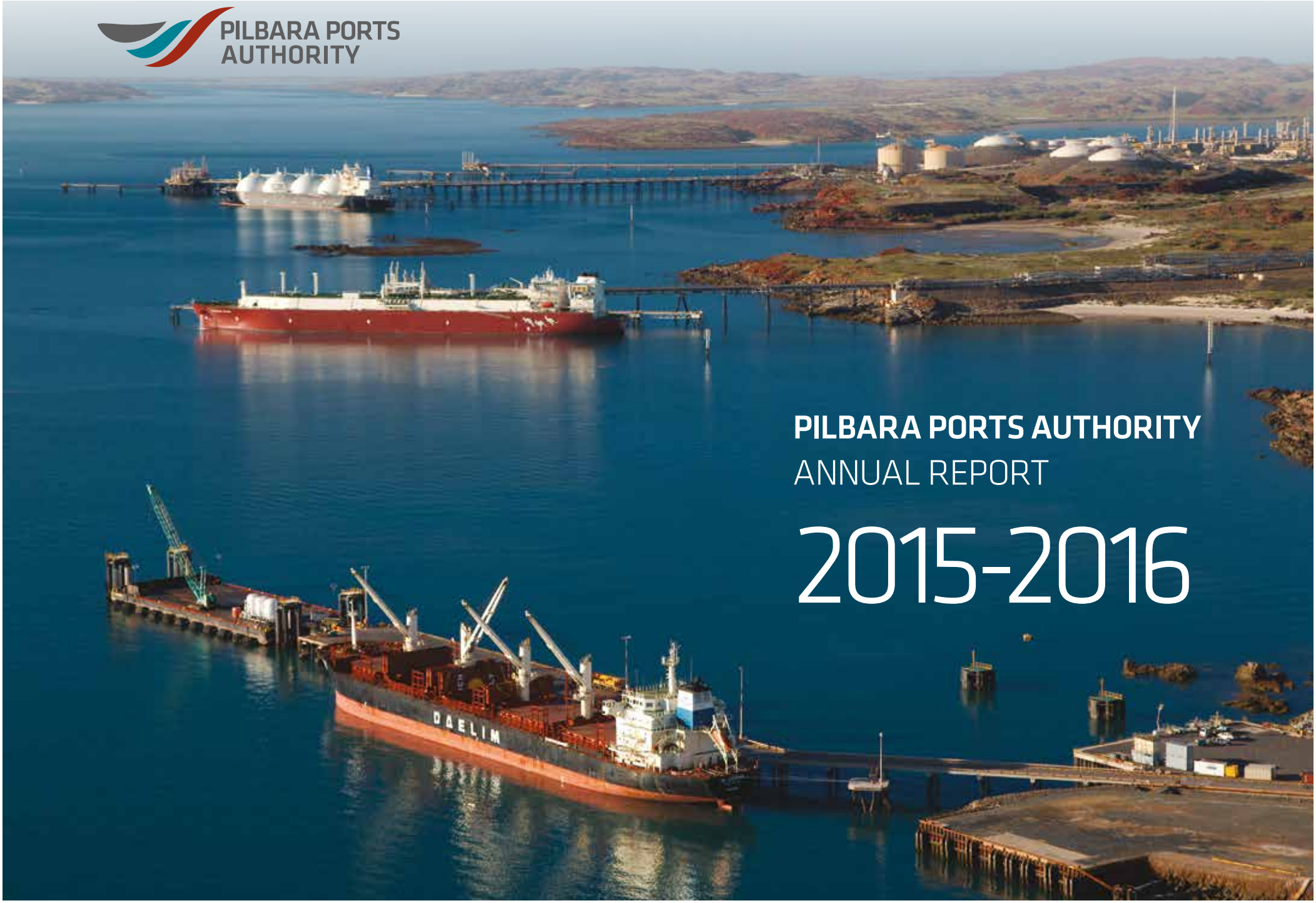
PILBARA PORTS AUTHORITY



PILBARA PORTS AUTHORITY
ANNUAL REPORT
2015-2016

Contents

Overview of the Agency 2

Statement of Compliance 2

Executive Summary 2

Year in review highlights 4

Chairman's Report 6

Chief Executive Officer's Report 8

Organisational Profile 10

Organisational Structure 13

Board of Directors 14

Executive Team 16

Key Business Results Year on Year 19

Corporate Scorecard 20

Port Statistics 22

Performance Management Framework 24

Performance against Government Goals 24

PPA Performance 28

Trade Facilitation 28

Sustainability 36

Business Excellence 50

Significant Issues Impacting Agency 56

Current and Emerging Issues and Trends 56

Disclosures and Legal Compliance 57

Directors' Report 57

Independent Auditor's Report 63

Financial Statements 65

Key Financial Performance Indicators 101

Governance 104

Statement of Compliance

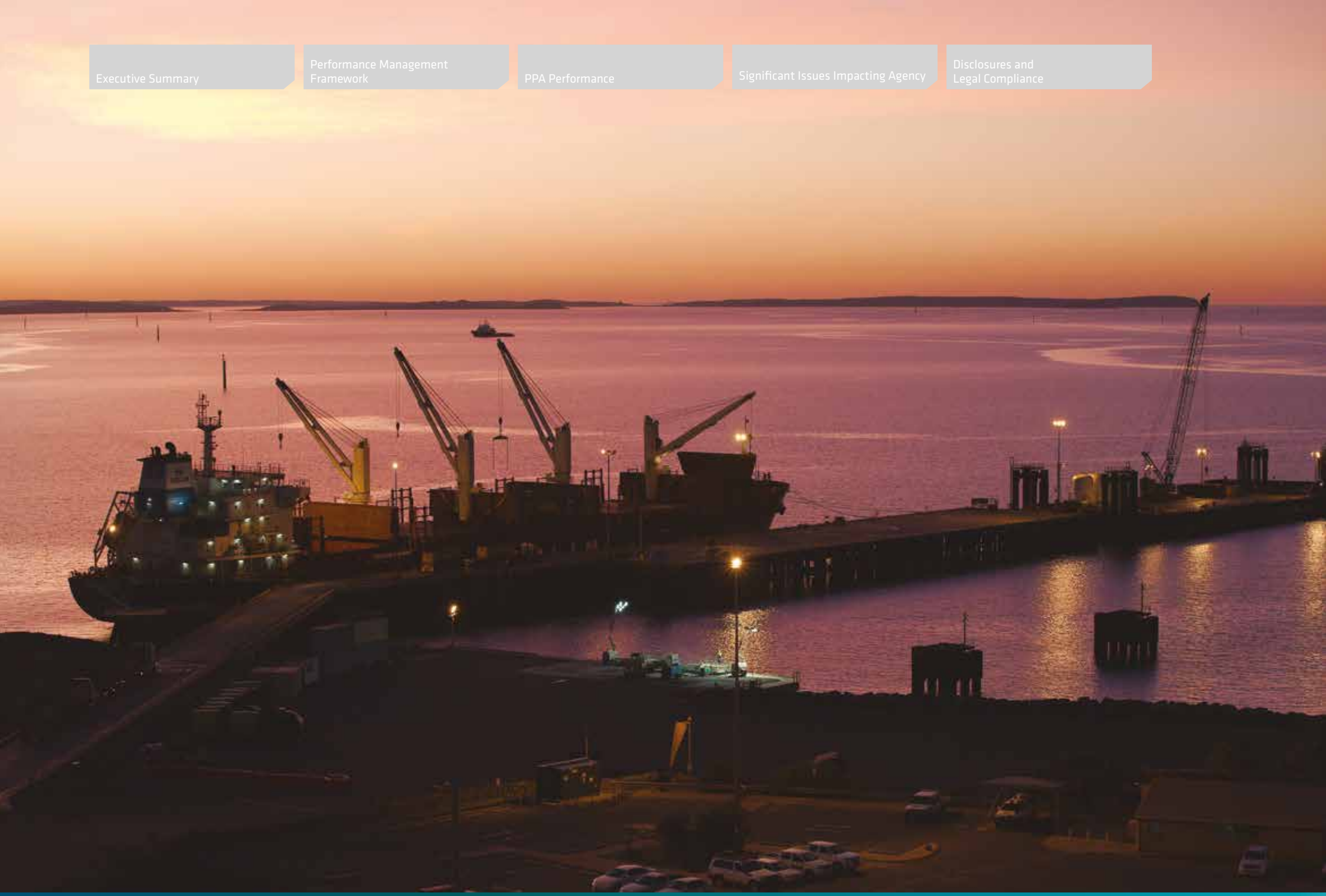
To the Hon Dean Nalder MLA

Minister for Agriculture and Food; Transport

In accordance with Section 68 and clauses 34 and 35 of Schedule 5 of the *Port Authorities Act 1999*, I hereby submit for your information and presentation to Parliament, the Annual Report of Pilbara Ports Authority for the financial year ended 30 June 2016.

Ken Pettit

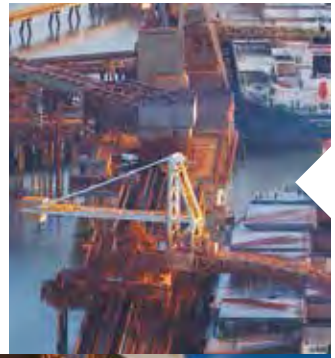
Chairman, Pilbara Ports Authority Board of Directors



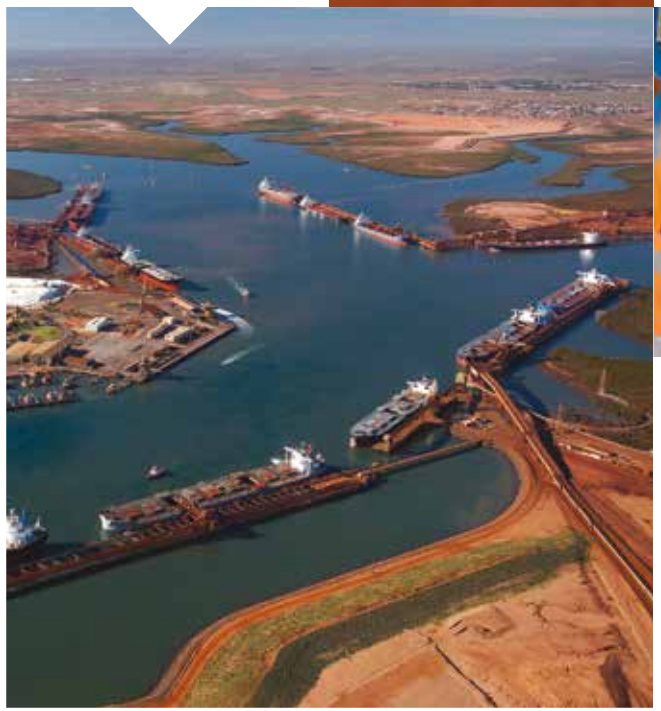
Year in review highlights

RECORD ANNUAL THROUGHPUT:
633.5
MILLION TONNES (MT)

RECORD ANNUAL THROUGHPUT AT PORT HEDLAND:
460.4 MT



PPA TOTAL VESSEL MOVEMENTS:
21,122



MONTHLY THROUGHPUT RECORD AT PORT HEDLAND:
42.2 MT
(JUNE 2016)

LOST TIME INJURY FREQUENCY RATE (LTIFR) FOR PPA EMPLOYEES AND CONTRACTORS:
0.55
AGAINST A TARGET OF 2.7

MILLION TONNES ON A TIDE MILESTONE: RECORD TONNAGE ON FIVE CAPESIZE VESSELS AT PORT HEDLAND:
1,022,051
TONNES (APRIL 2016)

Year in review highlights

NEW 24 HOUR RECORD AT PORT HEDLAND:
2,174,533
TONNES ON **12 VESSELS** (20 JUNE 2016)

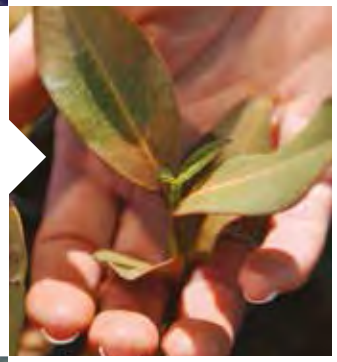
LLOYD'S LIST AUSTRALIAN SHIPPING & MARITIME INDUSTRY AWARDS: **LOGISTICS SUPPLY CHAIN AWARD FOR TIDAL MODEL PROJECT**

HR MANAGEMENT PRACTITIONER OF THE YEAR: **DAMIEN MILES** (INSTITUTE OF PUBLIC ADMINISTRATION AUSTRALIA WA ACHIEVEMENT AWARDS)

FINALIST IN THE GLOBAL IT ARCHITECTURE AWARD OF EXCELLENCE 2016 FOR **PPA'S DOMAIN INTEGRATION AND ARCHITECTURE REDESIGN – ACQUISITION AND MERGERS CATEGORY**

NUMBER OF TIMES MILLION TONNES ACHIEVED ON A SINGLE TIDE AT PORT HEDLAND:
60

HIGHLY COMMENDED AT LLOYD'S LIST AUSTRALIAN SHIPPING & MARITIME INDUSTRY AWARDS: ENVIRONMENTAL TRANSPORT AWARD: **PORT HEDLAND MANGROVE PROGRAM**



PREMIER'S AWARD WINNER: **DEVELOPING THE ECONOMY CATEGORY (DEVELOPMENT OF A TIDAL MODEL IN PORT HEDLAND)**

$204,000
PROVIDED TO PILBARA COMMUNITIES THROUGH COMMUNITY SUPPORT INITIATIVE PROGRAM

DAMPIER AND **PORT HEDLAND** RECOGNISED AS A VTS AUTHORITY AND APPROVED TO THE INTERNATIONAL ASSOCIATION OF MARINE AIDS TO NAVIGATION AND LIGHTHOUSE AUTHORITIES STANDARDS

Chairman's Report

Pilbara Ports Authority has delivered a solid financial and operational result for the 2015/16 financial year.

During the reporting year, a record annual throughput of 633.5 million tonnes (Mt) was achieved, an increase of 13 per cent from the previous year. Pilbara Ports Authority delivered a profit before income tax of $171.1 million, and a dividend return to the State of $100.5 million. The results reflect the Authority's culture of continuous improvement in the facilitation of trade and support for port users.

In light of more difficult commodity prices, the Board froze prices for port shipping charges until the end of the 2016/17 financial year. In order to support junior miners in particular, Pilbara Ports Authority provided a discount on tonnages through the Utah Point Bulk Handling Facility, for a further 12 months until 30 June 2017, which now also includes manganese exports.

Pilbara Ports Authority continues to work closely with the Department of Treasury's Asset Sales Unit on the proposed divestment of the Utah Point Bulk Handling Facility, part of the State Government's Asset Sales Program. The Pilbara Ports Assets (Disposal) Bill 2015 progressed through the Lower House and is before the Legislative Council's Standing Committee on Legislation. The Committee reported back to the Legislative Council on 25 August 2016.

Pilbara Ports Authority has continued its strong leadership role in ensuring a safe workplace. The safety target for the reporting year was achieved, with a Lost Time Injury Frequency Rate of 0.55 for employees and contractors, against a target of 2.7. This outstanding safety result is directly attributable to the safety culture among employees and contractors, reinforced by the Chief Executive Officer's strong prioritisation of safety in the workplace and focus on improved systems and reporting.

The due diligence for the future transition of Shipping and Pilotage Act ports from the Department of Transport to Pilbara Ports Authority progressed during the reporting year, in order to prepare for the implementation of the second tranche of the *Ports Legislation Amendment Act 2014*. The legislation, which is yet to pass through Parliament, will see the ports of Airlie Island, Barrow Island, Cape Preston, Onslow, Port Walcott and Varanus Island transferred to Pilbara Ports Authority's oversight. Once Chevron Australia's Wheatstone project commences operations in mid-2017, Pilbara Ports Authority will be responsible for common-user marine assets and port-vested land at the Port of Ashburton.

Pilbara Ports Authority continues to work with proponents on the development of greenfield ports at Anketell, Balla Balla and Cape Preston East. This would bring the total number of ports under the Pilbara Ports Authority's management in the future to 12, and providing a single operating structure for all ports across the Pilbara region.

Chairman's Report

Pilbara Ports Authority won a prestigious Western Australian Premier's Award for our Tidal Model Project in the Developing the Economy category. This Australia-first initiative also won the national Lloyd's List Australian Shipping and Maritime Award in November 2015 in the Logistics and Supply Excellence category.

On behalf of the Board I would like to thank the Chief Executive Officer, the Executive team and staff for their determination and commitment in delivering another strong performance during 2015/16. Our shared vision – to be the global leader in port planning, operations and marine services – continues to drive our high-performing and hard-working staff.

I thank the Minister for Transport and his staff, and the Executive teams at the Departments of Transport, State Development and Treasury for their support and advice. I also thank my fellow Directors for their conscientious and skilled endeavours throughout the year.

Ken Pettit
Chairman,
Pilbara Ports Authority Board of Directors

Offshore supply vessel on eastern face of the Dampier Cargo Wharf

Chief Executive Officer's Report

I am pleased to present Pilbara Ports Authority's 2015/16 Annual Report, which details organisational objectives and results, as well as operational and financial performance, for the reporting year.

The safety of staff, contractors and visitors to Pilbara Ports Authority sites remains our top priority. I am pleased to report a Lost Time Injury Frequency Rate of 0.55 for staff and contractors against a safety target of 2.77. This demonstrates Pilbara Ports Authority's ongoing commitment to a strong safety culture in the workplace, underpinned by improved reporting, processes and procedures. The Authority's safety performance is reviewed at each Board and Executive meeting, which also includes the safety performance of service providers and port users. Safety targets are continuously promoted throughout the workplace, with the ultimate aim of no injuries or harm.

Pilbara Ports Authority's operational performance remains strong with a record annual throughput of 633.5 million tonnes (Mt), an increase of 13 per cent from the previous year.

The Port of Port Hedland achieved a record annual throughput of 460.4Mt, an increase of 13 per cent from the previous year. Of Port Hedland's total throughput, 98 per cent was iron ore exports. The Port of Dampier delivered an annual throughput of 173Mt, in line with last year's figures. Of this throughput, 82 per cent was comprised of iron ore exports and 12 per cent consisted of LNG exports, with the remainder consisting of salt, condensate, LPG, ammonia and general cargo. Despite a decline in commodity prices, these shipping figures demonstrate Pilbara Ports Authority's ongoing commitment to work with port users to facilitate trade for the economic benefit of the State.

This commitment to facilitate trade and plan for future growth saw the completion of Roy Hill's two new berths in South West Creek in Port Hedland. This brings the total number of berths in the inner harbour to 19, and will increase tonnages through the port by an additional 55 million tonnes per annum once Roy Hill's operations reach full capacity.

Port monitoring and communications services have commenced at the Port of Ashburton on a permanent basis, in advance of the expected handover date from Chevron Australia in mid-2017. The services are being facilitated by Pilbara Ports Authority's Vessel Traffic Services Centre at the Port of Dampier, which was designed to provide these services across multiple port locations.

Other milestones achieved during the year include significant progress with key capital infrastructure projects in Port Hedland funded by the Port Improvement Rate, including the Integrated Marine Operations Centre, Channel Risk and Optimisation Project and Channel Marker Replacement Program. These projects support our vision of being the global leader in port planning, operations and marine services.

During 2015/16, Pilbara Ports Authority maintained its certifications in Occupational Health and Safety Management, (AS/NZS 4801), Environmental Management (ISO 14001), Information Security Management (ISO 27001), and Quality Management Systems (ISO 9001) across all of its sites.

Chief Executive Officer's Report

These certifications provide independent assessment of Pilbara Ports Authority's business activities against acknowledged national and international standards. The ports of Port Hedland and Dampier have also been officially recognised as a Vessel Traffic Services authority following an independent audit by the Australian Maritime Safety Authority. Both ports met the criteria and were approved to the International Association of Marine Aids to Navigation and Lighthouse Authorities standards.

Pilbara Ports Authority supports an open and positive working relationship with the local communities in which it operates, including through its Community Consultation Committees and Community Support Initiative program.

