



**NEWCASTLE**  
**PORT**  
CORPORATION  
*Delivering Opportunity*

Annual Report 2006-07



## Contents

Letter to Shareholders	1
Chairman's Message	2
CEO's Message	3
Purpose of Corporation	4
The Year in Review	5
Safety	6
Delivering Opportunity for the Hunter Region	7
Growing Trade	9
Optimising Return on Commercial Property	10
Staff Sustainability	11
June Long Weekend Storms	13
Corporate Governance	14
Financial Statements	16
Statutory Requirements	48

The Hon Michael Costa MLC  
Treasurer, Minister for Infrastructure  
and Minister for the Hunter

Level 31  
Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

The Hon John Watkins  
Minister for Finance

Level 30  
Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Ministers

We present the Annual Report of the Newcastle Port Corporation for the year ending 30 June 2007. The report is in accordance with the Annual Reports (Statutory Bodies) Act 1984, the applicable provisions of the Public Finance and Audit Act 1983 and the State Owned Corporations Act 1989.

It is submitted for presentation to Parliament.



**Wilton Ainsworth**  
CHAIRMAN



**Gary Webb**  
CHIEF EXECUTIVE OFFICER

# chairman's message



The 2006–07 trading year resulted in record coal exports but also showed the resolve of Newcastle Port Corporation in rising to the challenge of providing safe, effective and sustainable port operations.

The biggest challenge faced by the Corporation was the storm activity that swept across Newcastle and the Hunter Region on the June long weekend. The storm fronts, accompanied by heavy seas and subsequent flooding of the Hunter River, significantly impacted on operations and resulted in the grounding of *Pasha Bulker*.

Newcastle Port Corporation employees worked tirelessly through the very testing weeks of June to monitor sea, swell and harbour conditions in an effort to resume shipping movements as soon as practicable and ensure normal port operations. It is a credit to the knowledge and expertise of our people that some shipping movements were allowed during daylight when river heights rose immediately after the long weekend as floodwaters affected the region for more than a week.

Despite the impact of the storms on the port, coal exports reached a record 80.8 million tonnes for 2006–07, an increase of about 500,000 tonnes on the previous year. The Hunter Valley Coal Chain estimated that coal exports lost due to the combination of storm damage to mine and rail infrastructure, and port restrictions, amounted to about 2.5 million tonnes.

The storms not only gained national and international attention because of their ferocity, but also because of the grounding of *Pasha Bulker* on Nobbys Beach near the entrance to the port.

The date of Friday, 8 June 2007 will live long in the memory of those who work at Newcastle Port Corporation and also those employees from other organisations and agencies who responded immediately to our call for assistance.

The immediate and co-ordinated response through an Incident Control Centre established within 15 minutes of *Pasha Bulker* running aground was nothing short of magnificent. Most people were pulled away from their normal duties and we thank them for their co-operation and understanding.

My appreciation also goes to our own employees who focussed on maintaining safe port operations during a challenging time. Many employees faced difficulties on the home front due to the storm activity and their dedication in sharing the load is recognised.

Although the month of June was the centre of attention, there were other milestones and developments during the year:

- the Corporation sponsored a \$200,000 research project into clean coal technology at the University of Newcastle
  - new Shiphandling Safety Guidelines were approved to allow ships up to 290 metres to enter the port at night.
- I congratulate my fellow Directors, management and staff on a challenging but successful 12 months. Newcastle Port Corporation continues to deliver record performance while providing opportunity in one of the world's great ports.
- Newcastle Port Corporation committed \$22 million in wharf and port infrastructure at Intertrade Industrial Park
  - Marstel Terminals Newcastle Pty Ltd will establish a bulk liquids storage terminal at Walsh Point – total investment about \$47 million
  - Manildra Park Pty Ltd signed an agreement to lease 3.2 hectares at Walsh Point to establish a ship refuelling facility – total investment about \$13 million
  - a special report from the Hunter Valley Research Foundation placed the value of trade through the port at more than \$8 billion and contributing to employment growth

A handwritten signature in black ink, appearing to read 'Wilton Ainsworth'.

**Wilton Ainsworth**  
CHAIRMAN

# ceo's message



There is little doubt that the *Pasha Bulker* incident captured the attention of most people as images were beamed around the world during June.

Our Chairman in his message has thanked the many personnel and organisations who assisted under the National Plan and I support his comments. The period between 8 June and the successful refloat of *Pasha Bulker* on 2 July tested the Corporation but the teamwork displayed was outstanding.

I would like to commend local agencies such as the Westpac Rescue Helicopter Service, NSW Police, Citizens Radio Emergency Service Teams (CREST) and others who responded immediately with great professionalism. The community also deserves special praise for its patience during a period of intense activity and for its understanding when air, sea and land exclusion zones were introduced to assist salvage operations and safety precautions.

Safety is the Number One priority at Newcastle Port Corporation and the support of the Board in implementing programs and supporting initiatives is welcome. During 2006–07 the Corporation:

- introduced a Safety Observation Program
  - 262 Safety Observations completed
  - 50% of employees received DuPont Safety Observation training
- delivered one-day OH&S Awareness training program for all employees

- implemented '5 Steps to Safety' – Think, Spot, Assess, Make, Do
- revised Personal Protective Equipment requirements – high-visibility uniforms, hard hats and safety glasses
- completed manual handling training for personnel on the dredger *David Allan*.

I believe all injuries can be prevented. Improving our safety culture in a workforce that continually puts safety first will continue to be a major objective.

Newcastle Port Corporation concentrated on its strategic vision and objectives of the 2006–07 Business Plan and appointed Mark Newton as General Manager Business Development to develop and diversify the port's trade base and also to improve service delivery to customers and service providers.

Trade throughput was slightly higher in 2006–07 than the previous year at 85.6 million tonnes. The throughput was a record for the port which is an outstanding effort when one considers the impact of the June storms when trade was reduced by about 2.5 million tonnes.

The value of the trade was about \$8.3 billion with coal contributing about \$5.7 billion of this figure. Coal exports amounted to 80.8 million tonnes, an increase of about 500,000 tonnes on 2005–06, which was an exceptional effort by the Hunter Valley coal chain.

Trade in other commodities was 4.8 million tonnes valued at \$2.6 billion. Highlights include record alumina imports and records in both import and export of iron and steel products.

A Customer Satisfaction Survey revealed Newcastle Port Corporation's overall satisfaction rating compared favourably with other ports. There is room for improvement with initiatives implemented in the key area of communication.

Meanwhile, our strategic approach to growth and diversification continues to pay dividends with the port recognised as an economic powerhouse for the local and NSW economies.

The commitment of all employees is one of the big contributing factors in our approach and tribute goes to them in a demanding but rewarding year.



**Gary Webb**

CHIEF EXECUTIVE OFFICER





# purpose of the corporation

The purpose of the Newcastle Port Corporation is to provide safe, effective and sustainable port operations and to deliver port development that enhances the economic growth of the Hunter Region and New South Wales.

## Statutory Objectives

Newcastle Port Corporation's principal objectives under the State Owned Corporations Act and the Ports and Maritime Administration Act 1995 are:

- to be a successful business
- to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the Protection of the Environment Administration Act 1991
- to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates
- to promote and facilitate trade through its port facilities
- to ensure its port safety functions are carried out properly

## Business Plan

Components of the Business Plan are:

- Service Delivery – providing safe and efficient port operations
- Corporate & Social Responsibilities – fulfilling our responsibilities
- Business – winning more business
- People – looking after our people

The Corporation through its Business Plan has the following priorities:

- safety
- greater value for the Hunter Region
- grow trade
- optimise return on commercial property



The Corporation through its Business Plan provides the following values:

- safety
- customer focus
- teamwork
- leadership

We do not tolerate:

- unsafe acts
- double standards
- bullying
- harassment

# the year in review

## Summary of Results

	2005-2006	2006-2007
<b>FINANCIALS</b>		
Revenue from port operations (\$m)	39.746	39.293
Operating surplus (\$m after tax)	11.567	11.529
Total assets (\$m)	159.52	170.199
Return on assets	12.4%	11.4%
<b>TRADE</b>		
Total Trade (million mass tonnes)	85.57	85.60
Coal Export Trade (million mass tonnes)	80.27	80.77
General Cargo Trade (million mass tonnes)	0.66	0.71
Non-Coal Bulk Trade (million mass tonnes)	4.67	4.09
<b>SHIPPING</b>		
Total vessel GRT (million tonnes)	57.48	57.00
Vessel visits	1,470	1,426
<b>EMPLOYEES</b>		
Number of Employees	98	106

## Highlights

- Trade throughput in 2006-07 of 85.6 million tonnes was slightly above the record set the previous year for the Port of Newcastle
  - Total trade was valued at about \$8.3 billion, \$5.7 billion being the coal component and \$2.6 billion being other trade
  - Newcastle continued to set new coal export records with nearly 80.8 million tonnes, maintaining the port's position as one of the world's largest coal export ports
  - A study by Hunter Valley Research Foundation estimates that \$1.5 billion will be invested in the port up to 2010 with job generation in the Hunter Region from port activities being about 1,630 positions each year
  - NSW Premier, Morris Iemma, announced two major port infrastructure projects to increase coal exports – Newcastle Coal Infrastructure
- Group is investing \$922 million to develop the port's third coal terminal at an initial capacity of 33 million tonnes per annum; Port Waratah Coal Services is expanding capacity to 120 million tonnes at a cost of \$78 million
- Newcastle Port Corporation committed \$22 million in wharf and port infrastructure at Intertrade Industrial Park
  - Marstel Terminals Newcastle Pty Ltd announced a \$47 million bulk liquids storage facility and Manildra Park Pty Ltd announced a \$13 million ship refuelling facility, both at Walsh Point
  - New Shiphandling Safety Guidelines allow ships up to 290 metres in length to be piloted into port at night
  - Imports of alumina set a new record of 1.34 million tonnes, an increase of 85,000 tonnes on 2005-06.

More than 80% of Marine Pilot transfers are by helicopter, the remainder by pilot cutter vessel



# safety

The safety of our staff, customers and visitors is Newcastle Port Corporation's Number One priority. Safety initiatives had the full support of the Board of Directors through the Board's Safety, Health and Environment Committee to reduce the Lost Time Injury level to a goal of zero.

A Safety Observation Program introduced in September has resulted in more than 50% of employees undertaking observation training to improve safety culture within the Corporation.

The training included internal and external safety observations with 262 observations being completed to the end of June. All employees completed a one-day Occupational Health and Safety awareness

session while a '5 Steps to Safety' campaign was implemented in April.

Revised requirements were introduced for personal protective equipment and high-visibility uniforms are now worn by operational staff. Emphasis was also given to wearing of hard hats and safety glasses.

The Corporation, through its Port Safety Operating Licence (PSOL), carries the function of providing and arranging the provision of services for the safe operation of the Port of Newcastle. The Corporation complied with all requirements and in January was issued with a new five-year PSOL.

An updated Port of Newcastle Maritime Security Plan was approved by the Department of Transport

and Regional Services while the Corporation continued its role as an issuing body agent for the Maritime Security Identification Card (MSIC). The Corporation processes MSIC applications for port maritime industry participants and a total of 657 were issued in 2006-07.

New Shiphandling Safety Guidelines expanded the operational capacity of the port with ships up to 290 metres in length now being piloted into port at night. The new guidelines resulted from 18 months of trials and simulator research to replace the previous limit of up to 275 metres.

