

**PORT HEDLAND
PORT AUTHORITY**
ANNUAL REPORT 2013-14

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STATEMENT OF COMPLIANCE

To the Hon Dean Nalder 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 Port Hedland Port Authority for the financial year ended 30 June 2014.

Ken Pettit

Chairman, PHPA Board of Directors



Year in Review

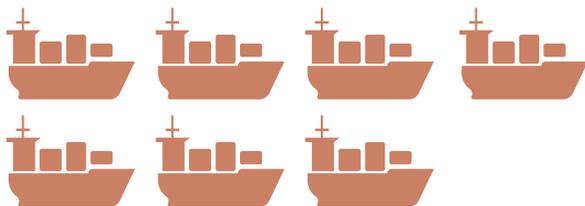
Our Highlights

372.3 (MT)
million tonnes
Total throughput



Substantial completion of the Utah Environmental Compliance Assistance Program

Record breaking tonnage on a single tide (7 June 2014) **1,270,721 tonnes**. Achieved on **SEVEN CAPE-SIZE VESSELS**



Environmental Improvement Plan - Improvements made in the **REDUCTION** of dust and waste generated during export of product



RECORD BREAKING
Annual tonnage throughput (Utah Facility): **18.7MT**



2 million tonnes in **24 hours:**
28 April 2014

Record Breaking Monthly throughput (Utah Facility, May 2014): **2.33MT**



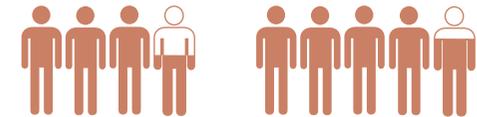
Record breaking Single iron ore shipment: Hugo N with **263,962 TONNES** (December 2013) on a **19.65M DRAFT**

Completion of FMG's Anderson Point Berth 4 and Atlas Iron's Stockyard 2 Facility at Utah Bulk Handling Facility



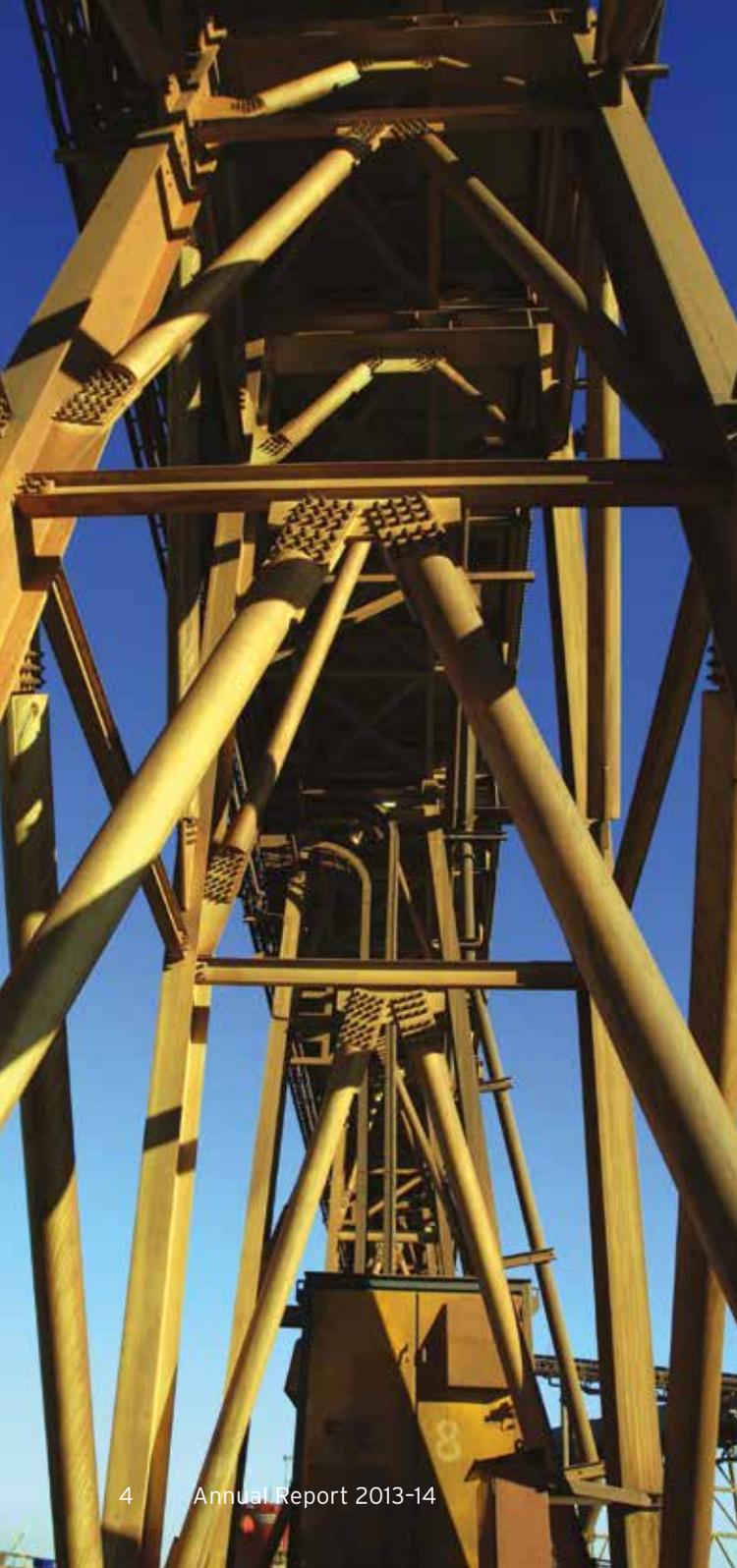
Profit before tax (million) **\$158.2**

Combined PHPA employee and contractor Lost Time Injury Frequency Rate decreased to **3.51** from **4.8**



4 CRUISE SHIP visits





Chairman's Report

Financial year 2013-14 has been another highly successful year for Port Hedland Port Authority (PHPA).

PHPA has delivered outstanding operational performance and exceptional commercial results.

Operationally, PHPA recorded an annual throughput of 372.3 million tonnes (Mt), an increase of 29% from the previous year. The Utah Point Multi-User Bulk Export facility (Utah Facility) performed strongly with an annual throughput of 18.7Mt, an increase of 51% from the previous financial year. The Utah Facility achieved a new monthly record of 2.33Mt in May 2014 with 22 vessels loading at the facility, and in November 2013 a daily haulage record of 626 road trains in a 24 hour period (26 trains per hour). In December, Atlas Iron's Stockyard 2 commenced operation which will allow an increase of up to 20 million tonnes per annum (mtpa) through the Utah Facility.

Those strong performances have helped PHPA realise a robust financial result, including a before-tax profit of \$155.7 million (subject to tax entries and audit confirmation), up from last year's before-tax profit of \$64.2 million.

Port Hedland is expected to facilitate 500mtpa by 2017-18, with a number of strategic development opportunities underway to manage this growth.

Those operational and financial achievements have been matched by excellent control of our responsibilities in health, safety and environmental protection.

The health and safety of PHPA employees and contractors in the workplace remained a committed and formalised priority for the Board. The Board set an ambitious Lost Time Injury Frequency Rate (LTIFR) target of 3.86 for the reporting period, which included coverage of the employees of our contractors on site. I am extremely pleased to report that a final figure of 3.51 was delivered. This is an all-time low LTIFR since measuring commenced at the port. The outstanding result is attributable to the diligence and leadership of the CEO and the positive engagement of all staff and contractors.

PHPA's Occupational Safety and Health Management system was recertified to the Australian Standard and New Zealand Standard for Occupational Health and Safety Management Systems (4801).

PHPA continued to minimise the impact of port activities on the local environment through its Environmental Management System, which also achieved recertification to the International Standard ISO 14001 in December 2013. PHPA substantially completed the Environmental Compliance Action Plan at the Utah Facility, which has enabled further

reductions in the environmental impacts of dust and waste generated at the facility. PHPA built on its successful mangrove propagation and rehabilitation program, and continued to present its popular Mangrove Education Program at local primary schools.

This is PHPA's last year trading solely as the operator of the Port of Port Hedland. On 1 July 2014, PHPA merged with Dampier Port Authority to form Pilbara Ports Authority.

The amalgamation is a monumental event; it will create the largest bulk export tonnage port authority in the world, and create one marine authority over an extensive world-class oil and gas export operation. The operations of Pilbara Ports Authority will have unrivalled national and State economic significance.

The amalgamation has been delivered pursuant to legislative changes, and in accordance with the State Government's agenda. I wish to record my admiration of and gratitude to the staff at Port Hedland and at Dampier for their application to the sometimes difficult tasks of preparing for the amalgamation.

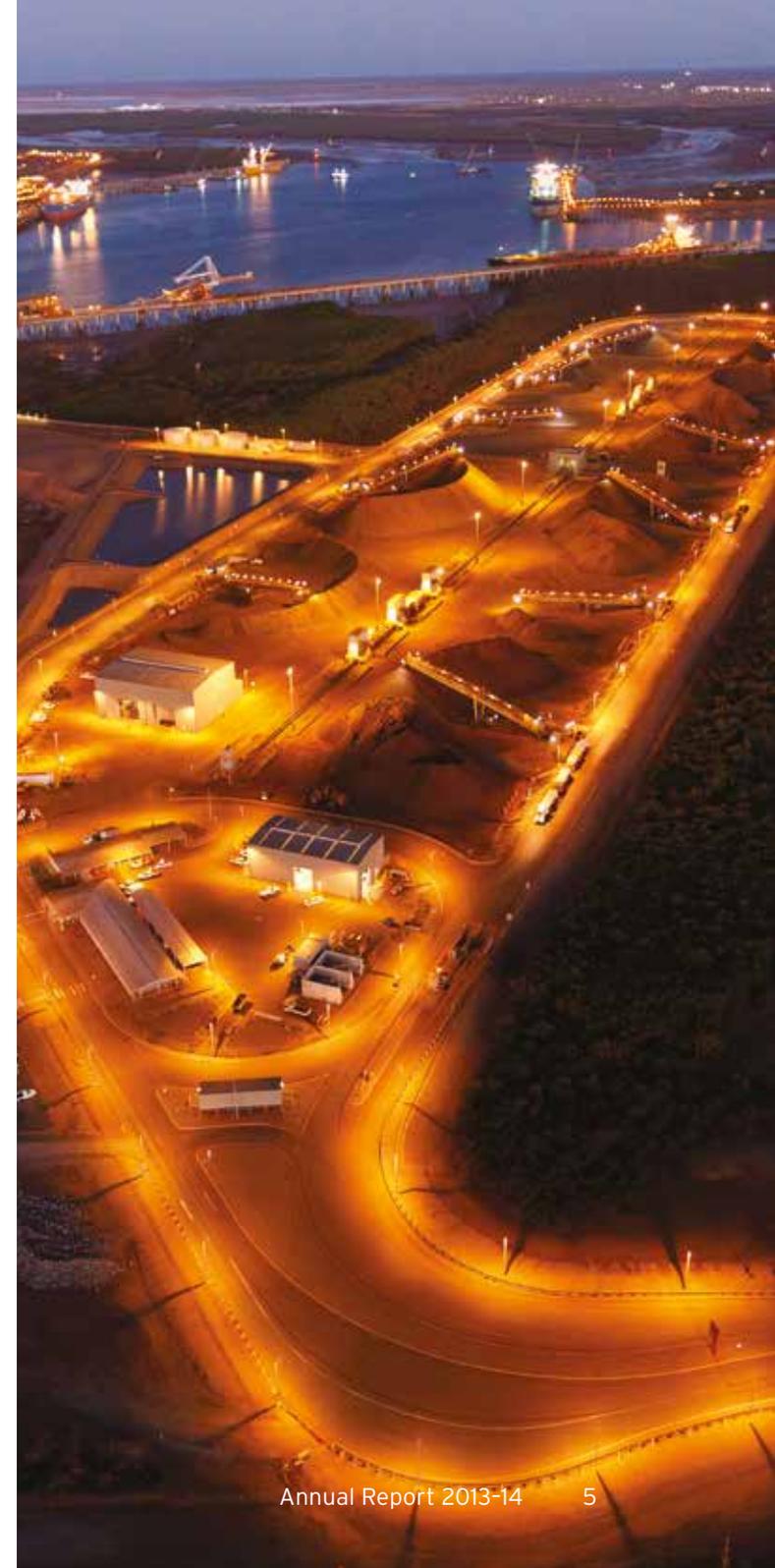
On behalf of the PHPA Board, I congratulate the CEO, the Executive team and staff for their diligence and commitment in delivering an outstanding performance on all parameters in the reporting period.

I thank the Minister for Transport and his staff, and the executive teams at the Departments of Transport and State Development for their support and advice.

Finally, I thank my fellow Directors, past and present, for their diligent contribution to another successful year.

Ken Pettit

Chairman, PHPA Board of Directors



Chief Executive Officer's Report

I am pleased to report another strong and successful year for Port Hedland Port Authority (PHPA) in its final year as a single port operator.

The safety, health and well-being of every single person who entered the port remained the utmost priority, and I am very pleased to report an all-time low Lost Time Injury Frequency Rate (LTIFR) for the reporting period. PHPA's Board set a LTIFR target of 3.86, and an LTIFR of 3.51 was achieved. Our ambition is to continue to build on this positive trend and to further improve safety performance.

PHPA's operational performance in the reporting period has seen a record-breaking annual throughput of 372.3 million tonnes (Mt), an increase of 29% from the previous year. This robust operational performance has resulted in PHPA delivering a strong financial result, with a before-tax profit of \$155.7 million (subject to tax entries and audit confirmation), demonstrating PHPA's capacity to facilitate and expand trade for the economic benefit of the State.

The result of PHPA's strong operations can be attributed to the highly-skilled and professional PHPA staff and service providers, as well as the operational enhancements achieved within the port in the past twelve months. These port improvements include upgrades and implementation of world-class maritime technology to enhance port efficiency and throughput.

PHPA achieved a number of significant operational milestones in the reporting period. This includes the sailing of five to six cape size vessels carrying over 1 million tonnes on a single tide on 15 occasions. A record-breaking 1,270,721 tonnes of iron ore was exported on a single tide in June 2014. It was also the first time seven-cape size vessels sailed on a single tide. PHPA also facilitated the export of more than two million tonnes of iron ore in just 24 hours for the first time. This milestone was achieved on the 28th of April with over a million tonnes exported on each of the morning and evening tides; a total of 2,028,105 tonnes exported. The port also managed 24 vessel movements in the same 24 hour period.

The commissioning of Atlas Iron's Stockyard 2 at the Utah Point Multi-User Export Facility in December 2013 also contributed to increased throughput at the port. Officially opened by the Hon Dean Nalder MLA in May 2014, Stockyard 2 has increased Utah's total export capacity up to 20 million tonnes per annum (mtpa). The Utah Facility exported a record-breaking annual total throughput of 18.7Mt for the financial year, an increase of 51% over last year's record.

The reporting period also saw significant progress on key projects at the port. PHPA progressed plans for a proposed Integrated Marine Operations Centre (IMOC), aimed at providing modern Vessel Traffic Services (VTS)

to manage rapid growth in vessel movements and port expansion. The proposed facility will be designed to provide world's best practice VTS and port marine services in one standalone facility.

Planning also continued for additional general cargo berth facilities at Lumsden Point, to provide capacity beyond that of PHPA's three existing public berths and meet the growth of mining and related industries in the Pilbara. PHPA also continued to facilitate the development of South West Creek for new and existing exporters.

Looking ahead, PHPA's amalgamation with Dampier Port Authority on the 1st of July 2014 to form Pilbara Ports Authority (PPA) is a significant event. It incorporates the largest bulk export tonnage port in the world, as well as world class oil and gas operations from the ports of Port Hedland and Dampier. The merging of these two key ports will create a port authority of increased national and global significance. The lead-up to the amalgamation has already seen staff at both Port Hedland and Dampier work together in a professional and enthusiastic manner, and I am grateful for their efforts.

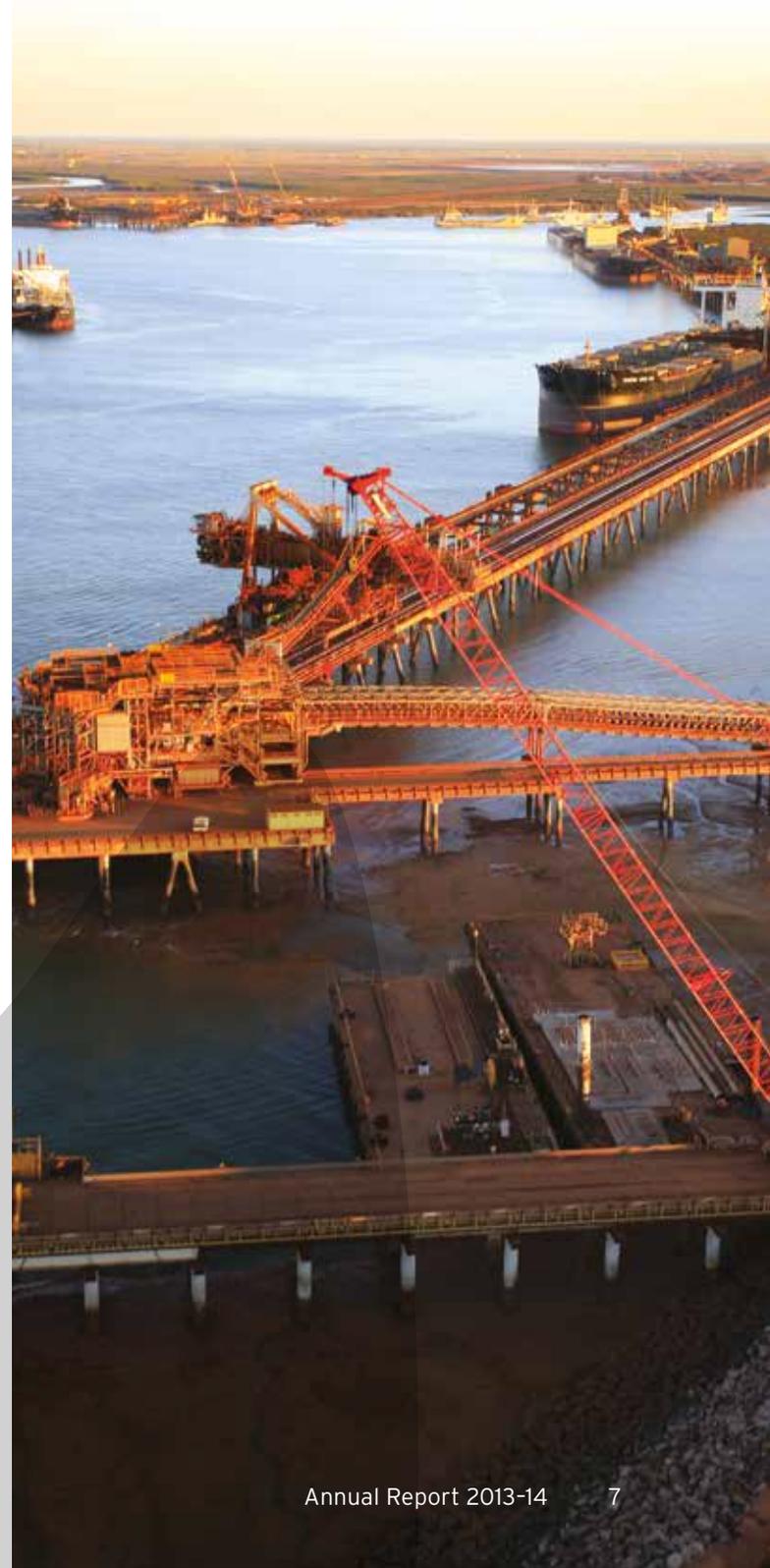
Finally, I would like to extend my thanks to the Minister for Transport and his staff for his support of PHPA's initiatives in the last year, as well as the Departments of Transport and State Development.