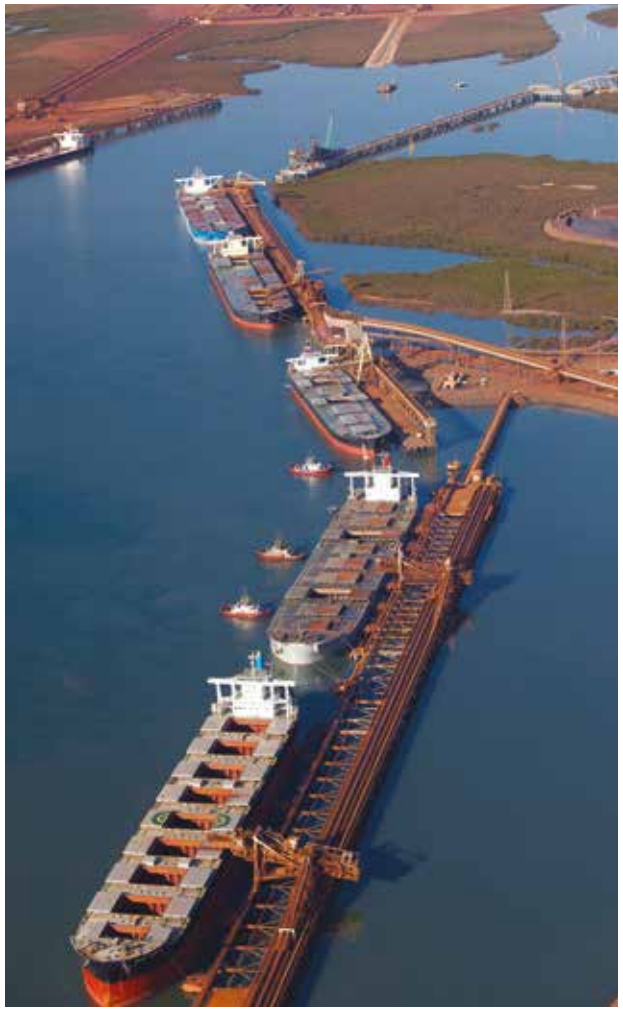
During the reporting year, a total of eight Community Consultation Committee meetings were held in Onslow, Dampier/Karratha and Port Hedland. These were attended by committee members comprising representatives from local community, business and interest groups as well as the relevant local government authority.

These meetings have allowed for beneficial two-way communication between Pilbara Ports Authority and the community on issues pertaining to the respective ports and their operations.

I would like to thank the Minister for Transport Hon. Dean Nalder MLA and his staff for their continued support of Pilbara Ports Authority. I also extend my thanks to the Departments of Transport, Treasury and State Development.

I would also like to thank the Chairman, Ken Pettit, for his ongoing guidance and leadership, and PPA's Board of Directors for their support during the year. I acknowledge the efforts, diligence and dedication of my Executive team, and hard work and professionalism of all staff who have contributed to another strong and successful reporting year.

Roger Johnston
Chief Executive Officer



Finucane Island berths and Utah Facility (centre) at the Port of Port Hedland

Organisational Profile

The ports of Dampier and Port Hedland are two of the world's largest bulk export ports...

Pilbara Ports Authority operates as a Western Australian Government Trading Enterprise, and is governed under the *Port Authorities Act 1999 WA* (the Act).

Pilbara Ports Authority encompasses the ports of Ashburton, Dampier and Port Hedland, and future ports of Anketell, Balla Balla and Cape Preston East. Pilbara Ports Authority will also assume oversight of a number of other ports currently administered by the Department of Transport under the *Shipping and Pilotage Act*. These include Airlie Island, Barrow Island, Cape Preston, Onslow, Port Walcott and Varanus Island.

The ports of Dampier and Port Hedland are two of the world's largest bulk export ports, responsible for approximately 75 per cent of the State's and approximately 50 per cent of the world's seaborne iron ore exports. Another major export commodity for Pilbara Ports Authority is LNG, which is currently exported through the Port of Dampier and accounts for approximately eight per cent of the world's LNG exports.

In 2015/16, Pilbara Ports Authority achieved a record annual throughput of 633.5Mt, with 21,122 vessel movements across its ports. The profit before income tax for the financial year was $171.1m, and total dividend payments of $100.5m were paid to the State.

There are 19 operational berths in Port Hedland – four Pilbara Ports Authority berths (including the Utah Point Bulk Handling Facility), eight private berths owned and operated by BHP Billiton Iron Ore and five private berths owned and operated by Fortescue Metals Group. Roy Hill Infrastructure completed the development of its two berths in South West Creek and commenced operations in December 2015.

The Port of Dampier comprises private port terminals owned and operated by Rio Tinto and Woodside Energy. Patrick and WQube also operate private facilities in the Port of Dampier, adjacent to the Dampier Cargo Wharf. Marine assets owned and operated by Pilbara Ports Authority include the Bulk Liquids Berth and the Dampier Cargo Wharf that provides up to seven berths.

Organisational Profile

Once the Wheatstone project commences operation (first shipment of LNG expected in mid-2017), Pilbara Ports Authority will also be responsible for common-user marine assets at the Port of Ashburton, and port vested land. The Port of Ashburton, a strategic industrial area, and ultimately a multi-user port, accommodates LNG and other hydrocarbon-based and natural gas processing for WA's domestic gas supply.

Pilbara Ports Authority provides overall port management and coordinates Vessel Traffic Services coverage, ship scheduling, berthing allocations for multi-user facilities and port communications. Pilbara Ports Authority also oversees marine safety and port security, cooperating with Commonwealth Government agencies responsible for customs, quarantine and marine safety. Pilbara Ports Authority maintains shipping channels and navigation aids, and at its public berths, it also provides wharf laydown areas, ship loaders, conveying systems, port road transport infrastructure and other port infrastructure such as storage sheds, water, power and public amenities.

Pilbara Ports Authority contracts out or issues licences for stevedoring, towage, pilotage, helicopter and pilot boat transfers, security and waste management.

All licences are issued under the Provisions of the Act on a non-exclusive basis.

Pilbara Ports Authority manages 574ha of port vested land at Port Hedland and Dampier.

Shared responsibilities

Pilbara Ports Authority has shared responsibilities with numerous Federal and State Government agencies in areas such as planning, emergency response, security and environmental management.

Pilbara Ports Authority's Role and Legislative Framework

Pilbara Ports Authority is governed under the Act, and operates as a corporatised entity with an independent Board of Directors reporting to Western Australia's Minister for Transport.

The Act establishes the functions of the port authority and reporting requirements to the State Government. Pilbara Ports Authority has a duty to act on commercial principles, and is afforded the power to perform defined functions:

- Facilitating trade within and through the ports;
- Planning for future growth and development of the ports;
- Undertaking or arranging for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the State through the use of the port and related facilities;
- Controlling business and other activities in the port or in connection with operation of the ports;
- Being responsible for the safe and efficient operation of the ports;
- Being responsible for maintaining port property;
- Being responsible for port security;
- Protecting the environment of the ports; and
- Minimising the impact of port operations on the environment.

The Board sets Pilbara Ports Authority's strategic direction, and monitors management's achievement against the strategic objectives. The Board comprises six directors, including the Chairman. In carrying out its responsibilities and exercising its powers, the Board recognises its overriding responsibility to act honestly, fairly and diligently, and in accordance with the law, in serving the interests of Western Australia, Pilbara Ports Authority's employees, its port users and the community.

Organisational Profile

Our Vision

To be the global leader in port planning, operations and marine services.

Our Values

Excellence – be the best in all we do

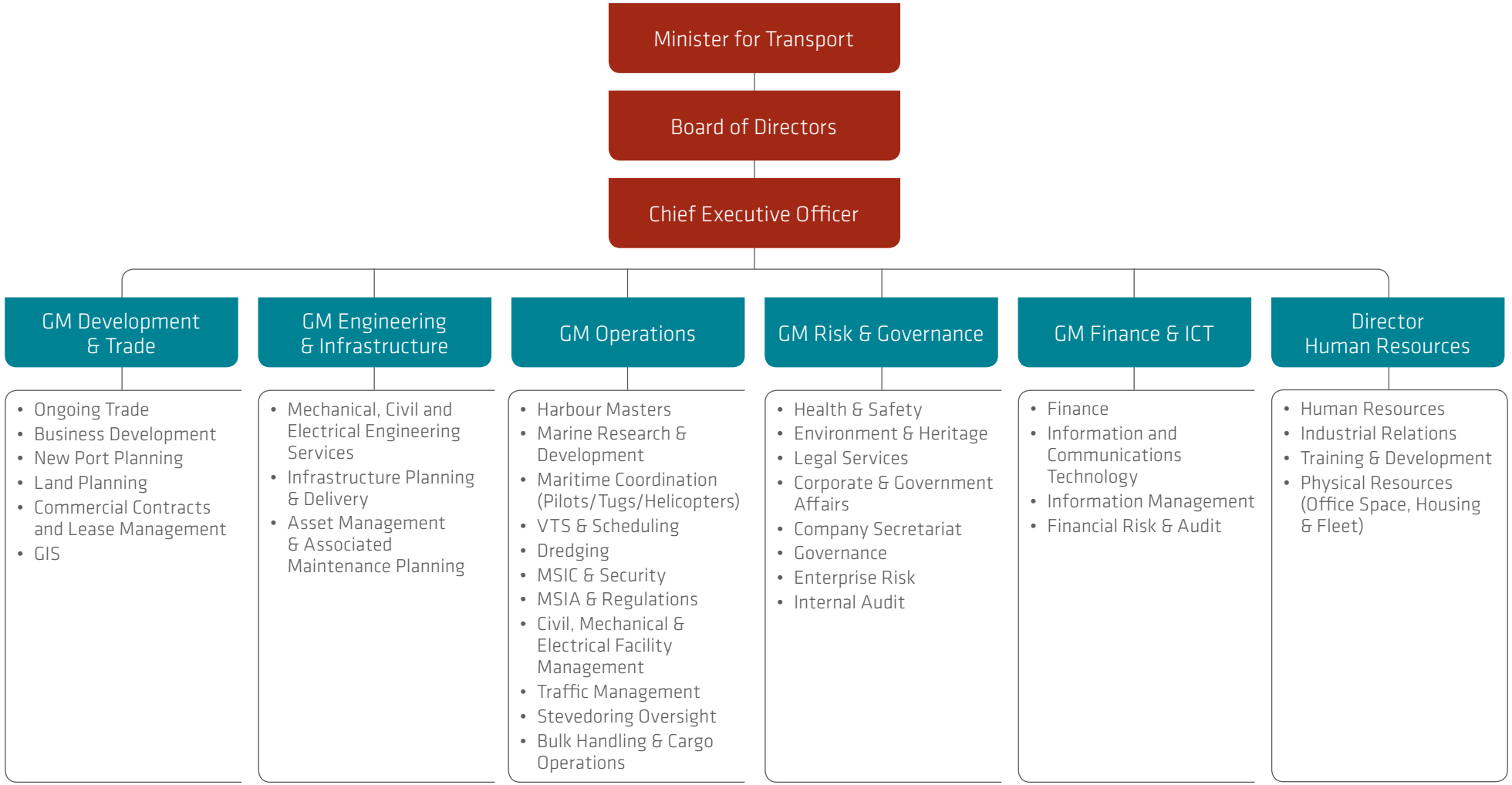
Respect – in all our dealings

Integrity – operate honestly, fairly and impartially

Care – for our environment, our staff and our community

Courage – do the right thing

Organisational Structure



Board of Directors

CHAIRMAN
Ken Pettit
SC, AIT, BA, BJuris (Hons 1), LLB

Mr Pettit was appointed to the Board of the former Port Hedland Port Authority on 15 August 2011. He was appointed to Pilbara Ports Authority upon its formation in 2014 for a term expiring 30 June 2016. He has been re-appointed for a term expiring on 30 June 2018.

Mr Pettit is a senior barrister practicing from Francis Burt Chambers in Perth, Western Australia. He joined the independent bar in 1995 and was appointed as Senior Counsel in 2003. He has 29 years' experience, specialising more recently in the fields of mining, property, planning, native title, commercial and industrial relations law. Mr Pettit worked for the State Solicitor's Office between 1986 and 1995.

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

DEPUTY CHAIRMAN
Les Longden
BEng (Hons), Grad Dip App Fin, FAICD, FFin

Mr Longden was initially appointed to the former Port Hedland Port Authority Board on 1 October 2009, and has recently been reappointed to the Pilbara Ports Authority Board for a term expiring 30 June 2018. He was previously also Deputy Chairman of the former Dampier Port Authority (DPA) from July 2013 until its amalgamation into Pilbara Ports Authority in July 2014.

He has more than 27 years' experience in the resources industry across a variety of development and operations roles. Mr Longden is a principal of a Perth-based engineering and project management consultancy, and was previously an Executive Director of an ASX-listed oil exploration and production company.

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

DIRECTOR
Julian Tapp
BA (Philosophy), MSc (Economics of Public Policy)

Mr Tapp was appointed to the former Port Hedland Port Authority Board on 30 June 2009 and has been reappointed to the Pilbara Ports Authority Board, expiring 31 December 2017.

Mr Tapp is an Executive Director of Vimy Resources Limited. He has a Master's Degree in the Theory of Public Finance, worked as an economics researcher/lecturer (IFS, LSE, Murdoch, Brunel) for five years and as an economist in industry (Ford of Europe, BP and BAE Systems) for 17 years before emigrating to Australia.

He worked for Fortescue Metals Group as Head of Government Relations for eight years before taking up his current position in the uranium industry.

Board of Directors

DIRECTOR
Boyd Winton
BCom, BEcon, GAICD

Mr Winton was first appointed to the Board as non-executive Director on 22 October 2014. His current term will expire 30 June 2018.

He has spent 25 years' involved with the financial services industry, including more than 20 years working in a broad range of senior wholesale banking roles based with both global and regional banks in Sydney, Melbourne, London and Bahrain. Additionally, he has worked with the Government of Bahrain where he was responsible for the development of Bahrain's Financial Services Industry.

He holds a Bachelor of Commerce (Accounting and Finance) and a Bachelor of Economics.

DIRECTOR
John Lillywhite
BCom, MBA, Grad Dip Ornithology

Mr Lillywhite was appointed to the Board as non-executive Director on 22 October 2014 for a term expiring 31 December 2017.

He has held positions in the telecommunications, energy and waste utilities industries, working in various Australian states, and countries including USA, Saudi Arabia, Poland and India.

Mr Lillywhite is a graduate of the Advanced Management Program from the Harvard Business School and holds directorships with Zetta Group Pty Ltd (Chairman), Western Resource Recovery/ Total Waste Management Pty Ltd and Tesla Holdings Pty Ltd.

He also holds a Bachelor of Commerce, Graduate Diploma in Ornithology and a MBA.

DIRECTOR
Judith Uren
BE(Hons), MEngSci, FIEAust, CPEng(NPER), MAICD, CA(Life)

Ms Uren was appointed to the Pilbara Ports Authority Board as non-executive Director on 23 May 2016 for a term expiring on 31 December 2017.

Ms Uren has extensive engineering experience in the design and management of civil infrastructure works in the transport, resource and, oil and gas sectors. She has substantial experience in the delivery of projects using alliance and Design and Construct contracts. Ms Uren was a director of a privately owned engineering consultancy for 16 years where her Board role included a primary focus on the development of business opportunities for the group and representing the company on large infrastructure projects and at industry level.

Ms Uren is a fellow of the Institute of Engineers Australia and a WA Branch Executive Committee member and Life member of Consult Australia.

Executive Team

CHIEF EXECUTIVE OFFICER
Roger Johnston
BSc

Mr Johnston was previously the CEO for Port Hedland Port Authority, appointed by the Minister for Transport in January 2012.

Well-regarded for his clear leadership and focused strategic capabilities, he brings with him over 35 years' experience as a senior Executive and Company Director. Mr Johnston has previously worked in senior roles with a number of multinationals and logistics companies, most recently in the construction materials sector in Western Australia.

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

A bulk carrier berthing in Port Hedland

Executive Team

GENERAL MANAGER RISK AND GOVERNANCE
Raechel Paris
BA, LLB

Ms Paris has more than 19 years' experience in legal, commercial and governance roles with national and international accountability, and brings a wealth of corporate governance knowledge to Pilbara Ports Authority. She joined the former Port Hedland Port Authority in 2011 as the General Manager, Risk and Governance.

Ms Paris holds a Bachelor of Arts/Law from Monash University, and is a member of the Governance Institute and a Graduate of the Australian Institute of Company Directors. She is also Pilbara Ports Authority's Company Secretary.

GENERAL MANAGER OPERATIONS
Captain John Finch
MBA

Captain Finch is General Manager of Operations, holding the same position with Port Hedland Port Authority since 2011. He is a Master Mariner by profession and holds a MBA in Maritime Management.

Mr Finch has 30 years' experience in marine, regulatory and port management roles and brings extensive knowledge and operational expertise to Pilbara Ports Authority.

Previously, he was Harbour Master in a number of Queensland ports. Mr Finch has held senior port operations and regulatory positions after serving approximately 15 years on international and coastal vessels in various marine industry sectors.

GENERAL MANAGER, DEVELOPMENT AND TRADE
Lyle Banks
BEng, LLM

Mr Banks brings with him 25 years' national and international experience in port planning and development in both private and public sectors. He joined Port Hedland Port Authority in 2013 as the General Manager Commerce and Development, and is currently responsible for port development projects in Dampier and Port Hedland. Mr Banks also held management roles in Planning, Development and Environment at Fremantle Ports.

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

Executive Team

GENERAL MANAGER, FINANCE AND ICT
Nick Sarandopoulos
Bcom, CA, Grad Dip App Fin, MBA

Mr Sarandopoulos joined Pilbara Ports Authority in 2014 as General Manager of Finance and ICT, bringing extensive financial and management experience in the resources sector having worked in major ASX listed companies in the mining, oil and gas sector over the past 15 years.

In his previous role, he managed the finance, administration and IT functions of Toll Energy as the National Finance Manager, providing strategic and commercial advice to assist in the significant growth of the business. Mr Sarandopoulos has also held financial and commercial roles at Brambles Industrial Services over seven years, including Financial Controller of the BIS Western division.

He is a Chartered Accountant and holds post graduate qualifications in Advanced Finance and Investment with the Financial Securities Institute of Australia and a MBA from the University of Western Australia.

GENERAL MANAGER, ENGINEERING AND INFRASTRUCTURE
Philip Cooke
BEng

Mr Cooke joined Pilbara Ports Authority as General Manager of Engineering and Infrastructure in late 2015. He is a Mechanical Engineer with more than 25 years' experience in mining, energy and ports, and has held senior roles with North Ltd, Alcoa and Rio Tinto in engineering, maintenance and operations.

He is familiar with the ports in the Pilbara having spent a number of years in the Pilbara, mostly at Rio Tinto's Cape Lambert port.

Mr Cooke was most recently the General Manager of Infrastructure and Maintenance for the Tasmanian Ports Corporation and brings considerable engineering experience of multi-port environments.

DIRECTOR, HUMAN RESOURCES
Damien Miles
BSW (Hons), Grad Cert HIS, Adv Dip Mgt

Mr Miles is PPA's Director of Human Resources, with responsibility for human resources, industrial relations, non-industrial physical resources and employee development. He joined Port Hedland Port Authority in 2010 as the Human Resources Manager and was the Director responsible for the Pilbara Ports amalgamation. He has more than 15 years' experience in the human resources and human services sectors.

Mr Miles graduated with Honours in Social Work from Curtin University and was awarded membership of the Vice Chancellor's List. Mr Miles holds an Advanced Diploma in Management, is a Graduate of the Australian Institute of Company Directors, and has post-graduate qualifications in Integrated Human Studies from the University of Western Australia.

He was recently awarded the prestigious Human Resource Management Practitioner of the Year Award from the WA Institute of Public Administration (IPAA) Australia.

Key Business Results Year on Year

PROFIT BEFORE INCOME TAX

$283.8 million

$171.1 million

NET PROFIT AFTER TAX

$198.9 million

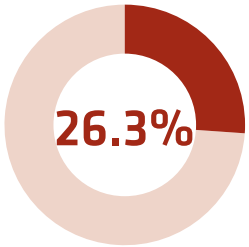
$119.7 million

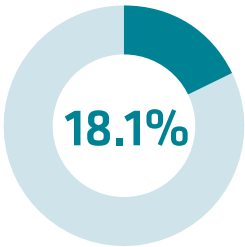
TOTAL PORT TRADE

619.8 million tonnes

633.5 million tonnes

RETURN ON ASSETS





TOTAL SHIP MOVEMENTS

24,980

21,122

LEGEND

2014/15

2015/16

Corporate Scorecard

Results with targets for both financial and non-financial key performance indicators

Performance targets are used to identify and measure Pilbara Ports Authority's capability in meeting its three key objectives: *Trade Facilitation, Sustainability and Business Excellence*. They also allow Pilbara Ports Authority to monitor the financial performance of its operations. The following illustrates the extent to which these business objectives were achieved.

ECONOMIC RESULTS		
FINANCIAL	**FY TARGET(1)**	**FY RESULTS**
Rate of Return on Assets (%) excl. Port Improvement Rate	20.2%	18.1%
Economic Rate of Return (%) excl. Port Improvement Rate	25.0%	19.0%

(1) Target set prior to Ministerial Direction to provide discount aid to Utah Bulk Handling Facility customers.