Close liaison with the various sections of the port community, such as the Newcastle Cruising Yacht Club and NSW Maritime, saw the publication of a 28-page safety information booklet to enhance the knowledge and awareness of recreational boat skippers. The booklet is particularly helpful for skippers operating craft in proximity to commercial shipping in the port.

Newcastle Port Corporation's Incident Control System (ICS) was activated on 8 June shortly after the grounding of the bulk carrier, *Pasha Bulker*, on Nobbys Beach near the entrance to the port.

An Incident Control Centre (ICC) was quickly established at the Corporation's Newcomen Street office and the National Plan was activated in case of potential oil spill. Svitser Salvage undertook refloat operations and the ship successfully refloated from Nobbys Beach on Monday evening, 2 July. The ship was subsequently safely towed into port for comprehensive assessment and initial repairs.

National, state and regional organisations were involved in the *Pasha Bulker* incident and more than 100 people worked through the ICC at the peak of activity. Debrief sessions added significant information to the ICS in a continuing effort to improve planning and procedures for any emergency or incident.



Safe, effective and sustainable operations of the port both day and night are part of the duties of Port Services Officer, Bill Pearce



# delivering opportunity for the hunter region

Newcastle Port Corporation's strategic vision and pragmatic leadership is structured to deliver growth benefits for the Hunter Region through facilitation of commercially sound projects and opportunities in the Port of Newcastle.

A study by independent research organisation, Hunter Valley Research Foundation, confirmed the port's economic importance for both the Hunter Region and NSW with value of trade placed at more than \$8 billion.

The study, *Estimates of Economic Impacts in the Hunter Region from the Development and Operation of the Port of Newcastle*, revealed that port development and investment will approach \$1.5 billion up to 2010 and will generate 1,630 jobs throughout the region each year.

The study found that over the next three years day-to-day costs of running the port, such as paying of wages, operating port services and operating tugs, will inject \$5 billion into the local economy. Investment in port and port-related infrastructure of \$1.5 billion will have significant flow-on, or multiplier, benefits and is expected to generate total output in the region of \$2.9 billion during the period.

The multiplier effects of the investment will generate income across the region estimated to total \$638 million.

A major announcement by NSW Premier, Morris Iemma, in January highlighted the opportunity that is being delivered in the Port of Newcastle. The Premier announced a \$22 million investment by Newcastle Port Corporation for wharf and port infrastructure at the Intertrade Industrial Park.

The eight hectare development on the former BHP steelworks site is designed to be an attractive option for parties exploring possibilities for the site following an international request for proposals. The project includes refurbishment of an existing wharf and provision of up to 80,000m<sup>2</sup> of hardstand for port use such as cargo handling, storage and assembly area.

Meanwhile, a Development Application for the transformation of the former State Dockyard at Dyke Point into a superyacht and large custom vessel construction facility reflected ongoing diversification in the port.

Newcastle Port Corporation, in conjunction with super luxury yacht manufacturer Azzura Marine, lodged the application with Newcastle City Council that proposed expenditure of \$4.5 million. A large component of the existing construction sheds will be refurbished while commitment has been made for additional yacht building and marine infrastructure.

Non-Development Application expenditure, such as remediation works and yacht construction equipment, is expected to amount to more than \$10 million. A number of outer buildings on the 2.3 hectare site will be demolished while an area for boat launching, and repair and maintenance activities is planned.

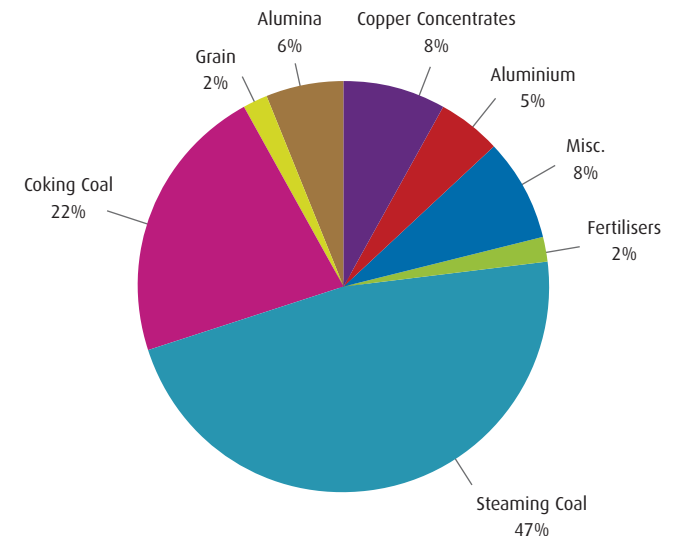
A customer and stakeholder satisfaction survey conducted in late 2006 provided comprehensive feedback to improve service delivery. Customers were well satisfied with the overall operations of the port and consider the Corporation as a professional and good risk manager.

Among areas identified for improvement were communication and knowing the customer's business. As a result, a customer focussed project to build mutually beneficial business development strategies with identified key customers was successfully developed during the year. The Business Development Branch was involved in a program with a number of the port's existing customers to build closer relationships and a better understanding of business issues.

Community initiatives included being a sponsor of Australia Day 2007 and providing free historical tours of the port, revamping the bi-monthly newsletter and introducing the new masthead of *Newcastle Port News* to reflect a wider distribution, popular heritage walks along Macquarie and up to Nobbys headland and community sessions at Nobbys Beach during the refloat operation of *Pasha Bulker*.

Support continued for a range of community and business organisations such as Hunter TAFE, Hunter Export Centre, Hunter Business Chamber, Hunter Valley Research Foundation, Conservation Volunteers Australia, Star Struck and Mission to Seafarers.

Value of Trade: \$8.3 billion  
Year Ending June, 2007







# growing trade

Newcastle Port Corporation is committed to working on a range of initiatives to grow trade in both coal and other commodities through the Port of Newcastle. An integrated network focuses on coal exports while the Corporation is working with customers and other stakeholders to grow non-coal bulk trade, break-bulk and general cargo trade through the port.

An important initiative in the customer and stakeholder relationship strategy to grow the diverse trade base was the creation of the new position of General Manager Business Development to contribute to business and strategic development.

In January the NSW Government approved plans for two major coal infrastructure projects worth about \$1 billion for the port. The first was a \$922 million coal export terminal at Kooragang Island to be developed by Newcastle Coal Infrastructure Group. The terminal will have initial capacity of 33 million tonnes per annum with expansion to a maximum 66 million tonnes.

The second project was a \$78 million expansion of capacity from 77 million tonnes per annum to 120 million by Port Waratah Coal Services at its Kooragang Island terminal.

Marstel Terminals Newcastle Pty Ltd announced the lease of up to six hectares of land at Walsh Point to establish a \$47 million bulk liquids facility. Manildra Park Pty Ltd signed an agreement to lease 3.2 hectares at Walsh Point to construct a \$13 million ship refuelling facility.

Newcastle Port Corporation recognised the significant economic value of diversification with trade of 4.8 million tonnes in commodities other than coal amounting to \$2.6 billion in value. A major focus was a study of bulk facility requirements resulting in plans being finalised for two mooring 'dolphins' at Kooragang No.2 berth to accommodate projected growth of bulk trades.

There was continued support of the Hunter Valley Coal Chain Logistics Team (HVCCLT) which co-ordinates a multi-user logistics chain to improve coal exports from the Hunter Valley. Coal export tonnage is expected to reach 118 million tonnes by 2017 and membership of the HVCCLT is given high priority by the Corporation.

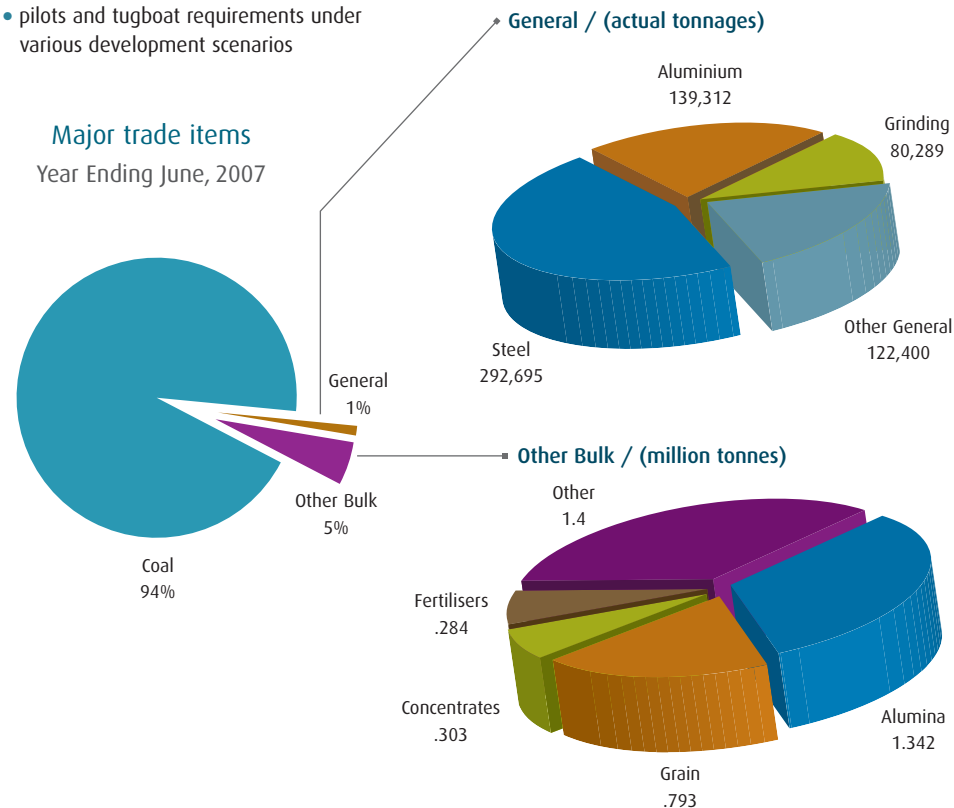
A Newcastle Port Traffic Simulation Model was developed for a co-ordinated approach to port planning to ensure operational constraints were identified, understood and managed in order to complement proposed developments. The model provided analysis of:

- principal shipping channel capacity
- pilots and tugboat requirements under various development scenarios

- impact of changes to vessel handling guidelines or protocols
- changes to vessel fleet make-up
- impact of increasing vessel numbers
- impact of new developments

The model provides a thorough understanding of the impacts of proposed developments and port growth on operations.

**Major trade items**  
Year Ending June, 2007





# optimising return on commercial property

Newcastle Port Corporation concentrated on increasing revenue derived from its commercial property assets and developing port land to grow trade and the economy of the Hunter Region.

The Corporation worked solidly for development of port strategic land with regional bodies such as the Regional Land Management Corporation, Hunter Economic Development Corporation, Hunter Business Chamber and Newcastle City Council.

A number of developments occurred during the year in relation to improving return on commercial properties. These included:

- finalisation of negotiations with Orica for the

export from early 2008 of nitric acid through a pipeline located at K2 Berth on Kooragang Island

- negotiations with BP for the import of petroleum products into Dyke Berth No.1
- negotiations for development and construction of a facility at Carrington for throughput at Dyke Berth No.2
- negotiations with Pacific National for the operational management and refurbishment of port rail infrastructure to improve management of safety and maintenance requirements for all rail operations in the port precinct

In an effort to allow public access to one of the port's iconic sites, approval was gained in August from Newcastle City Council for development of Nobbys headland. The council's decision followed previous approval by the NSW Heritage Council.