I would also like to take this opportunity to thank the Chairman, Ken Pettit, and the Directors of the PHPA Board for their contribution, guidance and support in the past year.

I thank and congratulate the efforts and support of my fellow members of the Executive Team, and the diligence and professionalism of staff who have all contributed to the successful and final year of PHPA.

Roger Johnston

Chief Executive Officer



Organisational Profile

Legislative Framework

Port Hedland Port Authority (PHPA) is a commercialised trading entity under the *Port Authorities Act 1999*.

The Act defines a clear role for all Port Authorities and establishes lines of accountability and reporting requirements to the State Government.

Under the Act, 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; and
- The protection of the port environment and minimisation of the impact of port activities on that environment.

Act exemptions

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

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

PHPA Board roles

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

PHPA's governing body is a Board of six non-executive Directors, including the Chairperson. The Board comprises four Directors who are appointed by the Minister for Transport, plus two industry-nominated Directors.

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 Act).

In carrying out its responsibilities and exercising its powers, the Board at all times recognises its overriding responsibility to act honestly, fairly and diligently, and in accordance with the law, in serving the interests of the State of Western Australia, PHPA's employees, its port users 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 is responsible for PHPA's day-to-day management.

Ports Legislation Amendment Act 2014

Pursuant to the State Government's 2012 Ports Governance Review, on 1 July 2014 Port Hedland Port Authority was renamed Pilbara Ports Authority, and merged with Dampier Port Authority. As part of a second phase, the 13 Shipping and Pilotage Act (SPA) ports controlled by the Department of Transport are planned under the jurisdiction of the regional port authorities.

Pilbara Ports Authority controls the ports of Port Hedland, Dampier and Ashburton.

The Amendment Act:

- Introduces a number of structural reforms to Western Australia's eight statutory port authorities by amending the *Port Authorities Act 1999*, and establishes four new port authority boards.
- Removes customer representation from port authority boards. Existing boards were to continue to have full operational powers until 1 July 2014, when the new boards assumed control.
- Introduces a standard provision which provides statutory recognition to allow port authorities to operate 24 hours per day, subject to compliance with the *Environmental Protection Act 1986*, including noise and other licence requirements.

A further tranche of amending legislation is planned to be introduced to the State Parliament in 2015. This will effect changes to the *Shipping and Pilotage Act 1967* that will see the responsibility and control of Shipping and Pilotage ports shift from the Department of Transport, to the relevant port authority. On enactment of the second tranche of legislation, Pilbara Ports Authority will at that time include the proposed port at Anketell, and the SPA ports at Port Walcott, Cape Preston (East and West), Balla Balla, Varanus Island, Barrow Island, Airlie Island, Thevenard Island and Onslow.



Who we are: Vision, Mission, Values

The vision and mission statements describe Port Hedland Port Authority's (PHPA) business intent. In conjunction with its organisational values, these statements have guided PHPA in its planning and decision making processes as it delivered 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.

Values

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.

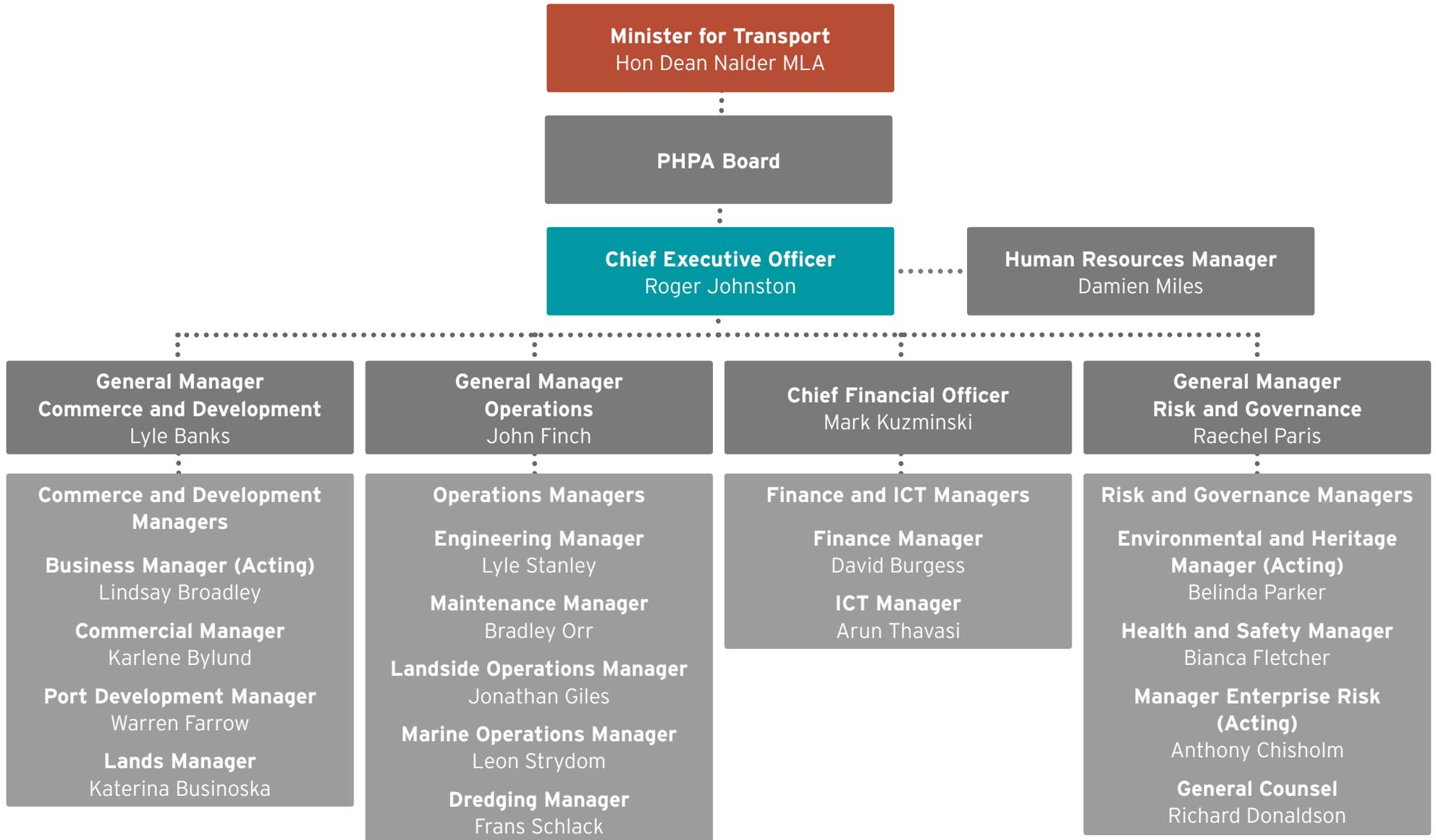
Courage - do the right thing every time, act with integrity in all we do, and always speak up.

These overarching objectives and principles have set the framework by which PHPA has met the challenges that accompany ongoing growth, and have enabled it to deliver the best outcomes possible.

Key Objectives

- To provide a safe workplace free of incidents and injuries for all port users.
- To maintain PHPA's licence to operate by delivering strong environmental performance against all requirements.
- To ensure appropriate rates of commercial return on port operations are consistent with shareholder's expectations.
- To maintain leading port status by promoting new technologies, continuous improvement and industry best practice.
- To ensure the provision of safe, reliable and efficient port and marine services that meet the needs of users.
- To ensure the provision and maintenance of safe, reliable and efficient port facilities that meet the needs of users.
- To ensure that the future trade facilitation requirements of the port are effectively planned for, and development projects are delivered as planned.
- To deliver on PHPA's strategy using sound corporate governance and enterprise risk management disciplines.
- To attract, develop, motivate and retain a diverse workforce within a supportive work environment.
- To transparently engage with all stakeholders to achieve optimal outcomes.
- To play an integral role as an industry and community leader.

Organisational Structure



Board of Directors

Ken Pettit

SC, AIT; BA; BJuris (Hons1); LLB

Chairman

Mr Pettit joined the Board as non-executive Chairman in July 2011 for a term initially expiring 30 June 2013.

He has since been reappointed for a term expiring 30 June 2016.

Mr Pettit 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.

He has 27 years' experience, specialising more recently in the fields of mining, property, planning, native title, commercial and industrial relations law. Mr Pettit worked for the State Solicitor's office between 1986 and 1995.

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

Mr Pettit is also a Board Member of the Diabetes Research Foundation WA and the Keogh Institute for Medical Research.



Les Longden

BE (Hons), Grad Dip App Fin, FAICD, F Fin

Deputy Chairman

Mr Longden was initially appointed to the Board on 1 October 2009 and has since been reappointed for a term expiring 30 June 2016.

He has over 25 years' experience in the resources industry, across a variety of development and operations roles.

Mr Longden is currently principal of a Perth-based engineering and project management consultancy, and was previously an executive director of an ASX-listed oil exploration and production company.

Mr Longden is a fellow of the Australian Institute of Company Directors and a fellow of the Financial Services Institute of Australasia.

He is also Deputy Chairman of Dampier Port Authority, a position he has held since July 2013.



Julian Tapp

BA (Hons), MSc (Distinction)

Director

Mr Tapp was appointed to the Board on 30 June 2009 and has since been reappointed for a term expiring 31 December 2015.

He is Chief Operating Officer and Executive Director of Energy and Minerals Australia Limited. Mr Tapp, who has a Master's Degree in the Theory of Public Finance, worked as an economics researcher/lecturer (IFS, LSE, Murdoch, Brunel) for five years and as an economist in industry (Ford of Europe, BP and BAE Systems) for 17 years before emigrating to Australia. He worked for Fortescue Metals Group as Head of Government Relations for eight years before taking up his current position in the uranium industry.



Crispin Collier

MBA (Distinction), BSc (Hons)

Director

Mr Collier was appointed to the Board on 1 July 2013 for a term expiring 30 June 2014.



He has over 12 years' experience in the resources industry, starting with McKinsey & Company in South Africa in 1999. Mr Collier has held a range of international senior roles with both BHP Billiton Iron Ore and the Noble Group, working in Singapore, South America and South Africa. He joined Fortescue Metals Group as the Group Manager Business Development in August 2012.

Elisa Fear

BComm, MBA

Director

Ms Fear was appointed to the Board on 15 June 2010 and has since been reappointed for a term expiring 30 June 2014.



Ms Fear has held a wide variety of positions within the financial sector, both in Australia and the United Kingdom. This includes three years with Macquarie Bank's Project and Structured Finance Division, providing advice in relation to infrastructure assets in Western Australia. She also has over 10 years' experience in small business at director level.

Ms Fear is also a Non-Executive Director on the board of Good Samaritan Industries.

Rag Udd

MBA, M.Eng., B.A.Sc.

Director (Lessee Representative)

Mr Udd was appointed to the Board as a director on 1 July 2013 for a term expiring 30 June 2014.



He has over 14 years' experience in mining, construction and the resources industry. Mr Udd has held a variety of senior operational roles throughout that time working in New Mexico, USA and now residing in Australia. He is currently employed as the Vice President of Logistics and Infrastructure for BHP Billiton Iron Ore.

Executive Team

Roger Johnston **Chief Executive Officer**

Mr Johnston joined PHPA in January 2012.

Well-regarded for his clear leadership and focused strategic capabilities, he brings with him over 35 years' experience as a senior executive and company director.

Prior to commencing at PHPA, Mr Johnston worked in senior roles with a number of multinationals and logistics companies, most recently in the construction materials sector in Western Australia.

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



Lyle Banks **General Manager, Commerce and Development**

Mr Banks joined PHPA in April 2013, bringing with him 25 years' national and international experience in port planning and development in both private and public sectors.

He holds a Master's of Law and Bachelor of Engineering from the University of Melbourne, a Diploma in Business (Port & Terminal Management) from the Australian Maritime College, and is a Member of the Australian Institute of Company Directors.



Captain John Finch **General Manager, Operations and Harbour Master**

Captain Finch joined PHPA in February 2010 and is a Master Mariner by profession. He also holds a MBA in Maritime Management. Mr Finch has 30 years' experience in marine, regulatory and port management roles and brings extensive knowledge and operational expertise to PHPA.

Prior to joining PHPA, he was Harbour Master in a number of Queensland ports. He held senior port operations and regulatory positions after serving approximately 15 years on international and coastal vessels in various marine industry sectors.



Mark Kuzminski
Chief Financial Officer

Mr Kuzminski joined PHPA in January 2012 and holds a Bachelor of Business (Accounting) from the University of Western Sydney, in addition to being a CPA.



He has over 25 years' experience in commercial and government roles, both in Australia and overseas. This blend of experience is ideally suited to his role as CFO of PHPA, which is a Government Trading Enterprise.

Raechel Paris
**General Manager,
Risk and Governance**

Ms Paris joined PHPA in May 2011 and holds a Bachelor of Arts/ Law from Monash University. She has more than 15 years' experience in legal,

commercial and governance roles with national and international accountability, and brings a wealth of corporate governance knowledge to PHPA.

Ms Paris is a member of the Governance Institute and a Graduate of the Australian Institute of Company Directors. She is also the Corporate Secretary for PHPA.



FACILITATING TRADE



Marine

PHPA's Marine Operations team is responsible for ensuring the safe and efficient movement of vessels through Port Hedland harbour, whilst providing immediate and appropriate responses to safety and environmental incidents.

The 2013-14 financial year has seen an increase in the demand for marine services, commensurate with the increase in trade through the port.

The port of Port Hedland has continued to experience significant growth in trade with a

total throughput of 372.3 million tonnes (Mt) for the reporting period; an increase of 29% on the 2012-13 financial year.

Record breaking year

Significant milestones were achieved during the reporting period, including a new throughput record of 36.5Mt for the month of May 2014. PHPA also reported a new single shipment record on-board the *Hugo N* on 17 December 2013, with 263,962 tonnes of iron ore exported on a 19.65m draft.

PHPA now regularly sails five to six fully-laden cape size vessels on a single tide, resulting in over 1 million tonnes being exported within a three to four hour period. In this reporting period, PHPA has facilitated the export of more than a million tonnes of iron ore on a single tide fifteen times.

In June 2014, PHPA facilitated a record-breaking 1,270,721 tonnes of iron ore on a single tide. It was also the first time seven cape size vessels have sailed on a single tide.

Shipping movements



PHPA also facilitated the export of more than two million tonnes of iron ore in just 24 hours. This was achieved on the morning and evening tide on 28 April 2014, resulting in a total of 2,028,105 tonnes exported. As a result, the port managed 24 vessel movements in the 24 hour period.

Shipping movements

The graph on page 17 illustrates port shipping movements, tug jobs and tonnage changes from 2009-10 compared to 2013-14.

Shipping movements and tug jobs increased by 85% and 88% respectively. Tonnage output also increased by 105%, evidencing a shift towards larger vessels.

Pilotage

Port Hedland Pilots (PHP) continues to provide PHPA with pilotage services within the Port Hedland harbour.

The internationally certified company, which achieved the International Standard for Pilotage Organisations Code 2011 (ISPO) and

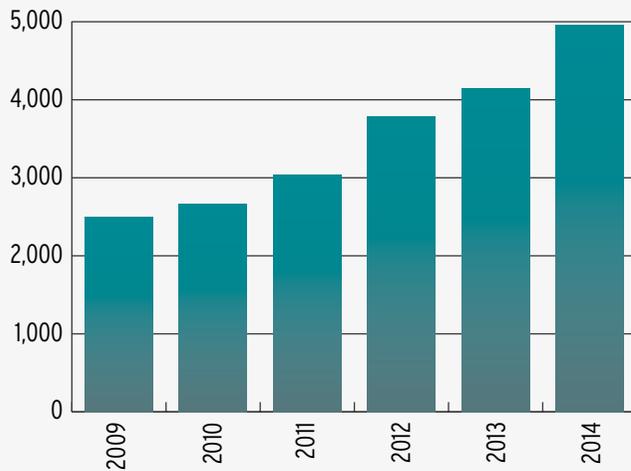
Det Norske Veritas (DNV), is in its fourth year of a five-year contract.

