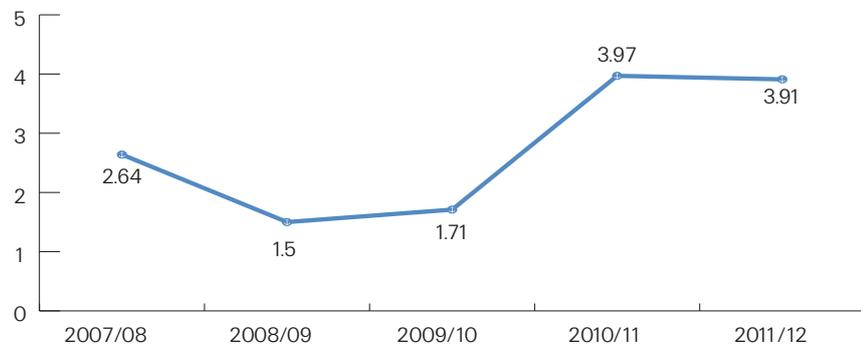
For the year ended 30 June 2012

In addition to the key performance indicators provided, the following financial performance indicators, which are not subject to audit, are provided to assist users to assess the financial management performance of the Port Hedland Port Authority. The indicators selected are considered appropriate for use in either evaluating the performance of a Government Trading Enterprise or an entity in the private sector.

Current ratio

The current ratio is a liquidity ratio that measures the Authority's ability to pay its short term obligations.

The current ratio is calculated by dividing the Authority's current assets at the reporting date by the Authority's current liabilities at the reporting date.

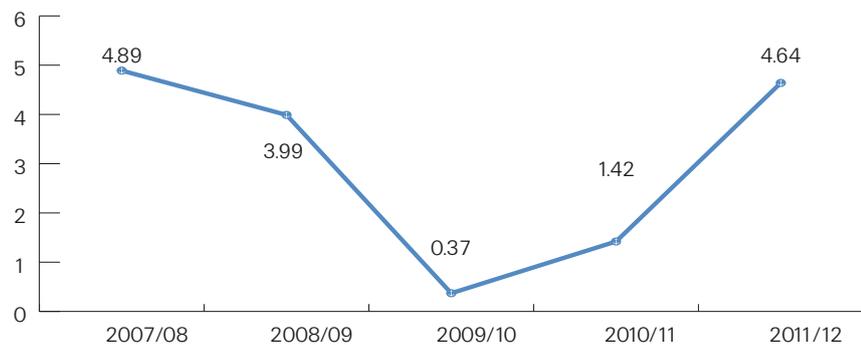


Graph 13. Current ratio – Comparison 2007/08 to 2011/12

Interest cover ratio

A ratio used to determine the ability of the Authority to pay interest on its outstanding debt.

The interest coverage ratio is calculated by dividing the Authority's earnings before interest and taxes (EBIT) for the reporting period by the Authority's interest expenses for the same period.



Graph 14. Interest cover – Comparison 2007/08 to 2011/12



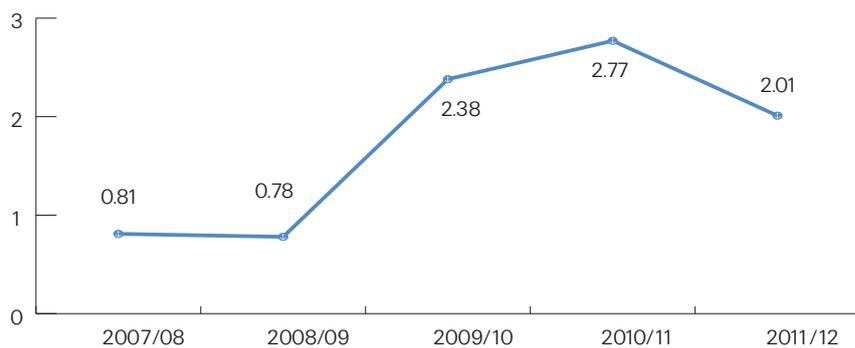
Financial Performance Indicators

For the year ended 30 June 2012

Debt to equity ratio

The debt to equity ratio is a measure of the Authority's financial leverage. It indicates what proportion of equity and debt the Authority is using to finance its assets.