The major aim of the Corporation through the commercial development of the site is for the community to have access to a facility that is currently restricted. The project includes a 50-seat restaurant, eight boutique accommodation units, a manager's residence, kiosk, interpretive elements

and an observation deck on the roof of the restaurant to provide 360 degree views for the public.

A legislative requirement was identified by the Commonwealth Department of the Environment and Water Resources to undertake a further assessment process due to the circular lighthouse site being leased to the Federal Government. This resulted in a detailed heritage assessment and an invitation for comment by the general public by late July 2007.





# staff sustainability

Newcastle Port Corporation's staff sustainability strategy aims to identify, develop and train employees to effectively implement the Statement of Corporate Intent and Business Plan while providing for future leadership roles within the organisation.

A Staff Climate Survey provided feedback for the Corporation and an action plan was developed on a range of matters. The survey provided promising results in the area of leadership which was partly attributable to a Leadership Development Program. Effective leadership was recognised as a vital component in the professional management and direction of the Corporation and its employees.

A key aspect of keeping employees well informed was Newcastle Port Corporation Consultative Committee meetings which brought together management, staff and union representatives. Open discussions occurred at these meetings on a range of topics as part of the internal communication strategy. Topics included future direction, port development, business and financial planning, organisational structure and employment working conditions.

Newcastle Port Corporation's Performance Management System continued to provide a structured framework for staff and their managers to discuss day-to-day activities and plan for future training and career development.

Preliminary work commenced on a Succession Planning Project, including the Leadership Program and Frontline Management course, while the Corporation in conjunction with the Maritime Union of Australia conducted a survey of Port Services employees to better understand their retirement plans.

The safety culture program within the Corporation focussed on safety being the Number One priority and proactive support mechanisms during 2006-07 included:

- consultation and communication
- workplace committees
- lead and lag indicators linked to Government's 'Working Together' strategy
- ongoing refresher training
- monthly benchmarking strategies
- effective injury management strategies
- ongoing implementation of Asbestos Management Plan

Nine Port Services staff successfully completed the TAFE Frontline Management Certificate with two achieving distinction level passes. Two employees are continuing studies in a Diploma course.



Col Rae and Nicole Somerville  
– providing feedback assists staff sustainability





# june long weekend storms

The grounding of the bulk carrier, *Pasha Bulker*, on the morning of Friday, 8 June tested the response, experience and resilience of Newcastle Port Corporation.

The ship was grounded on Nobbys Beach near the entrance to the port shortly before 10am during strong storm activity and heavy seas. Newcastle Port Corporation quickly established an Incident Control Centre (ICC) at its Newcomen Street office to co-ordinate response, especially in relation to any environmental issue.

Organisations that responded to the Corporation's activation of the National Plan (a plan to combat pollution of the sea by oil and other noxious and hazardous substances) included:

- Australian Maritime Oil Spill Centre
- Australian Maritime Safety Authority
- Department of Environment and Climate Change
- Maritime Safety Queensland
- NSW Maritime Authority
- Oil Response Company of Australia
- Port Kembla Port Corporation
- Sydney Ports Corporation

Support was also provided by Newcastle City Council, Port Waratah Coal Services, Westpac Rescue Helicopter Service, community organisations such as Citizens Radio Emergency Service Teams (CREST) and many local businesses.

*Pasha Bulker* gained national and international attention as a commercial salvage team prepared its plan to refloat the vessel. Air, land and sea exclusion zones were implemented during the salvage operation before *Pasha Bulker* was finally refloated from Nobbys Beach on Monday evening, 2 July.

The vessel was granted entry to the port on 4 July for detailed assessment and interim repairs before being towed from its temporary berth on 26 July for major repairs in Asia.

The ICC operated for 28 days and during the peak period about 100 personnel from organisations listed worked under the direction of the centre.

The port experienced restricted movements as a result of the flooding of the Hunter River. The rail network was impacted by washaways and landslips while port facilities suffered from damaged electrical systems and other problems caused by strong winds.



Nobbys Beach carpark (left of photo) was the forward staging area for oil response and other equipment during the refloat operation of *Pasha Bulker*

# corporate governance



Allan McKeown

Paul Jeans

Gary Webb

Wilton Ainsworth

Gaye Hart

Mark Sargent

Neil Pearson

## Board of Directors

The Directors of the Corporation are:

### Wilton Ainsworth

B Sc (Hons)

Wilton was appointed Chairman of Newcastle Port Corporation in 1995 and is a member of the Audit Committee.

Wilton's background in the steel industry includes 24 years with BHP and 14 years as Chief Executive Officer of Commonwealth Steel Company, a subsidiary of Australian National Industries.

Wilton is a member of the Newcastle City Council Tourism Advisory Committee and a former member of the Council of the University of Newcastle, the University of Newcastle Graduate School of Business Advisory Council, and the Hunter Institute of TAFE Advisory Council.

Wilton's current two-year term expires in December 2007.

### Gaye Hart AM

BA, Dip Ed, M Ed, D Ed (honoris causa), FACE, FAICD

Gaye was appointed a Director of Newcastle Port Corporation in 1995 and Chairs the Safety, Health and Environment Committee.

Gaye is a member of the Hunter New England Area Health Advisory Council and a Councillor of the Australian National Maritime Museum. From 1995 until 2005 Gaye was the Director of the Hunter Institute TAFE NSW.

Gaye's current three year term expires in December 2007.



## Paul Jeans

BE, FIE Aust, F Aus IMM, MAICD

Paul was appointed as a Director of Newcastle Port Corporation in October 2002 and is a member of the Safety, Health and Environment Committee.

In a career spanning over 40 years with BHP Paul held the following senior executive positions: Executive and Group General Manager / CEO for BHP's Steel Businesses (Wire, Rod and Bar, Slab and Plate Divisions), its Minerals Businesses (Iron Ore, Manganese and Hot Briquetted Iron) and its Services Businesses (Engineering, Information Technology, Transport, Power and Insurance).

Paul is a Director of Energy Australia and an Honorary Governor of the Warren Centre for Advanced Engineering at the University of Sydney.

Paul's current two year term expires in October 2007.

## Allan McKeown

BComm, FCA, FTIA, FAIM, MAICD

Allan was appointed a Director of Newcastle Port Corporation in 2005 and is Chair of the Audit Committee.

Allan is Chief Executive of Prosperity Advisers Pty Ltd. He has more than 20 years experience in Chartered Accounting, which includes several international secondments. He is Deputy Chairman of the Newcastle Knights Ltd, a Director of the Greater Building Society Ltd and a number of other private companies.

Allan's current three year term expires in December 2007.

## Neil Pearson

BEng (Hons), Grad Dip Man, MBA, MIE Aust, GAICD

Neil was appointed as a Staff Director in October 2005 and is a member of the Audit Committee.

Neil is the Projects Manager for Newcastle Port Corporation and is responsible for the project management of the Corporation's development of port

infrastructure (outside of major strategic projects), management of maintenance for the majority of the Corporation's asset portfolio and co-ordination and management of the annual capital works program.

In his 22 years with Newcastle Port Corporation and its predecessor the Maritime Services Board Hunter Ports Authority, Neil has held a number of engineering roles prior to his appointment as Projects Manager in 2000.

Neil's current three year term expires in October 2008.

## Mark Sargent

MBA, MMktg, GAICD

Mark was appointed a Director of Newcastle Port Corporation in December 2005.

Mark is the principal of Aigis Group Pty Ltd which provides economic and social impact modelling, finance and corporate governance advice. He previously held positions with Boral's concrete and transport divisions and the Newcastle Knights.

He has served as a Director of Life Activities and as a Director of NUSport (Newcastle University Sport).

Mark's current three year term expires in December 2009.

## Gary Webb

BSurv (Hons) Grad Dip Ed, Grad Cert BA, GAICD

Gary was appointed a Director of Newcastle Port Corporation effective from December 2004.

This follows his appointment as Chief Executive Officer in October 2004. Gary was previously the General Manager Operations for Newcastle Port Corporation.

His current three year term expires in December 2007.

## Executive Management

### Gary Webb

BSurv (Hons), Grad Dip Ed (TAFE),  
Grad Cert Bus Admin (Executive), GAICD

### Chief Executive Officer

### David Callaghan

BComm, CA

### General Manager Finance and Corporate Services

### Michael Dowzer

LLB, Grad Dip Legal Practice, GAICD

### Secretary and General Counsel

### Mark Newton

### General Manager Business Development

### Ron Sorensen

MIMAREST

### General Manager Operations

### Timothy Turner

Master Mariner

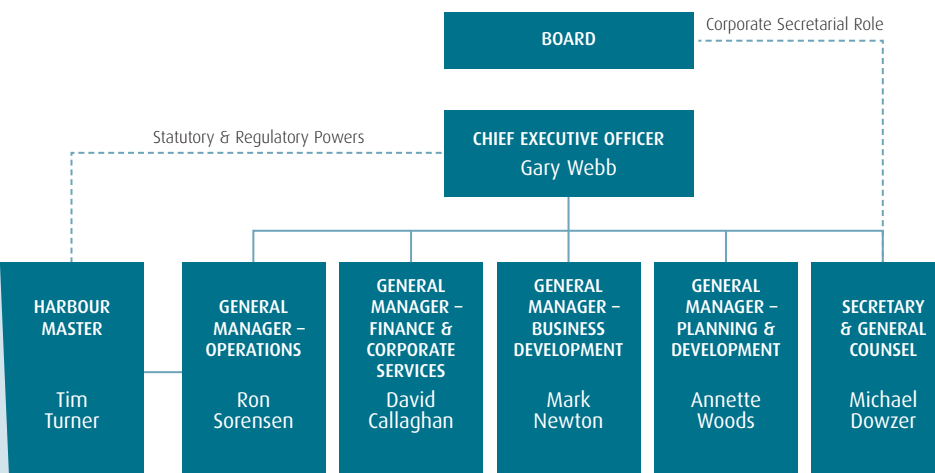
### Harbour Master / Senior Pilot

### Annette Woods

BEng(Civil), MIEAust

### General Manager Planning and Development

## Newcastle Port Corporation – Corporate Structure



## Contents

Directors' Statement	17
Independent Audit Report	18
Income Statement	20
Balance Sheet	21
Cash Flow Statement	22
Statement of Changes in Equity	23
Notes to and forming part of the Financial Statements	24

Newcastle Port Corporation

# financial statements for the year ended 30 June 2007

# directors' statement

In accordance with a resolution of the Directors of the Newcastle Port Corporation, Clause 14 of the Public Finance and Audit Regulation 2000, and pursuant to Section 41C(1B) and 41C(1C) of the Public Finance and Audit Act 1983, in the opinion of the Directors:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the Corporation as at 30 June 2007 and transactions for the year then ended;
2. the statements have been prepared in accordance with the provision of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and relevant Treasurer's Directions.

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



**Paul Jeans**  
DIRECTOR



**Allan McKeown**  
DIRECTOR

Dated: 27.9.07

## independent audit report



GPO BOX 12  
Sydney NSW 2001

### INDEPENDENT AUDITOR'S REPORT NEWCASTLE PORT CORPORATION

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Newcastle Port Corporation (the *Corporation*), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### *Auditor's Opinion*

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### *The Board's Responsibility for the Financial Report*

The members of the Board are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial report.