PHP were only the 10th pilotage organisation in the world to achieve this internationally recognised pilotage system certification.

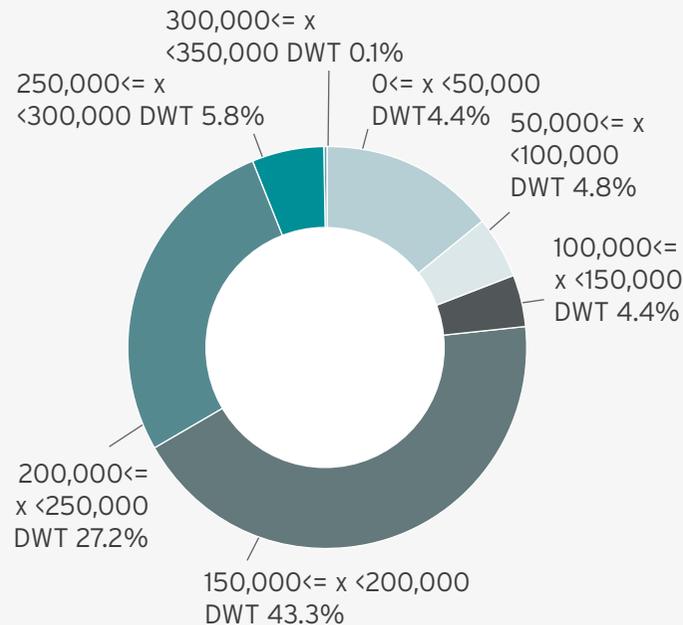
PHP increased its workforce to 22 marine pilot positions as of June 30 2014, an increase of 15% from the previous financial year.

In 2013-14, a total of 4,950 piloted shipping movements were undertaken. This represents a 19% increase on piloted shipping movements over the 2012-13 financial year.

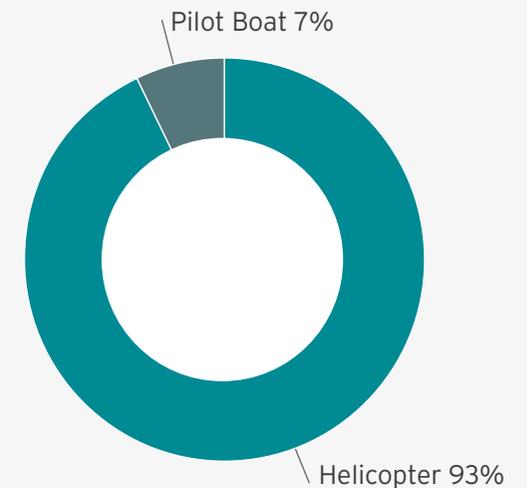
Number of pilotage movements



Relationship of movements per vessel size



Pilot transit mode of operation



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 safely manage increased operations.

Pollution response capability

In recent years, PHPA has invested significantly in oil spill preparedness equipment and training to ensure the risks associated with continued port growth are effectively managed.

This preparedness was tested in May 2014 by conducting exercise 'Flatback Turtle' to test the port's first strike capability within the Inner Harbour. Approximately 80 personnel were involved including 30 external participants.

Exercise 'Flatback Turtle' was highly successful, with the outcomes and observations from this enhancing PHPA's capability and preparedness to respond to emergency incidents.

Dynamic Under-Keel Clearance system

PHPA has continued the upgrade of its Dynamic Under-Keel Clearance (DUKC) system, a tool critical in accurately predicting the depth of water between a vessel's keel and the seabed.

By implementing the new DUKC Series 5 system, PHPA has continued to improve port efficiency and enhance risk management capability.

The new system will improve the port's ability to plan for departures, with graphical window opening and closing displays, an improved editable update facility, access to previous voyage data, and the ability to view progress of current voyages.

Klein Systems Software

PHPA continues to utilise the world's leading Klein Systems Group port operations software to efficiently manage marine operations scheduling requirements.

PHPA has upgraded the Klein vessel management system software to enable operational port stakeholders to move towards an online booking system, reducing the administrative burden on shipping agents and terminals.

Portable Pilot Units

Enhancements to the Portable Pilot Units (PPU) were implemented during the financial year. This technology has allowed PHPA to pioneer marine pilot passages with the most advanced PPU systems in Australia.

Marine pilots receive direct live feeds from tidal, weather, under-keel clearance and current flow rates to their individual units, promoting safety, emergency contingency planning and general overall channel passage efficiency.

Port security

PHPA provides secure port facilities to meet its obligations under the *Maritime Transport and Offshore Facilities Security Act 2003*, Maritime Transport and Offshore Facilities Security Regulations 2003 and PHPA's Maritime Security Plan.

Procedures and policies are in place to support this legislative requirement.

PHPA's Online Induction package was reviewed during the 2013-14 financial year. Staff and port users can now access PHPA's Online Induction via a secure login portal.

Security on-water test

In November 2013, PHPA participated in a joint security on-water exercise called 'Exercise Swordfish 13' with the Pilbara Regiment - Squadron One, North West Water Police, Customs & Border Protection and Australian Quarantine and Inspection Service (AQIS).

The aim of the exercise was to promote inter-agency cooperation and to test operational procedures.

The exercise provided the Pilbara Regiment with the opportunity to exercise their water operations assets, to train personnel and to become familiar with the geography of the inner harbour. The exercise also allowed PHPA to meet its legal obligations under the maritime security legislation and Port Security Plan.

Security improvements will continue throughout the 2014-15 financial year with the following projects approved and underway:

- Eastern Harbour and Utah CCTV expansion and upgrade; and
- Improved Electronic Access Control System (EACS).

In addition, nine PHPA personnel and two personnel from two different maritime industry organisations successfully completed the International Ship and Port Security Port Facility Security Officer training course held at the port in March 2014.

Maritime Security Identification Card

PHPA is an approved Maritime Security Identification Card (MSIC) Issuing Body.

In excess of 10,700 MSIC applications have been processed since the opening of the MSIC Issuing Body in 2006. The MSIC Issuing Body has established systems and procedures which have been successfully and independently audited on six occasions by Maritime Security Inspectors from the Office of Transport Security.

In addition:

- The latest version of PHPA's MSIC Issuing Body Plan was approved by the Department of Infrastructure and Transport, Office of Transport Security on 21 May 2014;
- Maritime Security Inspectors from the Office of Transport Security performed an external audit of PHPA's MSIC Issuing Office in December 2013; and
- Three opportunities for improvement were identified during the audit, with corrective action implemented immediately by PHPA.

Port Security Plan

PHPA's Port Security Plan, which underpins PHPA's commitment to providing secure port facilities, is continuously updated as port development expands.

PHPA commenced an annual review of the Port Security Plan as required by the Department of Infrastructure and Regional Development's Office of Transport Security. The latest revision of the Port Security Plan was approved by the Office of Transport Security on 21 January 2014.

Recreational vessel safety campaign

With the number of vessel movements within the harbour continuing to grow, PHPA is committed to educating recreational vessel (RV) users about the potential dangers of large commercial vessels entering and leaving the harbour, and informing RV skippers of waterside restricted zones.

PHPA has developed and implemented a RV safety awareness campaign as part of a proactive risk management tool to reduce the number of RV related incidents in the harbour.

The campaign was originally launched in May 2013 and involved local media coverage, local radio and print advertising, and distribution of a PHPA-produced RV safety brochure. Due to a recent spike in RV incidents, PHPA recommenced the RV safety campaign in May 2014.

Cruise ship visits

PHPA continues to promote the diversification of trade through the port and also recognises the social and economic benefits of cruise ship visits to Port Hedland.

During the 2013-14 financial year, PHPA facilitated four cruise ship visits to the port, bringing with them significant benefits to the local economy. In February 2014, PHPA welcomed one of the world's largest cruise ships, the *Celebrity Solstice*.

Maritime Security Inspectors from the Office of Transport Security attended the port on each cruise ship visit originating from an international port to perform an audit of PHPA and of each ship. The port was found to be fully compliant with all legislative requirements on all occasions.

Customs and AusCheck Amendment Legislation (Organised Crime and Other Measures) Act 2013

The *Customs and AusCheck Amendment Legislation (Organised Crime and Other Measures) Act 2013* came into effect on 28 November 2013, which placed additional obligations on those entities classified as a Cargo Terminal Operator (CTO). Under the Act, PHPA is classified as a CTO.

The changes place statutory obligations on CTOs and cargo handlers operating at wharves and airports, appointed under section 15 of the Customs Act, which are similar to the obligations the Customs Act imposes on holders of depot and warehouse licences.

These obligations include:

- notifying the Australian Customs and Border Protection Service (ACBPS) of a cargo terminal;
- securing electronic and physical infrastructure relating to goods under Customs control;
- facilitating ACBPS access to premises, systems and information;
- ensuring persons in management are fit and proper, and undertaking fit and proper persons checks on management at ACBPS's request; and
- mandatory reporting of unlawful activity.

PHPA has been registered as a cargo terminal with Customs. PHPA has completed a self-audit against the amendment regulations and identified opportunities for improvement that are required in order to achieve compliance.

Impacts from cyclone events

Port Hedland is located on the Pilbara coast, in a region prone to cyclone events from the months of November to April.

The 2013-14 cyclone season has been active and damage-free for PHPA, resulting in one port closure:

- Cyclone Christine (category 3) closed the port (including anchorages) for 66 hours in December 2013.

The port was closed for 64 hours against a budgeted 120 hours for each financial year.

Maintenance dredging

PHPA completed its 2013 Maintenance Dredging Campaign in late August 2013, with nearly 700,000m³ of material dredged from the Inner Harbour and Main Shipping Channel. This highly successful campaign combined with a newly developed Tidal Model significantly increased the available depth for draft-restricted vessels and the port's export capacity.

Hydrographic survey and tidal study

Continuing from work carried out in 2012, PHPA's Marine Department conducted a study into the actual levels of 'Lowest Astronomical Tide' (LAT). This is the base level against which both tides and navigable depth are measured. These redefined or 'corrected' channel depths, when combined with the improved depths that were established as a result of the 2013 maintenance dredging campaign, will realise a minimum extra draft of 71cm within the channel. The increased available draft will also allow an extension of the vessel sailing window for larger vessels by almost an hour, which will deliver significant benefits in terms of export capacity and safely managing vessel movements.

Partnership with world-class ship simulation facility

PHPA entered a public-private partnership with international maritime research and engineering consultancy HR Wallingford, who operate an advanced ship navigation and maritime simulation facility in Fremantle.

The world-class simulation facility provides ongoing support and training for PHPA's Marine Operations team, individual pilots and tug masters.

The facility has a vessel traffic services (VTS) simulator plus six real time ship simulation bridges (including four dedicated tug bridges), that deliver advanced site familiarisation and scenario based emergency and failure training for Vessel Traffic Service (VTS) personnel, pilots and tug masters.

Tugs and towage services

BHP Billiton currently holds a non-exclusive licence to provide towage services at Port Hedland. BHP Billiton contracts Teekay to provide these services.

In December 2013, the Australian Competition and Consumer Commission (ACCC) completed its inquiry into the competition for towage services at Port Hedland. Partly as a result of this inquiry, PHPA undertook a market testing process to determine whether a second towage operator would be viable. The outcome of the market testing resulted in PHPA inviting Expressions of Interest (EOI) from suitably qualified and experienced towage operators for the provision of competing, or alternative towage services in the port, on a non-exclusive basis.

The objective of the EOI was to:

- Provide contestability of service to the existing customers within the port, giving port users a choice of provider;
- Develop capacity, as required, to accommodate expected trade levels into the future;
- Maintain a level of service to vessels, exporters and importers that is comparable with world's best practice;
- Maintain competitive pricing for port users; and
- Reinforce PHPA's strong commitment to a leading response capability for emergencies.

Landside

PHPA's Landside Operations play a critical role in the port's overall operations, ensuring an efficient and effective linkage between the marine and land-based transport and logistics networks.

There are 16 berths currently operating within the inner harbour, four of which are owned and operated by PHPA. Eight are owned and operated by BHP Billiton Iron Ore, and four are owned and operated by The Pilbara Infrastructure Group (a subsidiary of Fortescue Metals Limited).

PHPA's Landside Operations provide 24-hour coordination of all operations at the Utah Point Multi-User Export facility in most instances. However, the increased frequency of ammonium nitrate imports has resulted in Utah night-shift personnel seconded to the East Side to provide coverage for these vessels. East Side operations continue to be covered using day shift only.

Qube Bulk continued to manage facility cleaning and road sweeping agreements on both sides of the port, as well as providing stevedoring services to the East Side, and both Stockyards 1 and 2 within the Utah Facility.

Utah Facility performance

A total of 18.7 million tonnes (Mt) was exported through the Utah Facility during the 2013-14 financial year; an increase of 51% over last year's record of 12.4Mt.

A monthly record tonnage of 2.33Mt was achieved in May 2014, with 22 vessels loading at the facility. A daily haulage record of 626 road trains in a 24 hour period was achieved in November 2013.

The average Gross Loading Rate (GLR) achieved across all products increased to 3,220 tonnes per hour. The increased GLR is largely attributable to system upgrades and improved conditions of all products being handled.

Atlas Iron's Stockyard 2 commenced operation in December 2013 and was officially opened by the Minister for Transport Dean Nalder MLA in May 2014. Stockyard 2 will see an increased throughput at the Utah Facility of up to 20 million tonnes per year.

Increase in copper rates

Copper loading rates have increased by 34% as a result of successful conveyor modifications, with the average GLR increasing to 534 tonnes per hour.

Copper loading rates using the rotainer box system have also increased significantly to 276 tonnes per hour due to operator familiarity and chartered vessels having improved cargo holds.

Imports

Hydrocarbon (fuel) is the port's largest import commodity, with 1,701,293 tonnes imported in the reporting period, an increase of 20% on the previous year.

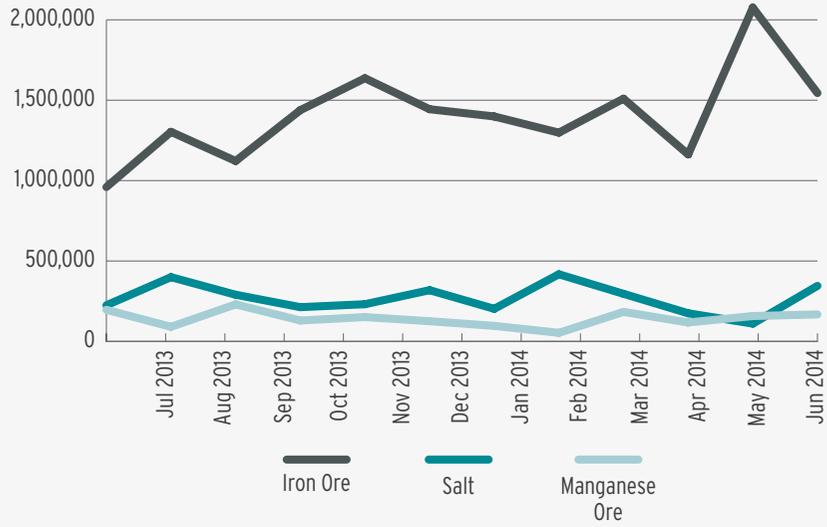
The import of ammonium nitrate has continued to increase as a result of Incitec and Dyno becoming regular importers of the port. Ammonium nitrate handling rates increased to 125 tonnes per hour through operational efficiencies and improved vessel hold configurations.

Qube stevedores commissioned a new mobile harbour crane in May 2014, which may further improve loading rates.

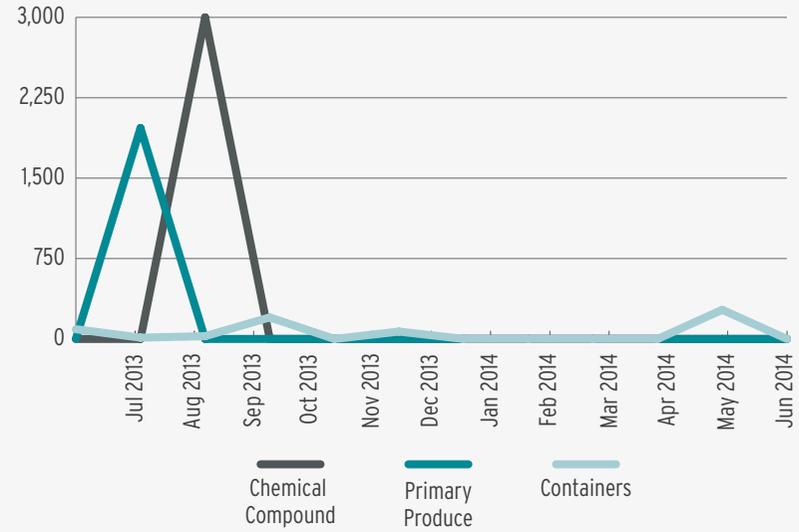
Imports of modular and project cargo contributed to the heavy usage of the public berths throughout the 2013-14 financial year.

The figures on page 24, show the movement of cargo across PHPA's public berths.