TRADE RESULTS		
PORT TRADE (Million tonnes)	**FY TARGET**	**FY RESULTS**
Port of Ashburton	N/A	0.13
Port of Dampier	173.7	173.0
Port of Port Hedland	454.3	460.4
Total port trade (Million tonnes)	**627.9**	**633.5**
VESSEL VISITS		
Port of Ashburton	50	79
Port of Dampier	6,342	4,209
Port of Port Hedland	2,914	2,746
Total vessel visits	**9,306**	**7,034***

* A move to larger ships and reduced offshore activities has seen a decreased number of vessel visits

Corporate Scorecard

SYSTEMS AND INDUSTRY BEST PRACTICE

	FY TARGET	FY RESULTS
Lost Time Injury Frequency Rate	2.7	0.55
Environmental incidents with greater than moderate risk rating	0	0
Number of sites certified to Integrated Management System	3	3

COMMUNITY ENGAGEMENT AND CUSTOMER SATISIFACTION

	FY TARGET	FY RESULTS
Customer Satisfaction Survey results*	66	66
Number of Community Consultation Committee meetings held	8	8

*Based on the TRI*M corporate reputation index, which measures and displays strength of stakeholder relationship. Pilbara Ports Authority achieved an overall corporate reputation score of 66 (good), higher than the Australian public sector average of 46, and global public sector average of 58.

Bulk Liquids Berth at the Port of Dampier

Port Statistics

PPA TOTAL THROUGHPUT 2015/16		
Imports	**Tonnes**	**Percentage**
Ammonium Nitrate	59,747	–
Fuel oils	2,271,112	0.35%
General cargo	521,575	0.08%
TOTAL IMPORTS	**2,852,434**	**0.45%**
Exports		
Iron ore	596,390,775	94.1%
Manganese	977,744	0.15%
Salt	6,391,019	1%
LNG/LPG	21,430,172	3.4%
Other	5,494,886	0.86%
TOTAL EXPORTS	**630,684,596**	**99.5%**
TOTAL THROUGHPUT= 635.5 Mt	**633,537,030**	**100%**

PORT OF ASHBURTON TOTAL THROUGHPUT 2015/16		
Imports	**Tonnes**	**Percentage**
General cargo	123,608	
Total imports	**123,608**	**95.7**
Exports		
General cargo	5,544	
Total exports	**5,544**	**4.29**
TOTAL PORT THROUGHPUT	**129,152**	**100**

PORT OF DAMPIER TOTAL THROUGHPUT 2015/16		
Imports	**Tonnes**	**Percentage**
Petroluem	853,676	0.49
General cargo	202,592	0.11
Total imports	**1,056,269**	**0.61**
Exports		
Iron ore	142,120,517	82.1
LNG	21,430,172	12.38
Salt	3,426,347	1.98
Ammonia	666,865	0.38
Other	4,299,119	2.48
Total exports	**171,943,020**	**99.38**
TOTAL PORT THROUGHPUT	**172,999,289**	**100**

Port Statistics

PORT OF PORT HEDLAND THROUGHPUT 2015/16		
Imports	**Tonnes**	**Percentage**
Ammonium nitrate	59,747	0.01
Fuel oils	1,417,496	0.3
General cargo	195,375	0.04
Total imports	**1,672,617**	**0.36**
Exports		
Iron ore	454,270,258	98.6
Manganese	977,744	0.21
Copper	441,022	0.09
Salt	2,964,672	0.64
Other	82,336	0.01
Total exports	**458,736,032**	**99.63**
TOTAL PORT THROUGHPUT	**460,408,649**	**100**

(PORT HEDLAND, DAMPIER AND ASHBURTON)			
	2014 FY = 550 Mt	**2015 FY = 620 Mt**	**2016 FY =**
Jul	42.6	53.2	52
Aug	44.3	54.2	53.4
Sep	45.7	52.4	54.4
Oct	44.2	53.3	52.3
Nov	42	49.3	52.6
Dec	46	52.8	53.9
Jan	41.9	50.2	46.8
Feb	42.5	48.8	51.5
Mar	49.9	50.2	53.7
Apr	49.9	49	53.5
May	51.6	52.4	53.6
June	49.3	54.1	55.9

Performance against Government Goals

The following table shows the alignment between relevant Government goals, Pilbara Ports Authority's strategic objectives, targeted outcomes, measures and results.

Goal 1 – Results-based delivery *(Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians)*

Goal 2 – Financial and economic responsibility *(Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector)*

PILBARA PORTS AUTHORITY OBJECTIVE	RESULTS
To facilitate trade through the Pilbara for the benefit of the State	Pilbara Ports Authority achieved a record annual throughput of 633.5Mt, an increase of 13 per cent from the previous year. A move to larger ships and reduced offshore activities has seen a total number of ship movements of 21,122. This is a decrease of 15 per cent from the previous year. Major Port Hedland projects such as the Integrated Marine Operations Centre, Channel Risk Optimisation Project and Channel Marker Replacement program have gained momentum during the reporting year, and will ensure safe, reliable and efficient operations commensurate with an increase in vessel traffic and tonnage growth. Continued development and expansion of Port Hedland Port with the completion of Roy Hill's two new berths in South West Creek, bringing the total number of berths in the inner harbour to 19.
KEY OUTCOMES SOUGHT	
Customer satisfaction Suitable, reliable port facilities Provision for port expansion and new ports Successful proponent projects Successful completion of new projects Successful asset management	
MEASURES	
Understanding customer supply chains Facilitating private investment Provision of common user assets Port Development Plan Strategic Asset Plan	

Performance against Government Goals

Goal 3 – Social and environmental responsibility

(Ensuring economic activity is managed in a socially and environmentally responsible manner for the long term benefit of the State)

PILBARA PORTS AUTHORITY OBJECTIVE

To manage the ports' growth and operations while respecting the Pilbara's environment and heritage

KEY OUTCOMES SOUGHT

Safe, secure, reliable and efficient services

Stakeholder management

Minimal environmental incidents/accidents

Management of heritage considerations in port planning

MEASURES

Incident response preparedness and oil pollution response

Environmental Management Plan

Cultural Preservation Strategy

Community sponsorship initiatives

Stakeholder management plans

RESULTS

A total of 69 staff members have completed Incident Management Training (Level 1), including 12 during the reporting year.

A total of eight Community Consultation Committee meetings were held at Dampier/Karratha, Port Hedland and Onslow ensuring effective two-way communication between Pilbara Ports Authority and representatives from community and local business groups and relevant local government authorities.

A Cultural Heritage Action Plan has been published to support the sustainable and respectful management of the heritage values that occur within Pilbara Ports Authority's land and waters.

A total of $204,000 has been provided to charities, not-for-profit and community groups in Onslow, Dampier/Karratha and Port Hedland as part of Pilbara Ports Authority's Community Support Initiative Program.

More than 130 interviews were conducted as part of Pilbara Ports Authority's annual Stakeholder Satisfaction Survey, which resulted in a score of 66 based on the TRI*M corporate reputation index. Pilbara Ports Authority's result was higher than the Australian public sector average of 46.

Performance against Government Goals

Goal 4 – Stronger focus on the regions

(Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas)

PILBARA PORTS AUTHORITY OBJECTIVE

To optimise performance through industry leading practices and innovation

KEY OUTCOMES SOUGHT

Safe working environment

Capable workforce

Continuous business improvement

Entreprise wide risk management

MEASURES

Safety-first organisational culture

Business continuity

Innovation culture

Entrerprise Risk Management Framework

RESULTS

Pilbara Ports Authority has set and achieved clear safety targets, with the ultimate aim of no injuries or harm. The 2015/16 Lost Time Injury Frequency Rate (LTIFR) performance for employees and contractors was 0.55 against a target of 2.7. PPA compared its LTIFR against local and national peers to understand how it performed in this area, and the comparison found PPA performed better than the industry average, with its LTIFR significantly lower than many of its peers.

Pilbara Ports Authority maintained its certifications in Occupational Health and Safety Management, (AS/NZS 4801), Environmental Management (ISO 14001), Information Security Management (ISO 27001), and Quality Management Systems (ISO 9001) across all of its sites.

A Business Continuity Policy, Business Resilience Framework, Business Continuity Management Plan, Crisis Management Plan and an Incident Management Plan were also developed for the whole of Pilbara Ports Authority.

Pilbara Ports Authority is committed to the sustainability of Pilbara communities with 150 regionally based employees living in the Pilbara (there are no fly-in, fly-out positions).

Awarded the Premier's Award and Lloyd's List Australian Maritime and Shipping Award for its innovative Tidal Model Project.

TRADE FACILITATION

To facilitate trade through the Pilbara for the benefit of the state

Trade Facilitation

Pilbara Ports Authority's role is to help ensure the continued sustainability of the Pilbara region as a resource rich economy by facilitating and expanding trade in the region. During the reporting year, Pilbara Ports Authority has progressed with development projects and plans across the ports of Dampier, Port Hedland and Ashburton, including the proposed ports of Anketell, Balla Balla and Cape Preston East. The reporting year also saw the commencement of due diligence for the Shipping and Pilotage Act ports integration with Pilbara Ports Authority, and new trade opportunities with diversified industries.

Trade Facilitation

Desired Outcomes

- Suitable, reliable port facilities
- Customer satisfaction
- Provision for port expansion and new ports
- Proponent projects and new projects

Port Improvement Projects

Integrated Marine Operations Centre

The Integrated Marine Operations Centre (IMOC) is one of three capital infrastructure projects funded by the Port Improvement Rate, a temporary charge levied on vessels entering and exiting the Port Hedland harbour, which funds capital improvements necessary to sustain its long-term safe operation.

The IMOC will be constructed as a new shipping control tower and marine operations facility in Port Hedland, and will control the marine operations of the port, dredging management, port security and Vessel Traffic Services (VTS) systems. It will also include state-of-the-art equipment to support the harbour master function, marine pilot briefing facilities and an improved incident control capability.

Once completed, the IMOC will oversee the safe and efficient movement of increasing numbers of vessels through the port. The number of vessel movements through Port Hedland will have grown to more than 6,000 per year by the time the IMOC is operational in 2018 – more than five times the volume when the existing control tower was built 45 years ago.

During the reporting year, Pilbara Ports Authority undertook a thorough tender assessment process to select a suitable Design and Construct contractor for the IMOC building. On 5 July 2016, the Acting Minister for Transport announced Pindan Contracting Pty Ltd as the successful tenderer to design and construct the IMOC.

A Request for Tender for the Design, Supply, and Installation and Maintenance of the IMOC VTS system was advertised in early June 2016.

The IMOC is scheduled to be operational in 2018.

Channel Risk Optimisation Project

Pilbara Ports Authority is progressing with the delivery of the $120 million Channel Risk and Optimisation Project (CROP) that is designed to reduce the risk of an obstruction in the Port Hedland shipping channel and allow port users to further maximise loading of product onto their vessels. The two-year project involves a new emergency passing lane, provision of a deep water refuge zone and improved use of existing deeper depths along Port Hedland's 42km channel.

Trade Facilitation

The project will allow disabled vessels to safely anchor in the deep water refuge zone, enabling other vessels to continue to navigate in and out of the port, which ensures continuity of port operations. The project also involves targeted dredging of the channel, resulting in an ability to fully realise the existing channel depth, allowing port users to further optimise the use of their draft restricted vessels.

During the reporting year, Pilbara Ports Authority refined the scope and presented the project concept to its major stakeholders. Feedback was sought from internal and external stakeholders and incorporated into the CROP business case. Funding approval for the project was received in the reporting period and Pilbara Ports Authority is proceeding with obtaining environmental approvals in anticipation of commencing works in 2017.

Bulk carriers loading at the Port of Port Hedland

Trade Facilitation

Port Hedland Channel Marker Replacement Program

Pilbara Ports Authority has continued work on its Channel Marker Replacement Program, with the aim of finalising a detailed scope of works and tender documentation for the replacement of piles supporting navigation aids in the Port Hedland harbour and shipping channel. The primary aid to navigation along the 42km shipping channel and through the harbour entrance is via 70 channel markers. The channel markers outline the channel boundaries and provide visual guidance to vessel pilots using the shipping channel.

The program will ensure the ongoing safe passage of vessels within the Port of Port Hedland and the continuation of 24/7 shipping operations into the future.

Pilbara Ports Authority has begun planning for an Early Contractor Involvement structure and tender, a new process for the business, to assist in finalising a detailed scope of works and construction methodology by first quarter 2016/17.

Port Hedland Dynamic Port Capacity Model

In an effort to increase throughput tonnages and promote trade facilitation, a Dynamic Port Capacity Model has been created by Pilbara Ports Authority and independent maritime engineering company OMC International to realise existing capacity at the Port of Port Hedland.

Current modelling has identified throughput tonnage of approximately 577 million tonnes per annum (mtpa), an increase of almost 16.5 per cent on the initial modelling of 495mtpa. The model takes into account many variables which include vessel anchor and pilot transfer times, average gross loading rates and average downtime due to cyclones and planned maintenance. It is also dependent on individual port users creating efficiencies within their transport corridor. Each port users' annual capacity entitlements will remain the same; however, they will be able to access increased opportunistic capacity above their allocated shipping tonnages through the use of D-class shipping protocols.

During the reporting year, Pilbara Ports Authority completed a consultation process with relevant port customers and government agencies detailing the new modelling outcomes.

Roy Hill Infrastructure

During the reporting year, Roy Hill Infrastructure Pty Ltd completed the construction of two berths in South West Creek in the Port of Port Hedland. The berths have an export capacity of 55mtpa, bringing the total number of capesize berths in the inner harbour to 19. Roy Hill's first shipment of iron ore departed the port on board the MV Anangel Explorer for South Korea on 7 December 2015.

Port Development Strategy 2030

Pilbara Ports Authority has completed its Port Development Strategy 2030, which establishes clear port planning objectives for each of Pilbara Ports Authority's ports including the proposed ports of Anketell, Balla Balla and Cape Preston East. The strategy supports Pilbara Ports Authority's vision of trade facilitation, focusing on land use strategies and the development of infrastructure and logistics. The Port Development Strategy 2030 was published on Pilbara Ports Authority's website in December 2015.

Trade Facilitation

The strategy is the overarching document in Pilbara Ports Authority's Port Planning Framework which provides a suite of planning documents including the Port Development Strategy, Port Master Plans and Land Use Plans. These documents are consistent with the National Ports Strategy, the Western Australian Regional Freight Transport Network Plan and with Ports Australia's "Leading Practice: Port Master Planning – Approaches and Future Opportunities."

Pilbara Ports Authority is progressing with the review and preparation of updated Port Master Plans and Land Use Plans at each of its ports, with these to be progressively published in 2016/17. In planning for each of its ports, Pilbara Ports Authority will consult with key stakeholders, including local communities, port users and government.

Port of Ashburton

Pilbara Ports Authority continues to liaise with Chevron Australia Pty Limited for the handover of common-user port assets to Pilbara Ports Authority, the first of which is expected in 2017. Port infrastructure to be handed over to Pilbara Ports Authority will include access channels, a materials offloading facility (Ashburton Cargo Wharf), breakwater, tug and working vessel moorings and navigational aids.

Additional infrastructure will be established by Pilbara Ports Authority including an administration building and car park, security fencing for the Common User Coastal Area, power and water infrastructure, a gatehouse facility and oil spill equipment sheds.

During the reporting year, Pilbara Ports Authority undertook preparations for the construction of a new fill pad within Pilbara Ports Authority's Eastern Precinct.

Pilbara Ports Authority has also commenced port monitoring and communications services at the Port of Ashburton on a permanent basis, well in advance of the expected handover date of mid-2017 from Chevron Australia. As of 1 July 2016, the services are being facilitated by Pilbara Ports Authority's Vessel Traffic Services Centre at the Port of Dampier, which was built to provide these services across multiple port locations.

Trade Facilitation

Developments at the Port of Dampier

During the reporting year, Pilbara Ports Authority completed reviews of the Dampier Cargo Wharf, Heavy Load Out and Alternate Load Out facilities. The reviews identified the requirement for the complete replacement of fenders and concrete remediation works to the Dampier Cargo Wharf's berth face to ensure its ongoing operation. These works will be completed in 2016/17.

The review also found that the Heavy Load Out and Alternate Load Out facilities require substantial capital investment for continued operation. Pilbara Ports Authority intends to offer commercial opportunities to the private sector for the development of these facilities.

In addition, Pilbara Ports Authority has supported the establishment of the Pilbara Express Line, a new dedicated service which will operate exclusively between Singapore and Dampier. Pilbara Express Line will operate the service with a multi-purpose vessel for containerised, breakbulk and roll-on/roll-off cargo. This service is due to commence in the first half of 2016/17.

New trade opportunities

In order to diversify its trade capabilities, Pilbara Ports Authority has identified potential new and emerging trade opportunities and markets. These include livestock and lithium exports as well as micro LNG production. Pilbara Ports Authority has also received numerous business enquiries and has responded to proponent initiated trade opportunities, including pipe spooling projects, bulk liquid exports and sand and rock export.

Livestock exports

During the reporting year, Pilbara Ports Authority has progressed with a number of strategies to facilitate livestock exports from Port Hedland including:

- Hosting a livestock industry forum in Port Hedland, which included pastoralists, growers, exporters, agents and key agencies;
- Contributing to the Northern Beef Futures initiative;
- Inspecting cattle loading and holding yard facilities operations at Port of Darwin;
- Commencing construction of a dual deck loading ramp for use in Port Hedland;
- Attending the EastxWest Forum, a Pilbara focused trade and investment forum held in Shenzhen, China; and
- Preparing a business case for the long-term development of Lumsden Point, which will include a state-of-the-art livestock export facility.

These strategies will ensure that infrastructure is in place, and available for smaller consignments of cattle in the interim, while pastoralists in the Pilbara and north of Western Australia build up stock numbers to meet future demand driven primarily by Asian markets.

Fuel import infrastructure

Pilbara Ports Authority has assessed the current extent of fuel infrastructure and operations across Pilbara Ports Authority ports and forecast fuel demand to inform future development opportunities. This has been prepared in consultation with resource and fuel importation/distribution companies regarding their infrastructure, operations and forecast trade growth.

Trade Facilitation

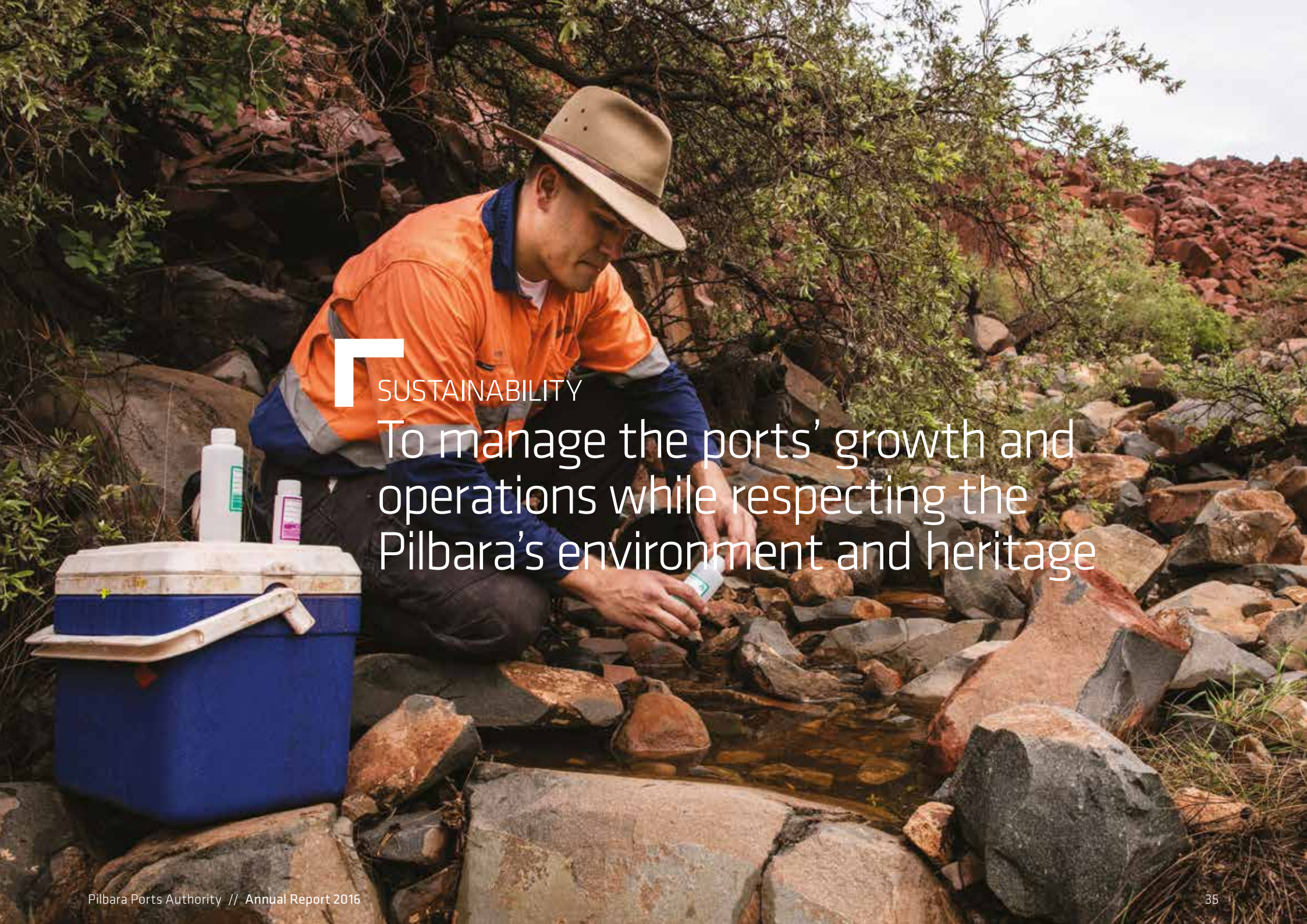
It is anticipated fuel import through Port Hedland will increase at a rate aligned to forecast export growth, from 1.5Mt in 2014/15 to approximately 2Mt in 2025/26. The development of a bulk liquids export industry in the Boodarie Strategic Industrial Area may provide the opportunity for a dedicated bulk liquids berth to be constructed in South West Creek.