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



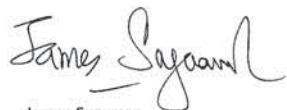
My opinion does *not* provide assurance:

- about the future viability of the Corporation,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

*Independence*

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



James Sugumar  
Acting Director, Financial Audit Services

22 October 2007  
SYDNEY

Newcastle Port Corporation  
**Income Statement**  
 for the financial year ended 30 June 2007

	<b>Note</b>	<b>2007 \$000</b>	<b>2006 \$000</b>
<b><u>Revenue</u></b>			
Port management	2	<b>39,293</b>	39,746
Interest on deposits		<b>2,606</b>	1,856
<b>Total revenue</b>		<b>41,899</b>	41,602
<b><u>Other income</u></b>			
	3	<b>9,543</b>	7,309
<b><u>Expenses</u></b>			
Employee benefits	4	<b>12,054</b>	11,560
Depreciation and amortisation	4	<b>2,540</b>	2,732
Finance costs	4	<b>2,099</b>	2,112
Other expenses	4	<b>18,126</b>	15,431
		<b>34,819</b>	31,835
<b><u>Profit before income tax</u></b>			
		<b>16,623</b>	17,076
Income tax expense	5	<b>5,094</b>	5,509
<b><u>Profit after income tax</u></b>		<b>11,529</b>	11,567
<b><u>Profit attributable to owners</u></b>			
		<b>11,529</b>	11,567

The above Income Statement should be read in conjunction with the accompanying notes.

Newcastle Port Corporation  
**Balance Sheet**  
as at 30 June 2007

	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>\$000</b>	<b>\$000</b>
<b><u>Current assets</u></b>			
Cash and cash equivalents	6	44,854	39,874
Trade and other receivables	7	3,755	2,776
Inventories	8	101	50
<b>Total current assets</b>		<b>48,710</b>	<b>42,700</b>
<b><u>Non-current assets</u></b>			
Property, plant and equipment	10	58,663	59,203
Investment properties	11	59,790	54,129
Intangible assets	12	409	560
Post employment benefits	13	2,627	2,925
<b>Total non-current assets</b>		<b>121,489</b>	<b>116,817</b>
<b>Total assets</b>		<b>170,199</b>	<b>159,517</b>
<b><u>Current liabilities</u></b>			
Trade and other payables	14	5,774	2,922
Income tax payable	5	735	643
Provisions	15	8,502	10,152
<b>Total current liabilities</b>		<b>15,011</b>	<b>13,717</b>
<b><u>Non-current liabilities</u></b>			
Interest bearing borrowings	16	30,829	30,844
Deferred tax liabilities	5	16,987	15,249
Provisions	15	214	270
<b>Total non-current liabilities</b>		<b>48,030</b>	<b>46,363</b>
<b>Total liabilities</b>		<b>63,041</b>	<b>60,080</b>
<b>Net assets</b>		<b>107,158</b>	<b>99,437</b>
<b><u>Equity</u></b>			
Contributed equity	17	62,282	62,282
Reserves	18	10,932	10,932
Retained profits	19	33,944	26,223
<b>Total equity</b>		<b>107,158</b>	<b>99,437</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

Newcastle Port Corporation  
**Cashflow Statement**  
 for the financial year ended 30 June 2007

	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>\$000</b>	<b>\$000</b>
<b><u>Cash flows from operating activities</u></b>			
Receipts from customers (inclusive of GST)		<b>46,339</b>	47,019
Payments to suppliers and employees (inclusive of GST)		<b>(30,653)</b>	(31,639)
Interest received		<b>2,606</b>	1,856
Interest paid		<b>(2,078)</b>	(1,453)
Income tax paid	5	<b>(3,264)</b>	(3,682)
<b>Net cash inflow from operating activities</b>	25	<b>12,950</b>	12,101
<b><u>Cash flows from investing activities</u></b>			
Payments for property, plant and equipment	10	<b>(2,069)</b>	(765)
Payments for intangibles	12	<b>(21)</b>	(64)
Proceeds from sale of property, plant and equipment	10	<b>143</b>	176
Newcastle harbour deepening account	14	<b>1</b>	1
<b>Net cash outflow from investing activities</b>		<b>(1,946)</b>	(652)
<b><u>Cash flows from financing activities</u></b>			
Dividends paid	15	<b>(6,024)</b>	(3,057)
<b>Net cash outflow from financing activities</b>		<b>(6,024)</b>	(3,057)
Net increase in cash and cash equivalents		<b>4,980</b>	8,392
Cash and cash equivalents at the beginning of the financial year		<b>39,874</b>	31,482
Cash and cash equivalents at the end of the financial year	1(a), 6	<b>44,854</b>	39,874

The above Cashflow Statement should be read in conjunction with the accompanying notes.



Newcastle Port Corporation  
**Statement of Changes in Equity**  
 for the financial year ended 30 June 2007

	<b>Note</b>	<b>2007</b>	2006
		<b>\$000</b>	<b>\$000</b>
<b>Total equity at the beginning of the financial year</b>		<b>99,437</b>	93,894
Profit for the year		<b>11,529</b>	11,567
<b>Total recognised income and expense for the year</b>		<b>110,966</b>	105,461
Dividend provided for or paid	15	<b>(3,808)</b>	(6,024)
<b>Total equity at the end of the financial year</b>		<b>107,158</b>	99,437

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

Newcastle Port Corporation

# notes to the financial statements

for the financial year ended 30 June 2007

## Background

Newcastle Port Corporation (NPC) is a Statutory State Owned Corporation under the State Owned Corporations Act 1989 (as amended), responsible for the Port of Newcastle.

## 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### **Basis of preparation**

As required by Section 41B(1) of the Public Finance and Audit Act 1983, the accompanying Financial Statements form a General Purpose Financial Report and have been prepared in accordance with applicable Australian equivalents to International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Urgent Issues Group (UIG) Consensus Views to exhibit a true and fair view of the financial position and transactions of NPC. The Financial Statements also incorporate financial reporting requirements specified in the Public Finance and Audit Regulation 2005 and relevant Treasurer's Directions.

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

Cost is based on the fair value of the consideration given in exchange for assets. The fair value of cash consideration with deferred settlement terms is determined by discounting any amounts payable in the future to their present value as at the date of acquisition. Present values are calculated using rates applicable to similar borrowing arrangements of the Corporation.

The form of presentation of the Financial Statements has been on the basis of full accrual accounting using historical cost accounting conventions, except for certain items which, as noted, are at fair value. The accounting policies adopted are consistent with those of the previous year except where noted.

### **Standards issued but not adopted**

The following standards have been issued but are not mandatory for the year ended 30 June 2007. Only those standards or guidelines relevant to the operations of Newcastle Port Corporation have been considered.

AASB 7 Financial Instrument: Disclosures issued August 2005 and applicable 1 January 2007.

AASB 2005-10 Amendments to Australian Accounting Standards AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 1023 and AASB 1038.

The adoption of these amended standards is not expected to cause any material financial impact on the results of the Corporation. When adopted the standards will impact on the disclosure of information.

## 1. Summary of significant accounting policies continued

### (a) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, at bank, in trust and funds invested in the NSW Treasury Corporation Cash Hourglass facility with original maturity of three months or less. Bank deposits are shown at cost. Hourglass funds are at fair value.

For the purpose of the Cashflow Statement the amount of Cash and Cash Equivalents is reconciled in Note 6.

### (b) Property, plant and equipment

Property, plant and equipment is measured at fair value less accumulated depreciation. Fair value is determined by reference to NSW Treasury policy paper "Valuation of Physical Non-current Assets at Fair Value" (TPP05-03).

Depreciation has been calculated on depreciable assets, using rates estimated to write off the assets over their remaining economic lives on a straight line basis. Land and reclamation assets have been treated as non-depreciable.

Straight line depreciation rates used for each class of fixed assets are in the following ranges:

Buildings	2-7 %
Roads	5-9 %
Wharves and jetties	3-8 %
Breakwaters	1 %
Plant	5-85 %

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

All capital expenditure on land, reclamations, buildings, workshops, roadways, wharves, jetties and breakwaters, and plant of \$100 or more are capitalised. Only those assets completed and ready for service are taken to Property, Plant and Equipment accounts. The remaining capital expenditures are carried forward as construction in progress but included in Property, Plant and Equipment in the Balance Sheet. When minor components of an asset are replaced to retain the service level of the asset the amount is expensed in the year incurred rather than capitalised.

#### i) Revaluation

Material items of property, plant and equipment are subject to revaluations. Any revaluation surplus is credited to the revaluation reserve unless it reverses a revaluation decrease of the same asset previously recognised in the Income Statement. Any revaluation deficit is recognised in the Income Statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

#### ii) Impairment

At the reporting date the Corporation assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Corporation makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Income Statement.

Recoverable amount is the greater of the fair value less costs to sell and value in use. It is determined for individual assets, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### iii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in Income Statement in the year the asset was derecognised.

### (c) Significant accounting judgements, estimates and assumptions

The Corporation has made the following judgements in preparing these financial statements:

#### i) For Profit – the Corporation is a "for profit" entity.

The Corporation has made the following estimates and assumptions in preparing these financial statements:

#### i) Superannuation – various actuarial assumptions are required to quantify the net position of the defined benefits funds. These assumptions are disclosed in note 13.

#### ii) The classification and measurement of fair value of Investment Property is based on predetermined criteria as disclosed in note 11.

### (d) Derivatives

The Corporation uses derivative financial instruments such as interest rate swaps and futures to hedge its risks against interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. Any gain or loss from measuring the instrument at fair value is recognised immediately in the Income Statement.

## 1. Summary of significant accounting policies continued

### (e) Inventories

Inventories have been recorded at year-end at the lower of cost and net realisable value. Consumption is charged on issue at the weighted cost of each stock line. A perpetual inventory system is adopted and is supported by annual stocktakes. The extent of stock deterioration and obsolescence is also reviewed regularly. Stock write-downs as a result of stocktakes and obsolescence are charged directly to operating expenses.

Net realisable value is the estimated selling price due to cessation of consumption in operations.

### (f) Provisions

Provisions are recognised when a present obligation exists as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material then provisions are determined by discounting the expected future cashflows at a pre tax rate based on market assessments and the risks specific to the provision. When discounting is used the increase in the provision due to the passage of time is recognised as an expense.

### (g) Employee benefits

#### i) Wages, salary, annual leave and sick leave

NPC provide fully for all employee entitlements. Wages, salary and annual leave expected to be settled within 12 months of the year-end are measured at their nominal amounts based on remuneration rates expected to be paid when the liability is settled.

Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### ii) Long service leave

Long service leave is provided based on the present value of estimated future cash outflows to be made in respect to services provided by employees up to the reporting date. The provision incorporates future increases in wages, on-costs and a history of staff turnover. A national government bond rate matching as closely as possible the terms to maturity of the related future cashflows is used to calculate the present value of expected future payments.

#### iii) Pension and other post employment benefits

The Corporation provides contributions to both accumulation funds and defined benefits funds. The cost of providing benefits under the defined benefits funds is determined for each plan using the projected unit credit actuarial valuation method. The over or underfunded position of the defined benefit funds is recognised in the balance sheet and actuarial gains or losses are recognised in the Income Statement in the year they occur.

### (h) Assets

The assets of NPC are unencumbered.