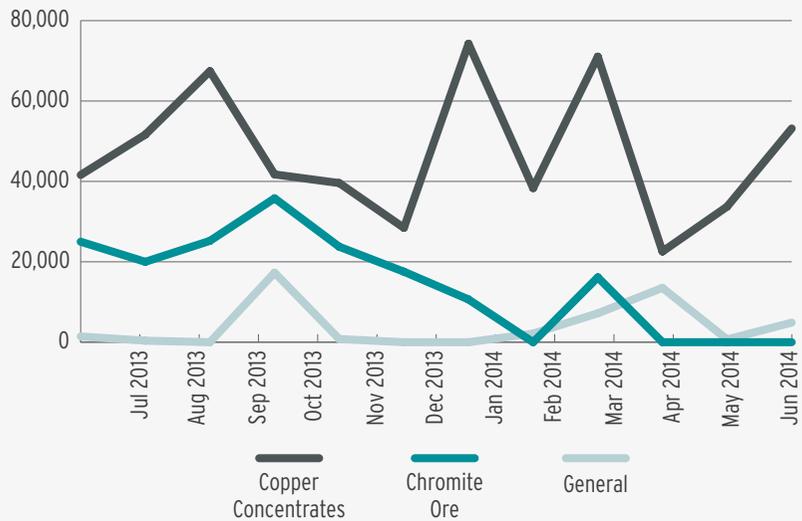
Export over PHPA berths



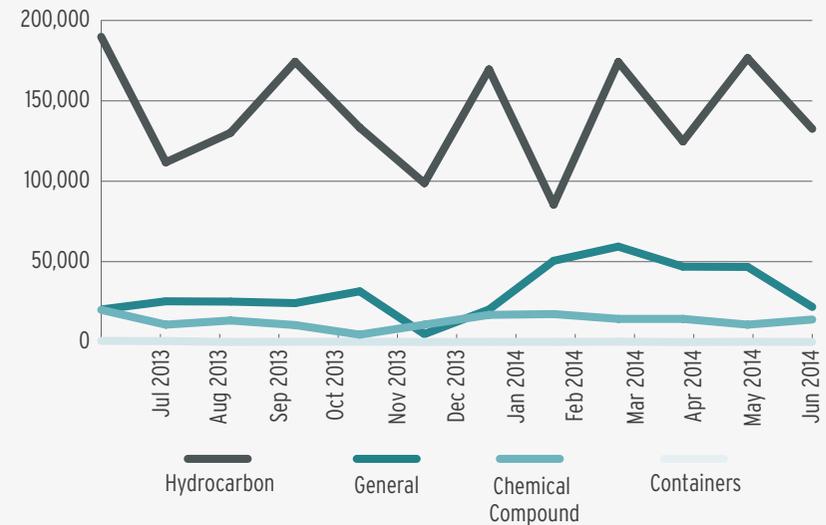
Export over PHPA berths



Export over PHPA berths



Import over PHPA berths



Maintenance

Effective, ongoing maintenance of PHPA's facilities and infrastructure is critical to ensuring the efficient and safe operation of the port. Demand on the port's maintenance function has increased, commensurate with the increase in trade.

PHPA's Maintenance team capability continues to grow since returning maintenance responsibilities and functions to an in-house arrangement in February 2012.

Through the implementation of a range of system improvements and initiatives, PHPA's maintenance performance indicators for the 2013-14 financial year were achieved in terms of breakdown impacts, critical project delivery and the maintenance metrics described in the following pages.

East Side maintenance activities

There has been an increase in full time maintenance staff from six to 15 including supervisors and a planner.

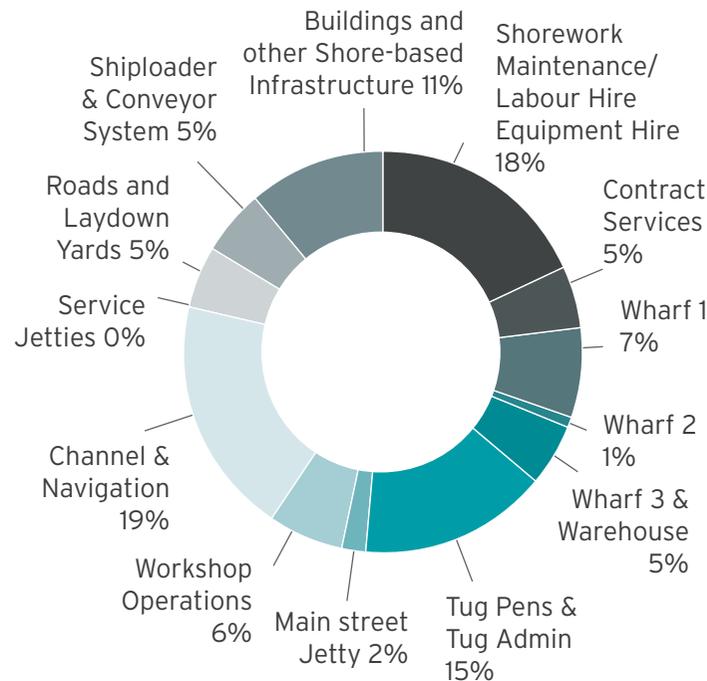
Summary of maintenance activities covering PHPA Berths 1, 2 and 3 for 2013-14:

- Percentage of planned work completed = 87.08%
- Percentage of total planned work = 81.58%
- Manpower utilisation* = 149.63%
- Breakdowns longer than 24hrs = 1

The East Side maintenance team and contractors completed a total of 6,383 planned work orders, for a total of 52,478 man hours.

* supplemented with overtime and contract labour.

Maintenance Annual Expenditure: Eastern Harbour 2013-14



East Side system improvements

A more proactive approach to dust control and product spillage was adopted during the 2013-14 financial year, with the focus on spillage reduction rather than spillage recovery.

There have been significant reductions in dust generation and product spillage due to East Side system improvements, during the reporting period.

These improvements include:

- Continued enclosure of all conveyor systems;
- Improvements to deflector shields and misting systems;
- Polycarbonate guards fitted to the tail end of the belts; and
- Total overhaul and reconfiguration of Conveyor 05 feeders.

These improvements have also resulted in significant increases in loading rates, as well as significant reductions in the level of clean up required and waste water production.

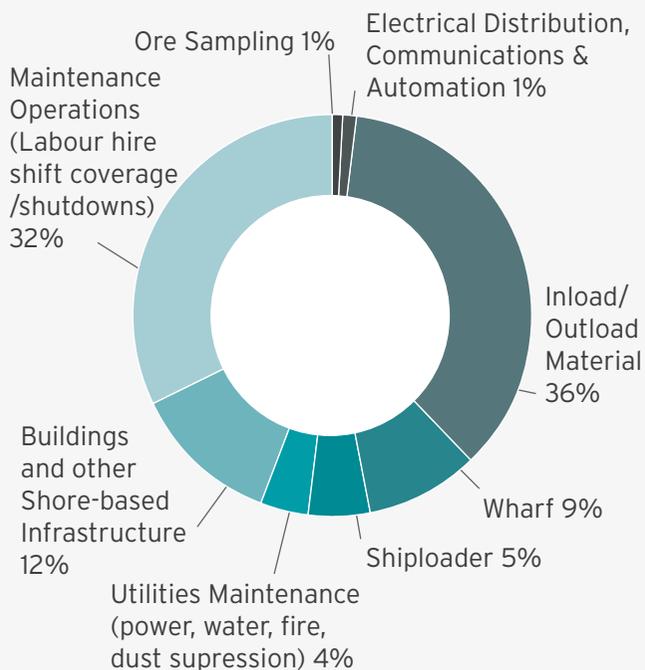
The reporting period also saw the East Side Maintenance team complete the refurbishment of the top sections of 35 marine channel markers.

Utah Facility maintenance activities

Summary of maintenance activities covering the Utah Facility for 2013-14:

- Percentage of planned work completed = 87.86%
- Percentage of total planned work = 83.04%
- Manpower utilisation average = 83.29%
- Maintenance delays down time rolling average = 3.69% (stretch KPI 4.00%)
- Total breakdowns longer than 24hrs = 2

Maintenance Annual Expenditure: Utah Facility 2013-14



Combined East Side and Utah Facility

- Total breakdowns longer than 24hrs = KPI < (3)

Utah system improvements

PHPA's Maintenance team has implemented a number of improvements at the Utah Facility during 2013-14, resulting in significant improvement to the facility's overall operations.

These improvements include:

Productivity

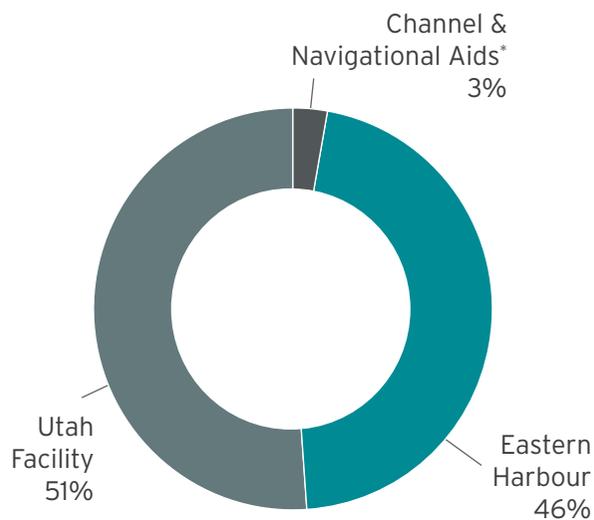
- Implementation of a delay log tracking system to target repeat unplanned events. This system has been utilised to target improvement areas on the outloading circuit, and has been a key driver in exceeding PHPA's stretch KPI of less than 4% plant interruptions from equipment failures during loading.
- Redesign of transfer station wear liners resulting in;
 - Improved wear life - chute life wear increased from 0.6Mt to 2.4Mt throughput between failures;
 - Estimated cost savings of 50% in labour and craneage, and 75% reduction in materials;
 - Increased berth availability of 216 hours per annum;
 - Improved staff safety by reducing the need for confined space maintenance by 50%;

- Modifications to mobile hopper train spill trays to improve plant cleaning, which also reduces hopper train movement delays as a result of buildup on tracks and wheels;
- Final commissioning of the sample station;
- Modifications to outload conveyor belt rip switches to allow resetting of belt rips without an isolation being required. This resulted in increased operator safety and improved availability of plant;
- Shiploader cable reeler over pull alarms reduced through modification of the Utah ship loader's Programmable Logic Controller (PLC).

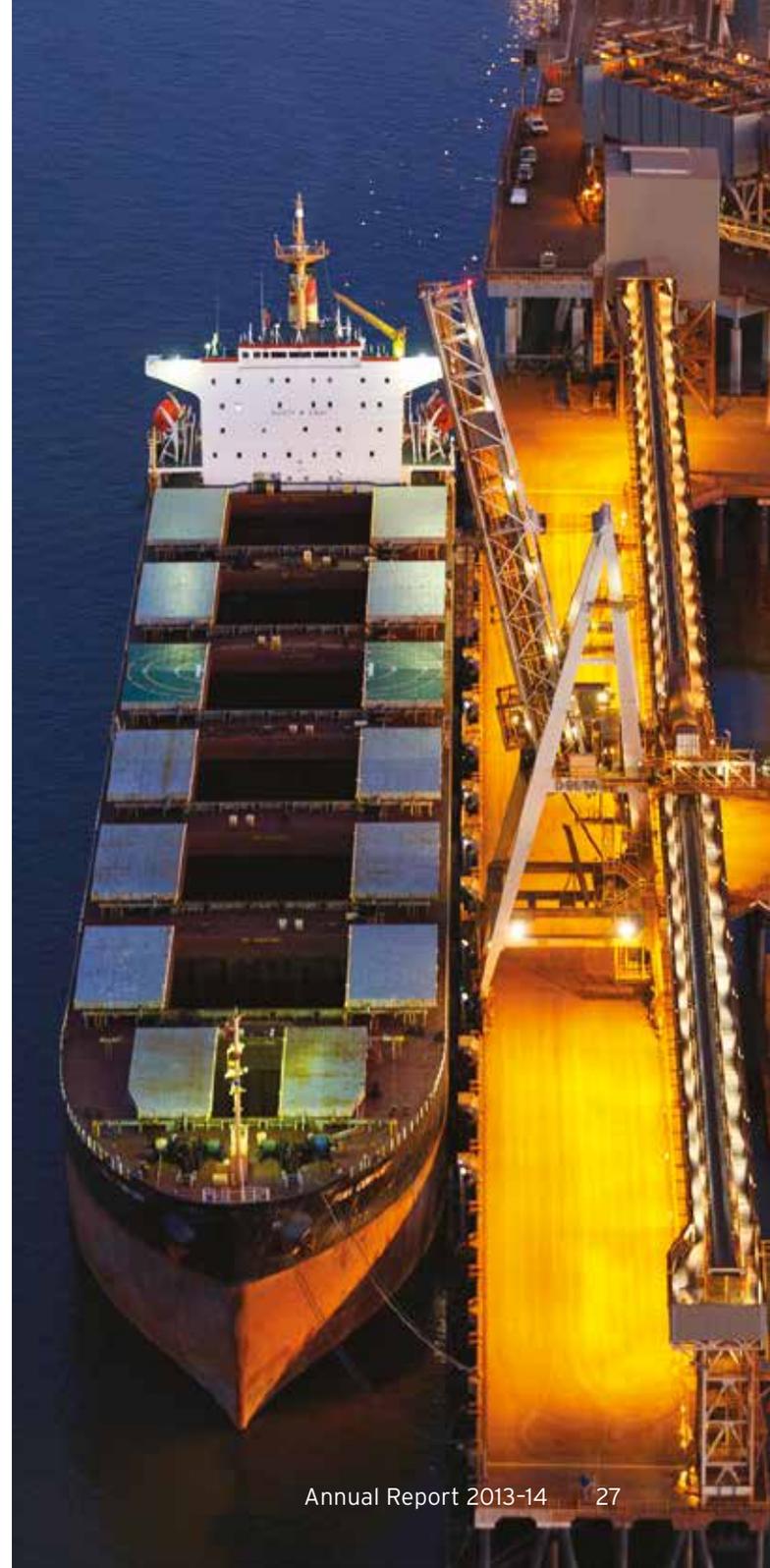
Safety

- Installation of new walkways, platforms and fire escapes to access all transfer stations and areas of the shiploader. This improves staff safety and maintenance accessibility;
- Installation of roof static safe line systems to allow safe access to the transfer station and workshop roofs for maintenance works; and
- Installation of new wind guards to all outload conveyors to improve conveyor guarding safety and reduce tracking issues.

Maintenance Annual Expenditure: Total 2013-14



* Expenditure relates to replacement of navigational beacon tops





Engineering

Major Engineering Works in 2013-14

Utah Environmental Compliance Assistance Program (ECAP)

During the 2013-14 year, a number of projects were completed aimed at improving the environmental performance of the Utah Facility.

These projects included:

- Upgrade to the water and product recovery system, with larger sumps and improved pumping and pipework;
- Upgrade to the exit truck wash to allow for greater recovery of material and ease of cleaning; and
- Replacement of the mesh floor in Transfer Station 3 to a solid floor, to eliminate material spilling into the harbour.

Utah Capacity Upgrades

During the 2013-14 financial year, engineering plans to increase the capacity of the Utah Facility were completed.

These plans included:

- Increasing shiploader capacity to 7,500tph by increasing drive pulley size, modified control systems and additional hydraulic improvements; and

- Improvements to chute design to allow for more efficient change out and repair. The transfer chute Conveyor 01/03 has been redesigned to remove the need for confined space entry or use of mobile cranes. The work involves changes to the chute deflector, hood, building structure and transport frames for the deflectors. These works are expected to begin during 2014-15.

Lumsden

During the 2013-14 financial year, specifications and plans were developed to allow for the industrialisation of the south west corner of the Lumsden dredge pond. The design allows for consolidation of the silt material via a surcharge technique.

Other significant projects

The following are other major projects undertaken during the 2013-14 financial year:

- Resurfacing and upgrade of two sections of Utah Road totalling 2.5kms;
- Improvements to Gilbert Street; and
- Commencement of the channel marker refurbishment project.

PLANNING FOR FUTURE GROWTH



Planning for future growth

PHPA continues to take a long term strategic view and plans ahead of forecast demand in order to maintain service levels and effectively manage the port's growth.

Against a backdrop of unprecedented growth, PHPA has positioned itself to manage the port's rapid expansion, to provide an efficient, effective and responsive service to port users and develop opportunities for additional trade capacity.

PHPA has implemented a number of strategies to facilitate the development of port infrastructure to support proponent developments, ensure opportunities for expanding the general cargo capacity of the port, and provide the facilities required to meet the increasing volume of both exports and imports.

These strategies include:

- Implementing the Port Development Plan of the harbour, capacity improvements and operational enhancements in a timely manner;
- Ensuring the provision of safe, reliable, competitive and efficient port and marine services, whether they are provided by PHPA or by others;

- Forecasting projected resource production and export and import levels, by utilising a combination of internal forecasting, international forecasting services, industry project collaboration and stakeholder consultation; and
- A review of port facilities and the provision of capital works to ensure that key infrastructure assets owned by PHPA are efficient, cost effective and contribute directly to the management of key risks in the interest of the port, all port users and the State.

The following key initiatives were undertaken in 2013-14 to align planning and development of the port with the current and future needs of its users and deliver optimum outcomes for the Pilbara and the State.

Integrated Marine Operations Centre (IMOC)

PHPA continues to plan for the delivery of modern Vessel Traffic Services (VTS) required to manage the rapid growth in vessel movements and planned port expansion.

The proposed IMOC is sized to ensure PHPA can provide a world's best practice VTS and port marine services, and includes a new building that will accommodate all the marine functions of PHPA in one standalone facility.

The site for the proposed facility will provide a connection to the existing offices with a new reception entrance and allows consolidation of the port's MSIC and security functions.

Development of the IMOC concept design was concluded during the 2013-14 financial year and will form the basis of the proposed development's business case.

Lumsden Point General Cargo Development

General cargo handling across PHPA's three public berths has increased in line with the development of iron ore mining and related industries in the Pilbara. PHPA continues to progress planning at Lumsden Point for additional general cargo facilities to provide capacity beyond that of the existing berths.

In May 2014, PHPA received approval from the Minister for Environment for construction of its proposed General Cargo Wharf Facility at Lumsden Point. This approval allows for approximately 2 million cubic meters of dredging works, including the reclamation of approximately 20 hectares of land. Under the conditions of the Ministerial Statement, PHPA must prepare a Construction and Dredge Management Plan, and submit the Plan for approval by the Office of the Environmental Protection Authority.

The Plan will define the environmental monitoring and reporting requirements for the dredging and construction works.

PHPA has also sought approval under the *Aboriginal Heritage Act 1972* for the project.

The approval has also allowed associated infrastructure works, such as an access road linking directly to the new Great Northern Highway that is scheduled to open July 2014.