The debt to equity ratio is calculated by dividing the Authority's total liabilities by the Authority's total equity.

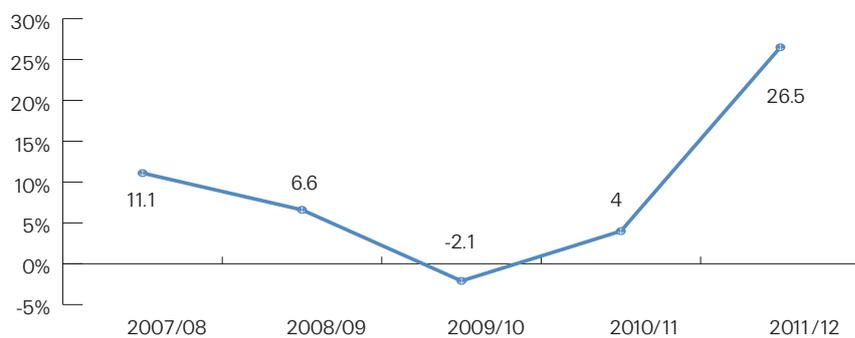


Graph 15. Debt to equity – Comparison 2007/08 to 2011/12

Return on equity

The return on equity ratio measures the Authority's profitability by revealing how much profit a company generates on the total equity.

The return on equity ratio is calculated by dividing the Authority's profit before tax by the Authority's total equity.



Graph 16. Return on equity – Comparison 2007/08 to 2011/12



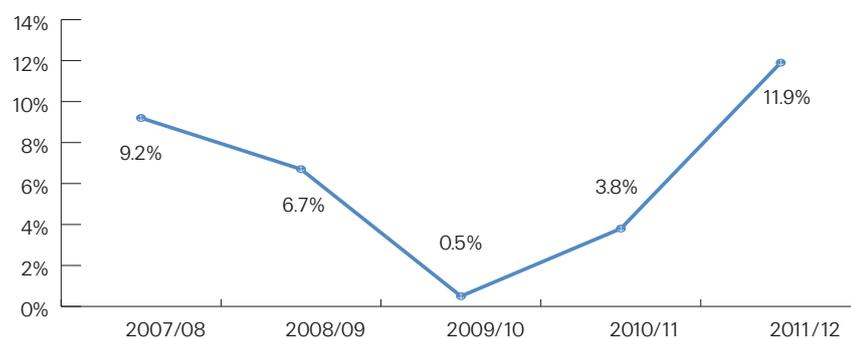
Financial Performance Indicators

For the year ended 30 June 2012

Return on assets

The return on assets ratio is an indicator of how profitable the Authority is relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings.

The return on assets ratio is calculated by dividing the Authority's earnings before interest and taxes (EBIT) by the Authority's average total assets.



Graph 17. Return on assets – Comparison 2007/08 to 2011/12

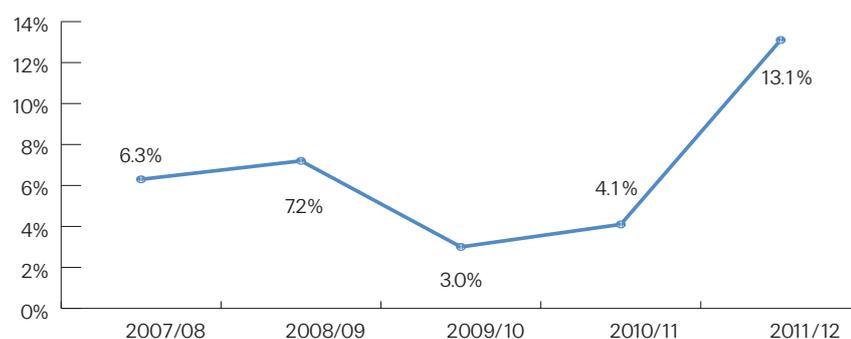
Economic rate of return

In accordance with Government policy effective July 2000, The Authority is required to report a rate of return on non-current assets valued at Deprival Value.