### (i) Leases

Leases of plant and equipment are classified as operating leases. Operating lease payments are charged as an expense in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

### (j) Rounding amounts to nearest \$000

In the financial statements, all amounts are rounded to the nearest thousand dollars.

### (k) Income tax equivalents

The Tax Equivalent regime requires NPC to make tax equivalent payments to the NSW Government's Consolidated Fund and involves income tax and capital gains tax.

The income tax expense or revenue for the period is the tax payable on the current periods taxable income based on the notional income tax rate and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled. The tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### (l) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

### (m) Interest bearing borrowings

Borrowings are measured using the effective interest method. Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Subsequently, the difference between the debt's long term face value and the non-current value shown in the Balance Sheet is taken up as a discount on borrowings. The discount will be amortised over the life of the loans.

### (n) Finance costs

Finance costs are recognised as an expense when incurred.

## 1. Summary of significant accounting policies continued

### (o) Trade receivables

Trade receivables are generally settled within 15 days and are carried at amounts due. Bad debts are written off against the Provision for Doubtful Debts after thorough investigation and exhaustion of recovery processes. A review was carried out during the year to determine the adequacy of the level of the Provision for Doubtful Debts.

### (p) Trade payables

Trade payables, including accruals not yet billed, are recognised when the Corporation becomes obliged to make future payments as a result of purchase of assets or services. Trade accounts payable are generally settled within 30 days.

### (q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and that revenue can be reliably measured as follows:

Charges on vessels – navigation revenue is recognised and accrued after completion of the inward vessel movement.

Charges on vessels – pilotage revenue is generally recognised on departure, however, the inward movement is accrued if it occurred prior to year end.

Berth Charges – wharfage revenue is recognised when the vessel departs the berth, however, site occupation is recognised and accrued if it occurred prior to year end.

Rental income – revenue is recognised on a monthly basis in accordance with lease agreements.

Interest income – revenue is recognised as earned on a daily basis and not at maturity of the underlying investment.

Hourglass income – taken to income monthly based on the movement in the market value of the trust units held.

### (r) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the Taxation Office it is recognised as part of the cost of the acquisition of an asset or as part of an item of expense.
- ii) for receivables and payables which are recognised inclusive of GST. GST payable to and recoverable from the Taxation Office is recognised as a payable and receivable respectively in the Balance Sheet.
- iii) the Cashflow Statement is inclusive of GST.

### (s) Segment information

The Corporation operates predominantly in one business segment, that being Port Management, and within one geographical segment, being Newcastle, NSW, Australia.

### (t) Investment properties

Investment properties are initially measured at cost. Subsequently, the investment properties are stated at fair value which reflects market conditions at the Balance Sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the Income Statement in the year in which they arise.

Investment properties are classified as such where the Property is held for rental or appreciation in value.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the Income Statement in the year of derecognition.

If in a construction phase the Property Asset is held in Construction in Progress account in Property, Plant and Equipment until ready for service.

### (u) Intangible assets

Intangible assets are limited to computer software. On acquisition they are capitalised at cost which equates to fair value. The computer software will have a finite life. Amortisation is to be charged to the Income Statement based on the finite life of the asset. Intangible assets will be tested for impairment where an indicator of impairment exists and useful lives will be assessed on an annual basis.

### (v) Contributed equity

Shares issued to the Voting Shareholders in accordance with the requirements of the State Owned Corporations Act 1989 are classified as equity.



		2007	2006
	Note	\$000	\$000
<b>2. Revenue</b>			
<b>Port management</b>			
Charges on vessels		31,259	31,420
Berth services		8,034	8,326
		<b>39,293</b>	<b>39,746</b>
<b>3. Other income</b>			
Non port related lease		2,405	2,181
Gain on vesting of investment property	11	–	1,700
Fair value adjustment to investment property	11	5,661	3,000
Other		1,477	428
		<b>9,543</b>	<b>7,309</b>
<b>4 Expenses</b>			
Employee benefits			
– Salaries, wages and related costs		11,078	10,226
– Superannuation expense	13	976	1,334
Depreciation and amortisation	10, 12	2,540	2,732
Finance costs		2,099	2,112
Repairs and services		10,407	9,114
Administration		5,890	5,560
Consultants		61	106
Net loss on disposal of property, plant & equipment	10	63	35
Other		1,705	616
		<b>34,819</b>	<b>31,835</b>

	2007	2006
	\$000	\$000
<b>5. Income tax equivalent</b>		
<b>Income tax expense</b>		
Current tax	3,356	3,880
Deferred tax	1,738	1,629
Income tax expense	5,094	5,509
<b>Deferred tax</b>		
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	(140)	(74)
(Decrease) increase in deferred tax liabilities	1,878	1,703
	1,738	1,629
<b>Deferred tax asset</b>		
Non allowable depreciation	317	446
Pooled infrastructure items	1,438	1,329
Leave entitlements	1,472	1,319
Sundry accruals	16	9
	3,243	3,103
<b>Deferred tax liability</b>		
Depreciation and revalued property	19,374	17,439
T Corp unrealised gain	5	5
Overfunded superannuation	788	877
Accrued trading income	63	31
	20,230	18,352
<b>Net deferred tax liability position for disclosure in Balance Sheet</b>	16,987	15,249

	2007	2006		
	\$000	\$000		
<hr/>				
5. Income tax equivalent continued...				
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:				
Profit before tax equivalents	16,623	17,076		
Prima facie tax thereon at 30%	4,987	5,123		
Add tax effect of items not deductible (taxable):				
Non deductible expenses	(8)	9		
Non deductible depreciation	115	376		
Harbour Deepening expenditure	-	1		
Total income tax expense attributable to operating profit	5,094	5,509		
<hr/>				
Income tax equivalent payable				
	Balance on	Charge to	Less	Balance
	30-Jun-06	expenses	payments	30-Jun-07
	\$000	\$000	\$000	\$000
<hr/>				
Movement in tax payable	643	3,356	(3,264)	735



	2007	2006
	<u>\$000</u>	<u>\$000</u>
<b>6. Cash and cash equivalents</b>		
Cash assets consist of:		
Cash on hand	3	3
Cash at bank	582	379
T Corp Hourglass Facility Trust	44,269	39,492
	<u>44,854</u>	<u>39,874</u>

Cash assets at both 30 June 2007 and 30 June 2006 are very short term, hence market value approximates cost.

(a) Net fair value

The Corporation considers the carrying amount of cash assets approximate their net fair values.

(b) Significant terms and conditions

There are no significant terms and conditions relating to cash assets.

(c) Credit risk

The Corporation considers it does not have any significant risk exposure for cash assets.  
The maximum credit risk is considered to be the net fair value.

	2007	2006
	\$000	\$000
<b>7. Trade and other receivables</b>		
Trade receivables	<b>1,309</b>	1,994
Accrued income	<b>555</b>	144
Prepayments	<b>613</b>	546
Other receivables	<b>1,278</b>	92
	<b>3,755</b>	2,776

(a) Net fair value

The Corporation considers the carrying amount of debtors approximate their net fair value.

(b) Significant terms and conditions

Trade receivables are required to be settled within 7 days.

(c) Credit risk

The Corporation does not have any significant exposure to any individual customers or counterparty. The maximum credit risk is considered to be the net fair value.

Major concentrations of credit risk that arose from the Corporation's receivables during the year in relation to the industry categories and location of the customers by the percentage of the total revenues from customers are:

Mining industry	76%
Manufacturing industry	10%
Agricultural industry	14%
Asia	87%
Australia	3%
Other	10%

	2007 \$000	2006 \$000
<b>8. Inventories</b>		
Consumable store items – at cost	<b>101</b>	50

Reviews of all store items have been carried out during the year ended 30 June 2007 to determine stock obsolescence and stock on hand adjustments. Stores are valued at the lower of cost and net realisable value.

#### 9. Derivative financial instruments

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

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

A derivative financial instrument is a contract or agreement whose value is derived from the value of the underlying instrument, reference rate or index. Derivative financial instruments are used to alter and modify the natural risks inherent in the Balance Sheet. The Corporation uses futures contracts and interest rate swaps to hedge financial exposures arising from its borrowing portfolio thereby limiting the risk that changes in interest rates will adversely affect profit.

There was no fair value of gain or loss required to be brought to account at the end of either financial year.

#### Outstanding sold futures position

	Delivery month	Contracts sold	Contracts bought	2007 Value \$000	2006 Value \$000
3 year bond futures	Sept 2007	–	6	600	–
10 year bond futures	Sept 2007	–	10	1,000	–
90 day bill futures	Dec 2007	–	1	1,000	–
90 day bill futures	March 2008	1	–	(1,000)	–
				<b>1,600</b>	<b>–</b>

	2007 \$000	2006 \$000
<b>10. Property, plant and equipment</b>		
Property, plant and equipment at fair value	68,290	67,971
Accumulated depreciation	(11,091)	(8,887)
Construction in progress	1,464	119
	<b>58,663</b>	<b>59,203</b>
<b>Land and buildings</b>		
At fair value	12,546	12,546
Accumulated depreciation	(477)	(355)
Net carrying amount	<b>12,069</b>	<b>12,191</b>
<b>Roads</b>		
At fair value	2,030	1,883
Accumulated depreciation	(367)	(275)
Net carrying amount	<b>1,663</b>	<b>1,608</b>
<b>Wharves and jetties</b>		
At fair value	22,797	22,823
Accumulated depreciation	(2,912)	(1,972)
Net carrying amount	<b>19,885</b>	<b>20,851</b>
<b>Breakwaters</b>		
At fair value	14,979	14,979
Accumulated depreciation	(462)	(312)
Net carrying amount	<b>14,517</b>	<b>14,667</b>
<b>Plant</b>		
At fair value	15,938	15,740
Accumulated depreciation	(6,873)	(5,973)
Net carrying amount	<b>9,065</b>	<b>9,767</b>
<b>Total net carrying amount of property, plant and equipment in operation</b>	<b>57,199</b>	<b>59,084</b>
<b>Construction in progress</b>		
Wharves & jetties	1,138	38
Plant	326	81
Total	<b>1,464</b>	<b>119</b>
<b>Disposals</b>		
Proceeds from sale	143	176
Written down value	(206)	(211)
Net amount included in the Income Statement	<b>(63)</b>	<b>(35)</b>



**10. Property, plant and equipment continued**

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

**30 June 2007**

	Land and buildings	Roads	Wharves & jetties	Breakwaters	Plant	Construction in progress	Total
Carrying amount at start of year	12,191	1,608	20,851	14,667	9,767	119	59,203
Additions	-	-	-	-	-	2,069	2,069
Disposals	-	-	(23)	-	(183)	(36)	(242)
Transfer to asset register	-	146	-	-	542	(689)	-
Depreciation expense	(122)	(91)	(943)	(150)	(1,061)	-	(2,367)
Carrying amount at end of year	12,069	1,663	19,885	14,517	9,065	1,463	58,663

**30 June 2006**

	Land and buildings	Roads	Wharves & jetties	Breakwaters	Plant	Construction in progress	Total
Carrying amount at start of year	12,017	1,705	21,795	14,817	10,636	244	61,214
Additions	-	-	-	-	-	830	830
Disposals	-	-	-	-	(211)	-	(211)
Transfer to asset register	288	-	-	-	603	(891)	-
Transfer to intangibles assets	-	-	-	-	-	(64)	(64)
Depreciation expense	(114)	(97)	(944)	(150)	(1,261)	-	(2,566)
Carrying amount at end of year	12,191	1,608	20,851	14,667	9,767	119	59,203

#### 10. Property, plant and equipment continued

Land and buildings, roads, wharves and jetties, breakwaters and major items of plant were revalued as at 1 June 2004.