These approvals are major milestones for the future development of the area.

Lumsden Point Master Plan

During the year, planning also commenced on remediation of the first stage of the industrial area in the Lumsden Point area associated with the Great Northern Highway realignment.

The Department of Commerce continued to plan its Pilbara Marine Services Facility, Pilbara Fabrication Services Common User Facility (PFSCUF). PHPA has been working with the Department of Commerce to ensure both projects can be staged and developed alongside each other.

The Lumsden Point Master Plan has been approved by both PHPA and the PFSCUF steering committees. To facilitate this project, PHPA will focus on the development of General Cargo facilities as an important stage one development of the Lumsden Point Master Plan.

Utah Facility Divestment

The Utah Facility is a key asset of PHPA and makes a substantial contribution to the profits of the business.

The Utah Facility has consistently improved its effectiveness since it commenced operations in September 2010. With the opening of Atlas Iron's Stockyard 2, Utah Facility is approaching capacity and has operated at annualised throughput rates of up to 22 million tonnes per annum. In the 2014-15 State Budget announcement, the State Government confirmed its intention to consider the sale of the Utah Facility.

South West Creek

PHPA continues to facilitate the development of South West Creek for new and existing exporters.

Following the completion of its fourth berth (AP4) in July 2013, the Pilbara Infrastructure Pty Ltd (a subsidiary of FMG) commenced work on a new berth at Anderson Point and dredging for the berth has been completed. Construction has now started on the wharf structure.

Construction of the Roy Hill Infrastructure (RHI) stockyard area, wharf and associated infrastructure also commenced in 2014 and is significantly progressed, with operations scheduled to commence in the latter part of 2015.

PHPA continues to plan for a bulk liquids berth in South West Creek. The current concept plan allows for a common user berth and distribution facility, including access areas for individual terminals adjacent to Utah Road. The concept provides the terminals with a direct link to the new Great Northern Highway and potential distribution opportunities to users south of the Harbour.

Multi-User Outer Harbour Facility and Boodarie Stockyard Area

PHPA has continued to progress planning for the footprint of a Multi-User Outer Harbour (MUOH) Facility, to be located to the west of BHP Billiton Iron Ore's proposed outer harbour development.

The MUOH will allow proponents to build facilities in order to export product, with a range of commodities in both liquids and dry bulk provided for, and includes cargo planned through the Boodarie strategic industrial estate.

Land associated with the Outer Harbour and Boodarie Stockyards is in the process of being vested in PHPA under the Act. As part of the process, a survey of the land (just over 2,000 hectares) has been undertaken in preparation for Deposited Plan Lodgment with Landgate.

OUR PEOPLE AND CULTURE



Our people and culture

PHPA is committed to creating a fair and supportive workplace for employees, through developing and implementing policies and practices that ensure a strong and positive workplace culture.

With the ongoing expansion of the port, employee numbers continue to increase with a total of 160 positions approved for the 2013-14 financial year. PHPA's Port Hedland workforce is residentially based. To support this arrangement, PHPA provides residential properties for a majority of employees and for use by a number of key contractors.

Code of Ethics and Conduct

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

PHPA's Code of Ethics and Conduct is available via PHPA's intranet and is publicly available via PHPA's website.

There was one breach of the Code of Ethics and Conduct this financial year.

Investigation and corrective action has been taken and the matter closed.

Fairness, equity and diversity

PHPA continues to ensure that it is a workplace that fosters fairness, equity and diversity by providing equal employment and recruitment based on merit.

Merit is measured on the basis of qualifications, experience, potential suitability and job performance, regardless of sex, age, race, pregnancy, marital status, sexual orientation, family responsibility or family status, religious conviction, political conviction or impairment.

The 'Working with Respect' and 'Leading with Respect' training programs have been developed and delivered across the organisation in support of PHPA's commitment to fairness, equity and diversity. The training covers PHPA's values and Code of Ethics and Conduct, as well as the Public Sector Commission requirements on Accountable and Ethical Decision Making.

PHPA's commitment is also underpinned by its People and Culture policy and the Human Resources Management System.

Recruitment and Selection

Recruitment and selection is undertaken in accordance with criteria in PHPA's formal recruitment procedure. Review and refinement was undertaken this year, following a comprehensive review the year before.

Permanent and long term contract employees are selected on merit from a pool of applicants in open competition, based on job-related criteria.

PHPA ensures that selection processes are free from bias, unlawful discrimination, patronage and nepotism. To this end, the recruitment procedure is also publicly available via PHPA's website.

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

During 2013-14, PHPA has had no complaints regarding recruitment and no cases of unfair dismissal.

Training

PHPA has continued to demonstrate commitment to training in job competency requirements, as well as broader professional development throughout the 2013-14 financial year.

PHPA provides a detailed training calendar and manages all mandatory and desirable staff training. Review is undertaken monthly to ensure mandatory training is occurring in line with requirements.

Mandatory training for relevant operational personnel includes the following:

- Working at Heights;
- Senior First Aid;
- Marine Oil Spill Response;
- High Voltage Switching;
- Working with Respect;
- Integrated Management System; and
- Manual Handling.

PHPA also provides a diverse range of other development opportunities. These include training in or attendance at:

- Shipping;
- Ports and Marine Fundamentals;
- Australian Interagency Incident management system

- Maintenance Supervision;
- Contracts and Negotiation;
- Project Management;
- Executive Writing;
- Asset Management; and
- Assorted Professional Conferences.

Compliance Program - Competition Law Training

PHPA treats legal and regulatory compliance seriously. During 2013, PHPA implemented an online training module to reinforce compliance with PHPA's statutory obligations (including under the *Competition and Consumer Act 2010* (Cth)), as well as the requirements set out in PHPA's Code of Ethics and Conduct and organisational values.

The first Salt® Compliance module to be rolled out by PHPA addressed the topic of competition law compliance, and enabled PHPA personnel to identify and avoid the risks of legally non-compliant and anti-competitive conduct. All nominated personnel completed the training (approximately 50 employees, including the Executive Team and Managers).

Current and planned office space

PHPA occupies office space in West Perth and has its main premises in Port Hedland. Temporary office space and training facilities have also been established to cater for recent growth in employee numbers. New amenities at PHPA's Utah Facility have also commenced construction, and are scheduled to be completed during the second half of 2014.

PHPA is currently planning the development of an Integrated Marine Operations Centre in Port Hedland. This centre will ensure that PHPA can meet the ongoing coordination demands for marine operations at the port.

Well-Being

In keeping with its commitment to employee well-being, PHPA continues to improve its well-being strategy. The strategy this year included health fund discounts, stop-smoking initiatives, summer fitness, qigong, and provision of fresh fruit.

PHPA also provides access to a professional and confidential Employee Assistance Program.

LICENSE TO OPERATE



License to Operate

PHPA's social licence to operate incorporates policies and procedures, environmental and safety management systems, governance, stakeholder engagement, and corporate social responsibility.

PHPA has maintained its social licence to operate through the following initiatives.

Environment and Heritage

The port of Port Hedland is situated in a unique estuarine environment, characterised by a number of environmental and heritage attributes of regional and state significance.

PHPA is committed to responsible environmental stewardship of port controlled land and waters.

The environmental management of PHPA's operations and ongoing development is a function of the *Port Authorities Act 1999*, described as being: '*to protect the environment of the port and minimise the impact of port activities on that environment*'.

Section 51 (1) (b) of the *Port Authorities Act 1999* requires PHPA to have an environmental management plan for the port. PHPA has a current plan and constantly reviews its performance in this area.

Environmental Management System (certified to ISO 14001)

PHPA maintains its environmental management system, achieving recertification to the International Standard ISO 14001 from external auditors in December 2013.

PHPA holds an Environmental Licence for the public access berths PHPA Berth 1, PHPA Berth 2, and PHPA Berth 4 (Utah Point Multi-User Export facility). In October 2013, the Licence was reissued under the Department of Environment Regulation's REFIRE framework and the issuing period was extended to three years.

PHPA's operational activities underwent an annual risk review in 2013-14 and the environmental risk register and environmental management plan were updated accordingly.

Air quality management

PHPA continues to monitor dust at the boundary of its two operational sites at PHPA Berths 1 and 2 (East Side Facility), and PHPA Berth 4 (Utah Facility). Alarms from these monitoring stations are used in conjunction with a dust forecast tool to predict and proactively manage dust in adverse weather conditions.

PHPA now has over 12 months of data available for the upgraded boundary dust monitoring network. Trending against local

climate parameters indicates a relationship between dust exceedence events and season. Trending of exceedence events indicates that dust exceedences are relative to throughput; suggesting dust management practices implemented by PHPA are assisting to keep dust levels as low as reasonably practicable.

PHPA continued in its role as 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 continued to monitor ambient air quality in the Port Hedland region with results published in real time via the PHIC website.

Environmental Compliance Action Plan - Utah Facility

During the reporting period, PHPA has continued to make improvements to reduce the environmental impacts of dust and waste generated during the export of product through the Utah Facility, in accordance with its Environmental Compliance Action Plan. The improvements focused on dust management, waste ore and water management, drainage and storm water management.

As of June 2014, PHPA has substantially completed the Environmental Compliance Action Plan program with remaining works expected to be completed in August 2014.

The infrastructure and process improvements implemented at the Utah Facility have resulted in:

- A reduction in the production of waste product;
- More streamlined and efficient capture and transfer of wastewater to the recirculation pond; and
- Improved control over the condition of product being inloaded and outloaded.

These improvements will ensure there are fewer spills of wastewater and has had a positive impact on dust management on site, despite the increasing tonnage passing through the facility.

Environmental Improvement Plan - Berth 1

During the reporting period, PHPA made improvements to reduce the environmental impacts of dust and waste generated during export of product through Berth 1 in accordance with its Environmental Improvement Plan (EIP).

PHPA's EIP was composed of four key areas:

- Improvements to air emissions;
- Improvements to stormwater and wastewater management, including the development of a marine sediment sampling and analysis plan;

- Implementation of an incident management system; and
- Additional capital improvements.

In order to achieve the outcomes required of the EIP, PHPA commissioned an internal improvement committee comprised of members from a multi-disciplinary team including Environment, Maintenance, Engineering and Landside Operations.

The capital improvement works were completed in December 2013 and included upgrades to the Berth 1 conveyor system and bunding along the outload circuit and wharf deck. These upgrades, along with process improvements, have seen a reduction in copper spillage and dust generation during outloading.

The objectives and intended environmental outcomes of the EIP have been met. Nevertheless, PHPA is continuing to implement environmental improvements at the facility in line with its continual improvement programs.

These include:

- Fully enclosing problematic transfer points with poly-carbonate covers to prevent spillage and dust emissions;
- Redesigning the telescopic chute to prevent blockages and therefore spillage and dust emissions;
- Upgrading water sprays for effective dust control during outloading; and

- The installation of concrete bunding along the whole length of the outload circuit to allow for containment of spills and easy clean up, and improvements to processes and procedures.

South West Creek Dredging and Reclamation Project

Dredging activities were undertaken by a third party proponent during the 2013-14 financial year for the construction of a new berth in South West Creek.

Under the conditions of its Ministerial Statement for the project, and in accordance with its approved Project Execution Plan, PHPA undertook environmental monitoring during the dredging and reclamation activities.

Mangrove research

As part of a commitment to offset habitat destruction, PHPA continued its mangrove propagation trials in three purpose built nurseries. New nursery techniques were developed through the establishment of a flow-through saltwater nursery.

PHPA continued monitoring and backfill planting at its Redbank trial rehabilitation area. PHPA will continue to monitor the mangrove seedling growth rates and survivorship throughout 2014-15.

PHPA continued its Mangrove Education Program throughout the 2013-14 financial year. The aim of the program is to inform younger members of the community about PHPA's Mangrove Rehabilitation Program and emphasise the important role mangroves play in the environment. The mangrove education sessions were presented to nine classes, ranging from pre-primary to Year 5, from three local primary schools. The children attend an in-class oral presentation followed by a more 'hands on' activity, i.e., repotting a mangrove seedling.

Sustainability Plan

Through its Environmental Management System, PHPA implements a number of important sustainability programs within the port, including measures to minimise water usage and dust emissions, improve energy efficiency, offset greenhouse gas emissions and rehabilitate mangrove habitats.

PHPA's Sustainability Plan was implemented in the 2013-14 financial year to ensure a comprehensive and integrated approach to measuring and monitoring the sustainability programs already in place. Key sustainability achievements during this period included the implementation of lighting upgrades within the Port, development of landscaping and irrigation guidelines, establishment of a native plant nursery and a recycling program at PHPA's East Side Facility.

Carbon Neutral Program

Carbon dioxide emissions were calculated from PHPA's vehicles and other plant used throughout the port, including front end loaders and small vessels during this reporting period. A corresponding number of trees were planted via a third party to offset these emissions. Emissions attributed to PHPA's air travel were also offset through the program.

Feral animal control

Biannual trapping continued over the past year to control foxes and feral cat populations on PHPA land. Control efforts were focused on Wedgefield, 6 Mile and the turtle beaches at Downes Island and Paradise Beach. The recent control program found a noticeably reduced level of fox and feral cat activity on PHPA land compared with previous years.

Water Efficiency Management Plan

PHPA has reduced its gross water usage by 6%, despite an 11% increase tonnage throughput, as part of its participation in the Water Corporation's Industry Water Efficiency Program. This was achieved by reusing a substantial amount of water captured onsite during heavy summer rainfall.

As part of the WEMP recognition scheme, PHPA was recognised as a Waterwise Business Champion for significant and consistent improvement in water efficiency.

Introduced Marine Pests Management

In collaboration with the Department of Fisheries and other major Western Australian ports, PHPA continued to monitor for invasive marine species in the harbour. No invasive marine species were detected this financial year.

Aboriginal heritage

PHPA has continued to further its relationship with the local Traditional Owners through the negotiation of a new Port Collaboration and Heritage Agreement. The Agreement will bring benefits to both the Traditional Owners and PHPA by setting out processes to better manage and protect the Aboriginal heritage values that exist within the Port.

Health and Safety

Statement of Commitment to Occupational Safety, Health and Injury Management

PHPA is committed to preventing injury and disease in the workplace. PHPA strives to provide a safe and healthy work environment for all persons within port controlled areas, and to minimise the impact of operations on the local community.

PHPA has clear safety targets, with the ultimate aim of no injuries and no harm.

PHPA's Executive fosters strong engagement and consultation processes with all personnel engaged in port operations. The Executive and Board regularly review safety performance data inclusive of all employees, contractors and port users.

Reviews in 2013-14

PHPA's OSH Management System was recertified to the AS/NZS 4801 (Australian Standard and New Zealand Standard for Occupational Health and Safety Management Systems), resulting in uninterrupted accreditation since 2011. Since the recertification, PHPA has further improved its management system by conducting procedural reviews with port users.

PHPA continued its audit program, focusing on activities with high risk potentiality and implementing controls to the safest standard practicable. Commitment to continuous improvement principles has seen a number of initiatives implemented in the workplace, such as re-engineering infrastructure to reduce manual handling risks, and taking occupational hygiene monitoring activities in-house.

Legislative requirements underpin the minimum standard for implementation of all OSH policies and procedures. PHPA provides appropriate guidance and resources to ensure that each Manager recognises their responsibility and accountability for overseeing OSH within their department.

Staff consultation on Occupational Safety and Health matters

PHPA's aim is to ensure employees are well-informed about workplace matters affecting their health and safety and the environments they work and live in and are equipped with the knowledge and tools to be accountable for their own safety and that of their work colleagues.

Communication of OSH matters and expectations begins with the employee induction program, which covers OSH and Injury Management policies, as well as information about hazards and controls specific to port operations.

In addition to the safety induction, OSH matters are communicated through a 'Weekly Safety Brief' issued to all staff, contractors and port users, as well as via regular PHPA Health and Safety Committee meetings, and monthly Port Users Health Safety and Environment (HSE) meetings. Each method is aimed at engaging employees, senior management, contractors and port users in PHPA's Health and Safety culture.

PHPA shares knowledge via risk assessments and workplace inspection processes, OSH notice boards and associated Bulletins, and toolbox meetings. All personnel have access to Health and Safety information, and are afforded the opportunity to raise concerns and make recommendations. The team is

adequately resourced with dedicated safety experts at officer, advisor and manager level, with a direct report line to the General Manager Risk and Governance.

Injury Management

PHPA is committed to meeting its obligations under the *Worker's Compensation and Injury Management Act 1981*, and is cognisant of its legal obligations to provide workers with compensation in the event of an injury.

An Injury Management Procedure is in place to support the Injury Management Policy. Should an employee be injured at work, PHPA ensures that appropriate treatment is applied and, based on medical advice, a Return to Work Program is developed and commenced as soon as practicable for the injured employee. Where a return to work is unrealistic or unrealised, then retraining, redeployment or termination will be considered.

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 program is maintained effectively.

There were three incidents requiring Workers Compensation during 2013-14, and in all cases, the injury was managed and the person returned to their normal role at full capacity.

Annual Safety Performance: Overview

Over the year, PHPA has continued to track staff, contractor and port user hours and Lost Time Injury (LTI) performance as a whole.

Having achieved a Lost Time Injury Frequency Rate (LTIFR) of 4.8 in 2012/2013, the Board set an aggressive target of 3.86, a 20% reduction for 2013/2014.

PHPA surpassed the target for the year. The final figure (3.51) was delivered by way of one fewer LTI (five in total) than the previous year, and hours increasing by approximately 13% on the prior year.

This is an all-time low LTIFR since measuring commenced.