$$\frac{\text{EBIT} + \text{historical depreciation} - \text{deprival depreciation}}{\text{Current assets} + \text{deprival value} \text{ net non-current assets}}$$

The economic rate of return is calculated as per:

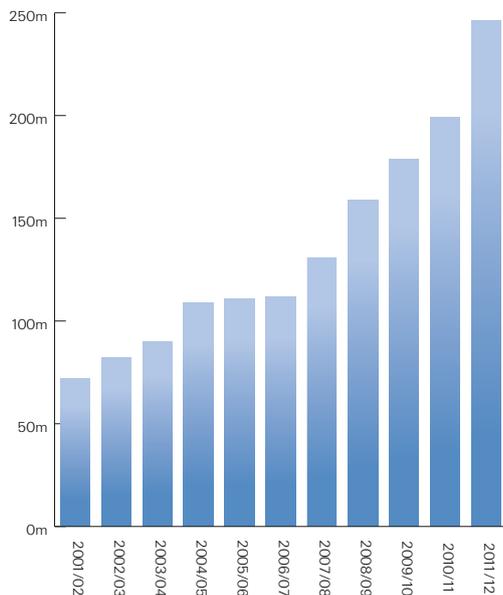
$$\frac{\text{EBIT} + \text{historical depreciation} - \text{deprival depreciation}}{\text{Current assets} + \text{deprival value} \text{ net non-current assets}}$$



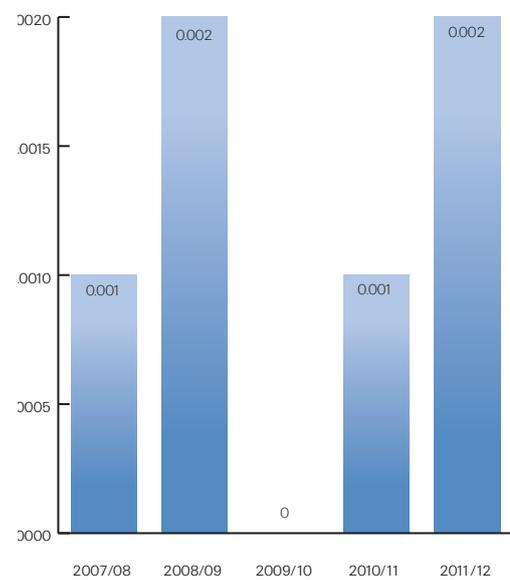
Graph 18. Economic rate of return – Comparison 2007/08 to 2011/12



Statistics



Graph 19. Total Throughput (million tonnes)