The valuation is considered appropriate for determining the carrying value for the year ended 30 June 2007. Assets acquired since 1 June 2004 have been recorded at cost which is deemed fair value. The revaluation covered 96% of the book value of assets in all classes. Assets deemed immaterial and not subject to revaluation were recognised at fair value based on the carrying value as at 1 June 2004 projected to 30 June 2004. As in the prior year they are classified as fair value.

Breakwaters were revalued by management while the independent review of plant was basically limited to floating plant and major land based navigation aids. Other buildings, roads, wharves and jetties and major navigation aids were valued by F Julier AAPI Certified Registered Valuer of the Rushton Group. Floating plant was valued by R Behan, Naval Architect, of Marine Matters Pty Ltd through the Rushton Group.

The Physical Non-Current Assets are valued at fair value in accordance with Australian Accounting Standard AASB 116. "Fair value" is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction". Additional guidance regarding implementation of the principles of AASB 116 in the Public sector was gained from the New South Wales Treasury paper "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value (TPP 03-02)".

Carrying amounts if Property, plant and equipment were stated at cost:

	<b>2007</b>	2006
	<b>\$000</b>	\$000
Cost	<b>54,136</b>	52,473
Accumulated depreciation	<b>(9,854)</b>	(8,052)
Net carrying amount	<b>44,282</b>	44,421

	Note	2007 \$000	2006 \$000
<b>11. Investment property</b>			
At fair value			
Opening balance at the beginning of the year		<b>54,129</b>	49,429
Additions	11(b)	–	1,700
Gain / (loss) from fair value adjustments		<b>5,661</b>	3,000
Closing balance at the end of the year		<b>59,790</b>	54,129

**(a) Basis of valuation**

Investment properties are stated at fair value.

Land and buildings were valued by M Henley Registered Valuer No 1710 of the NSW Department of Lands in May 2007 (as at June 2007).

The Sensation Yachts site was valued by M Nicholson Registered Valuer No 2883 of the NSW Department of Commerce (now Department of Lands) in February 2006.

Other Investment Property was valued by F Julier AAPI Certified Registered Valuer of the Rushton Group in June 2004 and is deemed current given the maintenance regime since that time.

Fair value is based on the New South Wales Treasury paper "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value (TPP 03-02)".

In determining the fair value of the Corporation's Investment Properties, the Directors considered the above independent valuations together with the discounted cash flows arising from Investment Properties which are leased under long term agreements.

**(b) Additions**

In February 2006 the site improvements at the Australian Defence Industries facility in Carrington vested to the Newcastle Port Corporation in accordance with the terms of the terminated lease.

No consideration was required to be paid by the Corporation and the fair value of the site improvements of approximately \$1.7m was brought to account as revenue.

**(c) Amounts recognised in the Income Statement for investment property**

Rental income	<b>6,206</b>	5,814
Direct operating expenses from property that generated rental income	<b>(2,493)</b>	(4,344)
Direct operating expenses from property that did not generate rental income	<b>(266)</b>	(815)

	2007 \$000	2006 \$000
<b>11. Investment property continued...</b>		
<b>(d) Leasing arrangements</b>		
Lease payments receivable at balance date (inclusive of GST)	<b>37,062</b>	38,634
Minimum future lease payments receivable from non-cancellable operating leases are as follows:		
Not later than one year	<b>4,739</b>	4,875
Later than one and not later than five years	<b>17,114</b>	17,291
Later than five years	<b>15,209</b>	16,468
Lease income consists of a combination of base and throughput rents.		
<b>12. Intangible assets</b>		
At fair value	<b>1,237</b>	1,216
Accumulated amortisation	<b>(828)</b>	(656)
Net carrying value	<b>409</b>	560
Intangible assets consist of computer software which have a defined economic life of 5 years.		
Reconciliation of the net carrying amounts of intangible assets at the beginning and end of the current and previous financial year are set out below:		
Carrying amount at start of year	<b>560</b>	662
Additions	<b>22</b>	64
Amortisation expense	<b>(173)</b>	(166)
Carrying amount at end of year	<b>409</b>	560



	2007 \$000	2006 \$000
<b>13. Post employment benefits</b>		
Overfunded defined benefits superannuation	<b>2,627</b>	2,925
Movement in overfunded superannuation		
	Balance on 30-Jun-06 \$000	Charge to revenue \$000
		Contributions \$000
		Balance 30-Jun-07 \$000
Superannuation	2,925	(298)
		-
		2,627

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefits schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All schemes are closed to new members.

The Corporation provided no employer contributions to the funds during the year due to a Trustee approved “funding holiday”.

	2007	2006
	SASS \$000	SANCS \$000
	SSS \$000	Total \$000
Present value of obligations	(10,028)	(1,445)
Fair value of plan assets	12,343	2,158
Surplus	2,315	713
Surplus in excess of recovery available	(1,964)	(605)
Net asset for disclosure	351	108
		2,168
		2,925

	2007	2006
	\$000	\$000
<b>13. Post employment benefits continued...</b>		
Defined benefits fund expense / (gain)		
Current service cost	455	556
Interest on obligation	1,446	1,411
Expected return on plan assets	(2,925)	(2,565)
Net actuarial gains recognised in the year	(2,314)	(4,735)
Change in surplus in excess of recovery available	3,636	6,084
	298	751
Accumulation fund contributions	678	583
Expensed to the income statement	976	1,334

	2007	2006
	%	%
Fair value of plan assets consists of:		
Australian equities	34	37
Overseas equities	26	28
Australian fixed interest securities	7	10
Overseas fixed interest securities	6	7
Property	10	9
Cash	10	5
Other	7	4
	100	100

a) Valuation method

The projected unit credit valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic assumptions

	June 2007
Discount rate	6.4%
Expected return on plan assets	7.6%
Expected salary increases	4% to June 2008, 3.5% thereafter
Expected CPI increase	2.5%

	2007	2006
	\$000	\$000
<b>14. Trade and other payables</b>		
Payables comprise:		
Trade payables	2,751	706
Accrued financial expenses	649	628
Port cargo access charge (a)	259	495
Accrued salaries and wages	544	437
Harbour deepening account	14	13
Other payables and accruals	1,557	643
	<b>5,774</b>	<b>2,922</b>

(a) Relates to the port cargo access charge collected, on behalf of the Consolidated Fund from port users, but not yet remitted. A management fee is retained by NPC.

(b) Net fair values

The Corporation considers the carrying amounts of trade and other accounts payable approximate their net fair values.

(c) Significant terms and conditions

Trade accounts payable are generally settled in 30 days.

**15. Provisions**

	Note	2007		2006	
		\$000		\$000	
		Current	Non-current	Current	Non-current
Dividend		3,808	–	6,024	–
Annual leave		1,136	–	1,011	–
Long service leave	(a)	3,558	214	3,117	270
		<b>8,502</b>	<b>214</b>	<b>10,152</b>	<b>270</b>

**15. Provisions continued...**

**Movement in provisions**

	Balance on 30-Jun-06 \$000	Arising during the year \$000	Utilised \$000	Balance 30-Jun-07 \$000
Dividend	6,024	3,808	(6,024)	3,808
Annual leave	1,011	982	(857)	1,136
Long service leave	3,387	476	(91)	3,772
	<u>10,422</u>	<u>5,266</u>	<u>(6,972)</u>	<u>8,716</u>

(a) Long service leave:

The amount provided which relates to employees with service less than the qualifying period is disclosed as non current as there is no legal obligation to pay within 12 months.

(b) Net fair value

The Corporation considers the carrying amount of provisions approximates their net fair value.

**16. Interest bearing borrowings**

	<b>2007</b> <b>\$000</b>	2006 \$000
NSW Treasury Corp borrowings	<u><b>30,829</b></u>	<u>30,844</u>

**Classification of liability**

Non-current	– Face value	31,209	
	– Discount on purchase	<u>(380)</u>	
		<b>30,829</b>	30,844

(a) Market value

Market value of borrowings as at year end	<b>30,624</b>	31,328
---	---------------	--------

(b) Significant terms and conditions

Borrowings consist of NSW Treasury Corporation floating and fixed rate loans. NSW Treasury Corporation loans are based upon instalment payments of interest only and repayment or rollover of principal at maturity. All borrowings are secured by Government Guarantee.

(c) Maturity profile of the borrowings are:

Within 1 year	<b>7,031</b>	5,229
Later than 1 year and not later than 5 years	<b>12,907</b>	10,209
Later than 5 years	<u><b>10,891</b></u>	<u>15,406</u>
	<b>30,829</b>	30,844

(d) Available borrowings

Unused borrowings	<b>1,171</b>	1,156
-------------------	--------------	-------



	<b>2007</b>	2006
	<b>\$000</b>	\$000
<b>17. Share capital</b>		
Ordinary share capital	<b>62,282</b>	62,282
<p>The State Owned Corporations Act 1989 (as amended) requires the Corporation to have two voting shareholders. As at 30 June 2007 they were the Treasurer, Mr M Costa, and one other Minister, being the Minister for Finance, Mr J Watkins. Each shareholder must at all times have an equal share in the equity of the Corporation. As at 30 June 2007 each shareholder held a \$1 share.</p> <p>There has been no movement in Share capital during the year.</p>		
<b>18. Reserves</b>		
Asset revaluation reserve	<b>10,932</b>	10,932
<b>19. Retained profits</b>		
Balance at the beginning of the financial year	<b>26,223</b>	20,680
Net profit	<b>11,529</b>	11,567
Dividend provided for or paid	<b>(3,808)</b>	(6,024)
Balance at the end of the financial year	<b>33,944</b>	26,223
<b>20. Contingent assets and contingent liabilities</b>		
<p>No contingent assets or contingent liabilities were in existence as at 30 June 2007. (2006 – \$Nil )</p>		
<b>21. Commitments</b>		
Capital expenditure		
<p>Forward obligations of NPC under major contracts committed as at 30 June 2007 but not otherwise brought to account have been assessed as follows (GST inclusive):</p>		
Within one year	<b>97</b>	291
<b>Operating leases</b>		
<p>Minimum future lease payments payable for non-cancellable operating leases are as follows:</p>		
Not later than one year	<b>8</b>	7
Later than one and not later than five years	<b>–</b>	8
	<b>8</b>	15

		2007	2006
		\$	\$
<b>22. Events after the balance sheet date</b>			
	There are no known events occurring after balance date that materially affect the financial statements.		
<b>23. Remuneration of Auditors</b>			
	Fees paid to the Audit Office of NSW for services provided in accordance with the Public Finance and Audit Act. (PricewaterhouseCoopers are agent of the Audit Office).	68,000	63,000
	Non audit services provided by PricewaterhouseCoopers paid or payable in relation to the financial year.	129,900	72,100
<b>24. Director and Executive disclosure</b>			
	Details of key management personnel during the financial year.		
<b>i) Directors</b>			
	Wilton Ainsworth Chairman		
	Allan McKeown Director		
	Gaye Hart Director		
	Paul Jeans Director		
	Mark Sargent Director		
	Neil Pearson Staff Director		
	Gary Webb Chief Executive Officer		
<b>ii) Executives</b>			
	Ron Sorensen General Manager – Operations commenced 5 February 2007		
	Colin Norman General Manager – Operations ceased 9 February 2007		
	David Callaghan General Manager – Finance and Corporate Services		
	Annette Woods General Manager – Planning and Development		
	Mark Newton General Manager – Business Development – commenced 30 April 2007		
	Michael Dowzer Secretary and General Counsel		
	Details of compensation paid to key management personnel during the financial year:		
<b>i)</b>	Total remuneration to key management personnel	1,376,614	1,215,105
<b>ii)</b>	Remuneration paid to Directors is in accordance with rates determined by the Premier's Office. Remuneration paid to the CEO and Executives is determined by the Corporation's Remuneration Committee. Key management personnel received no loans nor any other benefits during the year.		