Annual safety performance: PHPA employees only

Measure	Actual Results		Results against Target	
	2013-14 ⁽¹⁾	2011-12 ⁽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	0.69	0	0 or 10% reduction ⁽²⁾	Target not met. First LTI since June 2010 sustained
Lost time injury and/or disease severity rate No. of Severe Injuries (>60 days lost)/No. of LTI/D x 10	0	N/A	0 or 10% reduction ⁽²⁾	Target met
Percentage of injured workers returned to work:				
(i) within 13 weeks	100%	N/A	N/A	Target met
(ii) within 26 weeks	N/A	N/A	Greater than or equal to 80%	Target met
Percentage of managers trained in occupational safety, health and injury management responsibilities	94%	71.4%	Greater than or equal to 80%	Target met

Note (1) Results from current reporting year are compared to results from three years prior. (i.e current year is 2013-14; previous year is 2011-12).

Note (2) The reduction may be calculated over a three year period.

Corporate Governance, Risk Management and Compliance

Corporate governance is the framework of rules, relationships, systems and processes within, and by which, PHPA exercises and controls its authority.

PHPA manages this framework through structured planning and decision making, and the appropriate management of risk and accountability. This ensures that PHPA's corporate governance, risk and compliance obligations are effectively identified and discharged.

Risk management

PHPA promotes a consistent approach to risk management through an enterprise wide framework. This framework supports the achievement of strategic, corporate and operational objectives by identifying risk exposures and provides an effective mechanism to adequately manage, communicate and monitor risks.

PHPA's risk management methodology is aligned to the Australian/New Zealand Risk Management Standard ISO 31000:2009.

PHPA requires its managers to take a risk-based approach to decision making and empowers them to identify and mitigate the risks in their business area. A centralised tool

is used to record risks from an operational, business and strategic perspective.

Reporting is provided regularly to the Executive, the Risk Assurance and Audit Board Committee, and to the full Board of Directors.

Revisions to the framework to improve PHPA's methods have been piloted during 2014 with implementation to occur during financial year 2014-15.

PHPA convenes a Port Users Strategic Risks Review Committee, which is attended by all major port users and service providers. This forum focuses on material risks to the operations of the Port and provides a consolidated and collaborated approach to mitigating those risks.

Compliance

A comprehensive compliance management framework guides PHPA in achieving its goals and objectives.

The framework is compliant with Australian Standard AS 3806-2006 and assists PHPA to conduct its business activities lawfully, whilst maintaining the highest standards of compliance with applicable laws, regulations and policies.

It also enables PHPA to promptly detect and correct any material non-compliances and gives greater clarity to employees about their legal and regulatory obligations,



as well as providing transparency to the Executive and the Board on areas of non-conformance. This transparency also informs the training requirements for staff.

Business continuity

PHPA's Business Continuity program is designed to ensure that PHPA can respond promptly and appropriately to a crisis or emergency impacting the operations of the ports and its staff, contractors, visitors and the community. During the reporting period, PHPA completed a comprehensive review of its business continuity framework and supporting management systems. This led to the development of a holistic business continuity system, including incident management plans, emergency response plans and a crisis management plan.

PHPA's approach to managing an incident is aligned to the Australasian Inter-Agency Incident Management System (AIIMS), in which key staff are trained. Further investment in training staff in this competency will be made in 2015.

Internal Audit

Internal Audit is an important element of the overall process by which the Executive and the Board obtain 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.

Internal Audit completed a program of work during the financial year focusing on:

- Period end close financial management;
- Debtor management;
- Invoicing allocation; and
- Pricing file management.

No material deficiencies in controls or adherence to them were identified. Findings and agreed management actions were reported to the Executive Committee, the Risk Assurance and Audit Board Committee, and to the full Board of Directors.

In 2013-14, PHPA's internal audit function was supplemented by services provided by Deloitte Touche Tomatsu Ltd.

Insurance

PHPA 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 Western Australia, provides PHPA with policies that cover its statutory insurance obligations, as well as policies necessary to carry out business in a prudent manner.

PHPA also requires that parties who enter into contractual arrangements with the PHPA effect and maintain appropriate levels of insurance with respect to the work to be undertaken.

Integrated Management System

PHPA was recertified to the international standards for its Safety, Environment, and Quality Management during 2014, and also obtained its certification to ISO 27001 for Information Technology Management Systems.

The Integrated Management System has been set up to support the continued growth of PHPA and will provide a useful management structure for the amalgamation with Dampier Port Authority in July 2014.

Stakeholder Engagement

PHPA regards effective stakeholder engagement and communications as key to building the support, confidence and trust necessary for the port to optimise its operations.

PHPA continued to support local community groups and not-for-profit organisations through its 'Community Support Initiative' sponsorship program, and was involved in a number of local community events, including the Australia Day Fireworks Event and the South Hedland Aquatic Centre Community Open Day.

PHPA also continued a number of community outreach programs including the Mangrove Education Program and the safety awareness campaign for recreational vessel skippers.

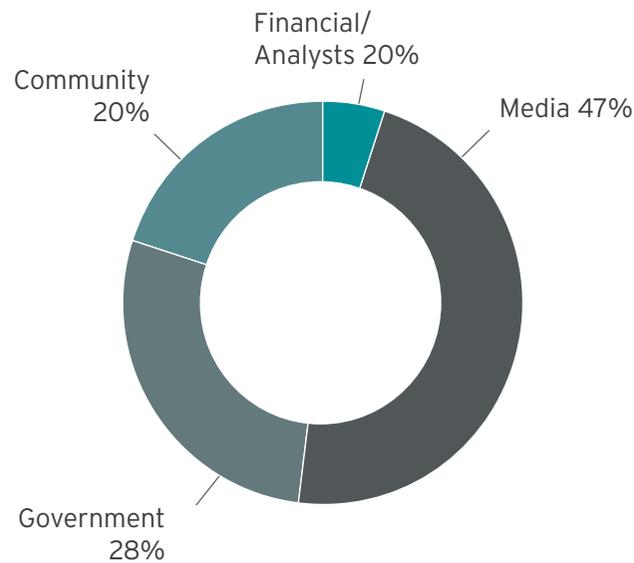
PHPA plays an active role as a member of the Port Hedland Industries Council, which focuses on improved industry cooperation and coordination of, air quality monitoring and management in the Port Hedland area.

The reporting period saw PHPA continue to engage closely with port users and service providers through a range of initiatives, including the quarterly Port Consultative Group meetings, and the Port Strategic Risk Review Committee.

The last twelve months have seen a significant increase in both the level of media interest in PHPA's activities, and the requirement for government and community engagement. PHPA has continued to enhance its communications capability, with the Corporate Communications team facilitating over 1,454 direct engagements with external stakeholders during the 2013-14 financial year.

The following chart provides a breakdown of PHPA's Corporate Communications team's direct engagements with key external stakeholder groups for 2013-14:

PHPA Corporate Communications breakdown of activity for 2013-14



CORPORATE GOVERNANCE



Corporate Governance

The following is a report on PHPA's performance with respect to its legislative obligations during the 2013-14 financial year.

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 issued during the year.

Code of Ethics and Conduct

In accordance with Section 23 of the *Port Authorities Act 1999*, PHPA has reported to the Minister and the Public Sector Standards Commission on its compliance with the Code of Ethics and Conduct.

There was one breach of the Code of Ethics and Conduct during 2013-14. The matter was investigated and the employee dismissed as a result of the breach.

Recordkeeping

Records are managed according to requirements under the *State Records Act 2000* and PHPA's Quality Management System.

All PHPA employees are trained in their obligations under the Act.

A new General Disposal Authority for State Government Information which supersedes and replaces the three General Disposal Authorities for Administrative Records (RD 2003016); Human Resource Management Records (RD 2012004); and Financial and Accounting Records (RD 2005010) was incorporated into PHPA's records management system.

In April 2014 the State Records Office of WA published a linking table, which merges the Sector Disposal Authority (SDA) - Ports with the General Disposal Authority for State Government Information (GDASG). This is also currently being incorporated into the PHPA records management system. The implementation of a new Electronic Document and Records Management is on schedule for implementation on 1 July 2014.

Freedom of Information

Under the provisions of the *Freedom of Information Act 1992*, PHPA is required to provide the Office of the Information Commissioner with a Freedom of Information Statement every 12 months.

PHPA received no new applications and no partial transfers under the Act during the 2013-14 financial year.

Public Interest Disclosure

The *Public Interest Disclosure Act 2003* enables individuals to make disclosures about wrongdoing within the State public sector, local government and public universities, without fear of reprisal.

PHPA has a nominated Public Interest Disclosure Officer, as required by the legislation.

PHPA maintains a Public Interest Disclosure Policy relating to fraud management, including reporting and investigation arrangements and whistleblowing procedures.

PHPA did not receive any Public Interest Disclosure applications during the financial year.

Advertising, Market Research and Sponsorship

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

Measure	Actual Results	Results Against Target
Sponsorship	Town of Port Hedland North West Telegraph Pilbara TAFE Hedland Senior High School Port Hedland Golf Club Inc Port Hedland Game Fishing Club (Inc) Commonwealth Bank Mastercards Hedland Tri Sports RSL Port Hedland Sub Branch Community Shop Care For Hedland Environmental Association Inc Form Contemporary Craft & Design Hedland Bmx Club Inc Port Hedland Primary School Volunteer Marine Rescue Service National Breast Cancer Foundation St Vincent De Paul Society (Port Hedland) Royal Flying Doctor Service Port Hedland Netball Association	Total sponsorship - \$144,000
Media Advertising	Informa Australia (Lloyds List DCN) Adcorp Australia Market Creations North West Telegraph Redwave Media	Total media advertising - \$64,000
Market Research	Nil	Nil
	TOTAL EXPENDITURE	\$208,000



DIRECTORS' REPORT

Directors' Report

In accordance with Schedule 5, Division 9, of the *Port Authorities Act 1999*, the Directors of PHPA present their report for the 12 months ended 30 June 2014.

1. Directors

Appointment, retirement and continuation of Office of Directors

A Director is appointed by the Minister for Transport in accordance with Section 7 (1) of the *Port Authorities Act 1999*. Directors are appointed for periods of up to three years and are eligible for reappointment.

The Minister may at any time remove a Director from office and is not required to give any reason for doing so. The Minister appoints a Director as Chairman and another as Deputy Chairman.

The following persons were directors of the PHPA Board at the end of the reporting period unless indicated otherwise below:

Mr Ken Pettit (Chairman) - Director and Chairman since July 2011

Mr Ken Pettit SC was reappointed to the Board as Chairman on 26 June 2014 for a period expiring 30 June 2016.

Mr Les Longden - Director since 1 October 2009

Mr Les Longden was reappointed to the Board as Deputy Chairman on 31 December 2013 for a term expiring 30 June 2016.

Mr Julian Tapp - Director since 30 June 2009

Mr Julian Tapp was reappointed to the Board as a Director on 26 June 2014 for a term expiring 31 December 2015.

Ms Elisa Fear - Director since 15 June 2010

Ms Elisa Fear was appointed to the Board as a Director on 15 June 2010 for a term expiring 30 June 2014.

Mr Rag Udd - (BHPBIO) Director since 1 July 2013

Mr Rag Udd was appointed to the Board as a Director on 1 July 2013 for a term expiring 31 May 2014.

Mr Crispin Collier - (FMG) Director since 1 July 2013

Mr Crispin Collier was appointed to the Board on 1 July 2013 for a term expiring 30 June 2014.

Mr David Smith was appointed as an external Chair of the Risk Assurance and Audit Committee (RAAC) on 19 September 2013 for a term expiring on 30 June 2014.

Eleven scheduled Board meetings and two special Board meetings were held during the financial year. A number of PHPA Directors also met in their capacity as members of the Risk Assurance and Audit Committee.

Director's biographies are shown on pages 12-13.

2. Directors' Meetings

Meetings attended by Directors:

Director	Board meetings attended	RAAC meetings attended
Mr Ken Pettit	13	1**
Mr Les Longden	13	4
Mr Julian Tapp	11	4
Ms Elisa Fear	10	4
Mr Rag Udd	9	N/A
Mr Crispin Collier	9	N/A
Mr Matthew Dowd	1	N/A
Mr David Smith *	8	4

* David Smith's appointment is as an external chair to the Risk Assurance and Audit Committee. This appointment does not assume the roles and responsibilities of a director.

** Ken Pettit is not a member of the RAAC. However, as a member of the Board his attendance at a meeting is recorded in the meeting minutes.

3. Review of Operations

PHPA manages a bulk export port and ensures that port services and facilities meet the needs of customers.

Significant changes to PHPA's state of affairs

The Ports Legislation Amendment Bill 2013 passed in June 2014 through the Western Australian State Parliament.

The Bill introduces structural reforms to Western Australia's port authorities by amending the *Port Authorities Act 1999*.

Port Hedland Port Authority will merge with Dampier Port Authority on 1 July 2014 and be renamed Pilbara Ports Authority.

4. Net profit after tax

PHPA finished the financial year, after complying with the National Tax Equivalent Regime, with a profit of \$111.5m, compared to last year's \$45.8m. See the accompanying Financial Statements for further details.

Summary of the results during the year:

	2014 \$'000	2013 \$'000
Profit before income tax	158,189	64,163
Income tax expense	(46,551)	(18,356)
Net profit for the year	111,638	45,807
Other	(163)	4
Total Comprehensive Income	111,475	45,811
Retained earnings at 1 July	155,879	131,072
Dividends paid in the financial year	(29,777)	(21,004)
Retained earnings at 30 June	237,577	155,879

5. Events subsequent to reporting date

An amendment Bill was passed through the Western Australian Legislative Council on 8 May 2014. Specific merger provisions in the resulting *Ports Legislation Amendment Act 2014*, forming the Pilbara Ports Authority, were gazetted on 20 June 2014, to take effect on 1 July 2014.

As of 1 July 2014, Dampier Port Authority will be merged with Port Hedland Port Authority, and Port Hedland Port Authority will be renamed Pilbara Ports Authority. The Pilbara Ports Authority will retain the Port Hedland Port Authority's existing Australian

Business Number (i.e. ABN 94 987 448 870). The Pilbara Ports Authority will control and manage the Port of Ashburton, the Port of Dampier and the Port of Port Hedland.

Under the legislative changes, amongst other things, all assets, rights and liabilities of Dampier Port Authority, including those under or in connection with contracts and deeds to which Dampier Port Authority is a party, will be transferred to Pilbara Ports Authority. Additionally, the legislative changes provide that any references to Dampier Port Authority or Port Hedland Port Authority in existing agreements, instruments and documents are taken to be references to Pilbara Ports Authority from the merger time (1 July 2014). Similarly, if either Dampier Port Authority or Port Hedland Port Authority is a party to existing contracts or deeds, the Pilbara Ports Authority will be the party from the merger time.

The State Government of Western Australia announced on Thursday 28 August 2014 its intention to divest the Utah Point Bulk Handling Facility.

6. Likely developments and future results

Further likely developments at the port are covered on pages 30-31 of this report. (“Planning for future growth” chapter)

7. Directors’ Disclosures

Directors’ benefits

During the financial year, no director has received or become entitled to receive a benefit, other than the benefits disclosed in the financial statements as emoluments, by reason of a contract made by PHPA with the director or with a firm of which he or she is a member, or an entity in which he or she has substantial interest.

Interests in contracts

Mr Julian Tapp is a previous employee of Fortescue Metals Group Pty Ltd (FMG).

Mr Crispin Collier is an employee of Fortescue Metals Groups Pty Ltd (FMG). Mr Rag Udd is an employee of BHP Billiton Ltd (BHPB). Both BHPB and FMG use port facilities for the export of iron ore commodities and the terms of trade and leasing arrangements offered to these customers are equivalent to those offered to all other port users.

During the financial year, where PHPA entered into contracts with entities in which Directors declared a conflict of interest, those directors were excluded from Board deliberations and did not vote on the resolution.

Other Disclosures

Mr Les Longden is Deputy Chairman of Dampier Port Authority, a position he has held since July 2013.

8. Indemnification of Officers

The Director’s and Officer’s Liability Insurance Policy was renewed during the financial year to ensure that the Directors and Officers had adequate insurance coverage against all liabilities and expenses arising as a result of work performed in their capacities, to the extent of the law.

PHPA paid an insurance premium of \$46,447.18 (GST exclusive) in respect of the Director’s and Officer’s Liability Insurance Policy for the reporting period.

At the date of this report, no claims have been made against the policy.

9. Appointment of Auditors

The Office of the Auditor General (OAG) has been appointed as PHPA’s auditor in accordance with Schedule 5 Section 37 (2) of the *Port Authorities Act 1999*. KPMG has been engaged by the OAG to conduct the audit field work and provide advice to the OAG.

The total fee payable for the financial year ended 30 June 2014 was \$51,000 (GST exclusive).

10. Rounding of amounts

PHPA satisfies the requirements of clause 31 of Schedule 5 contained within the *Port Authorities Act 1999* and accordingly, amounts in the financial statements and Director’s Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been prepared in accordance with a resolution of the Board on Thursday, 28 August 2014.

11. Remuneration report

In accordance with Section 13 (c) (ii) of Schedule 5 of the *Port Authorities Act 1999*, the following report outlines details of the compensation provided to key management personnel.

Directors' Emoluments

The Minister determines the emoluments of the PHPA Directors in accordance with Section 10 of the *Port Authorities Act 1999*. Details of emoluments provided to Directors are as follows:

Name	Director's Fee	Superannuation	Total
E Fear	\$16,500	\$1,526	\$18,026
L Longden	\$25,000	\$2,302	\$27,302
K Pettit	\$58,600	\$12,508	\$71,108
J Tapp	\$16,500	\$1,526	\$18,026
D Smith*	\$37,885	\$3,504	\$41,389

*David Smith's appointment is as an external chair to the Risk Assurance and Audit Committee. This appointment does not assume the roles and responsibilities of a director.

Executives' Emoluments

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

Name	Salary	Non-cash benefit	Superannuation	Total
R Johnston	\$500,123	\$0.00	\$65,016	\$565,139
J Finch	\$356,196	\$21,779	\$46,306	\$424,281
R Paris	\$254,677	\$24,776	\$35,885	\$315,338



Ken Pettit
Chairman
2 September 2014



Les Longden
Deputy Chairman
2 September 2014

FINANCIAL STATEMENTS



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 2014 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
2 September 2014



Les Longden
Deputy Chairman
2 September 2014



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 2014, the Statement of Profit and Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Director's 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.