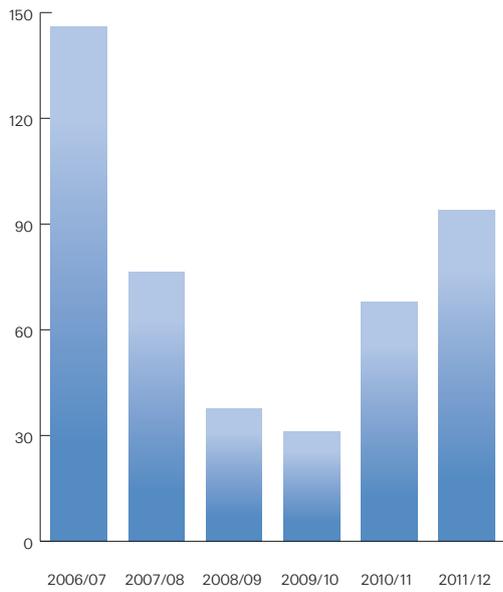


Graph 20. Ratio of Accidents to Total Vessels Movements

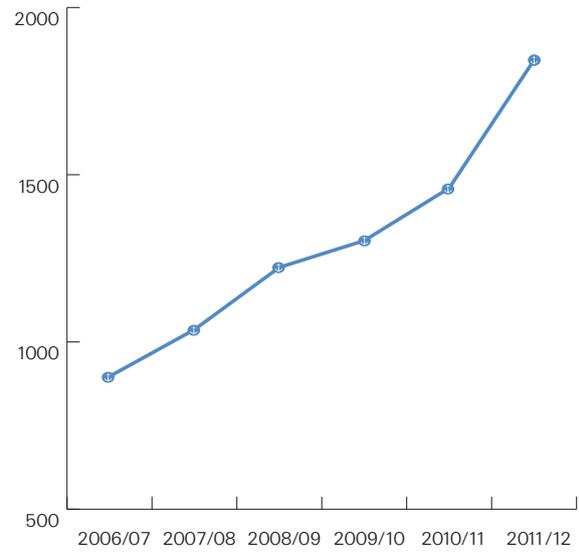


Port Trade

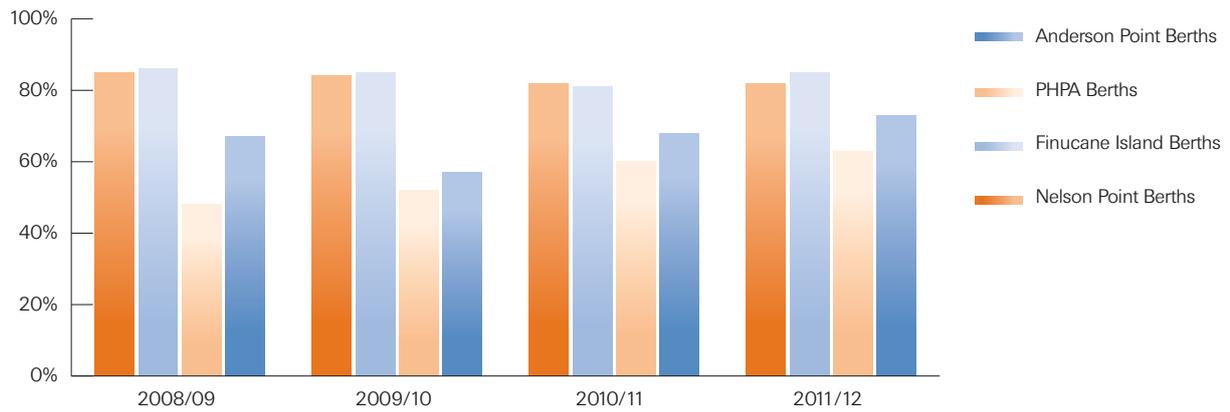
Imports (Tonnes)	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
Sulphuric Acid	10,003	10,177	-	73,577	69,649	145,583
Caustic Soda		4,166	-	7,433	7,032	-
Cement	186,870	98,573	166,164	82,803	25,148	6,872
Bitumen			-	3,185	1,284	3,825
Fuel Oils	1,216,044	988,989	822,794	713,226	619,957	527,256
General / Containers	414,056	172,286	165,236	128,642	70,876	129,150
Ammonium Nitrate	16,100					
Total	1,656,203	1,270,025	1,154,194	1,008,866	793,946	812,686
Exports (Tonnes)						
Iron Ore	238,932,735	192,548,683	174,002,083	154,220,271	125,588,994	106,617,011
Salt	3,197,203	2,623,412	1,165,401	2,609,954	2,409,527	2,669,441
Manganese	1,958,419	1,881,708	1,645,950	920,216	1,217,026	1,184,927
Feldspar					-	
Copper	433,904	461,383	479,545	423,050	417,075	249,824
Chromite	411,647	173,236	143,421	180,128	209,792	219,337
Livestock			7,817	5,826	7,951	6,335
Scrap	70,245	39,002	25,150	20,008	39,051	
General /Containers	11,703	4,630	1,888	2,342	23,846	
Oil			-	-	-	-
Total	245,015,856	197,732,054	177,471,255	158,381,795	129,913,262	110,946,875
Total Throughput	246,672,059	199,002,079	178,625,449	159,390,661	130,707,208	111,759,561