	2007	2006
	\$000	\$000
<b>25. Notes to the Cashflow Statement</b>		
<b>Reconciliation of profit from ordinary activities after income tax equivalents to net cash flows from operating activities.</b>		
Profit from ordinary activities after income tax equivalent	<b>11,529</b>	11,567
Depreciation and amortisation	<b>2,540</b>	2,732
Gain on vesting of investment property	<b>-</b>	(1,700)
Gain on fair value of investment property	<b>(5,661)</b>	(3,000)
Write-off opening construction in progress	<b>36</b>	-
(Profit) / loss on sale of non current assets	<b>63</b>	35
	<b>8,507</b>	9,634
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivables	<b>(911)</b>	577
(Increase) / decrease in inventories	<b>(51)</b>	84
(Increase) / decrease in post employment benefits	<b>299</b>	751
(Decrease) / increase in trade and other payables	<b>2,781</b>	(1,078)
(Decrease) / increase in borrowings	<b>(15)</b>	43
(Decrease) / increase in tax payable	<b>92</b>	197
(Decrease) / increase in deferred tax	<b>1,738</b>	1,629
(Decrease) / increase in leave provisions	<b>510</b>	264
Net cash from operating activities	<b>12,950</b>	12,101

## 26. Financial risk management

### (a) Policy

The Corporation's activities expose it to a variety of financial risks. The primary objectives of the Corporation's treasury management framework is to minimise the cost of funds in relation to the Corporation's debt and maximise the return on investments within a conservative risk profile. The Corporation uses derivative financial instruments to manage such exposures. The Corporation manages debt and investments within the framework of the Public Authorities (Financial Arrangements) Act 1987.

Financial risk management is provided by NSW Treasury Corporation (T Corp) under a set of policies approved by the Corporation's Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas as follows:

i) Liquidity risk

Ensuring that the Corporation has sufficient funds to meet its obligations and establish limits on the amount of debt that can mature in any one 12 month financial period.

ii) Interest rate risk

Details the benchmark portfolio established for measuring performance on liability management, outlines predetermined limits on variance to the benchmark limit in terms of modified duration and sets parameters for the use of hedging instruments.

iii) Foreign exchange risk

Foreign exchange positions in all currencies are to be monitored and individual currency exposures of more than \$100,000 are to be fully hedged within 2 days of the exposure arising.

iv) Commodity risk

Commodity exposures in excess of \$1m in the current financial year are to be fully hedged within 2 days of the exposure arising.

v) Permitted instruments

Only defined financial instruments are permitted to be used in managing the financial risk of the Corporation.

vi) Counterparty credit risk

Restrict any credit exposure incurred by the Corporation through the management of the debt portfolio.



## 26. Financial risk management continued

### (b) Interest rate risk

The Corporation's exposure to interest rate risk and the effective interest rates on financial instruments on balance date are:

	Weighted average effective interest rate	Floating interest rate	< 1 year	>1 – <2 years	>2 – <3 years	>3 – <4 years	>4 – <5 years	> 5 years	Non interest bearing	Total
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>30 June 2007</b>										
<b>Assets</b>										
Cash	5.64%	582	–	–	–	–	–	–	3	585
Trade receivables		–	–	–	–	–	–	–	1,309	1,309
Cash – T Corp hourglass facility	6.41%	44,269	–	–	–	–	–	–	–	44,269
Total financial assets		44,851	–	–	–	–	–	–	1,312	46,163
<b>Liabilities</b>										
Trade payables		–	–	–	–	–	–	–	2,751	2,751
Borrowings	6.47%	–	7,031	–	–	5,514	7,393	10,891	–	30,829
Total financial liabilities		–	7,031	–	–	5,514	7,393	10,891	2,751	33,580
Net financial assets / (liabilities)		44,851	(7,031)	–	–	(5,514)	(7,393)	(10,891)	(1,439)	12,583
<b>30 June 2006</b>										
<b>Assets</b>										
Cash	5.04%	379	–	–	–	–	–	–	3	382
Trade receivables		–	–	–	–	–	–	–	1,994	1,994
Cash – T Corp hourglass facility	5.69%	39,492	–	–	–	–	–	–	–	39,492
Total financial assets		39,871	–	–	–	–	–	–	1,997	41,868
<b>Liabilities</b>										
Trade payables		–	–	–	–	–	–	–	706	706
Borrowings	6.47%	–	5,229	4,713	–	–	5,496	15,406	–	30,844
Total financial liabilities		–	5,229	4,713	–	–	5,496	15,406	706	31,550
Net financial assets / (liabilities)		39,871	(5,229)	(4,713)	–	–	(5,496)	(15,406)	1,291	10,318

# statutory requirements

## Exemptions

The Treasurer has granted the Corporation exemptions from certain provisions of the *Annual Reports (Statutory Bodies) Act*.

The following matters are exempt but require report in a summarised form:

### **S41B(c) Financial Statements**

- Preparation of Manufacturing and Trading Statements
- Material items of income and expenditure on a program or activity basis
- Summary Review of operations
- Management activities – Schedule 1 ARSBR
- Consultants – Schedule 1 ARSBR
- Consumer Response – Schedule 1 ARSBR
- Risk Management – Schedule 1 ARSBR

The following matters are exempt as they are no longer required for performance assessment and accountability:

### **Schedule 1 Part 1**

- Amounts set aside for renewal or replacement of fixed assets
- Amounts set aside to any provision for known commitments
- Amount appropriated for repayment of loans

### **Schedule 1 Part 3**

- Schedule of outstanding public borrowing or other repayable advances
- Non-current asset value exceeds replacement costs
- Performance in Payment of Accounts – Schedule 1 ARSBR

The following items are exempt on a Commercial in Confidence basis:

- Budgets – outline and detail – S.7(1)(a)(iii)ARSBA/Schedule 1 ARSBR
- Significant Judicial Decisions – S.9(1)(f) ARSBA/Schedule 1 ARSBR
- Research and Development – Schedule 1 ARSBR
- Human Resources – Schedule 1 ARSBR
- Land Disposal – Schedule 1 ARSBR
- Investment Management Performance – Cl.12 ARSBR/TCG 1991/5
- Liability Management Performance – Cl.12 ARSBR/TCG 1991/5

## Corporate Governance

### Directors' Meetings

There were 10 meetings of the Newcastle Port Corporation's Board during the year.  
The number of meetings attended by each Director was:

W Ainsworth	8	(of 10)
G Hart	9	(of 10)
P Jeans	10	(of 10)
A McKeown	9	(of 10)
N Pearson	10	(of 10)
M Sargent	10	(of 10)
G Webb	10	(of 10)

### Committees of the Board

#### Audit Committee

A McKeown (Chair)  
W Ainsworth  
N Pearson

The purpose of the Audit Committee is to provide Board oversight in relation to:

- reporting of financial information
- accounting policy and practice
- treasury financial management
- internal controls identified for supervision by the committee
- information technology systems
- project management systems
- compliance with applicable legislation, standards and best practice

### Safety Health and Environment Committee

G Hart (Chair)  
P Jeans

The purpose of the Safety, Health and Environment Committee is to provide Board oversight in relation to:

- occupational health and safety
- employee relations
- port safety
- port security
- environmental management and heritage
- monitoring systems adopted by management to ensure compliance

### Executive Management

Number of Executive Officers with remuneration  
equal to or exceeding equivalent of SES Level 1  
End of Current Reporting Year

Five

Number of Executive Officers with remuneration  
equal to or exceeding equivalent of SES Level 1  
End of Previous Reporting Year

Five

### Performance Statements – Senior Executives

Name	Gary Webb
Position	Chief Executive Officer
Total Remuneration Package	\$310,000
Period in Position	from 1 October 2004
Statement of Performance	Performance review assessed a very high level of satisfaction against identified performance tasks

At 30 June 2007 the Corporation had one female Executive Officer, which corresponded to the previous year.

## Meeting Statutory and Compliance Requirements

Newcastle Port Corporation had no adverse audit, regulatory or legal findings during the year.

The Australian equivalent International Financial Reporting Standards were used as the basis for the 2006-07 financial statements.

## Statement of Corporate Intent and Business Plan

Voting Shareholders and the Board of Directors approved the annual Statement of Corporate Intent and 10 Year Business Plan. The actual surplus for the year presented in this report is greater than the forecast contained in the 2006-07 Statement of Corporate Intent.

The Business Plan provided for the planned funding for sustainable operations, including the maintenance and renewal of infrastructure used in service delivery.

## Risk Management System

Newcastle Port Corporation's risk management framework and tools were instrumental in the continued development of the Corporation's Business Continuity Plan, Disaster Recovery Plan and Information Security Management System.

The Risk Management System is proving adaptable and effective in identifying, assessing and treating various risks within the Corporation's operations. The risk register continues to be populated with assessed and controlled risks.

## Credit Card Use

Credit card use has been in accordance with the Premier's Memoranda and Treasurer's Directions.

## Funds Granted To Non-Government Community Organisations

In 2005-06 the Corporation committed the following funds in charitable donations and sponsorship for community organisations and events:

Organisation	Amount	Purpose
Newcastle Region Maritime Museum	\$15,000	Sponsorship Maritime Festival on harbour (community)
Conservation Volunteers Australia	\$10,000	Removal of invasive bitou bush and native plant regeneration at Nobbys Beach (environment project)
NSW Dept. of Education & Training	\$7,000	Segment Sponsorship Star Struck 2007 (educational support)

Mission to Seafarers	\$5,000	Donation (port welfare services)
Hunter Institute Foundation Ltd	\$2,000	Sponsorship Faculty Medal and Donation (educational)
Hunter Medical Research Institute	\$2,000	Top 200 Donation (medical research)
Newcastle Industrial Heritage Association	\$500	Sponsorship of industrial heritage plaque (industrial heritage)
Salvation Army	\$500	Christmas Appeal (community)
Samaritans Foundation	\$500	Christmas Appeal (community)
Mission Australia	\$500	Christmas Appeal (community)
<b>Total</b>	<b>\$43,000</b>	

None of these items appeared on the Government Budget Papers.

## Subordinate Legislation

There were no departures from the Subordinate Legislation Act.

## Disclosure of Controlled Entities

The Corporation has no controlled entities.

## Freedom of Information

Newcastle Port Corporation is required to report annually on its administration of the applications it receives under the Freedom of Information Act 1989 (NSW). The following tables detail statistics required to be reported under the Act for the period 1 July to 30 June for the financial years 2005-06 and 2006-07.

During the reporting period, no requests were transferred to another organisation or agency. No requests were carried forward to the reporting period 2006-07.

No reviews were requested either internally, to the Ombudsman or to the District Court during the reporting period.