Fuel import to the West Pilbara is forecast to remain stable over the next five years unless there is demand from a significant project such as the Port of Anketell or a new resources project.

In order to meet existing and future demand in the Pilbara, Pilbara Ports Authority initiated the following projects during the reporting year:

- The replacement and realignment of aged fuel pipelines at Port Hedland and provision of equitable access to pipeline infrastructure;
- Calling of an Expression of Interest for the installation and operation of new fuel importation infrastructure at the Port of Port Hedland;
- Negotiations to create an easement for installation of a fuel pipeline between the Dampier Bulk Liquids Berth and a proposed new fuel terminal site within the King Bay Industrial Estate.

Offshore supply vessel alongside Dampier Cargo Wharf loading supplies for an offshore rig



SUSTAINABILITY

To manage the ports' growth and operations while respecting the Pilbara's environment and heritage

Sustainability

The Pilbara region is recognised worldwide for its environmental, cultural and heritage significance. Pilbara Ports Authority provides responsible environmental stewardship of port controlled land, seabed and waters, and minimises the environmental impact of port activities. The environmental management of Pilbara Ports Authority's operations and ongoing development is a function under the Act, which is "to protect the environment of the port and minimise the impact of port activities on that environment".

Desired Outcomes

- Safe, secure, reliable and efficient services
- Stakeholder management
- Minimal environmental incidents
- Management of heritage considerations in port planning

Sustainability

Environmental Management System

Pilbara Ports Authority's Environmental Management System is certified to ISO 14001:2004 (International Standard for Environmental Management Systems). This certification ensures a consistent, integrated approach in delivering environment and cultural heritage management across Pilbara Ports Authority's services and activities, with a strong focus on continual improvement. Pilbara Ports Authority is working towards certification to the new ISO 14001:2015 standard in 2016.

Incident Preparedness and Response

Pilbara Ports Authority operates and is responsible for emergency/incident management within defined port authority limits. Pilbara Ports Authority implements a consistent and industry recognised incident response methodology across its sites. Key personnel are trained, qualified and competent in incident response. During the reporting year, Pilbara Ports Authority has continued to enhance its emergency response capabilities, as detailed above.

INCIDENT MANAGEMENT TRAINING DURING THE REPORTING YEAR	
Australasian Inter-Service Incident Management System (AIIMS) Level 1 Incident Management Training	12 employees
Oil Spill Response Wildlife Management Course	1 employee
Australian Maritime Safety Authority National Plan – Logistics Officer course	1 employee
Australian Maritime Safety Authority National Plan – Incident Management Team course	3 employees

Ports of Ashburton and Dampier

The Port of Dampier and Port of Ashburton Emergency Response Plan was reviewed and updated in September 2015, and regular emergency response exercises were conducted both internally and externally with stakeholders. The Marine Safety Plans for both ports have been approved by the Pilbara Ports Authority Board and in June 2016 were forwarded to the Minister for Transport for his approval.

A set of Emergency Response Checklists have been developed for the Port of Ashburton during the reporting year to ensure Pilbara Ports Authority is prepared to facilitate an incident response within port waters.

Port of Port Hedland

During the reporting year, the Port Hedland Emergency Response Procedures and Operational and Facilities Emergency Response Procedures were reviewed and updated. Monthly emergency response exercises were conducted with stakeholders, which involved equipment deployment, desktop exercises and workshops.

Pilbara Ports Authority continues to work closely with the Department of Fire and Emergency Services to improve the local marine fire-fighting capability, with quarterly meetings conducted. During the reporting year, operational staff from the Port of Port Hedland facilitated landside, waterside and vessel familiarisation and practical on-water training for volunteer firefighters.

Sustainability

Marine Pollution Emergency Response Preparedness and Training

Staff regularly train for marine pollution emergency response across each Pilbara Ports Authority port, and also participate in external exercises with other government agencies. This includes the National Plan and Department of Transport (DoT) training, where staff completed courses in Incident Management Team development, logistics, shoreline and basic operator courses during the reporting year.

In June 2016, several Perth and Port of Dampier staff participated in the first phase of the DoT State Marine Environmental Emergency exercise, Exercise Beadon. This was the first State exercise to be conducted in accordance with WestPlan's proposed new Marine Transport Emergency and Marine Oil Pollution plans.

The scenario involved a vessel grounding in the Port of Onslow, causing pollution in waters bordering the ports of Ashburton and Onslow. The objective of the exercise was to test the new WestPlan Marine Oil Pollution and Marine Transport plans, and the cross jurisdictional response.

The second phase of the exercise is scheduled in September 2016 and will involve staff from all Pilbara Ports Authority sites in both the Incident Management Team and field roles.

Other training included emergency preparedness at the Port of Dampier involving the local Marine Oil Pollution committee. This brought together key government and port industry stakeholders to enhance marine oil spill response through the effective coordination of training, exercises, equipment and people.

In December 2015, the annual table top exercise was conducted based on a response to a scenario to understand the resources required to respond to a larger event and where these may be sourced from.

At the Port of Port Hedland, Exercise Airey was conducted on 21 and 22 June 2016 involving Pilbara Ports Authority staff, and participants/observers from BHP Billiton, Fortescue Metals Group, Rivtow and Roy Hill. The exercise involved an Incident Management Team scenario, a salvage workshop and field deployment.

Pilbara Ports Authority's Emergency Response Plans reviewed and updated in 2015/16

PORT OF ASHBURTON	PORT OF DAMPIER	PORT OF PORT HEDLAND
• Emergency Response Plan • Marine Oil Pollution Plan – Reviewed and updated to align with current port status and WestPlan MOP • Emergency Response Procedures and Checklists • Marine Safety Plan	• Emergency Response Plan • Marine Safety Plan • 2010 Oil Spill Environmental Risk Assessment and Capability Review	• Emergency Response Procedure – Operational and Facilities Emergency Response Procedure • Marine Pollution Contingency Plan

Sustainability

Benthic Primary Producer Habitat Management Strategy

A Benthic Primary Producer* Habitat (BPPH) Management Strategy has been developed to ensure appropriate management of BPPH within all seabed, waters and land vested within Pilbara Ports Authority commensurate with ongoing development and operation of port facilities.

The strategy provides an overview of the different BPPH within Pilbara Ports Authority's ports and identifies key legislation in relation to its management.

The four key strategic focus areas outlined in the strategy, including each of its objectives, are as follows:

*Benthic primary producers (BPP) are primarily marine plants including macroalgae, seagrasses, mangroves, turf algae and benthic microalgae, but also scleractinian corals. The habitats which support BPP include coral reefs, seagrass meadows, mangrove forests, intertidal mud flats and seabed.

Compliance	Pilbara Ports Authority is to remain compliant with regulatory conditions under existing or future approvals to minimise potential impacts of port activities on BPPH. Pilbara Ports Authority holds a number of approvals that require monitoring of BPPH health within its ports and to report on these programs to regulators.
Initiatives	Pilbara Ports Authority aims to support programs which may improve Pilbara Ports Authority's understanding of BPPH and/or its function within its ports.
Research and Development	Pilbara Ports Authority aims to build knowledge and understanding of BPPH communities within Pilbara Ports Authority's port environments to minimise the impacts of overall port development and operations and identify opportunities for improvement where reasonably practical.
Community Engagement	Pilbara Ports Authority aims to proactively engage with local community and interest groups to promote understanding of the importance of maintaining BPPH within Pilbara Ports Authority's ports.

PPA's Environment and Heritage Advisor with Murujuga Land and Sea Unit Rangers on the Burrup Peninsula, Dampier

Sustainability

A BPPH Management Action Plan has been developed to ensure Pilbara Ports Authority meets its objectives and targets outlined in the BPPH Management Strategy. Pilbara Ports Authority tracked its performance against its BPPH Management Action Plan during the reporting period and completed 24 of 27 (88.9 per cent) of its planned BPPH Management Actions.

Two of the 27 actions were partially completed. Both of these actions involved the collation of previous investigations and BPPH studies into a single reference register. This program remains ongoing as new surveys and investigations are completed by Pilbara Ports Authority and other port operators.

One action was investigated and not implemented. This action required preparation of a Scope of Work for the development of an Environment Quality Management Plan (EQMP) for the Ports of Ashburton and Dampier. This work has yet to commence, and will largely be informed by the work currently underway in Port Hedland.

Key BPPH management projects to meet the objective of each key strategic focus areas are summarised in Table 1.

Table 1: Summary of Key BPPH Management Actions undertaken during the reporting period

BPPH MANAGEMENT STRATEGIC FOCUS AREA	PERFORMANCE DURING THE YEAR
Compliance	BPPH monitoring completed during the reporting period demonstrated that Pilbara Ports Authority remained compliant with its approval conditions and/or commitments
Initiatives	Initiatives undertaken during the reporting period include: • **Dredged Material Management Areas Revegetation Trials** – Techniques for rehabilitation through vegetation trials for viable revegetation of DMMA areas were investigated by Pilbara Ports Authority during the reporting period. A report outlining suitable native flora species and a Dredged Material Management Areas Rehabilitation Trial Plan were developed for implementation in 2016/17. • **Environmental Quality Management Framework** Pilbara Ports Authority together with other members of the Port Hedland Industries Council Marine Working Group developed a draft Plan EQMP for the Port of Port Hedland. The Environment Quality Management Plan will be finalised by the Port Hedland Industries Council in 2016/17. • **Mangrove Rehabilitation Guidelines** Pilbara Ports Authority developed Mangrove Rehabilitation Guidelines in consultation with regulators and port users. These guidelines provide further certainty around mangrove rehabilitation for developments within Pilbara Ports Authority ports where mangroves have been temporarily removed.

Sustainability

Table 1: Summary of Key BPPH Management Actions undertaken during the reporting period (continued)

BPPH MANAGEMENT STRATEGIC FOCUS AREA	PERFORMANCE DURING THE YEAR
Research and Development	Pilbara Ports Authority's Research and Development Programs undertaken during the reporting period include: • **Mangrove Health Monitoring Programs** – Annual field surveys of mangrove health were undertaken in the Port of Dampier and Port of Port Hedland with results indicating there has been no indirect loss of mangroves due to Pilbara Ports Authority's operations. • **Mangrove Rehabilitation Trials** – Pilbara Ports Authority continued to monitor its Mangrove Rehabilitation Trial site at Redbank in Port Hedland, to gain expertise and understanding of mangrove rehabilitation in arid tropical zones, including natural recovery, to inform future rehabilitation works. This is the third year Pilbara Ports Authority has been monitoring its trial site. All monitoring results will be reviewed and reported in 2016/17.
Community Engagement	Pilbara Ports Authority's community outreach programs implemented during the reporting period include: • **Clean-up Programs** – Pilbara Ports Authority undertakes annual clean up events to promote sustainable resource use and litter prevention within its land and waters (West Pilbara and Port Hedland). Four clean-up events were held in Port Hedland and five in West Pilbara during the reporting period. • **Pilbara Ports Authority Mangrove Nursery** – Pilbara Ports Authority maintains a viable stock of mangrove seedlings to support both Pilbara Ports Authority and community mangrove rehabilitation trials. Pilbara Ports Authority's nursery contains 3,400 healthy mangrove seedlings (*Avicennia marina*, *Rhizophora stylosa* and *Ceriops australis*). Pilbara Ports Authority continued its partnership with Greening Australia for the De Grey River Rehabilitation project. The project began in October 2014 and aims to rehabilitate a section of the De Grey River, approximately 80km north-east of Port Hedland. In October 2015, volunteers from Pilbara Ports Authority revisited the area to help plant mangrove seedlings grown in Pilbara Ports Authority's nursery. The positive aspects of the project include Pilbara Ports Authority partnering with the community and local environmental groups to help support sustainable environmental projects in the local Pilbara region. • **Mangrove Mates Program** – Pilbara Ports Authority's Mangrove Mates Program aims to raise the awareness around the importance of mangroves within the environment to younger members of the community. In 2015, the program was delivered across seven local schools in Dampier, Karratha, Onslow, Port Hedland and South Hedland with more than 260 students attending. • **Community Education Programs** – Pilbara Ports Authority organised two annual community education seminars, one in Karratha and one in Port Hedland to raise awareness of BPPH management with community members. Both sessions were well attended by members of the public.

Sustainability

Passiflora – Phenology Monitoring and Herbicide Trials

Pilbara Ports Authority's Environment and Heritage team in Dampier is leading a collaborative research project between the CSIRO, Department of Parks and Wildlife and the Murujuga Land and Sea Unit Rangers that aims to improve the management of an emerging introduced environmental weed species on the Burrup Peninsula – Stinking Passionflower vine (*Passiflora foetida*).

The fast growing weed has invaded several deep rocky gullies, rockpiles and coastal vegetation on a portion of Pilbara Ports Authority's underdeveloped lands at the Port of Dampier and the wider Burrup Peninsula. This has resulted in the formation of dense mats that smother native vegetation, increase fuels loads and impact the natural amenity of Aboriginal heritage areas.

While there is no documented information on seasonal growth or effectiveness of control methods, Pilbara Ports Authority has recognised an opportunity to proactively develop and implement an innovative research project along with interested parties. Outcomes will be shared with other land managers including Murujuga Land and Sea Unit Rangers.

During the reporting year, Pilbara Ports Authority engaged a local botanical expert to develop a draft scope for a statistically robust weed monitoring program to form a best practice approach to manage the weed species on the Burrup Peninsula.

The first phase of the Passiflora foetida monitoring program began in January 2016, collecting monthly information from 22 weed sites located across Pilbara Ports Authority's land. The second phase of the project (herbicide trails) will commence in the second half of 2016.

Sustainability

Six months of data collected from Pilbara Ports Authority's research has demonstrated that the weed is capable of invading a wide range of coastal and inland environments on the Burrup Peninsula. It is well adapted to drought conditions and responds very quickly to rain.

The outcomes of the monitoring program and weed control experimental trial will be summarised in a research paper that Pilbara Ports Authority will seek to publish and share with port stakeholders and other land managers and interested parties. The preliminary outcomes of this research will be shared in a presentation at the National Weed Conference in Perth In October 2016.

This agency collaboration has resulted in a research methodology that is statistically robust and practical to implement in the difficult terrain that characterises the Burrup Peninsula. Careful design of this methodology has also confirmed that it is consistent with other studies undertaken across Australia, ensuring project outcomes are directly comparable and add value to the collective knowledge of this weed.

Cultural Heritage Action Plan

Pilbara Ports Authority has published a Cultural Heritage Action Plan to support the sustainable and respectful management of the heritage values that occur within Pilbara Ports Authority's land and waters. The action plan has six strategic focus areas:

Heritage Database – An internal heritage database is being developed to identify all known Aboriginal, historic and maritime heritage values that exist within Pilbara Ports Authority land and waters. The database includes copies of heritage survey reports and approvals that may exist. This is an ongoing project that requires regular updating.

Cultural Heritage Management Plan – In September 2015, Pilbara Ports Authority published its Cultural Heritage Management Plan, which details the processes and strategies that enable Pilbara Ports Authority to operate in areas containing heritage values. The plan enables Pilbara Ports Authority to avoid and protect heritage values or mitigate impacts where avoidance is not possible. It has been well received by external stakeholders and is subject to annual review.

Compliance – Where developments and operations will result in impacts to heritage values, Pilbara Ports Authority seeks appropriate statutory approvals, and ensures compliance with any conditions required. Pilbara Ports Authority liaises closely with statutory authorities prior to any proposed developments that may impact upon heritage values and reports back regularly on any impacts and/or approval conditions.

Site Specific Heritage Management Strategies – Pilbara Ports Authority has engaged with a Traditional Owner group and sought advice from regulatory authorities regarding the protection of significant heritage values within an area of port vested land at Dampier. Pilbara Ports Authority is developing a strategy to ensure appropriate protection is afforded to the area of port land that contains significant heritage value identified by members of the Aboriginal community.

Cultural Awareness Training – Pilbara Ports Authority has included heritage information in staff inductions, including staff information sessions on a number of heritage topics including the Cultural Heritage Management Plan. Targeted information sessions are also provided for maintenance staff on managing and reporting potential impacts to heritage sites.

Sustainability

Indigenous Engagement – Pilbara Ports Authority has a positive working relationship with a number of Aboriginal stakeholders and continues to build these relationships with the various groups across the Pilbara coast. Pilbara Ports Authority has engaged with a number of Aboriginal organisations on a wide range of issues to ensure Pilbara Ports Authority is aware of, and responsive to, any heritage concerns. This includes proposed developments, site specific heritage management and invasive weed management strategies such as the Passiflora program in Dampier. Pilbara Ports Authority has engaged with Aboriginal Ranger programs and is providing assistance with technical expertise and training opportunities for trainee rangers.

During the reporting year, Pilbara Ports Authority also met with a number of industry stakeholders, academics and community groups to further develop its relationships with port users and the wider community on heritage matters. Examples of this include:

- Presenting at the Australian Archaeological Association Conference 'Cultural Heritage Management and the Law' workshop in December 2015;
- Providing support to University of Western Australia (UWA) research into Aboriginal engravings at Port Hedland for BHPBIO, including support to a UWA PhD candidate for their doctoral research;
- Presenting to the Port Hedland Historical Society on Pilbara Ports Authority's Cultural Heritage Management Plan in May 2016; and
- Providing heritage information to members of the local community at the Port Hedland Welcome to Hedland event in May 2016.

PPA's Environment and Heritage Manager (West) shares skills and information on environmental monitoring techniques with the Murujuga Land & Sea Unit

Tug escorting a bulk carrier at the Port of Port Hedland

Sustainability

Second Towage Service Provider – Port Hedland

Following an extensive tender and evaluation process, a second towage service provider, Pilbara Marine Pty Ltd (Pilbara Marine) was awarded a non-exclusive licence to provide towage services at the Port of Port Hedland in May 2016.

Pilbara Marine, a subsidiary of Fortescue Metals Group, will construct marine and landside facilities for the development of a tug haven at Anderson Point. At the commencement of the licence a total of nine tugs will make up the Pilbara Marine tug fleet.

The extensive towage procurement process was undertaken to ensure the successful service provider has the capacity and capability to meet Pilbara Ports Authority's objectives, which include:

- Providing a level of service to port users that is comparable to world's best practice;
- A strong commitment to response capability for port emergency situations;
- Providing customers with options for towage services in Port Hedland; and
- Providing towage services that can meet the expected growth in throughput tonnages.

Dampier Port Survey Standards

During the reporting year, hydrographic surveys were completed to Pilbara Ports Authority standards at the Port of Dampier to enable channel depths to be re-declared and a new edition of the Dampier Harbour Charts to be developed. The objective of the project was to improve the accuracy and reliability of hydrographic data within key navigational areas of the port, contributing to marine safety outcomes and gains in efficiencies. The collection of new and accurate hydrographic data was provided to the Royal Australian Navy's Hydrographic Office to upgrade the Australian charts covering the port, including the Zone of Confidence diagrams on those charts.

The updated hydrographic data was incorporated into a six month tidal study, resulting in the establishment of an accurate Lowest Astronomical Tide model or hydroid for the Port of Dampier. The establishment of the hydroid has resulted in up to 20cm of additional depth in the Rio Tinto channel, facilitating potential increases in port efficiency.

Port Operations Management System – Saab Technologies (KLEIN)

Pilbara Ports Authority operates a vessel traffic information management system (KLEIN) to manage a number of administrative functions related to vessel movements through the Port of Port Hedland. During the year, KLEIN was enhanced to allow relevant stakeholders to access real-time information on vessel movements through the port.

Pilbara Ports Authority also identified, and is currently testing, available technology to increase efficiency relating to specific vessel traffic administrative functions. During the reporting year, a business case was approved and stakeholders were consulted as part of the change management process. Extensive trials of the proposed improvements were carried out, resulting in a successful outcome.