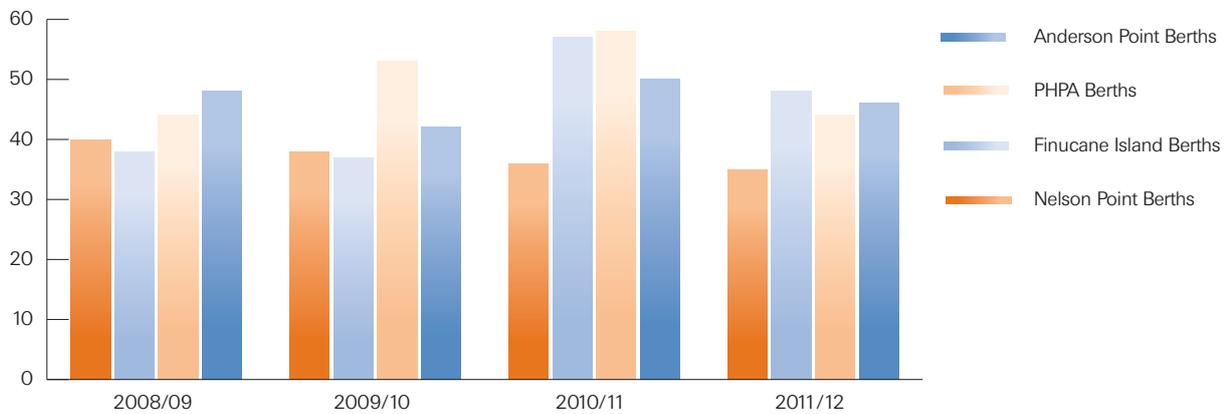
Graph 21. Port Closure (hours)