Page 1 of 2

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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 2014 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 2014 included on the Authority's website. The Authority's management is 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
9 September 2014

Disclosures and Legal Compliance

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 \$'000	Restated* 2013 \$'000
Revenue	3	313,333	205,231
Other revenue	3	13,246	9,718
Depreciation and amortisation expense	5	(19,221)	(18,960)
Marine expenses		(48,856)	(37,595)
Port operations expense		(15,492)	(18,441)
General administration		(15,179)	(14,650)
Asset maintenance		(35,969)	(26,113)
Environmental expenses		(2,885)	(3,156)
Port utilities		(8,251)	(7,409)
Safety and security		(2,132)	(1,777)
Finance costs	7	(12,210)	(14,719)
Other expenses	8	(8,195)	(7,966)
Profit before income tax		158,189	64,163
Income tax expense	9	(46,551)	(18,356)
Net profit for the year		111,638	45,807
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability, net of tax	21(a)	(163)	4
Total comprehensive income		111,475	45,811

*Refer to note 2(t).

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	34,248	34,912
Other financial assets	12	125,000	62,000
Trade and other receivables	13	50,746	31,942
Inventories	14	1,454	2,043
Total current assets		211,448	130,897
Non-current assets			
Property, plant and equipment	15	327,774	332,117
Intangible assets	16	9,530	9,796
Deferred tax assets	17	10,855	10,571
Other receivables	18	37,605	45,782
Total non-current assets		385,764	398,266
Total assets		597,212	529,163
LIABILITIES			
Current liabilities			
Trade and other payables	19(a)	27,607	21,410
Interest bearing borrowings	19(b)	20,000	20,000
Current tax liabilities	20	27,352	9,874
Provisions	21	9,714	14,134
Total current liabilities		84,673	65,418
Non-current liabilities			
Other non-current liabilities	22(a)	1,193	20,770
Interest bearing borrowings	22(b)	164,700	184,700
Provisions	21	69,901	63,241
Total non-current liabilities		235,794	268,711
Total liabilities		320,467	334,129
Net assets		276,745	195,034

	Notes	2014 \$'000	2013 \$'000
EQUITY			
Contributed equity		39,168	39,155
Retained earnings		237,577	155,879
Total equity		276,745	195,034

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

Statement of Changes in Equity

For the year ended 30 June 2014

	Notes	Contributed Equity \$'000	Restated* Retained Earnings \$'000	Restated* Total Equity \$'000
Balance at 1 July 2012		39,155	131,072	170,227
Total comprehensive income				
Profit		-	45,807	45,807
Other comprehensive income/(loss)			4	4
Total comprehensive income		-	45,811	45,811
Transactions with owners in their capacity as owners:				
Dividends paid	10	-	(21,004)	(21,004)
Balance as at 30 June 2013		39,155	155,879	195,034
Balance at 1 July 2013		39,155	155,879	195,034
Total comprehensive income				
Profit		-	111,638	111,638
Other comprehensive income/(loss)		-	(163)	(163)
Total comprehensive income			111,475	111,475
Transactions with owners in their capacity as owners:				
Contribution of vested land		13	-	13
Dividends paid	10	-	(29,777)	(29,777)
Balance as at 30 June 2014		39,168	237,577	276,745

*Refer to note 2(t).

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		278,964	210,360
Payments to suppliers and employees (inclusive of goods and services tax)		(137,932)	(135,320)
Other receipts		19,158	7,412
Interest received		3,725	3,668
Interest paid		(7,826)	(8,932)
Income taxes paid		(29,357)	(24,502)
Net cash inflow / (outflow) from operating activities	28	126,732	52,686
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(14,625)	(8,574)
Investment in term deposits with a maturity date greater than 3 months		(63,000)	(62,000)
Proceeds from sale of property, plant and equipment		6	26
Net cash inflow / (outflow) from investing activities		(77,619)	(70,548)
Cash flows from financing activities			
Repayment of borrowings		(20,000)	(4,000)
Equity contributions		-	-
Dividends paid	10	(29,777)	(21,004)
Net cash inflow / (outflow) from financing activities		(49,777)	(25,004)

	Notes	2014 \$'000	2013 \$'000
Net increase / (decrease) in cash and cash equivalents			
		(664)	(42,866)
Cash and cash equivalents at the beginning of the financial year		34,912	77,778
Cash and cash equivalents at the end of the financial year	11	34,248	34,912

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2014

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 28th August 2014 by the Board of Directors of the Authority.

(b) Presentation

(i) *Statement of Profit or Loss and Other Comprehensive Income*

Statement of Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income including marine expenses, port operations expenses, general administration, environmental expenses and safety and security. This allocation reflects the internal reporting structure of the Authority which allocates labour expenses to significant

expense items in the Statement of Profit or Loss and Other Comprehensive Income based on the nature of the expenses incurred. The Authority believes that this allocation is more relevant to the understanding of the financial performance of the Authority although it 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.

(c) Basis of measurement

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

(d) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Authority's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(e) Use of estimates and judgements

In preparing these financial statements, management has made 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 estimates are recognised in the period in which the estimate is revised prospectively.

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 is included in the following notes:

- Note 2 (m) - Annual and long service leave: actuarial assumptions
- Note 2 (f) - Property, Plant & Equipment: useful life of Assets
- Note 21 - Provision for environmental remediation: assumptions and uncertainties including the:
 - extent of environmental damages to be rectified
 - methodology and timing of the rectifications
 - timing of cash flows receivable
 - financial rates to be used, including discount and inflation rates

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 a contract outcome cannot be measured reliably, revenue is recognised only to the extent of the costs incurred that are likely to be recoverable.

(ii) Interest revenue

Interest revenue is recognised using the effective interest method. (See note 2 (b)).

(iii) Rental income

Rental income is recognised as revenue 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 and finance costs include:

- Interest Income;
- Interest Expense;
- Unwinding of discount on provisions;
- Finance charges payable under finance leases;
- Borrowing costs

All finance income and finance costs are recognised 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. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current Tax

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

(ii) Deferred Tax

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 nor 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(s) 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 and may be settled under different terms as a result.

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 the debts.

(ii) Lease receivables

A finance lease receivable is recognised for leases of property, plant and equipment which effectively transfer 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 Profit or Loss and Other Comprehensive Income.

(iii) Other receivables

Other receivables are recognised initially at fair value and accounted for on an amortised cost base using the effective interest method. In estimating the fair value a discounted cash flow methodology has been applied using a risk free rate (5 year government bond rate) plus a risk premium of 1% to more accurately reflect the low risk associated with this receivable.

(e) Inventories

Inventories consist of spares 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.

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

If significant 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 expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Authority.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives, and is generally recognised in the profit or loss.

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.

The estimated useful lives of property, plant and equipment are as follows:

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

(iv) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs (under \$5,000) are expensed as incurred. This includes repairs that relate to the restoration of an asset to its original service potential. Repairs that improve the functionality of the asset or increase the effective life are capitalised and depreciated.

(v) Land

Land which is either freehold, vested in the Port or under management order is considered to be under the control of the Port and is subsequently recorded in Property, Plant and Equipment.

(g) Intangible assets

(i) Research and development

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

Development expenditure is capitalised only if the expenditure 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, otherwise it is recognised in profit or loss as incurred.

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

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives, and is generally recognised in the profit or loss.

The estimated useful lives are as follows:

- Computer software 4 years
- Capital Dredging 40 years

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

(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.

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 valued 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

(i) Leased Assets

Assets held by the Authority under leases that transfer to the Authority substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Authority's statement of financial position.

(ii) Lease payments

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.

(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;
 - Other financial assets; and
 - Trade and other receivables.
- Financial liabilities
 - Trade and other payables; and
 - Interest bearing liabilities.

Refer to note 23 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 Profit or Loss and Other 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.

(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. Unless all annual leave and long service leave for all employees is expected to be settled wholly within 12 months after the reporting date, it will be considered as an "other long term benefit" and the calculation of the leave will be discounted accordingly. 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 employee benefits.

(n) Dividends

Dividends, to the extent that they are not paid within the period, 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 3 months.

For the purpose of the Statement of Cash Flows, 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.

(q) Provisions

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 a finance cost.

(i) Payroll

Payroll is processed fortnightly, accordingly a provision is recognised to account for the salary costs arising to 30 June, yet not payable until after year end. Further employee benefits are discussed at note 21.

(ii) Land rehabilitation

Provision for land rehabilitation liability has been recognised using a discounted cash flow methodology. The cash flows have been inflated at the Port's estimated long term inflation rate and discounted at the risk free rate (5 year government bond rate). No adjustment for risk has been made to the discount rate as management has built risk factors into the cash flow estimates.

(r) Contributed equity

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

(s) New accounting standards and interpretations

The Authority has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013 that impacted on the Authority:

- AASB 13 Fair Value Measurement - This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures for assets and liabilities measured at fair value. There is no material financial impact.
- AASB 119 Employee Benefits - This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements. The Authority assessed employee leave patterns to determine whether annual leave is a short-term or other long-term employee benefit. Refer to note 2 (t).
- AASB 1048 Interpretation of Standards - This Standard supersedes AASB 1048 (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact.
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132] This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14] This Standard makes amendments to other Australian Accounting

Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132] This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact.
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2] This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.
- AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8] This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015. There is no financial impact.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Int 1039 - The withdrawal of Int 1039 Substantive Enactment of Major Tax Bills in Australia has no financial impact for the Authority during

the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to AASB 112.46-47.

- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Int 12] The Standard introduces a number of editorial alterations and amends the mandatory application date of Standards for not-for-profit entities accounting for interests in other entities. There is no financial impact.
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments. Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.

Future impact of Australian Accounting Standards not yet operative

The Authority cannot adopt an Australian Accounting Standard ahead of its applicable date unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. Consequently, the Authority has not adopted any of the following Australian Accounting Standards in the current reporting period. Below is a list of issued Accounting Standards that may impact the Authority in the future. Where applicable, the Authority intends to apply these Australian Accounting Standards from their noted application date.

- Int 21 Levies - This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for the Authority at reporting date. 1 Jan 2014
- AASB 9 Financial Instruments - This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard was amended to 1 January 2017. The Authority has not yet determined the application or the potential impact of the Standard. 1 Jan 2017
- AASB 12 Disclosure of Interests in Other Entities - This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Mandatory application was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact. 1 Jan 2014
- AASB 127 Separate Financial Statements - This Standard, issued in August 2011, supersedes AASB 127 Consolidated and Separate Financial Statements, removing the consolidation requirements of the earlier standard whilst retaining accounting and disclosure requirements for the preparation of separate financial statements. Mandatory application was deferred by one year for not-for-profit entities by AASB 2012-10. There is no financial impact. 1 Jan 2014
- AASB 1031 Materiality - This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality that is not available in IFRSs and refers to other Australian pronouncements that contain guidance on materiality. There is no financial impact. 1 Jan 2014
- AASB 1055 Budgetary Reporting - This Standard requires specific budgetary disclosures in the financial statements of not-for-profit entities within the General Government Sector. The Authority will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact. 1 Jul 2014
- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12] [modified by AASB 2010-7]. 1 Jan 2015
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]. This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Authority has not yet determined the application or the potential impact of the Standard. 1 Jan 2015
- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132] - This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. The Authority does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact. 1 Jan 2014

- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets - This Standard introduces editorial and disclosure changes. There is no financial impact. 1 Jan 2014
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments - This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). The Authority has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B. 1 Jan 2014, 1 Jan 2017

(t) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- AASB 119 Employee Benefits (Revised 2011)

In accordance with the revised AASB 119 Employee Benefits at 30 June 2014, any annual leave that is expected to be settled more than 12 months after balance date is measured at the present value of amounts expected to be paid when the liabilities are settled. Annual leave was previously recognised at undiscounted amounts.

The Authority has a defined benefit plan of which any actuarial gains or losses of the defined benefit plan are recognised immediately in Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income.

These changes have had no material impact in respect to the Authority's financial statement, however the quantitative impact of the change is set out as follows:

Impact to statement of profit or loss and other comprehensive income

For the year ended 30 June 2013

	As previously reported	Impact of change in accounting policy	As restated
Marine expenses	(37,591)	(4)	(37,595)
Net Profit for the year	45,811	(4)	45,807
Remeasurement of defined benefit liability	-	4	4
Total comprehensive income	45,811	-	45,811

3. Revenue

Revenue consists of the following items

	2014 \$'000	2013 \$'000
Rendering of services		
Charges on cargo	136,440	94,579
Charges on ships	85,401	64,304
Shipping services	32,037	26,102
Port improvement rate	35,134	-
Interest revenue	4,349	3,668
Rental and leases	19,972	16,578
Total revenue	313,333	205,231
Other revenue		
Other revenue (a)	13,246	9,718
Revenue from ordinary activities	326,579	214,949
Total revenue	326,579	214,949

(a) Includes finance revenue of \$3.4m (2013) and \$1.8m (2014).

4. Expenses

Operating expenses are presented on the face of the Statement of Profit or Loss and Other 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

	2014 \$'000	2013 \$'000
Depreciation		
Channels and breakwaters	404	320
Buildings and improvements	1,176	1,157
Plant and equipment	8,822	8,766
Berths, jetties and Infrastructure	8,251	8,132
Total depreciation	18,653	18,375
Amortisation		
Intangible assets (a)	568	585
Total amortisation	568	585
Total depreciation and amortisation	19,221	18,960

(a) A detailed description of intangible assets (capital dredging and computer software) can be found at note 16: Intangible Assets.

6. Employee benefits

	2014 \$'000	2013 \$'000
Wages and salaries (a)	23,606	19,751
Superannuation (b)	3,087	2,230
Long service leave	566	747
Annual leave	1,428	1,584
	28,687	24,312
Allocated to the following line items on the Statement of Profit or Loss and Other Comprehensive Income		
Marine expenses	4,414	3,967
Port operations expenses	12,744	10,800
General administration	5,105	4,479
Environmental expenses	1,309	999
Safety and security	1,238	1,066
Other expenditure	3,877	3,001
	28,687	24,312

(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

	2014 \$'000	2013 \$'000
Interest expensed	843	1,481
WATC borrowing costs	9,254	10,506
Finance costs (rehabilitation)	2,113	2,732
Finance costs expensed	12,210	14,719

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.

8. Other expenses

	2014 \$'000	2013 \$'000
Rented accommodation	7,858	7,862
Loss on disposal of fixed assets	26	103
Doubtful / bad debts	311	1
	8,195	7,966

9. Income tax expense

	2014 \$'000	Restated* 2013 \$'000
(a) Income tax expense		
Current taxation	48,484	20,028
Deferred income tax	(1,011)	(761)
Over provision in prior year	(922)	(911)
	46,551	18,356
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	158,189	64,163
Tax at the Australian tax rate of 30% (2013 - 30%)	47,457	19,250
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment and travel	16	14
Other	-	3
	47,473	19,267
Under (over) provision in prior years	(922)	(911)
Total income tax expense	46,551	18,356

* Refer to note 2(t).

10. Dividends

	2014 \$'000	2013 \$'000
Dividends paid in the financial year	29,777	21,004

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 2014 have not been provided as they are expected to be declared by the Board and approved by Government after the reporting date.

A dividend of \$29,777,184 in respect of the financial results for the year ended 30 June 2013 was paid on 19 May 2014.

11. Cash and cash equivalents

	2014 \$'000	2013 \$'000
Current		
Cash and cash equivalents in the statement of cash flows	34,248	34,912

The Authority's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 23.

12. Other financial assets

	2014 \$'000	2013 \$'000
Term deposits maturing in greater than 3 months but less than 1 year	125,000	62,000

13. Trade and other receivables

	2014 \$'000	2013 \$'000
Net trade receivables		
Trade receivables	40,562	31,398
Provision for doubtful debts	(251)	-
Prepayments	435	544
	40,746	31,942
Other current receivables		
Rehabilitation costs receivable	10,000	-
Trade and other receivables	50,746	31,942

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

	2014 \$'000	2013 \$'000
Not more than 3 months	5,168	8,284
More than 3 months but less than 6 months	-	41
More than 6 months but less than 1 year	7	84
More than 1 year	224	-
	5,399	8,409

14. Inventories

	2014 \$'000	2013 \$'000
Spares - at cost	1,454	2,043

15. Property, plant and equipment

	2014 \$'000	2013 \$'000
Channels and breakwaters		
At cost	13,782	8,694
Less: Accumulated depreciation	(5,134)	(4,664)
Less: Accumulated impairment losses	-	-
	8,648	4,030
Land		
<i>Freehold Land</i>		
At cost	1,305	1,305
Less: Accumulated depreciation	-	-
Less: Accumulated impairment losses	-	-
<i>Vested/management order Land</i>	9,753	9,740
Less: Accumulated depreciation	-	-
Less: Accumulated impairment losses	-	-
	11,058	11,045
Buildings and improvements		
At cost	34,583	32,646
Less: Accumulated depreciation	(7,475)	(6,304)
Less: Accumulated impairment losses	-	-
	27,108	26,342
Plant and equipment		
At cost	137,624	134,173
Less: Accumulated depreciation	(37,052)	(28,374)
Less: Accumulated impairment losses	-	-
	100,572	105,799
Berths, jetties and infrastructure		
At cost	221,870	218,596
Less: Accumulated depreciation	(42,165)	(33,914)
Less: Accumulated impairment losses	-	-
	179,705	184,682
Total property, plant and equipment at net book value	327,091	331,898
Add: Work in progress at cost	683	219
Total Property plant & equipment	327,774	332,117

15. Property, plant and equipment continued

	2014 \$'000	2013 \$'000
Reconciliation of carrying amounts		
Channels and breakwaters		
Carrying amount as at 1 July	4,030	3,000
Additions	5,026	1,353
Transfer from work in progress	-	-
Depreciation for year	(404)	(320)
Disposals	(4)	(3)
Impairment losses	-	-
Carrying amount as at 30 June	8,648	4,030
Land		
Carrying amount as at 1 July	11,045	11,045
Additions	13	-
Transfer from work in progress	-	-
Depreciation for year	-	-
Disposals	-	-
Impairment losses	-	-
Carrying amount as at 30 June	11,058	11,045
Buildings and improvements		
Carrying amount as at 1 July	26,342	27,293
Additions	1,942	221
Transfer from work in progress	-	-
Depreciation for year	(1,176)	(1,157)
Disposals	-	(15)
Impairment losses	-	-
Carrying amount as at 30 June	27,108	26,342
Plant and equipment		
Carrying amount as at 1 July	105,799	112,162
Additions	3,517	1,796
Transfer from work in progress	99	838
Depreciation for year	(8,822)	(8,766)
Disposals	(21)	(231)
Carrying amount as at 30 June	100,572	105,799

	2014 \$'000	2013 \$'000
Berths, jetties and infrastructure		
Carrying amount as at 1 July	184,682	187,270
Additions	3,210	4,908
Transfer from work in progress	64	646
Depreciation for year	(8,251)	(8,132)
Disposals	-	(10)
Impairment losses	-	-
Carrying amount as at 30 June	179,705	184,682
Work in progress		
Carrying amount as at 1 July	219	1,484
Additions	683	219
Transfer to property, plant and equipment	(219)	(1,484)
Carrying amount as at 30 June	683	219

Impairment of assets

There were no indications of impairment to property, plant and equipment as at 30 June 2014.