Sustainability

Planning for Shipping and Pilotage Act ports

Pilbara Ports Authority has progressed the due diligence for the future transition of Shipping and Pilotage Act (SPA) ports from the Department of Transport (DoT) to Pilbara Ports Authority. This change is a key element of implementing the second tranche of Ports Legislation Amendments. This will result in the progressive transfer of the ports of Airlie Island, Barrow Island, Cape Preston, Onslow, Port Walcott and Varanus Island to Pilbara Ports Authority.

While the timing of the passage of further amending legislation is not confirmed, Pilbara Ports Authority has advanced its due diligence activities in consultation with DoT, Department of State Development, and existing operators.

This has involved collating information and data from a range of sources to gain a thorough understanding of tenure, critical infrastructure, heritage and the environmental considerations at each port location, operating and commercial arrangements and the extent and condition of infrastructure and/or assets that may transfer to Pilbara Ports Authority's responsibility. Pilbara Ports Authority has continued to liaise with DoT regarding the transfer of jetty and mooring area licences, and seabed leases within the SPA ports. This also included a comprehensive legal review.

Pilbara Ports Authority has also carried out a review of each port's boundaries and developed draft guidelines to ensure a consistent approach to proposed amendments. Final boundaries will be determined in consultation with key stakeholders, including State Government departments and the proponents at each SPA port during the reporting year.

Utah Point Bulk Handling Facility Divestment

The Utah Facility divestment is being managed as a component of the State's Asset Sales Program by the Western Australian Department of Treasury (Treasury). Treasury has been assisted by its Lead Financial Advisor Deloitte / Rothschild and a number of secondary advisors.

During the reporting year, Pilbara Ports Authority assisted with information and feedback as part of the divestment process, including providing input to an independent review of prices at Utah Facility.

On 22 March 2016, the Legislative Council referred the Pilbara Ports Assets (Disposal) Bill 2015 (Enabling Legislation) to the Upper House Standing Committee on Legislation (Committee). The Committee reported back to the Legislative Council on 25 August 2016.

Sustainability

Stakeholder Engagement and Communications Strategy

Pilbara Ports Authority's Stakeholder Engagement and Communications Strategy was approved in October 2015. The Strategy aims to streamline and make consistent Pilbara Ports Authority's stakeholder engagement and communications approach, management process and feedback mechanisms across the organisation.

Community and stakeholder engagement is vital to the ongoing success of Pilbara Ports Authority's growth and development. Pilbara Ports Authority establishes and maintains strong, effective links between community and industry, and fosters an open, working relationship with local communities in which it has port operations.

Pilbara Ports Authority regularly engages with port users and customers, local community groups and businesses, and works closely with the Town of Port Hedland, City of Karratha and Shire of Ashburton to ensure effective two-way communication between the respective ports and the wider community is maintained.

Pilbara Ports Authority also liaises closely with the Office of the Minister for Transport, Department of Transport, Department of State Development and Treasury.

Stakeholder Satisfaction Survey

Pilbara Ports Authority conducts an annual Stakeholder Satisfaction Survey to seek feedback on the organisation and the services it provides. In early 2016, an independent market research agency interviewed 132 people representing port users, service providers, local and state government representatives and community organisations. The overall response rate was up 15 per cent from the 2015 survey.

Despite a challenging economic climate and factors such as the commodities market, Pilbara Ports Authority's pricing discount to junior miners, and the Utah divestment, Pilbara Ports Authority has maintained a good reputation with its stakeholders. Key findings from the research include:

- **Reputation**: Overall, Pilbara Ports Authority has maintained a good reputation with the majority of its stakeholders, with some stakeholders observing a positive change in relationships and communication since the first survey in 2015.
- **Stakeholder engagement**: Collaboration on operational issues is effective but Pilbara Ports Authority could improve its engagement with stakeholders on strategic matters.
- **Financial management**: There is acknowledgement of Pilbara Ports Authority's success in operating its ports, and for its financial returns; however some stakeholders believe Pilbara Ports Authority could be more financially transparent and could be doing more to control costs.
- **Ports Amalgamation**: There remains a perception that Pilbara Ports Authority is too Port Hedland focused, both in terms of its communication and strategic priorities.
- **Environment and Safety**: Pilbara Ports Authority consistently delivers excellent safety and environmental management performance, with these areas seen as Pilbara Ports Authority's key strengths.

Pilbara Ports Authority will conduct its next Stakeholder Satisfaction Survey in early 2017.

Sustainability

Community Consultation Committees

Community Consultation Committees continue to operate in Port Hedland, Dampier/Karratha and Onslow, as required under Section 14A of the amended Act.

The committees promote and facilitate two-way communication between Pilbara Ports Authority and the local communities in which it operates. Membership of each committee consists of representatives from relevant local community, business and interest groups as well as the relevant local government authority.

Meetings are held every four months at the ports of Dampier and Port Hedland and every six months at the Port of Ashburton. The minutes of these meetings are available on Pilbara Ports Authority's website.

LOCATION	NO. OF MEETINGS HELD IN 2015/16	NO. OF MEETINGS EXPECTED IN 2016/17
Port of Ashburton	2	2
Port of Dampier	3	3
Port of Port Hedland	3	3

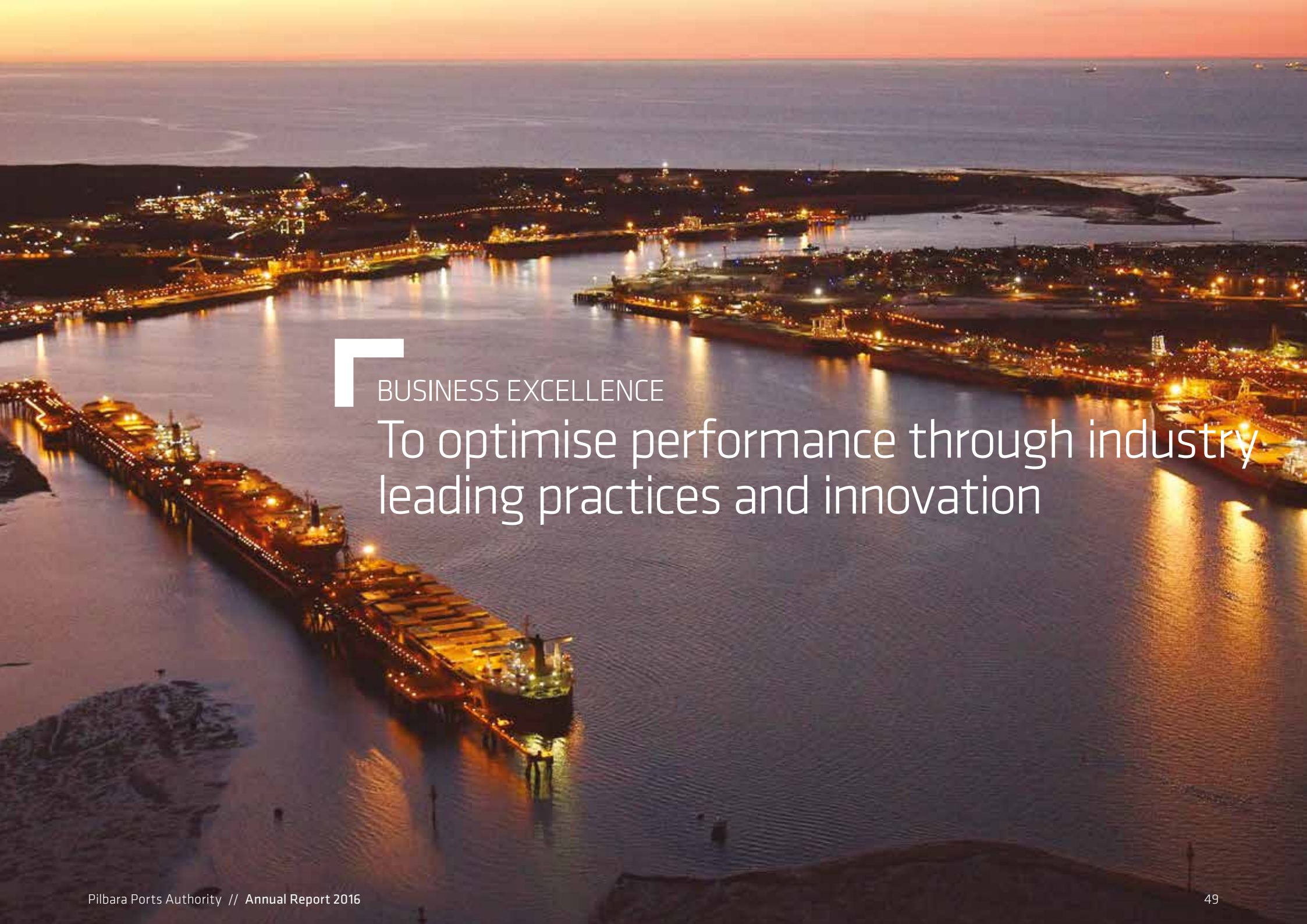
Community Support Initiative Program

Pilbara Ports Authority's Community Support Policy provides a transparent and objective mechanism for Pilbara Ports Authority to commit financial resources and in-kind support to community initiatives. Pilbara Ports Authority provides support to a broad cross-section of community groups and charities through its Community Support Initiative program.

During 2015/16, Pilbara Ports Authority supported a number of community events and organisations including:

- Cossack Art Awards
- Boonderu Music Academy
- South Hedland Cricket Club
- Town of Port Hedland's Australia Day Fireworks
- Dampier Community Association 2015 Art Awards
- Tambrey Primary School, Dampier, Nature Play Space
- Karratha Visitor Centre 2015 Photography Awards
- Onslow Sports Club Fishing Competition
- Port Hedland Chamber of Commerce and Industry Business Awards
- Yaburara & Coastal Mardudhunera Aboriginal Corporation

A total of $204,000 of financial and in-kind support was provided to local community, sporting and not-for-profit organisations in the Dampier/Karratha, Port Hedland and Onslow communities in 2015/16.



BUSINESS EXCELLENCE

To optimise performance through industry leading practices and innovation

Business Excellence

Pilbara Ports Authority maintains a strong focus on continuous improvement and innovations across its sites, and is committed to the development of industry leading practices, technologies and processes that optimise performance and foster innovation.

Desired Outcomes

- Safe working environment
- Capable workforce
- Continuous business improvement
- Enterprise wide risk management

Business Excellence

Safety Performance

Pilbara Ports Authority integrates safety into all facets of its operations and provides a healthy and safe work environment. Pilbara Ports Authority's Board of Directors and Executive have continued to take a strong leadership role in ensuring that a safe workplace remains a top priority.

Pilbara Ports Authority's safety performance, including incident and hazard reporting, Lost Time Injury Frequency Rate (LTIFR), significant incident statistics, alcohol and other drug testing and Lead Performance Indicators are reviewed at every Pilbara Ports Authority Board and Executive meeting. The Executive continues to support and promote the review of safety performance of Pilbara Ports Authority's stakeholders, including service providers and port users. An internal Safety Brief is also distributed to all staff and key external stakeholders on a weekly basis to reiterate key safety messages and practises.

Pilbara Ports Authority has set and achieved clear safety targets, with the ultimate aim of no injuries or harm. The 2015/16 LTIFR performance for employees and contractors was 0.55 against a target of 2.7.

PPA compared its LTIFR against local and national peers to understand how it performed in this area, and the comparison found PPA performed better than the industry average, with its LTIFR significantly lower than many of its peers.

During the reporting year, Pilbara Ports Authority implemented an integrated, enterprise wide, incident and hazard reporting tool, which has resulted in improved quality of safety management and reporting across all sites.

Pilbara Ports Authority continues to work with internal and external stakeholders to improve incident and hazard reporting, with key metrics measured and reviewed by the Executive and Board each month.

Pilbara Ports Authority has also commenced with the development of a user survey, which is aimed at improving the user experience with the reporting system.

PPA's Maintenance team reviewing their risk assessment prior to starting their tasks at the Port of Dampier

Business Excellence

Integrated Management System (Business assurance)

Pilbara Ports Authority successfully achieved recertification of its Integrated Management System in Quality, Health and Safety, Environment and Information Communications Technology in February 2016.

During the reporting year, Pilbara Ports Authority reviewed and expanded the Integrated Management System Manual, enabling Pilbara Ports Authority to continue to capture evidence on compliance against standards. The Integrated Management System was recertified following a Surveillance Audit undertaken at the Perth and Port Hedland sites. The Dampier site was also included in the scope for the first time and successfully achieved accreditation against the four standards.

Integrated Management System Internal Audits were also undertaken in accordance with a planned Internal Audit Program. No major or minor non-conformances have been identified during the audit program.

Crisis Management scenario testing

Pilbara Ports Authority has reviewed and updated its Crisis Management Plan to ensure its applicability across all sites. This has also resulted in the introduction of annual crisis scenario testing to enhance business readiness to respond to emergency and/or crisis events. The crisis scenario testing involves:

- Training for Pilbara Ports Authority's Crisis Management team and alternates/delegates;
- Crisis scenario exercises to test the Crisis Management Plan and team in practice; and
- Ongoing review and amendment of the plan to include any improvements from training and scenario testing.

During the reporting year, Pilbara Ports Authority conducted two successful training sessions in September and December 2015, which provided an opportunity to test the plan.

Additional training and crisis scenario testing is scheduled for July 2016.

Risk management disciplines

Pilbara Ports Authority has extended its risk management practices to key business areas in order to mitigate risk and improve performance. During the reporting year, Pilbara Ports Authority integrated risk management disciplines to include key business processes such as project management, commercial/contract management, tax management and development application processes.

Pilbara Ports Authority will continue to refine its enterprise risk disciplines through quarterly business unit risk reviews and specific risk workshops.

Business Excellence

Human Resources enhancement project

Pilbara Ports Authority undertook a Human Resources Enhancement Project during the reporting year to assess its Human Resources capability against critical business activities. This has helped Pilbara Ports Authority to identify low maturity areas and their key priorities, resulting in a road map for key areas of improvement, including:

Succession and Leadership Development

Pilbara Ports Authority's Succession and Leadership Development Program was implemented in the second half of 2015. The succession element of the program has identified all critical roles within the business and appropriate progression plans for each role. The Leadership Development Program has included a host of scenario and situation exercises, along with external training opportunities and access to research articles on leadership. Evaluation of the program's first year will occur in September 2016.

Attraction and Commencement

Pilbara Ports Authority has applied enhancements to the Human Resources function for the attraction and commencement for new starters, with improvements to:

- In-house administration;
- Analysis of psychometric assessments;
- Clarification of labour-hire and independent contractor arrangements, and
- Modernisation of recruitment templates in line with recent research on branding for influence.

Payroll Improvement

During the reporting year, Pilbara Ports Authority implemented a single payroll system. This improvement has superseded the previous dual system used following the ports amalgamation on 1 July 2014. An internal payroll audit was completed in March 2016, confirming the accuracy of the payroll system data. Areas of improvement have also been implemented including capture of online overtime, increased efficiency in validation processes and service level standards.

Learning & Development

Pilbara Ports Authority introduced a new Learning Management System in September 2015 as part of its ongoing commitment to training and development. This self-service system enables transparency for employees in relation to their training and development needs, and ensures employees meet their mandatory training needs.

Significant training and development opportunities have been provided by Pilbara Ports Authority during the reporting year, including:

- Working with Respect
- Working at Heights
- Enter and Work in a Confined Space
- Appointed Persons (Section 44) Training under the *WA Mines Safety and Inspection Act 1999*
- Manual Handling
- Fire Fighting
- Oil spill response training including Level 1 Incident Management
- Overhead Travelling Crane Awareness
- Hazard Management
- Dangerous Goods by Sea
- Restricted Asbestos Licence Training
- Diploma of Project Management

Business Excellence

Inside the Dampier Vessel Traffic Services Facility

Employee Engagement

Pilbara Ports Authority has finalised the detail of a new Employee Engagement Survey which will be delivered in August 2016. Analysis of the results and actioning of improvement opportunities will follow the survey.

Diversity and Inclusion

While Pilbara Ports Authority's Equal Employment Opportunity and Diversity Management Plan is still current, Pilbara Ports Authority has commenced an early review of the benefits of diversity, based on new research. It is expected the new plan will be completed and implementation commenced by the end of 2016.

Business Excellence

Information technology – systems and platforms

Information Security Management

Pilbara Ports Authority has achieved certification to ISO 27001: 2013 (International Standard for Information Security Management) across all its sites, following an audit in February 2016. The audit found no non-conformances or improvement opportunities.

Cyber Security Awareness Training

In order to better protect Pilbara Ports Authority's ICT assets and information, cyber security and social engineering audits were conducted, leading to cyber security awareness training being provided for all staff in June 2016. The training makes staff aware of policy awareness, confidentiality of information, mitigation controls, privacy, social engineering and usage of Pilbara Ports Authority's ICT assets.

ICT Business Continuity / Disaster Recovery

Pilbara Ports Authority undertook a review of existing Business Continuity Planning and Disaster Recovery infrastructure, systems and processes in 2015/16. The findings from the review have enabled Pilbara Ports Authority to design a streamlined and more effective ICT environment. Following the completion of the review a Request for Proposal tender was scoped and released. An evaluation of tender submissions is currently underway, and an updated Business Continuity Planning and Disaster Recovery solution is expected by June 2017.

Wireless project

Pilbara Ports Authority identified an opportunity to introduce a wireless network across all Pilbara Ports Authority sites. The implementation of a wireless network delivers improved communication and enhanced mobility across the business. A Request for Proposals tender was released during 2015/16 and an evaluation of proposals is in its final stages. The wireless network will be operational by December 2016.

Capability Maturity Model initiative

The Office of the Government Chief Information Officer (OGCIO) has undertaken a reform program, a component of which is to advance the capability of the ICT workforce within government. To support this goal, an ICT Capability Framework has been developed by OGCIO. The framework is a comprehensive skills and competency framework that provides the basis upon which a government agency can build the capability of the ICT profession.

OGCIO has called for expressions of interest for agencies to take a leading or supporting role in helping to develop and pilot the initiative. Pilbara Ports Authority has expressed an interest in taking a lead role.

Current and Emerging Issues and Trends

- Pilbara Ports Authority continues to facilitate increases in throughput through its ports, with a record annual throughput of 633.5Mt achieved for 2015/16. Pilbara Ports Authority expects throughput to further increase in coming years, with the Dynamic Port Capacity Model, modelling Port of Port Hedland's capacity to grow from 495mtpa to 577mtpa.
- Pilbara Ports Authority has progressed the due diligence for the future transition of Shipping Pilotage Act ports from the Department of Transport to Pilbara Ports Authority as part of the second tranche of Ports Legislation Amendments. This will result in the progressive transfer over time of the ports of Airlie Island, Barrow Island, Cape Preston, Onslow, Port Walcott and Varanus Island to Pilbara Ports Authority.
- Pilbara Ports Authority continues to work with proponents on the development of greenfield ports at Ashburton, Anketell, Balla Balla and Cape Preston East; and junior miners for export facilities in South West Creek, Port Hedland.
- Pilbara Ports Authority continues to liaise with Department of Treasury's Asset Sales Unit regarding the proposed divestment of the Utah Facility at the Port of Port Hedland. The timing of the passage of the Pilbara Port Assets (Disposal) Bill 2015 through Parliament is yet to be confirmed. This Bill, once passed in Parliament, will enable the Government to transition the Utah Facility to the private sector, as part of the Government's asset sales program.

Landside Operations personnel at the Port of Port Hedland

Directors' Report

In accordance with Schedule 5, Division 3 of the Act, the Directors of Pilbara Ports Authority present their report for the 12 months ended 30 June 2016.

Appointment, retirement and continuation of Directors

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

The following persons were Directors of Pilbara Ports Authority during the reporting period:

Mr Ken Pettit SC (Chairman) – Director and Chairman since 15 August 2011.
Mr Ken Pettit SC was reappointed to the Board as Chairman on 1 July 2016 for a term expiring 30 June 2018.

Mr Les Longden (Deputy Chairman) – Director since 1 October 2009
Mr Les Longden was reappointed to the Board as Deputy Chairman on 1 July 2016 for a term expiring 30 June 2018.

Mr Julian Tapp – Director since 30 June 2009
Mr Julian Tapp was reappointed to the Board as a Director on 30 October 2015 for a term expiring 31 December 2017.

Ms Beth Gordon – Director since 26 June 2014
Ms Beth Gordon was appointed to the Board as a Director on 26 June 2014 for a term expiring 31 December 2015.

Mr Mike Deeks – Director since 26 June 2014
Mr Mike Deeks was appointed to the Board as a Director on 26 June 2014 for a term expiring 30 June 2016. Mr Deeks resigned as a Director on 12 October 2015.

Mr John Lillywhite – Director since 22 October 2014
Mr John Lillywhite was reappointed to the Board as a Director on 20 June 2016 for a term expiring 31 December 2017.

Mr Boyd Winton – Director since 22 October 2014
Mr Boyd Winton was reappointed to the Board as a Director on 20 June 2016 for a term expiring 30 June 2018.