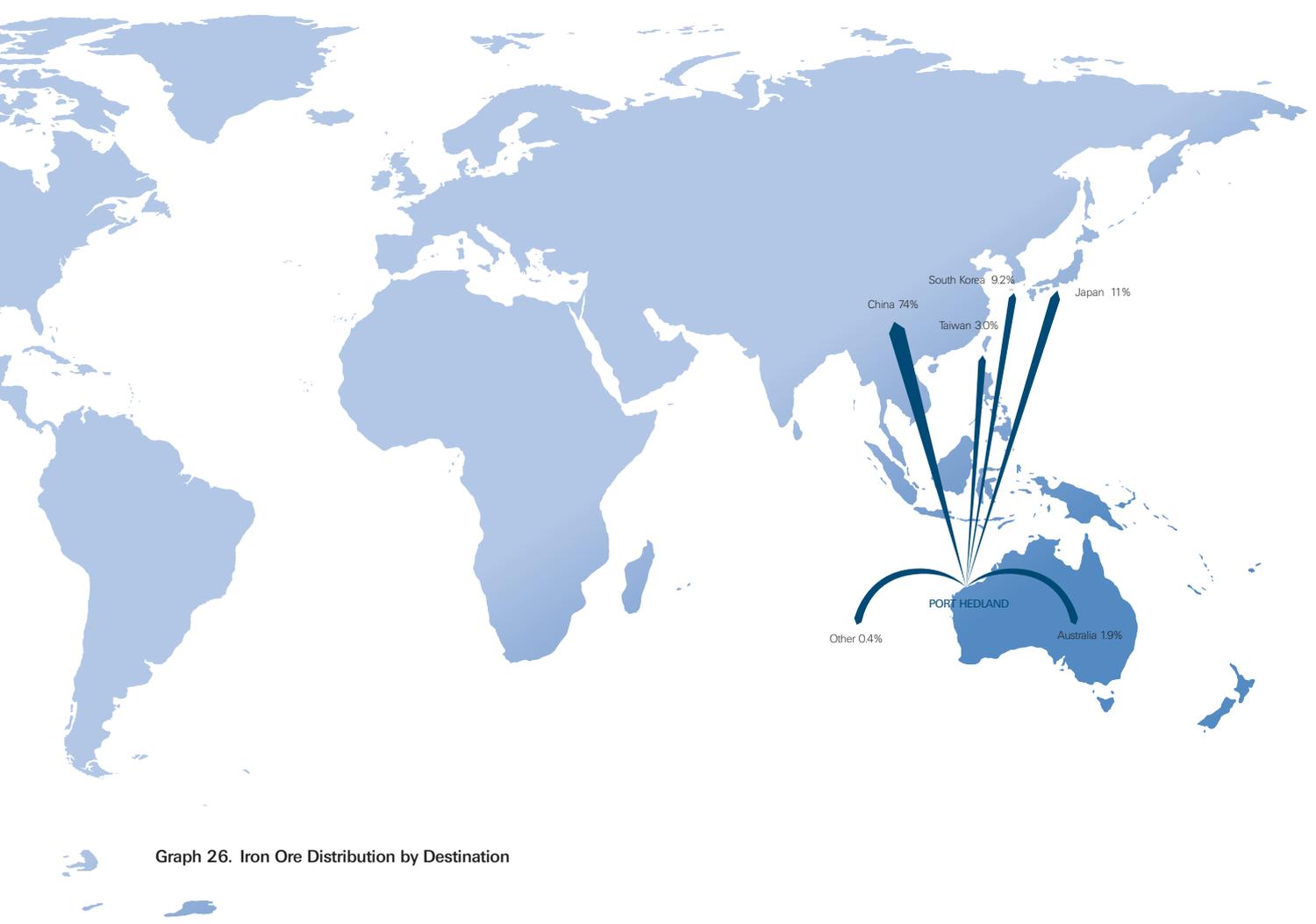
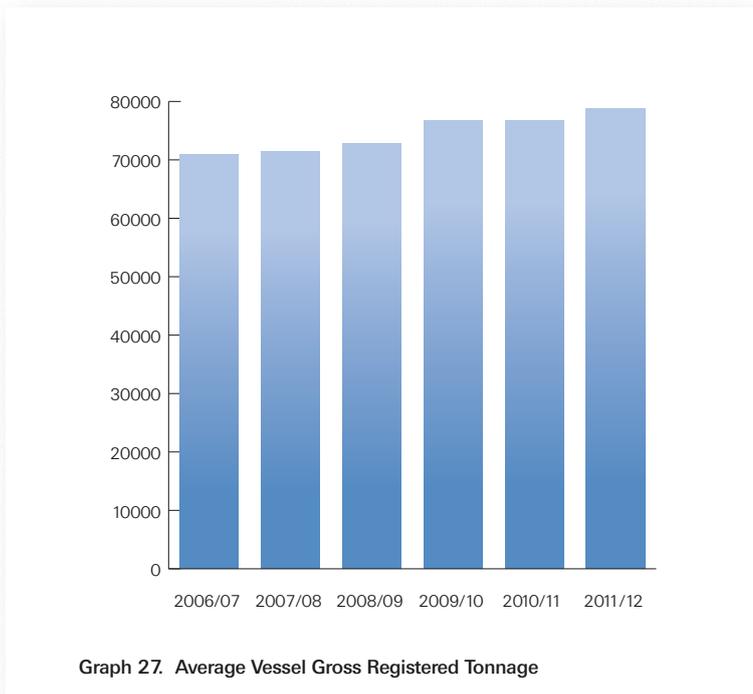
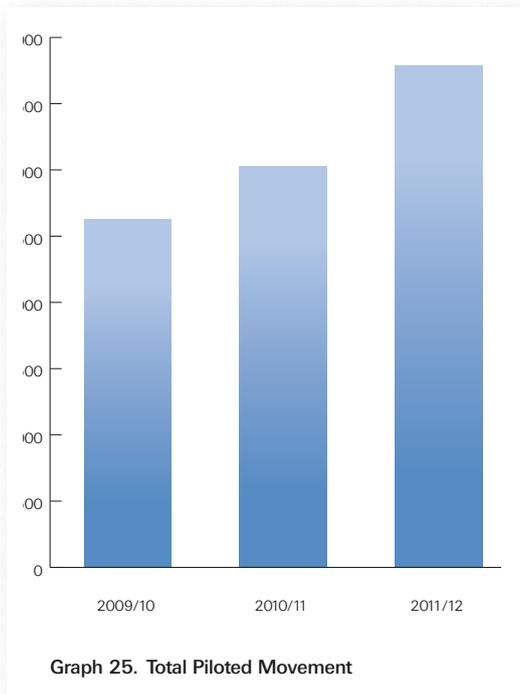
Graph 22. Total Number of Vessels



Graph 23. Berth Occupancy (percent)



Graph 24. Average Berth Hours Alongside Per Vessel





PORT HEDLAND PORT AUTHORITY
Annual Report 2012

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