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

16. Intangible assets

	2014 \$'000	2013 \$'000
Capital Dredging		
At cost	10,523	10,523
Less: Accumulated amortisation	(1,371)	(1,108)
Less: Accumulated impairment losses	-	-
	9,152	9,415
Computer software		
At cost	1,964	1,662
Less: Accumulated amortisation	(1,586)	(1,281)
Less: Accumulated impairment losses	-	-
	378	381
Total intangible assets	9,530	9,796
Reconciliation of carrying amounts		
Capital Dredging		
Carrying amount as at 1 July	9,415	9,678
Additions	-	-
Impairment losses	-	-
Amortisation expense	(263)	(263)
Carrying amount as at 30 June	9,152	9,415
Computer software		
Carrying amount as at 1 July	381	490
Additions	246	213
Transfer from work in progress	56	-
Impairment losses	-	-
Amortisation expense	(305)	(322)
Carrying amount as at 30 June	378	381

17. Deferred tax assets

	2014 \$'000	2013 \$'000
Deferred Tax Assets		
Movements:		
Opening balance at 1 July	27,084	25,747
Charged to the Statement of Profit or Loss and Other Comprehensive Income	4,160	1,337
Movement attributable to the prior year adjustments	-	-
Gross deferred tax assets	31,244	27,084
The balance comprises temporary difference attributable to:		
Amounts recognised in profit or loss:		
Accrued expenses	56	61
Employee benefits	1,180	937
Provision for doubtful debts	75	-
Borrowing expenses	813	548
Capital works expenditure	2,988	2,859
Fixed assets	3,317	391
Superannuation clearing	-	12
Business related costs	111	-
Rehabilitation contribution	22,704	22,276
Gross deferred tax assets	31,244	27,084
Deferred Tax Liabilities		
Movements:		
Opening balance at 1 July	16,513	15,946
Charged/(credit) to the Statement of Profit or Loss and Other Comprehensive Income	3,151	567
Movement attributable to the prior year adjustments	725	-
Gross deferred tax liabilities	20,389	16,513

	2014 \$'000	2013 \$'000
The balance comprises temporary difference attributable to:		
Amounts recognised in profit or loss:		
Others	24	18
Fixed assets	6,084	2,760
Receivable	14,281	13,735
Gross deferred tax liabilities	20,389	16,513
Net deferred tax assets	10,855	10,571

18. Other receivables

	2014 \$'000	2013 \$'000
Rehabilitation costs receivable	37,605	45,782

19. Trade and other payables and interest bearing borrowings

	2014 \$'000	2013 \$'000
(a) Trade and other payables		
Trade payables	9,712	7,659
Rent received in advance	5,252	4,110
Prepaid revenue	5,289	-
Other payables	2,985	1,906
Accrued expenses	4,369	7,735
	27,607	21,410
(b) Interest bearing borrowings	20,000	20,000
WA Treasury Corporation loans	20,000	20,000

20. Current tax liabilities

	2014 \$'000	2013 \$'000
Opening balance	9,874	15,249
Current year true up	(1,649)	5
R&D claim refund	-	(909)
June instalment paid	(5,260)	(1,077)
September instalment paid	(5,897)	(992)
December instalment paid	(7,122)	(4,483)
March instalment paid	(8,112)	(4,477)
R&D claim refund received	1,005	991
2012 tax paid	-	(14,463)
2013 tax paid	(3,971)	-
Tax payable	48,484	20,030
	27,352	9,874

21. Provisions

	2014 \$'000	2013 \$'000
Current		
Employee benefits provision		
Annual leave	1,691	1,564
Long service leave	823	531
Other employee benefits	36	39
Other		
Provision for rehabilitation	7,164	12,000
	9,714	14,134
Non-Current		
Employee benefits provision		
Long service leave	876	617
Other employee benefits	508	370
Other		
Provision for rehabilitation	68,517	62,254
	69,901	63,241

21. Provisions continued

Movements in provisions

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

	2014 \$'000	2013 \$'000
Current		
Rehabilitation		
Carrying amount at 1 July	12,000	8,675
Provisions made during the year	(4,150)	3,395
Amounts utilised during the year	(686)	(70)
Carrying amount at 30 June	7,164	12,000
Non-current		
Rehabilitation		
Carrying amount at 1 July	62,254	62,918
Movements during the year	6,263	(664)
Carrying amount at 30 June	68,517	62,254
(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	370	400
Interest cost	12	10
Actuarial (gains)/losses	163	(4)
Benefits paid	(37)	(36)
Present value of defined benefit obligations at end of the year	508	370

Two persons remain in the gold state scheme.

22. Non-current liabilities

	2014 \$'000	2013 \$'000
(a) Other non-current liabilities		
Prepaid revenue	1,193	20,770
	1,193	20,770
(b) Interest bearing borrowings	164,700	184,700
WA Treasury Corporation loans	164,700	184,700

The Western Australian Treasury Corporation (WATC) loan is repayable via annual payments of principal in accordance with the 5 year borrowing limit schedule provide by WATC and quarterly interest payments in accordance with a fixed instalment repayment schedule. Excluding the contractual obligation to repay the WATC under its portfolio lending arrangements, the PHPA has not provided any security in respect of the loan.

23. Financial instruments

Financial risk management objectives and policies

The Authority's principal financial instruments comprise cash and cash equivalents, other financial assets, trade receivables, other receivables, payables and interest bearing borrowings. 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 is the risk of financial loss to the Authority if the Authority's debtors fail to meet their contractual obligations and arises principally from the Authority's receivables from customers and investments. The Authority measures credit risk on a fair value basis being the expected recoverable amount and monitors risk on a regular basis including regular reporting to the Executive and the Board.

Trade and other receivables

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 13 '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 improvement in 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 13 '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 one bad debt write off of \$60k and one provision for doubtful debt of \$251k raised this financial year and none the previous 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.

BHP Billiton (BHPB) is one of the world's largest diversified resource companies. The Authority has a commercial arrangement with BHPB - MNJV RGP6 Temporary Works Deed that clearly sets out each parties rights. While the Authority has a concentration risk associated with the large receivable that ensues from this deed, the risk is controlled by management by monitoring BHPB's financial position, maintaining positive business relationships with BHPB and managing the factors which attach to its rights under the deed. On this basis, the residual concentration risk is felt to be satisfactorily managed.

Cash and cash equivalents and other financial assets

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 and other financial assets. The Authority only holds funds and deposits with Australian financial institutions with appropriate credit ratings.

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Authority's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation. This is achieved by maintaining a balance between continuity of funding and flexibility through the use of cash reserves and its borrowing facilities and ensuring appropriate procedures are in place to manage cash flows, including monitoring forecast cash flows.

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Authority does not trade in foreign currency and is not directly materially exposed to other price risks (for example, equity securities or commodity price changes). The Authority's exposure to market risk for changes in interest rates relates primarily to cash and cash equivalents. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturity dates. The risk is managed by WATC through portfolio diversification and variation in maturity dates.

Cash flow sensitivity analysis

Fair value sensitivity analysis for financial instruments.

The Authority does not account for any fixed rate financial assets and liabilities at fair value through the Statement of Profit or loss and Other Comprehensive Income. Therefore a change in interest rates at the end of the reporting period would not affect the reported profit.

The Authority's policy is to manage its finance costs investment portfolio 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:

	2013/2014		
	Carrying amount (\$'000)	-1% change Profit (\$'000)	+1% change Profit (\$'000)
<i>Interest rate sensitivity analysis</i>			
Financial assets			
Cash and cash equivalents	34,248	(342)	342

	2012/2013		
	Carrying amount (\$'000)	-1% change Profit (\$'000)	+1% change Profit (\$'000)
<i>Interest rate sensitivity analysis</i>			
Financial assets			
Cash and cash equivalents	34,912	(349)	349

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 unless otherwise disclosed.

	2014 \$'000	2013 \$'000
Financial assets		
Cash and cash equivalents	34,248	34,912
Deposits (with maturity dates greater than 3 months)	125,000	62,000
Loans and receivables	87,916	77,180
	247,164	174,092
Financial liabilities		
Interest bearing liabilities	184,700	204,700
Trade and other payables	17,066	17,300
	201,766	222,000

23. Financial instruments continued

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.

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.

The table below reflects the contractual maturity values of financial liabilities. The table includes the sum of both principal and projected interest cash flows related to interest bearing borrowings year on year, together with the current balance of trade and other payables which are all assumed to be settled in less than 6 months.

	2014 \$'000	2013 \$'000
Composition and maturity analysis		
Financial Liabilities are expected to be paid as follows:		
Less than 6 months	20,677	21,424
6 months to 1 year	23,611	24,125
1 to 5 years	101,067	109,157
Over 5 years	93,439	113,707
	<hr/> 238,794	<hr/> 268,413

23. Financial instruments continued

2014	Weighted average effective interest rate	Interest bearing (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
Financial assets and liabilities				
Cash and cash equivalents	2.52%	34,247	1	34,248
Deposits	3.70%	125,000	-	125,000
Receivables	-	-	40,311	40,311
Other receivables	-	-	47,605	47,605
Interest bearing borrowings	3.83%	(184,700)	-	(184,700)
Trade and other payables	-	-	(17,066)	(17,066)

2013	Weighted average effective interest rate	Interest bearing (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
Financial assets and liabilities				
Cash and cash equivalents	3.81%	34,911	1	34,912
Deposits	4.33%	62,000	-	62,000
Receivables	-	-	31,398	31,398
Other receivables	-	-	45,782	45,782
Interest bearing borrowings	4.28%	(204,700)	-	(204,700)
Trade and other payables	-	-	(17,300)	(17,300)

	Carrying Amount 2014 (\$'000)	Fair Value 2014 (\$'000)	Carrying Amount 2013 (\$'000)	Fair Value 2013 (\$'000)
Borrowings from WATC	184,700	190,383	204,700	210,775

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 disclosed.

The fair value of a financial asset or financial liability is the amount at which the asset could be exchanged or the liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair value of borrowings is estimated by discounting expected principal and interest cash flows at the interest rate at the measurement date.

Other than the above, the carrying amounts of financial assets and liabilities included in the balance sheet approximate their fair values due to their short terms of maturity.

24. Remuneration of auditors

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

	2014 \$'000	2013 \$'000
Auditing the accounts and the financial statements	51	46

25. 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 Regulation (DER). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. On 1 July 2010, a section of land vested in 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. Port Hedland Port Authority has made previous submissions under the Act and is working with the lessees and specialist consultants to investigate and manage the remediation requirements.

26. Expense Commitments

	2014 \$'000	2013 \$'000
Service contracts - Port operations		
Within one year	35,847	38,820
Later than one year but not later than five years	30,980	155,544
Later than five years	20,579	21,491
Total	87,406	215,855
Capital commitments		
Within one year	9,572	4,720
Later than one year but not later than five years	-	-
Later than five years	-	-
Total	9,572	4,720
Operating lease commitments		
Within one year	676	515
Later than one year but not later than five years	900	719
Later than five years	-	-
Total	1,576	1,234
Operating lease commitments - leased in employee housing		
Within one year	5,801	6,143
Later than one year but not later than five years	4,675	5,986
Later than five years	1,000	1,550
Total	11,476	13,679

27. Revenue Commitments

Long Term Property Leases

Properties are leased to proponents under operating leases with lease payments in accordance with the terms of their respective lease agreements. Minimum lease payments receivable on property leases are as follows:

	2014 \$'000	2013 \$'000
Within one year	19,708	14,738
Later than one year but not later than five years	68,824	67,938
Later than five years (Up to 50 years)	420,172	417,934
Total	508,704	500,610

28. Notes to Statement of Cash Flows

Reconciliation of profit after income tax to net cash inflow from operating activities.

	2014 \$'000	2013 \$'000
Net profit	111,638	45,807
Depreciation and amortisation expense	19,221	18,960
Net loss on sale of non-current assets	20	98
Change in assets and liabilities:		
Trade debtors	(10,735)	(1,325)
Inventory	589	279
Future tax benefits	(4,160)	(1,336)
Prepayments	110	(102)
Trade creditors	3,172	1,897
Land rehabilitation liability	1,426	2,661
Accrued expenses	(3,366)	816
Prepaid revenue	(13,146)	(11,012)
Provision for income tax	17,478	(5,375)
Provision for deferred income tax	3,875	567
Provision for employee entitlements	610	751
	126,732	52,686

29. Related Parties

Directors

Mr Crispin Collier is an employee of Fortescue Metals Group and was appointed as Director on 19 August 2013.

Mr Crispin Collier's appointment as Director expired on 30 June 2014 and was not renewed.

Mr Rag Udd is an employee of BHP Billiton Ltd and was appointed as Director on 19 August 2013.

Mr Rag Udd's appointment was terminated as Director as at 31 May 2014.

Mr Matthew Dowd's appointment (Alternate Director to Mr Rag Udd) was terminated as Alternate Director as at 31 May 2014.

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.

Details of other Directors and key management personnel are set out in the Directors' Report.

Remuneration Benefits

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

30. Subsequent events

- (i) An amendment Bill was passed through the Western Australian Legislative Council on 8 May 2014. Specific merger provisions in the resulting *Ports Legislation Amendment Act 2014*, forming the Pilbara Ports Authority, were gazetted on 20 June 2014, to take effect on 1 July 2014.

As of 1 July 2014, Dampier Port Authority will be merged with Port Hedland Port Authority, and Port Hedland Port Authority will be renamed Pilbara Ports Authority. The Pilbara Ports Authority will retain the Port Hedland Port Authority's existing Australian Business Number (i.e. ABN 94 987 448 870). The Pilbara Ports Authority will control and manage the Port of Ashburton, the Port of Dampier and the Port of Port Hedland.

Under the legislative changes, amongst other things, all assets, rights and liabilities of Dampier Port Authority, including those under or in connection with contracts and deeds to which Dampier Port Authority is a party, will be transferred to Pilbara Ports Authority. Additionally, the legislative changes provide that any references to Dampier Port Authority or Port Hedland Port Authority in existing agreements, instruments and documents are taken to be references to Pilbara Ports Authority from the merger time (1 July 2014). Similarly, if either Dampier Port Authority or Port Hedland Port Authority is a party to existing contracts or deeds, the Pilbara Ports Authority will be the party from the merger time.

- (ii) The West Australian government announced on Thursday 28 August 2014 its intention to divest the Utah Point Bulk Handling Facility.

31. Supplementary financial information

Write offs

	2014 \$'000	2013 \$'000
Bad debts	60	1
	60	1

Financial Performance Indicators

For the year ended 30 June 2014

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.

*Current Ratio
Comparison 2009/10 to 2013/14*

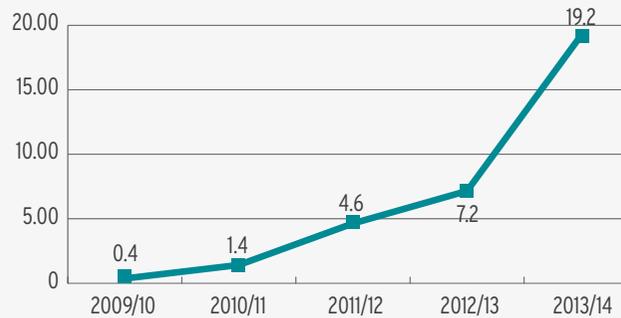


Interest cover ratio

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

The interest cover 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.

*Interest Cover
Comparison 2009/10 to 2013/14*



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.

*Debt to Equity
Comparison 2009/10 to 2013/14*

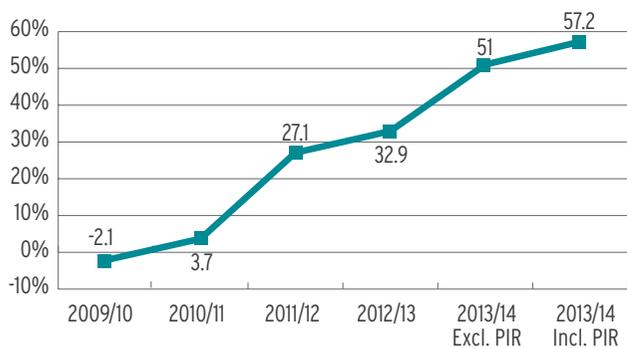


Return on equity

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

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

*Return on Equity
Comparison 2009/10 to 2013/14*



Return on assets

The return on assets ratio is an indicator of how profitable the Authority is relative to the value of 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.

*Return on Assets
Comparison 2009/10 to 2013/14*



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.

The economic rate of return is calculated as per below:

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

*Economic Rate of Return
Comparison 2009/10 to 2013/14*



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