Ms Judith Uren – Director since 23 May 2016
Ms Judith Uren was appointed to the Board as a Director on 23 May 2016 for a term expiring 31 December 2017.

Independent Chairman of Risk and Audit Committee

Mr Tony Adcock was appointed to the Risk and Audit Committee (RAC) as independent Chairman for a 12 month period commencing on 14 August 2015 and expiring on 13 August 2016.

Board Meetings

Eleven Board Meetings and one Special Board Meeting were held during the reporting period.

Risk and Audit Committee Meetings

The RAC sat six times throughout the reporting period. The RAC members are Mr Tony Adcock (Chairman), Mr Les Longden, Mr Julian Tapp and Mr Boyd Winton. Ms Beth Gordon was the Chairman of the RAC from the start of the reporting period until 13 August 2015. Mr Tony Adcock was appointed as an independent Chairman of the RAC from 14 August 2015 to 14 August 2016.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee sat once throughout the reporting period. The Remuneration and Nominations Committee members are Mr Ken Pettit (Chairman), Mr Les Longden and Mr Julian Tapp.

Director's biographies are shown on pages 14-15.

Directors' Report

BOARD MEETINGS

DIRECTOR	NUMBER OF BOARD MEETINGS HELD DURING THE PERIOD THE DIRECTOR HELD OFFICE DURING THE YEAR	BOARD MEETINGS ATTENDED	NUMBER OF RAC MEETINGS HELD DURING THE PERIOD THE DIRECTOR HELD OFFICE DURING THE YEAR	RAC MEETINGS ATTENDED	NUMBER OF REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS HELD DURING THE PERIOD THE DIRECTOR HELD OFFICE DURING THE YEAR	REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS ATTENDED
Mr Ken Pettit	12	11	N/A	N/A	1	1
Mr Les Longden	12	12	6	6	1	1
Mr Julian Tapp	12	11	6	5	1	1
Ms Beth Gordon	6	6	3	3	N/A	N/A
Mr Mike Deeks	3	3	1	1	N/A	N/A
Mr John Lillywhite	12	12	N/A	N/A	N/A	N/A
Mr Boyd Winton	12	12	5	5	N/A	N/A
Ms Judith Uren	2	2	N/A	N/A	N/A	N/A
Mr Tony Adcock*	11	10	5	5	N/A	N/A

*Mr Tony Adcock was not a Director but attended Board meetings at the invitation of the Chairman.

Directors' Report

PRINCIPAL ACTIVITIES

The principal activity during the year was the provision of port services and facilities and there were no significant changes in the nature of the activities during the year.

RESULTS

The profit before income tax for the financial year was $171.1m. The income tax expense attributable to the profit for the financial year was $51.4m.

DIVIDENDS

Total dividend payments of $100.5m were paid in the financial year.

REVIEW OF OPERATIONS

Pilbara Ports Authority manages the ports of Dampier, Port Hedland and Ashburton pursuant to its statutory functions.

A summary of the results during the year is detailed below.

	2016 ($'000)	2015 ($'000)
Profit before income tax	171,076	283,832
Income tax expense	(51,350)	(84,931)
Profit for the year	119,726	198,901
Other Income	(23)	(50)
Retained earnings at 1 July	271,966	237,577
Dividends paid in the financial year	100,464	164,462
Retained earnings at 30 June	291,205	271,966

STATE OF AFFAIRS

There were no significant changes in the state of affairs during the financial year under review.

Pilbara Ports Authority operates in Western Australia under the provisions of the *Port Authorities Act 1999*.

EVENTS SUBSEQUENT TO REPORTING DATE

Pilbara Ports Authority has received a Ministerial Direction to provide a $2.50 discount for all volumes through Stockyard 1 at Utah and a $1.73 discount for all volumes through Stockyard 2 for the 2016/17 Financial Year. The quantum of the discount is dependent on the volume of product shipped and conditional upon the price of iron ore.

Pilbara Ports Authority has reached an agreement in principle to settle a commercial dispute, with full provision for the expected settlement provided for in the 30 June 2016 financial statements.

No other matters have arisen since 30 June 2016 that, in the opinion of the Directors, has significantly affected, or may significantly affect the Authority's operations, the results of those operations, or the state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The divestment of the Utah Facility at the Port of Port Hedland is being managed, as a component of the State's Asset Sales Unit, by the Department of Treasury.

Pilbara Ports Authority will continue to operate the facility until its divestment.

Directors' Report

DIRECTORS' DISCLOSURES

Directors' benefits

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

Interests in contracts

During the financial year, Pilbara Ports Authority did not enter into any contracts with entities in which Directors declared a conflict of interest.

INDEMNIFICATION OF OFFICERS

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

Pilbara Ports Authority paid an insurance premium of $76,428 (GST exclusive) in respect of the Directors and Officers Liability Insurance Policy for the reporting period.

At the date of this report, no claims have been made against the policy in respect to Directors and Officers liabilities.

APPOINTMENT OF AUDITORS

The Office of the Auditor General (OAG) has been appointed as Pilbara Ports Authority's auditor in accordance with Schedule 5 Clause 37 (2) of the Act. KPMG was engaged by the OAG to conduct the audit field work and provide advice to the OAG.

The total fee payable for the financial year ending June 30 2016 was $112,000 (GST exclusive).

ENVIRONMENTAL AND HERITAGE MANAGEMENT AND REGULATIONS

Pilbara Ports Authority maintains an Environmental Management Plan and an environmental management system certified to ISO 14001:2004 by external auditors.

Pilbara Ports Authority was compliant with its obligations under State and Commonwealth environment and cultural heritage legislation, and the conditions of all statutory approvals issued to Pilbara Ports Authority under this legislation.

During the reporting period, two non-compliant actions were reported from actions/incidents which occurred in the 2014/2015. The first resulted from the Commonwealth Department of the Environment audit of Pilbara Ports Authority's maintenance dredging permit for Port Hedland. Pilbara Ports Authority was found to be in technical non-compliance with Condition 4 (placement of material evenly across the spoil ground), and non-compliant with Conditions 14 and 16 which required reporting of incidents within 24 hours with specified information (Pilbara Ports Authority reported outside this timeframe and provided incomplete information). No further action was to be taken by the Commonwealth Department of the Environment.

The second incident occurred in 2014/2015 but was reported in late 2015 and was associated with a breach of the sea dumping permit as a result of the placement of material outside the designed Spoil Ground by a third party (Stingray Creek Cyclone Moorings by BHP Billiton). Pilbara Ports Authority provided full declaration to the Commonwealth Department of the Environment and is yet to be advised of any outcome or action.

ROUNDING OF AMOUNTS

Pilbara Ports Authority satisfies the requirements of clause 31 of Schedule 5 contained within the Act and accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been prepared in accordance with a resolution of the Board on 25 August 2016.

Directors' Report

REMUNERATION REPORT

In accordance with Clause 13(c) (ii) of Schedule 5 of the Act, the following report details the nature and amount of each element of the emolument of each Director and the three officers of Pilbara Ports Authority receiving the highest emoluments.

BOARD AND COMMITTEE REMUNERATION

		SHORT TERM		POST EMPLOYMENT	
		Salary & Fees	Total	Super-annuation Benefits	Total
Directors Non-Executive Directors					
(Chairman) Ken Pettit (Appointed 15/08/2011)	2016	$ 91,557	$91,557	$ 8,698	$ 100,255
	2015	$ 89,662	$89,662	$ 8,821	$ 98,483
(Deputy Chairman) Les Longden (Appointed 01/10/2009)*	2016	$50,549	$50,549	$4,802	$ 55,351
	2015	$58,825	$58,825	$5,588	$ 64,413
Julian Tapp (Appointed 30/06/2009)	2016	$47,043	$47,043	$4,469	$ 51,512
	2015	$45,675	$45,675	$4,339	$ 50,014
Boyd Winton (Appointed 22/10/2014)	2016	$41,985	$41,985	$3,988	$ 45,973
	2015	$27,477	$27,477	$2,610	$ 30,087
John Lillywhite (Appointed 22/10/2014)	2016	$41,985	$41,985	$3,988	$ 45,973
	2015	$27,477	$27,477	$2,610	$ 30,087
Judith Uren (Appointed 23/05/2016)	2016	$3,231	$3,231	$ 307	$ 3,538
	2015	–	–	–	–
Mike Deeks (Resigned 12/10/2015)	2016	$14,645	$14,645	$ 1,391	$ 16,036
	2015	$49,552	$49,552	$ 4,707	$ 54,259
Beth Gordon (Retired 31/12/2015)	2016	$25,143	$25,143	$ 2,389	$ 27,532
	2015	$45,222	$45,222	$ 4,296	$ 49,518
Tony Adcock (Appointed Independent RAC Chairman 14/08/2015)	2016	$42,500	$42,500	$ 4,037	$ 46,537
	2015	–	–	–	–
Sub-total non-executive directors' remuneration	2016	$358,638		$ 34,069	$392,707
	2015	$343,890		$32,971	$376,861

*Les Longden was paid as a former Dampier Port Authority Director during the 1 July 2014 amalgamation process for a three month transitional period between July – September 2014, in addition to his remuneration and appointment to the Pilbara Ports Authority Board of Directors, resulting in an increase in salary and fees in 2014/15.

Directors' Report

Executives' Emoluments

Details of emoluments provided to the three Pilbara Ports Authority officers receiving the highest emoluments are as follows:

		SHORT TERM			POST EMPLOYMENT	CAR ALLOWANCE	
		Salary & Fees	STI Cash Bonus	Total	Superannuation Benefits		Total
Executive Officers							
Roger Johnston, CEO	2016	$ 473,335		$ 473,335	$ 66,463	$ 37,922	$ 577,720
	2015	$ 446,596		$ 446,596	$ 62,733	$ 35,962	$ 545,291
John Finch (General Manager Operations/Harbour Master)	2016	$ 409,698		$ 409,698	$ 53,261		$ 462,959
	2015	$ 373,861		$ 373,861	$ 48,602		$422,463
Raechel Paris (General Manager Risk & Governance)	2016	$ 277,351	$50,907	$ 328,258	$ 41,538		$369,796
	2015	$262,152	$25,468	$ 287,620	$ 37,391		$325,011
Total Executive remuneration	2016	$1,160,384	$50,907	$1,211,291	$161,262	$37,922	$1,410,475
	2015	$1,082,609	$25,468	$1,108,077	$148,726	$35,962	$1,292,765

Independent Auditor's Report

Auditor General

To the Parliament of Western Australia

PILBARA PORTS AUTHORITY

I have audited the financial report of the Pilbara Ports Authority. The financial report comprises the Statement of Financial Position as at 30 June 2016, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial report of the Pilbara Ports Authority is in accordance with schedule 5 of the Port Authorities Act 1999, including:

(a) giving a true and fair view of the Authority's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility for the audit of the Financial Report

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

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

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

Independence

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

Independent Auditor's Report

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Pilbara Ports Authority for the year ended 30 June 2016 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy

of the audited financial report to confirm the information contained in this website version of the financial report.

AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
30 August 2016

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

Financial Statements for the year ended 30 June 2016

Statement of Profit or Loss and Other Comprehensive Income 67

Statement of Financial Position 68

Statement of Changes in Equity 69

Statement of Cash Flows 70

Notes to the Financial Statements 71

1. Basis of preparation 71
2. Statement of significant accounting policies 72
3. Revenue 80
4. Expenses 81
5. Income tax expense 82
6. Dividends 82
7. Cash and cash equivalents 83
8. Trade receivables 83
9. Other receivables 84
10. Inventories 84
11. Property, plant and equipment 84
12. Intangible assets 87
13. Deferred tax assets 88
14. Trade payables 88
15. Other payables 88
16. Interest bearing borrowings 89
17. Current tax liabilities 89
18. Provisions 90
19. Contributed equity 91
20. Financial instruments 91
21. Contingencies 96
22. Commitments 97
23. Revenue commitments 98
24. Notes to statement of cash flows 98
25. Related parties 99
26. Subsequent events 99
27. Supplementary financial information 99
28 Auditors' remuneration 99
29. Directors' declaration 100

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	NOTES	2016 $'000	2015 $'000
Revenue	3(a)	**388,691**	436,565
Other revenue	3(b)	**18,218**	61,385
Employee benefits expense	4(a)	**(46,059)**	(46,433)
Asset maintenance		**(24,409)**	(33,183)
Port utilities		**(17,359)**	(13,093)
Depreciation and amortisation expense	4(b)	**(25,549)**	(25,170)
Finance costs	4(c)	**(10,439)**	(13,264)
Supplies and services	4(d)	**(75,955)**	(66,431)
Impairment losses	4(e)	**(24,480)**	–
Other expenses	4(f)	**(11,583)**	(16,544)
Profit before income tax		**171,076**	283,832
Income tax expense	5	**(51,350)**	(84,931)
Net profit for the year		**119,726**	198,901
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Re-measurement of defined benefit liability, net of tax	18(c)	**(23)**	(50)
Total comprehensive income		**119,703**	198,851

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

Statement of Financial Position for the year ended 30 June 2016

	NOTES	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**282,621**	225,367
Trade receivables	8	**44,969**	54,286
Other receivables	9(a)	**12,842**	29,278
Inventories	10	**2,800**	1,559
Total current assets		**343,232**	310,490
Non-current assets			
Property, plant and equipment	11	**452,581**	468,847
Intangible assets	12	**1,532**	1,553
Deferred tax assets	13	**28,255**	13,453
Other receivables	9(b)	**–**	24,853
Total non-current assets		**482,368**	508,706
Total assets		**825,600**	819,196
LIABILITIES			
Current liabilities			
Trade payables	14	**6,090**	5,991
Other payables	15(a)	**16,740**	20,048
Interest bearing borrowings	16(a)	**22,535**	22,389
Current tax liabilities	17	**12,292**	35,219
Provisions	18(a)	**6,139**	8,338
Total current liabilities		**63,796**	91,985

	NOTES	2016 $'000	2015 $'000
Non-current liabilities			
Other payables	15(b)	**100**	1,076
Interest bearing borrowings	16(b)	**177,412**	199,947
Provisions	18(b)	**79,056**	75,941
Total non-current liabilities		**256,568**	276,964
Total liabilities		**320,364**	368,949
Net assets		**505,236**	450,247
EQUITY			
Contributed equity	19	**214,031**	178,281
Retained earnings		**291,205**	271,966
Total equity		**505,236**	450,247

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

Statement of Changes in Equity for the year ended 30 June 2016

	NOTES	CONTRI-BUTED EQUITY $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2014		39,168	237,577	276,745
Total comprehensive income				
Profit		–	198,901	198,901
Other comprehensive income/(loss)		–	(50)	(50)
Total comprehensive income		–	198,851	198,851
Transactions with owners in their capacity as owners:				
PIR equity injection	19(a)	32,390	–	32,390
Amalgamation – Dampier	19(d)	105,893	–	105,893
Other	19(e)	830	–	830
Dividends paid	6	–	(164,462)	(164,462)
Balance as at 30 June 2015		**178,281**	**271,966**	**450,247**

	NOTES	CONTRI-BUTED EQUITY $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2015		**178,281**	**271,966**	**450,247**
Total comprehensive income				
Profit		**–**	**119,726**	**119,726**
Other comprehensive income/(loss)		**–**	**(23)**	**(23)**
Total comprehensive income		**–**	**119,703**	**119,703**
Transactions with owners in their capacity as owners:				
PIR equity injection	19(a)	**24,812**	**–**	**24,812**
FDTS equity injection	19(b)	**13,926**	**–**	**13,926**
RFR funds	19(c)	**(2,988)**	**–**	**(2,988)**
Dividends paid	6	**–**	**(100,464)**	**(100,464)**
Balance as at 30 June 2016		**214,031**	**291,205**	**505,236**

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

Statement of Cash Flows as at 30 June 2016

	NOTES	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**438,641**	417,504
Payments to suppliers and employees (inclusive of goods and services tax)		**(195,643)**	(176,858)
Other receipts	3a (i)	**7,839**	8,202
Interest received		**7,150**	9,051
Interest paid		**(9,679)**	(10,748)
Income taxes paid		**(89,079)**	(92,276)
Net cash inflow from operating activities	24	**159,229**	154,875
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		**(14,880)**	(17,565)
Investment in term deposits with a maturity date greater than 3 months		**–**	125,000
Proceeds from sale of property, plant and equipment		**8**	46
Net cash inflow / (outflow) from investing activities		**(14,872)**	107,481
Cash flows from financing activities			
Repayment of borrowings		**(22,389)**	(22,251)
Equity contributions (net)	19	**35,750**	32,390
Dividends paid	6	**(100,464)**	(164,462)
Net cash (outflow) from financing activities		**(87,103)**	(154,323)

	NOTES	2016 $'000	2015 $'000
Net increase in cash and cash equivalents		**57,254**	108,033
Contribution of cash and cash equivalents from Port of Dampier on amalgamation		**–**	83,086
Cash and cash equivalents at the beginning of the financial year	7	**225,367**	34,248
Cash and cash equivalents at the end of the financial year	7	**282,621**	225,367

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

Notes to the Financial Statements for the year ended 30 June 2016

1. Basis of preparation

(a) Statement of Compliance

The Pilbara Ports Authority ("the Authority") is a not-for-profit entity that prepares general purpose financial statements in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the financial reporting provisions of the Port Authorities Act 1999, except as disclosed in note 1(b).

The financial statements were authorised for issue on 25 August 2016 by the Board of Directors of the Authority.

(b) Presentation

Presentation of Statement of Profit or Loss and Other Comprehensive Income

Expenses have been classified by nature and this is considered to provide more relevant and reliable information than classification by function due to the nature of the Authority's operations.

According to AASB 101 Presentation of Financial Statements, expenses classified by nature are not allocated among various functions within the entity.

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

(c) Basis of Measurement

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised prospectively.

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

- Note 2 (f) – Property, Plant & Equipment: useful life
- Note 2(m) – Annual and long service leave: actuarial assumptions
- Note 2 (q) – Provisions: discount and inflation rates
- Note 18 – Provision for rehabilitation: assumptions and uncertainties including the:
  - extent of environmental damages to be rectified
  - methodology and timing of the rectifications
  - financial rates to be used, including discount and inflation rates

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies

(a) Revenue Recognition

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

(i) Rendering of services

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

(ii) Interest revenue

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

(iii) Rental income

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

(iv) Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(v) Government grants/subsidies

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Authority will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(vi) Contributions

Income arising from non-reciprocal contributions is recognised when:

- The Authority obtains control of the contribution or the right to receive the contribution;
- It is probable that the economic benefits will flow to the Authority; and
- The amount can be measured reliably.

(b) Finance Income and Finance Costs

Finance income and finance costs include:

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

All finance income and finance costs are recognised using the effective interest method.

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

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

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(c) Income Tax

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

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

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current Tax

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

(ii) Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit(s) will be realised.

(d) Receivables

(i) Trade receivables

Trade receivables are recognised and carried at the original invoice amounts less an allowance for any uncollectible amounts. Receivables are generally settled within 30 days except for property rentals, which are governed by individual lease agreements and may be settled under different terms as a result.

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

(ii) Lease receivables

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

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(d) Receivables (continued)

(ii) Lease receivables (continued)

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

(iii) Other receivables – Rehabilitation costs receivable

Rehabilitation receivables are recognised initially at fair value and accounted for on an amortised cost base using the effective interest method. In estimating the fair value a discounted cash flow methodology has been applied using a risk free rate (10 year government bond rate) plus a risk premium of 1% to more accurately reflect the low risk associated with this receivable.

(e) Inventories

Inventories consist of spare parts which are measured at cost.

(f) Property, Plant and Equipment

(i) Recognition and measurement

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

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

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

For vested land the land is transferred at the Valuer General's fair value at the time of transfer and thereafter deemed recorded at cost.

(ii) Capitalisation/expensing of assets

The Authority has a general policy of expensing at the time of purchase all individual assets costing $5,000 or less or with a useful life of less than 3 years. Regardless of cost, physical control over all the Authority's assets is maintained.

(iii) Subsequent expenditure

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

(iv) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straightline method over the estimated useful lives, and is generally recognised in the profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain the rights and obligations by the end of the lease term. Land is not depreciated.

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

Asset Class	Estimated useful lives
Buildings and improvements	25 – 50 years
Berths, jetties and infrastructure	10 – 40 years
Plant and equipment (including office equipment and motor vehicles)	3 – 20 years
Channels and breakwaters	30 – 50 years

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(f) Property, Plant and Equipment (continued)

(v) Repairs and maintenance

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

(vi) Land

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

(g) Intangible Assets

(i) Research and development

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

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Authority intends to and has sufficient resources to complete development and to use or sell the asset, otherwise it is recognised in profit or loss as incurred.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Computer software

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

(iv) Environmental approvals

These are costs associated with obtaining approval to dredge the channel to the Bulk Liquids Berth and are capitalised and depreciated over the life of the channel.