## FOI applications and applications determined

	Personal 05-06 06-07		Other 05-06 06-07		Total 05-06 06-07	
New	0	0	0	0	0	0
Completed	0	0	0	0	0	0
Granted in full	N/A	N/A	N/A	N/A	N/A	N/A
Refused (Exempt)	N/A	N/A	N/A	N/A	N/A	N/A
Information sought not held	N/A	N/A	N/A	N/A	N/A	N/A
Total processed	N/A	N/A	N/A	N/A	N/A	N/A

## Days to process FOI applications

Time elapsed	Personal 05-06 06-07		Other 05-06 06-07	
0-21 days	N/A	N/A	N/A	N/A
22-35 days	N/A	N/A	N/A	N/A
Over 35 days	N/A	N/A	N/A	N/A

## Processing time

Processing hours	Personal 05-06 06-07		Other 05-06 06-07	
0-10 hours	N/A	N/A	N/A	N/A
11-20 hours	N/A	N/A	N/A	N/A
Greater than 20 hours	N/A	N/A	N/A	N/A

During the period no Ministerial Certificates were issued, no formal consultations requested, no amendments or notations to records made.

The Corporation's compliance with the Act did not raise any major issues in the reporting period, nor did compliance with the Act have any significant impact on Newcastle Port Corporation activities.

## Heritage

The Corporation's Section 170 Heritage and Conservation Register is endorsed by the NSW Heritage Council. Pursuant to Section 170A of the Heritage Act 1977, set out below is a statement of the condition of items contained in the Corporation's Heritage and Conservation Register.

Asset	Condition Statement
Newcomen Street office building facade	Good
Nobbys Grounds	Good
Macquarie Pier, Stone Steps, Sandstone Wall	Fair – Good
Pilot Station, Boat Harbour & Sheds	Good (Sheds are poor condition)
Nobbys Gun Emplacement & Observation Tower	Poor
Boom Defence Net Anchor Point (Macquarie Pier)	Good
Submarine Trap and Gun Emplacement (Pilot Station)	Poor
Nobbys Head Bunker	Fair
Nobbys Head Foghorn Siren	Good
Nobbys Lighthouse Cottages	Poor
Nobbys Signal Station	Good
Hydraulic Power House	Poor
Morison & Bearby Building	Good
Hydraulic Crane Base # 1	Fair
Hydraulic Crane Base # 2	Fair
Hydraulic Crane Base # 3	Fair
Hydraulic Crane Base # 4	Poor
Hydraulic Crane Base # 5	Good
Hydraulic Crane Base # 6	Poor
Hydraulic Crane Base # 7	Fair
Hydraulic Crane Base # 8	Fair
Hydraulic Crane Base # 9	Submerged
Hydraulic Crane Base # 10	Fair
Hydraulic Crane Base # 12a	Poor
Hydraulic Crane Base # 13	Poor



Asset	Condition Statement
Hydraulic Crane Base # 14	Poor
Hydraulic Crane Base # 15	Poor
Hydraulic Crane Base # 13a	Fair
Dyke 3 Coal Loader Base	Good
Basin Warehouse (Façade on Hill Street elevation only)	Good
Snakepit Slipway	Fair
Southern Breakwater	Good
Northern Breakwater & Adolphe Wreck	Good
Crane Base # 11	Demolished item, possible submerged remnants
Crane Base # 12	Submerged
Navigational Markers of Rear Main Lead Tower	Good
Wave Trap Winch	Poor
Dyke Point Landform	Good
Dyke Point Former Building Berths	Poor
Dyke Point Dorman Long Structural Frames	Good
McLarty Centre Building Plaque	Good
Dyke Point Machine Shop Cranes Isolator	Good
Dyke Point Pneumatic Press	Good
Dyke Point Blacksmith Anvil	Good
Dyke Point Dockyard Fitting Out Wharf Crane Base	Good
NPC Building Collection	Good
Dyke Point Electronic Token Board	Good
Newcastle Harbour Fog Bells	Good
State Dockyard Establishment Plaque and Sandstone Foundation Stone	Good
Dyke Point Timber Bollards	Fair
Pilot Station Historical Instruments	Good
Signal Station Historical Instruments	Good
Dyke Point Concrete Shaped Barrels	Good

## Economic or Other Factors Affecting Achievement of Operational Objectives

Trade through the Port of Newcastle totalled 85.6 million tonnes in 2006–07, an increase of more than 32,000 tonnes on 2005–06 figures. Continued strong demand for thermal coal, particularly from the Asian region, resulted in a record 80.8 million tonnes of coal export.

Overall trade throughout was affected by strong storm activity during early June which resulted in entry restrictions to the port. Drought conditions impacted on grain movements with nearly 793,000 tonnes being moved in 2006–07 compared to 1.4 million tonnes in 2005–06.

## Equal Employment Opportunities

EEO principles are included in the Corporation agreements and policies. Mechanisms are also in place to ensure timely, effective and confidential resolution of workplace grievances.

Distribution of staff from defined EEO groups are as follows:

EEO Group	% of total staff				
	Bench-mark or Target	03–04	04–05	05–06	06–07
Women	50	13	14	16	19
Aboriginal people and Torres Strait Islanders	2	0	0	0	0
People whose first language was not English	20	13	18	22	17
People with a disability	12	5	5	5	5
People with a disability requiring work-related adjustment	7	1	1	1	0.9

A number of practices support employment relations for all employees, including women and employees from non English speaking backgrounds. These include flexible hours of work, family and special leave, sick leave supported by personal leave, and part-time work, study assistance and support to attend training.

### Outcomes achieved in 2006–07 include:

- EEO principles recognised in the recently approved Enterprise Agreement
- Staff Climate Survey conducted and action plan developed for implementation in 2007–08
- Fitness for Work concept introduced into the Enterprise Agreements. Policies & practices to be developed in 2007–08
- regular Consultative Committee meetings held and outcomes communicated to staff

### Outcomes targeted for 2007–08 include:

- workforce planning strategies to be implemented to address areas such as ageing workforce, Fitness for Work, skill base, succession planning and training and development
- all managers to receive refresher training in appraising staff performance and behaviour
- review of recruitment advertising format

### Code of Conduct

The Corporation's Code of Conduct and Ethics describes the standard of behaviour and ethical requirements expected by all employees in the performance of daily business.

### Status Report on Ethnic Affairs Priority Statement

The Corporation has an Ethnic Affairs Priority Statement which it continues to implement. The Corporation abides by the NSW Charter of Principles for a Culturally Diverse Society. Current initiatives include:

- maintenance of signs and notices around the port to ensure the safety of the general public
- sponsorship of Mission to Seafarers which provides services to crew of visiting international vessels
- ongoing inclusion of cultural diversity principles in all position descriptions
- merit based recruitment practices
- provision of Employee Assistance Program, which includes interpreter services
- working arrangements accommodate cultural and religious differences through provision of cultural and religious holidays
- incorporation of non-discrimination clauses in agreements

It is relevant and appropriate that the Corporation continues to support cultural diversity in 2007–08.

### Occupational Health & Safety

In 2006–07 the Corporation had four lost time injuries. The Corporation was not subject to any prosecution under the Occupational Health & Safety Act 2000.

### Waste Reduction and Purchasing Policy (WRAPP)

The Corporation continued its focus on recycling of material where appropriate and introducing new equipment that could reduce consumption of materials. This is reflected in the purchase of electronic work stations capable of double-sided printing, an initiative welcomed by employees to reduce paper usage.

Recycling bins for waste paper are emptied daily by cleaning contractors and forwarded to recyclers while used toner cartridges are recycled. Summer Hill Waste Management Centre is used for green waste, mulch is used for landscaping and about 200 tonnes of demolished concrete was recycled.

### Consultants

The Corporation spent \$61,000 on consultants during the year.

### Promotion – Publications

In 2006–07 the following publications and other information were made available to the public dealing with functions and activities of the Corporation:

- Annual Report
- Business Information advertisement (monthly)
- Community Information advertisement (monthly)
- Corporate brochure
- Eastern Basin Distribution Centre brochure
- Guarantee of Service Statement
- Information sheet about the port
- Newcastle Port Corporation website
- Newsletter (bi-monthly)
- Tide Chart and Information Handbook

### Overseas Visits

The Chairman, CEO, Harbour Master and General Manager Planning and Development visited China in May 2007 for discussions about port development with sister port Qinhuangdao. Members of the delegation held meetings with Austrade officers in Beijing and Hong Kong and also inspected the ports of Hong Kong and Shanghai.

## Guarantee of Service

The Newcastle Port Corporation has in place a Guarantee of Service that provides guidelines and service standard commitments. The published statement lists the categories of Corporation's customers, the Services/Assets provided by the Corporation and the measurements of service standards. Operational service and assets are available 24 hours per day, 7 days per week. The head office operates between 8.30 am and 5.00 pm weekdays.

Pilots, vessel traffic management, emergency response and communications are available 24 hours per day, 7 days a week.

## Annual Report

A total of 200 hard copies of the 2006-07 Annual Report have been printed. A copy of the Annual Report is also available on the Corporation's website at [www.newportcorp.com.au](http://www.newportcorp.com.au)  
Total external costs incurred in the production of the report are \$25,878.



The logo of the Newcastle Port Corporation was improved during 2007 to ensure the functionality, durability and ongoing integrity of the design. Changes focussed on improved colour scheme, updated font legibility and increased profile of the ship to highlight core business.

The logo reflects the Corporation's aims of efficiency and international competitiveness. The combination of features promotes Newcastle as a global port that is innovative, market focussed and world competitive.

Nobbys headland is dominant in the logo as it is the Port of Newcastle's most recognisable and prominent feature. The multiple horizontal lines represent the diversity of the Corporation.

The diamond shape represents the 'four corners of the world' with the triangle indicating a strong future direction. The triangle is also representative of navigational aids used in the port. The colours of turquoise, blue and bronze reflect our environmental elements.

The overall design represents the strength, efficiency, value and reliability of the Port of Newcastle – a leader in port management and a pacesetter for other ports.

Newcastle Port Corporation's positioning statement *Delivering Opportunity* strongly focusses on the promise of benefit for current and future customers, businesses and the community.

*Delivering Opportunity* reflects a port that is creating opportunity for local, national and international businesses. This includes existing port customers, prospective port customers, regional organisations, government bodies and suppliers to the Newcastle Port Corporation.

Short, punchy and to the point, the statement co-incides with record trade throughput for the Port of Newcastle which continues to growing and diversify.

The port is an economic powerhouse for not only the Hunter Region but also New South Wales, and *Delivering Opportunity* is designed to challenge the Newcastle Port Corporation to build its international reputation and to secure a sustainable future.

Newcastle Port Corporation has a sound, long-term strategy that guides its decision making. In delivering opportunity, the Corporation is making prudent use of public assets to encourage investment that benefits the Hunter Region.

notes





Newcastle Port Corporation  
Newcomen Street  
PO Box 663  
Newcastle NSW 2300  
Australia

Phone: (02) 4985 8222  
International Phone: 61 2 4985 8222  
Toll Free: 1800 048 205 (NSW)  
Facsimile: (02) 4926 4596  
International Facsimile: 61 2 4926 4596

Internet: [www.newportcorp.com.au](http://www.newportcorp.com.au)

Email: [mail@newportcorp.com.au](mailto:mail@newportcorp.com.au)

Business Hours: 5 days a week, 8.30am – 5.00pm

Service Hours: 7 days a week, 24 hours per day