(v) Amortisation

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

The estimated useful lives are as follows:

Asset Class	Estimated useful lives
Computer software	4 years
Environmental approvals	50 years

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

(h) Impairment

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is any indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(h) Impairment (continued)

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

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

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

Impairment losses are recognised in profit or loss.

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

(i) Leases

(i) Leased Assets

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

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

(ii) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(j) Financial Instruments

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

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

Financial instruments have been disaggregated into the following classes:

- Financial assets
  - Cash and cash equivalents;
  - Other financial assets; and
  - Trade and other receivables.
- Financial liabilities
  - Trade and other payables; and
  - Interest bearing liabilities.

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

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

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

(k) Payables

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

(l) Borrowings

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

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

(m) Employee Benefits Provisions

The liability for annual and long service leave expected to be settled within 12 months after the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled using the remuneration rates expected to apply at the time of settlement. Unless all annual leave and long service leave for all employees is expected to be settled wholly within 12 months after the reporting date, it will be considered as an "other long term benefit" and the calculation of the leave will be discounted accordingly. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments, consideration is given to estimated future wage and salary levels including non-salary components, as well as the experience of employee departures and periods of service. The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(m) Employee Benefits Provisions (continued)

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Associated payroll on-costs are included in the determination of employee benefits.

(n) Dividends

Dividends, to the extent that they are not paid within the period, are recognised as a liability in the period in which they are declared.

(o) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank, at call deposits and term deposits due within 3 months.

For the purpose of the Statement of Cash Flows, cash equivalents consist of cash and cash equivalents as defined above.

(p) Goods and Services Tax

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

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

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

(q) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

(i) Other – Rehabilitation

Provision for land rehabilitation liability has been recognised using a discounted cash flow methodology. The cash flows have been inflated at the Port's estimated long term inflation rate and discounted at the risk free rate (5 year government bond rate). No adjustment for risk has been made to the discount rate as management has built risk factors into the cash flow estimates. Management's estimates have been developed from external reports obtained in 2010.

(ii) Employment on costs

Employment on-costs, including workers compensation insurance and payroll tax are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred.

Employment on-costs are not included as part of the Authority's employee benefits expense and the related liability is included in the employment on cost provision.

(r) Contributed Equity

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

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(s) New Accounting Standards and Interpretations

The Authority has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2015 that impacted on the Authority:

- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
  Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 20141. The Authority has not yet determined the application or the potential impact of the Standard AASB 9.
- *AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
  This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. The Authority has not yet determined the application or the potential impact of the Standard AASB 9.
- *AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
  This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

(t) Future impact of Australian Accounting Standards not yet operative

The Authority has not adopted any of the following Australian Accounting Standards in the current reporting period.

Below is a list of issued Accounting Standards that may impact the Authority in the future. Where applicable, the Authority intends to apply these Australian Accounting Standards from their noted application date.

- *AASB 9 Financial Instruments*
  This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2015-1 *Amendments to Australian Accounting Standards*. The Authority has not yet determined the application or the potential impact of the Standard.
- *AASB 15 Revenue from Contracts with Customers*
  This Standard establishes the principles that the Authority shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Authority has not yet determined the application or the potential impact of the Standard.
- *AASB 16 Leases*
  This Standard removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. The Authority has not yet determined the application or the potential impact of the Standard.
- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
  Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 20141. The Authority has not yet determined the application or the potential impact of the Standard AASB 9.

Notes to the Financial Statements for the year ended 30 June 2016

2. Statement of significant accounting policies (continued)

(t) Future impact of Australian Accounting Standards not yet operative (continued)

- *AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
  This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. The Authority has not yet determined the application or the potential impact of the Standard AASB 9.
- *AASB 2015-1 The balancing items – Issue 7*
  Early adoption of amendments to existing accounting standards permitted for IFRS 5 and 7, IAS 19 and 34. The Authority has not yet determined the application or the potential impact of the Standard
- *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
  This amendment does not require any significant change to current practice, but should facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of sub totals, the ordering of notes and the identification of significant accounting policies. The Authority has not yet determined the application or the potential impact of the Standard
- *AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*
  This amendment extends the scope of AASB 124 Related Party Disclosures to include not-for-profit public sector entities. The Authority has not yet determined the application or the potential impact of the Standard

(u) Comparative Accounts

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

3. Revenue

	2016 $'000	2015 $'000
(a) Revenue		
Shipping	**187,988**	188,006
Charges on cargo	**105,822**	149,766
Port improvement rate	**49,934**	49,434
Rental and leases	**29,784**	32,817
Government contribution (i)	**7,839**	8,202
Interest revenue	**7,324**	8,340
Total revenue	**388,691**	436,565
(b) Other revenue		
Other revenue (ii)	**18,218**	61,385
Total revenue	**406,909**	497,050

(i) Contribution by government for operation of the Bulk Liquids Berth at Dampier Port.

(ii) Includes finance revenue of $1.5m (2015: $1.8m), and $0.4m gifted assets (2015: $46.4m) that were brought to account.

Notes to the Financial Statements for the year ended 30 June 2016

4. Expenses

	2016 $'000	2015 $'000
(a) Employee benefits expense		
Annual leave	**2,242**	2,598
Long service leave	**501**	1,269
Superannuation (i)	**4,505**	4,232
Board fees	**359**	377
Wages	**34,817**	34,017
Temporary staff	**445**	1,400
Other	**3,190**	2,540
Total employee benefits expense	**46,059**	46,433
(b) Depreciation and amortisation		
Channels and breakwater	**1,472**	1,459
Building and improvements	**1,810**	1,655
Plant and equipment	**10,052**	9,917
Berth, jetties and infrastructure	**11,583**	11,397
Intangible computer software (ii)	**623**	733
Intangible environmental approvals (ii)	**9**	9
Total depreciation and amortisation	**25,549**	25,170
(c) Finance costs		
Interest expensed	**516**	14
WATC borrowing costs	**8,595**	12,011
Finance costs	**1,328**	1,239
Total finance costs	**10,439**	13,264

	2016 $'000	2015 $'000
(d) Supplies and services		
Contractor expenses	**47,694**	40,470
Software licences	**4,738**	5,228
Consulting	**4,215**	4,755
Lease of commercial property, plant and equipment	**6,987**	8,072
Other	**12,321**	7,906
Total supplies and services	**75,955**	66,431
(e) Impairment losses		
Building and improvements	**4,984**	–
Land	**1,100**	–
Rehabilitation receivable (iii)	**18,396**	–
Total impairment losses	**24,480**	–
(f) Other expenses		
Lease of residential properties	**6,116**	8,537
Insurance	**2,505**	2,352
Loss on sale of assets	**83**	1,769
Other	**2,879**	3,886
Total other expenses	**11,583**	16,544

(i) Includes contributions to the defined benefits plan.

(ii) A detailed description of intangible assets can be found at Note 12: Intangible Assets.

(iii) As a result of a commercial settlement, a portion of the rehabilitation receivable has been waived resulting in impairment.

Notes to the Financial Statements for the year ended 30 June 2016

5. Income tax expense

	2016 $'000	2015 $'000
Income tax expense		
Current taxation	**66,255**	71,629
Temporary differences	**(14,920)**	13,315
Over/(under) provision in prior year	**15**	(13)
Total income tax expense	**51,350**	84,931
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**171,076**	283,832
Tax at the Australian tax rate of 30% (2015 30%)	**51,323**	85,150
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment and travel	**2**	20
Other	**10**	(226)
Total numerical reconciliation of income tax expense to prima facie tax payable	**51,335**	84,944
		(13)
Under/(over) provision in prior years	**15**	(13)
Total income tax expense	**51,350**	84,931

6. Dividends

	2016 $'000	2015 $'000
Final dividend from prior year	**35,727**	92,024
Interim dividend	**64,737**	72,438
Dividends paid in the financial year	**100,464**	164,462

In accordance with Government Financial Policy, WA Ports are required to pay a dividend of 65% of after tax profits. This is to be paid in two tranches, 75% via an interim dividend prior to year-end, and the remaining 25% final dividend after year end. However, in accordance with Australian Accounting Standards, the final dividend relating to the financial results for the year ended 30 June 2016 has not been provided as it is expected to be declared by the Board and approved by Government after the reporting date.

The Government and the Authority have agreed that the proportion of dividends paid which relates to the Port Improvement Rate are to be returned to the Authority as an equity contribution each year. In 2016, $24.8m (2015: $32.4m) was returned to the Authority. Please refer to Note 19.

A final dividend based on the audited financial statements for the year ended 30 June 2016 is to be paid by 31 December 2016.

Notes to the Financial Statements for the year ended 30 June 2016

7. Cash and cash equivalents

	2016 $'000	2015 $'000
Non-restricted: cash and cash equivalents	**132,146**	122,262
Restricted: cash and cash equivalents (i)	**150,475**	103,105
Total cash and cash equivalents	**282,621**	225,367

(i) Restricted cash and cash equivalents are reserved for a specific purpose and therefore not available for general business use. Restricted cash and cash equivalents include:

a. Port Improvement Rate cash of $84.881 million is quarantined for the sole purpose of being invested within the Port for the improvement projects identified by Authority; and

b. Proponent contributions of $65.594 million are quarantined for Port of Ashburton development and specific rehabilitation purposes.

8. Trade receivables

	2016 $'000	2015 $'000
Trade receivables	**44,969**	54,286
Total trade receivables	**44,969**	54,286

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

	2016 $'000	2015 $'000
Current, within 30 days	**43,606**	36,486
Not more than 3 months	**1,173**	8,513
More than 3 months but less than 6 months	**190**	9,284
More than 6 months but less than 1 year	**–**	3
More than 1 year	**–**	–
Total trade receivables	**44,969**	54,286

There are no impairment of trade receivables at 30 June 2016.

Notes to the Financial Statements for the year ended 30 June 2016

9. Other receivables

	2016 $'000	2015 $'000
(a) Current		
Prepayments	**705**	816
Other receivables	**4,137**	4,462
Rehabilitation receivable	**8,000**	24,000
Total other receivables current	**12,842**	29,278
(b) Non-Current		
Rehabilitation receivable	**–**	24,853
Total other receivables non-current	**–**	24,853

10. Inventories

	2016 $'000	2015 $'000
Spare parts – at cost	**2,800**	1,559

11. Property, plant and equipment

	NOTES	2016 $'000	2015 $'000
Channels and breakwaters			
At cost		**47,408**	47,214
Less: Accumulated depreciation		**(15,184)**	(13,751)
Total channel and breakwaters		**32,224**	33,463
Land			
Freehold Land			
At cost		**5,031**	4,891
Vested/management order Land		**12,338**	12,338
Less: Accumulated impairment		**(1,100)**	–
Total land		**16,269**	17,229
Buildings and improvements			
At cost		**54,836**	53,703
Less: Accumulated depreciation		**(13,363)**	(11,628)
Less: Accumulated impairment		**(4,984)**	–
Total buildings and improvements		**36,489**	42,075
Plant and equipment			
At cost		**153,942**	152,659
Less: Accumulated depreciation		**(59,459)**	(50,960)
Total plant and equipment		**94,483**	101,699

Notes to the Financial Statements for the year ended 30 June 2016

11. Property, plant and equipment (continued)

	NOTES	2016 $'000	2015 $'000
Berths, jetties and infrastructure			
At cost		**356,089**	351,306
Less: Accumulated depreciation		**(90,467)**	(79,287)
Total berth, jetties and infrastructure		**265,622**	272,019
Total property, plant and equipment at net book value		**445,087**	466,485
Add: Work in progress at cost		**7,494**	2,362
Total property plant & equipment		**452,581**	468,847
Reconciliation of carrying amounts			
Channels and breakwaters			
Carrying amount as at 1 July		**33,463**	17,824
Amalgamation – Dampier balance at 1 July		**–**	16,706
Additions		**260**	469
Transfer from work in progress		**–**	–
Depreciation for year	**4(b)**	**(1,472)**	(1,459)
Disposals		**(68)**	(374)
Accumulated depreciation on disposals		**41**	297
Carrying amount as at 30 June		**32,224**	33,463

	NOTES	2016 $'000	2015 $'000
Land			
Carrying amount as at 1 July		**17,229**	11,058
Amalgamation – Dampier balance at 1 July		**–**	5,092
Additions – Freehold land		**140**	250
Additions – Vested land		**–**	1,099
Impairment loss for the year	**4(e)**	**(1,100)**	–
Disposals		**–**	(270)
Carrying amount as at 30 June		**16,269**	17,229
Buildings and improvements			
Carrying amount as at 1 July		**42,075**	25,194
Amalgamation – Dampier balance at 1 July		**–**	9,693
Additions		**1,179**	4,990
Transfer from work in progress		**92**	4,517
Depreciation for year	**4(b)**	**(1,810)**	(1,655)
Impairment loss for the year	**4(e)**	**(4,984)**	–
Disposals		**(136)**	(1,064)
Accumulated depreciation on disposals		**73**	400
Carrying amount as at 30 June		**36,489**	42,075

Notes to the Financial Statements for the year ended 30 June 2016

11. Property, plant and equipment (continued)

	NOTES	2016 $'000	2015 $'000
Plant and equipment			
Carrying amount as at 1 July		**101,699**	105,513
Amalgamation – Dampier balance at 1 July		**–**	2,023
Additions		**2,815**	4,271
Transfer from work in progress		**621**	378
Depreciation for year	**4(b)**	**(10,052)**	(9,917)
Disposals		**(2,496)**	(3,129)
Accumulated depreciation on disposals		**1,896**	2,560
Carrying amount as at 30 June		**94,483**	101,699
Berths, jetties and infrastructure			
Carrying amount as at 1 July		**272,019**	176,654
Amalgamation – Dampier balance at 1 July		**–**	55,252
Addition – Amalgamation (i)		**–**	46,422
Additions		**5,210**	5,481
Transfer from work in progress		**1**	63
Depreciation for year	**4(b)**	**(11,583)**	(11,397)
Disposals		**(82)**	(2,053)
Accumulated depreciation on disposals		**57**	1,597
Carrying amount as at 30 June		**265,622**	272,019

	NOTES	2016 $'000	2015 $'000
Work in progress			
Carrying amount as at 1 July		**2,362**	683
Amalgamation – Dampier balance at 1 July		**–**	4,625
Additions		**6,151**	2,691
Transfer to property, plant and equipment		**(714)**	(4,958)
Transfer to intangible assets		**(252)**	–
Transfer to other		**(53)**	(679)
Carrying amount as at 30 June		**7,494**	2,362

(i) Addition relates to assets not previously brought to account prior to the Ports amalgamation. The asset has been brought to account through revenue at fair value which is deemed cost.

Impairment of Assets

During the year ended 30 June 2016, changing market conditions in the Pilbara and the consequential decline in values of properties resulted in the Authority recognising an impairment loss of $6.1 million with respect to residential houses and land. (2015: $0).

Notes to the Financial Statements for the year ended 30 June 2016

12. Intangible assets

	NOTES	2016 $'000	2015 $'000
Computer software			
At cost		**4,823**	4,209
Less: accumulated amortisation		**(3,645)**	(3,019)
Total computer software		**1,178**	1,190
Environmental approvals			
At cost		**449**	449
Less: accumulated amortisation		**(95)**	(86)
Total environmental approvals		**354**	363
Total intangible assets		**1,532**	1,553
Reconciliation of carrying amounts			
Computer software			
Carrying amount as at 1 July		**1,190**	378
Amalgamation – Dampier balance at 1 July 2015		**–**	636
Additions		**359**	969
Transfer from work in progress		**252**	–
Amortisation for year	**4(b)**	**(623)**	(733)
Disposals		**–**	(112)
Accumulated amortisation on disposals		**–**	52
Carrying amount as at 30 June		**1,178**	1,190
Environmental approvals			
Carrying amount as at 1 July		**363**	–
Amalgamation – Dampier balance at 1 July 2015		**–**	372
Additions		**–**	–
Transfer from work in progress		**–**	–
Amortisation for year	**4(b)**	**(9)**	(9)
Disposals		**–**	–
Accumulated amortisation on disposals		**–**	–
Carrying amount as at 30 June		**354**	363

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

Notes to the Financial Statements for the year ended 30 June 2016

13. Deferred tax assets

	2016 $'000	2015 $'000
Deferred tax liabilities		
Accelerated depreciation for accounting purposes	**2,754**	3,919
Receivables	**2,400**	14,656
Other	**589**	421
Gross deferred tax liabilities	**5,743**	18,996
Deferred tax assets		
Accelerated depreciation for tax purposes	**3,173**	2,653
Project pool expenditure	**3,113**	3,120
Provisions (i)	**25,559**	25,284
Other	**2,153**	1,392
Gross deferred tax assets	**33,998**	32,449
Net deferred tax assets	**28,255**	13,453

(i) This balance represents the deferred tax impact of the total provisions disclosed in Note 18.

14. Trade payables

	2016 $'000	2015 $'000
Trade payables	**6,090**	5,991
Total trade payables	**6,090**	5,991

15. Other payables

	2016 $'000	2015 $'000
(a) Current		
Rent received in advance	**5,307**	8,772
Other payables	**3,792**	5,217
Accrued expenses	**7,641**	6,059
Total other payables current	**16,740**	20,048
(b) Non-Current		
Other payables	**100**	–
Prepaid revenue	**–**	1,076
Total other payables non-current	**100**	1,076

Notes to the Financial Statements for the year ended 30 June 2016

16. Interest bearing borrowings

	2016 $'000	2015 $'000
(a) Current		
WA Treasury Corporation loans	**22,535**	22,389
Total interest bearing borrowings current	**22,535**	22,389
(b) Non-Current		
WA Treasury Corporation loans	**177,412**	199,947
Total interest bearing borrowings non-current	**177,412**	199,947

The Port Authority has two loans with the Western Australian Treasury Corporation (WATC). The loan for UTAH is repayable via annual payments of principal in accordance with the 5 year borrowing limit schedule provided by WATC and quarterly interest payments in accordance with a fixed instalment repayment schedule. The loan for the Bulk Liquids Berth is repayable in quarterly instalments of principal and interest over 25 years in accordance with a fixed instalment repayment schedule.

Apart from the contractual obligation to repay the WATC under its portfolio lending arrangements, the Authority has not provided any security in respect of the loan.

17. Current tax liabilities

	2016 $'000	2015 $'000
Opening balance	**35,219**	27,352
Amalgamation – Dampier balance at 1 July	**–**	12,204
Prior year true up	**(103)**	16,256
Tax instalments paid	**(61,976)**	(61,990)
Tax paid	**(27,103)**	(30,232)
Current tax expense	**66,255**	71,629
Total current tax liabilities	**12,292**	35,219

Notes to the Financial Statements for the year ended 30 June 2016

18. Provisions

	2016 $'000	2015 $'000
(a) Current		
Employee benefits provision		
Annual leave	**2,894**	2,865
Long service leave	**3,018**	2,651
Other employee benefits	**227**	240
Other		
Provision for rehabilitation	**–**	2,582
Total provisions current	**6,139**	8,338
(b) Non-Current		
Employee benefits provision		
Long service leave	**763**	1,056
Other employee benefits	**555**	547
Provision for rehabilitation	**77,738**	74,338
Total provisions non-current	**79,056**	75,941

Movements in other provisions

Movements in provisions during the financial year, other than employee benefits, are set out below.

	2016 $'000	2015 $'000
Current rehabilitation		
Carrying amount at 1 July	**2,582**	7,164
Provisions made during the year (incl. unwind of discount)	**(2,072)**	(4,582)
Amounts utilised during the year	**(510)**	–
Carrying amount at 30 June	**–**	2,582
Non-current rehabilitation (i)		
Carrying amount at 1 July	**74,338**	68,517
Movements during the year	**3,400**	5,821
Carrying amount at 30 June	**77,738**	74,338
Other employee benefits		
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligations at the beginning of the year	**547**	508
Interest cost	**15**	18
Actuarial (gains)/losses	**23**	50
Benefits paid	**(30)**	(29)
Total present value of defined benefit obligations at year end	**555**	547

(i) The Authority does not plan at this time to undertake rehabilitation activities until the 2020/21 financial year.

(ii) Two people remain in the gold state scheme.

Notes to the Financial Statements for the year ended 30 June 2016

19. Contributed equity

	2016 $'000	2015 $'000
As at 1 July	**178,281**	39,168
PIR equity injection (a)	**24,812**	32,390
FDTS equity injection (b)	**13,926**	–
RFR funds returned (c)	**(2,988)**	–
Amalgamation – Dampier (d)	**–**	105,893
Other (e)	**–**	830
Total contributed equity	**214,031**	178,281

(a) The Government and the Authority have agreed that the proportion of dividends paid which relates to the Port Improvement Rate are to be returned to the Authority as an equity contribution each year. In 2016, $24.8m (2015: $32.4m) was returned to the Authority.

(b) The Government and the Authority have agreed that the proportion of taxation paid which relates to the gifting of an asset in a prior year, is to be returned to the Authority as an equity contribution. In 2016, $13.9m (2015: $0m) was returned to the Authority.

(c) The Authority has repaid royalties for regions surplus funds to Government; in 2016, $3 million (2015: $0) was repaid.

(d) The contributions received in the prior year were in relation to the transfer, from the State Government of Western Australia, the assets and liabilities from the former Dampier Port Authority on 1 July 2014.

(e) The other contributions (net of tax) relate to the vesting of land in the Authority by the State Government of Western Australia.

20. Financial instruments

Financial Risk Management Objectives and Policies

The Authority's principal financial instruments comprise cash and cash equivalents, other financial assets, trade receivables, other receivables, payables and interest bearing borrowings. The Authority has limited exposure to financial risks. The Authority's overall risk management program focuses on managing the risks identified below.

Credit Risk

Credit risk is the risk of financial loss to the Authority if the Authority's debtors fail to meet their contractual obligations and arises principally from the Authority's receivables from customers and investments. The Authority measures credit risk on a fair value basis (the expected recoverable amount) and monitors risk on a regular basis including regular reporting to the Executive and the Board.

(i) Trade and Other Receivables

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting the industry. The maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 8 'Trade Receivables'.

The Authority follows stringent credit control and management procedures in reviewing and monitoring debtor accounts and outstanding balances as evidenced by the improvement in historical aged debtor balances. In addition, management of receivable balances includes frequent monitoring thereby minimising the Authority's exposure to bad debts. For financial assets that are either past due or impaired, refer to Note 8 'Trade Receivables'.

Notes to the Financial Statements for the year ended 30 June 2016

20. Financial instruments (continued)

Credit Risk (continued)

(i) Trade and Other Receivables (continued)

The Authority has very low levels of default. Aged accounts receivable and key debts are reviewed monthly by the Board and legal action instigated if necessary. There have been 5 bad debt write offs totalling $13,268 and 1 commercial settlement resulting in a write off totalling $18,396,101 this financial year.

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

(ii) Cash and Cash Equivalents and Other Financial Assets

The Authority's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of the cash and cash equivalents and other financial assets. The Authority only holds funds and deposits with Australian financial institutions with appropriate credit ratings.

Liquidity Risk

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

The Authority's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

This is achieved by maintaining a balance between continuity of funding and flexibility through the use of cash reserves and its borrowing facilities and ensuring appropriate procedures are in place to manage cash flows, including monitoring forecast cash flows.

Market Risk

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

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

Interest Rate Sensitivity Analysis

Interest Rate sensitivity analysis for financial instruments

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

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

Notes to the Financial Statements for the year ended 30 June 2016

20. Financial instruments (continued)

Interest Rate Sensitivity Analysis (continued)

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

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

INTEREST RATE SENSITIVITY ANALYSIS	CARRYING AMOUNT $'000	-1% CHANGE PROFIT $'000	+1% CHANGE PROFIT $'000
2015/16 Financial assets			
Cash and cash equivalents	282,621	(2,826)	2,826
2014/15 Financial assets			
Cash and cash equivalents	225,367	(2,254)	2,254

Categories of Financial Instruments

Set out below are the carrying amounts of the Authority's financial instruments. The carrying amounts of the financial instruments represent their fair values unless otherwise disclosed.

	NOTE	2016 $'000	2015 $'000
Financial assets			
Cash and Cash Equivalents	7	**282,621**	225,367
Trade Receivables	8	**44,969**	54,286
Other Receivables(i)	9	**12,137**	53,315
Total financial assets		**339,727**	332,968

(i) Excludes prepayments.

Financial liabilities			
Interest Bearing Liabilities	16	**199,947**	222,336
Trade Payables	14	**6,090**	5,991
Other Payables(i)	15(a)	**11,433**	11,276
Total financial liabilities		**217,470**	239,603

(i) Excludes rent received in advance.

Notes to the Financial Statements for the year ended 30 June 2016

20. Financial instruments (continued)

Composition and Liquidity Analysis

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

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

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

	2016 $'000	2015 $'000
Financial liabilities are expected to be paid as follows:		
Less than 6 months		
Trade and Other Payables	**17,523**	17,267
Interest Bearing Borrowings	**5,380**	10,346
Total less than 6 months	**22,903**	27,613
6 months to 1 year		
Interest Bearing Borrowings	**25,380**	26,392
Total 6 months to 1 year	**25,380**	26,392
1 to 5 years		
Interest Bearing Borrowings	**116,180**	123,873
Total 1 to 5 years	**116,180**	123,873
Over 5 years		
Interest Bearing Borrowings	**99,205**	150,250
Total Over 5 years	**99,205**	150,250
Total	**263,668**	328,128

Notes to the Financial Statements for the year ended 30 June 2016

20. Financial instruments (continued)

2016	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	INTEREST BEARING $'000	NON-INTEREST BEARING $'000	TOTAL
Financial assets and liabilities				
Cash and cash equivalents	**2.30%**	**282,619**	**2**	**282,621**
Receivables			**44,969**	**44,969**
Other receivables			**12,137**	**12,137**
Interest bearing borrowings	**4.12%**	**(199,947)**	**–**	**(199,947)**
Trade payables			**(6,090)**	**(6,090)**
Other payables			**(11,433)**	**(11,433)**

2015	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	INTEREST BEARING $'000	NON-INTEREST BEARING $'000	TOTAL
Financial assets and liabilities				
Cash and cash equivalents	2.87%	225,364	3	225,367
Receivables			54,286	54,286
Other receivables			53,315	53,315
Interest bearing borrowings	3.74%	(222,336)	–	(222,236)
Trade payables			(5,991)	(5,991)
Other payables			(11,276)	(11,276)

Fair Values

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

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

	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	2016 $'000	2016 $'000	2015 $'000	2015 $'000
Borrowings from WATC	**199,947**	**216,682**	222,336	237,734

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

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

Notes to the Financial Statements for the year ended 30 June 2016

21. Contingencies

Contingent Liabilities

The following contingent liabilities are additional to the liabilities included in the financial statements:

Contaminated Sites

Under the Contaminated Sites Act 2003 (WA), The Authority must report known and/or suspected contamination to the Department of Environment Regulation (DER). After receiving such a report, the DER must classify the site on the basis of risk to human health, the environment and/or environmental values. Where sites are classified as "contamination – remediation required" or "possibly contaminated – investigation required", The Authority is likely to be responsible for investigation and/or remediation (and associated expenses). The Authority will only incur liability if the lessee fails to comply with its obligations under the lease.

Port of Dampier

In October 2006, The Authority (formerly Dampier Port Authority) reported suspected contamination at three isolated sites within the De Witt Location 471. As the Contaminated Sites Management System is linked to the State cadastral system, DER can only list whole land parcels (and not portions of a lot). Accordingly, on 15 June 2007, after investigations identified concentrations of contaminants exceeding adopted assessment levels, DER classified all of De Witt Location 471 as "possibly contaminated – investigation required". In 2009, Rio Tinto undertook the required remediation works to have one of the three areas de-listed from the Memorial.

In 2010, Mermaid Marine Australia had another area added to the same Memorial and in 2014, a small diesel spill occurred within the Woodside leased area. While investigations and remedial works were undertaken, some residual impact remains beneath a concrete slab and as a result, this incident was added to the Memorial.

DER has assessed the De Witt Location 471 to be suitable for commercial/industrial use, but may not be suitable for more sensitive land uses (such as residential housing). DER has also indicated that further works may be required to determine the contamination status of soil, surface water and groundwater at the site. During 2015/2016, The Authority engaged specialist consultants to further investigate groundwater across Lot 471. The Authority is also working with lessees to undertake additional site investigations in order to further understand and manage contamination matters on the site.

The Authority's lease agreements require lessees to comply with all environmental laws, to prepare and submit an Operational Environmental Management Plan to the Authority and to address all forms of environmental damage to the occupied leased land, including contamination. Where specific contamination events have resulted from the direct actions of the lessee, the lessee has, at its cost, the obligation and duty to investigate and remediate the affected site.

Port of Ashburton

As part of the pre-establishment works associated with the development of the Ashburton North Strategic Industrial Area (ANSIA), a preliminary site investigation was undertake in 2010 to investigate land contamination on port vested land. The report found no issues of concern, and concluded that the port land was not contaminated (as defined under the *Contaminated Sites Act 2003* (WA). Accordingly, DER has not lodged any Memorial against any Port of Ashburton land.

Notes to the Financial Statements for the year ended 30 June 2016

21. Contingencies (continued)

Port of Port Hedland

(a) On 1 July 2010, a section of land (Lot 6098) vested in Port Hedland Port Authority (now The Authority) was listed under the *Contaminated Sites Act 2003* (WA) as "Contaminated-Remediation Required". The Authority has made submissions and is working with the lessees and specialist consultants to investigate and manage the remediation requirements. It is worth noting that a portion of the contamination will be remediated as part of the Integrated Marine Operations Centre (IMOC) development.

(b) In February 2016, four parcels of land (W004, W002 and two adjacent road reserves) located within the Wedgefield Estate part of Lot 370 were classified by DER as "Possibly Contaminated – Investigation Required". This listing was as a result of a hydrocarbon (diesel) spill which occurred on W002. The spill site was subsequently investigated by specialist consultants and remediated. However, the ongoing use of the site (and surrounding areas) by lessees for scrap metal recovery operations warrants the current classification. The Authority is working with lessees in this area and continues to undertake environmental monitoring in order to manage contamination.

22. Commitments

Service contracts – port operations	2016 $'000	2015 $'000
Within one year	**49,780**	17,827
Later than one year but not later than five years	**95,481**	21,978
Later than five years	**67,771**	13,725
Total service contracts – port operations	**213,032**	53,530

Capital commitments	2016 $'000	2015 $'000
Within one year	**14,357**	5,701
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
Total capital commitments	**14,357**	5,701

Operating lease commitments (non-cancellable)	2016 $'000	2015 $'000
Within one year	**4,962**	4,970
Later than one year but not later than five years	**12,222**	15,668
Later than five years	**–**	336
Total operating lease commitment (non-cancelleable)	**17,184**	20,974

Operating lease commitments – lease in employee housing (non-cancellable)	2016 $'000	2015 $'000
Within one year	**3,214**	5,429
Later than one year but not later than five years	**2,842**	4,451
Later than five years	**–**	455
Total operating lease commitments – lease in employee housing (non-cancellable)	**6,056**	10,335

Notes to the Financial Statements for the year ended 30 June 2016

23. Revenue commitments

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

Long term property leases	2016 $'000	2015 $'000
Within one year	**26,655**	27,977
Later than one year but not later than five years	**92,426**	94,812
Later than five years (up to 50 years)	**419,443**	458,615
Total revenue commitments	**538,524**	581,404

24. Notes to statement of cash flows

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

	2016 $'000	2015 $'000
Net profit	**119,726**	198,901
Non-cash items:		
Depreciation and amortisation expense	**25,549**	25,170
Impairment Losses	**6,084**	–
Non-cash contributions	**(400)**	(46,422)
Net loss on disposal of non-current assets	**83**	1,768
Other	**(180)**	(133)
Change in assets and liabilities:		
Trade receivables	**9,317**	(13,786)
Other receivables	**41,289**	1,123
Inventories	**(1,241)**	(105)
Deferred tax assets	**(7,602)**	(572)
Trade payables	**99**	(4,903)
Other payables	**(4,284)**	(4,185)
Current income tax	**(30,127)**	(4,337)
Provisions	**916**	2,356
Net cash inflow from operating activities	**159,229**	154,875

Notes to the Financial Statements for the year ended 30 June 2016

25. Related parties

Directors

The following persons held the position of Director during the financial year and until the date of this report:

- Ken Pettit, Chairman
- Les Longden, Deputy Chairman
- Julian Tapp
- Boyd Winton
- John Lillywhite
- Beth Gordon (ceased to be a PPA Director on 1 January 2016)
- Mike Deeks (ceased to be a PPA Director on 12 October 2015)
- Judith Uren (appointed as a PPA Director on 23 May 2016)

There are no transactions during the year with the Directors or other related parties.

Remuneration Benefits

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

26. Subsequent events

Pilbara Ports Authority has received a Ministerial Direction to provide a $2.50 discount for all volumes through Stockyard 1 at Utah and a $1.73 discount for all volumes through Stockyard 2 for the 2016/17 Financial Year. The quantum of the discount is dependent on the volume of product shipped and conditional upon the price of iron ore.

Pilbara Ports Authority is currently engaged in negotiations to settle a commercial dispute. Full provision for the expected settlement is provided for in the 30 June 2016 financial statements.

No other matters have arisen since 30 June 2016 that has significantly affected, or may significantly affect the Authority's operations, the results of those operations, or the state of affairs in future financial years.

27. Supplementary financial information

	2016 $'000	2015 $'000
Write-offs	**14**	654
Bad debts	**14**	654

28. Auditors' remuneration

	2016 $'000	2015 $'000
Auditors remuneration		
Auditor General's fee (external audit)	**112**	113

Notes to the Financial Statements for the year ended 30 June 2016

29. Directors' declaration

In the opinion of the Directors of the Pilbara Ports Authority:

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

(i) giving a true and fair view of the financial position of Pilbara Ports Authority as at 30 June 2016 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Port Authorities Act 1999*.

(b) There are reasonable grounds to believe that Pilbara Ports Authority will be able to pay its debts as and when they become due and payable.

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

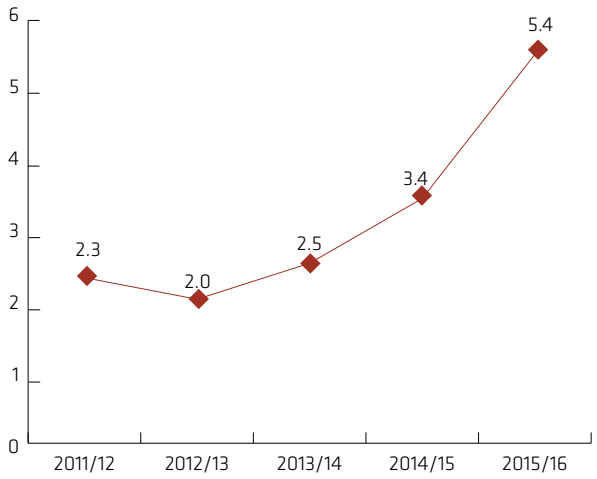
Ken Pettit SC
Chairman
25 August 2016

Les Longden
Deputy Chairman
25 August 2016

Key Financial Performance Indicators for the year ended 30 June 2016

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

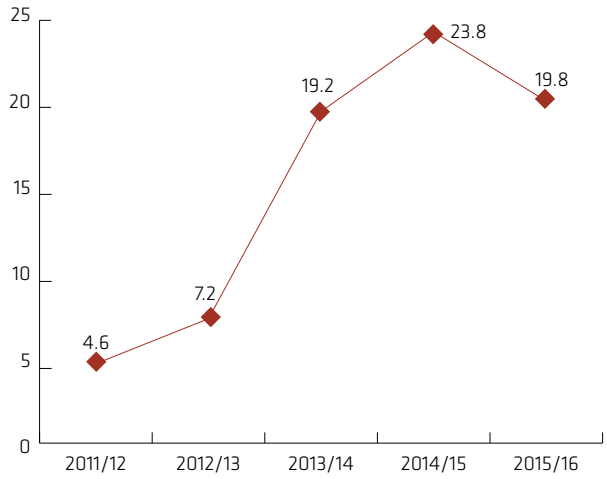
Current Ratio



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

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

Interest Cover Ratio

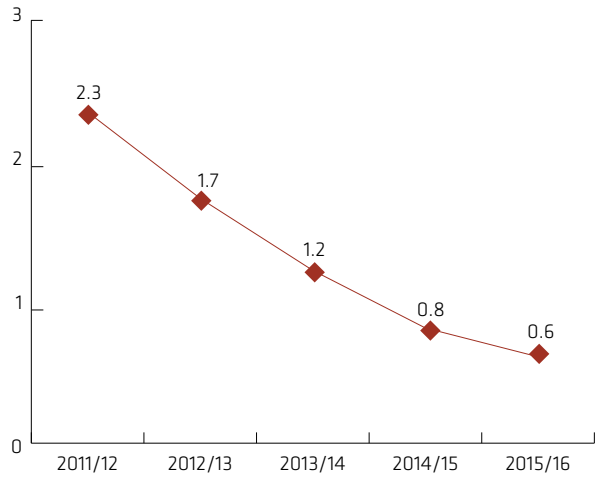


A ratio used to determine the ability of the Authority to pay interest on its outstanding debt.

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

Key Financial Performance Indicators for the year ended 30 June 2016

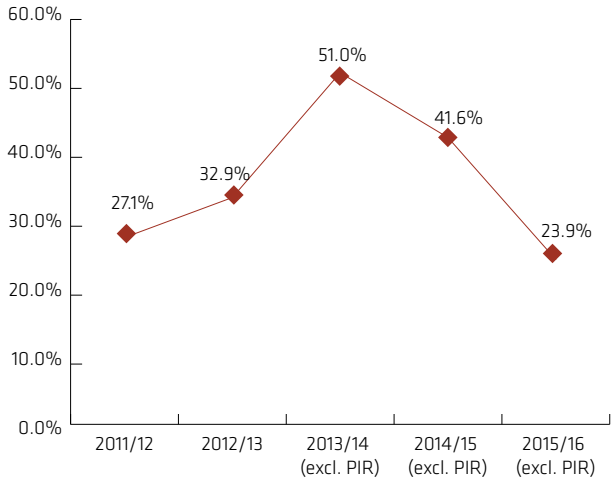
Debt to Equity Ratio



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

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

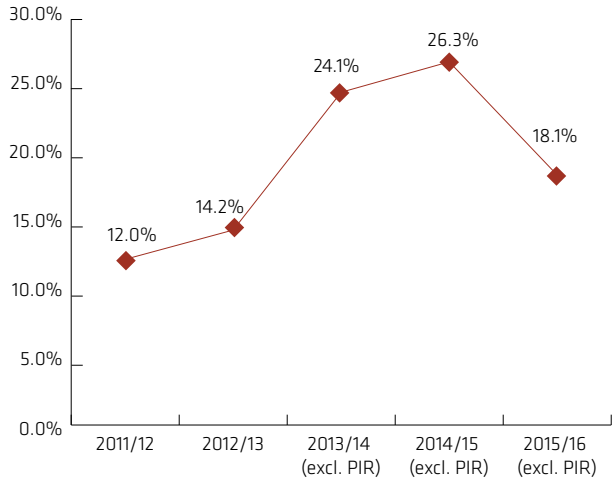
Return on Equity



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

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

Return on Assets

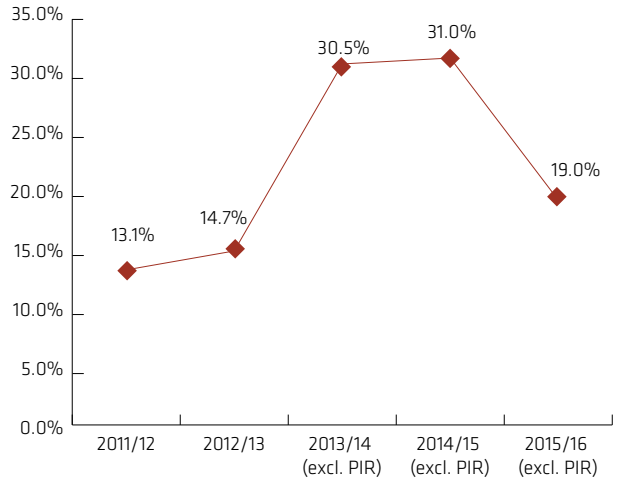


The return on assets ratio is an indicator of how profitable the Authority is relative to the value of its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings.

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

Key Financial Performance Indicators for the year ended 30 June 2016

Economic Rate of Return



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

The economic rate of return is calculated as per below:

$$\frac{\text{EBIT + historical depreciation – deprival depreciation}}{\text{Deprival value of average net non-current assets*}}$$

* Non-Current Assets excludes gifted assets and assets funded through the Port Improvement Rate.

Note: 2013/14 has been restated to exclude current assets from the calculation, however earlier years have not been restated.

Governance

MINISTERIAL DIRECTIVES

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

Pilbara Ports Authority received a Ministerial Direction under Section 72(1) of the Act from the Minister for Transport dated 20 July 2015 (Direction). The Direction required Pilbara Ports Authority to, in performing its functions and exercising its powers under the Act, have regard to the Government's decision to investigate a potential divestment of the Utah Facility and to not act, or omit to act, in a way that would reduce the value of the asset. A copy of the Direction was tabled in Parliament on 11 August 2015, pursuant to section 72(2) of the Act.

Pilbara Ports Authority received a second Ministerial Direction under section 72 of the Act from the Minister for Transport dated 30 June 2016. The Direction required Pilbara Ports Authority to negotiate port charges pricing relief to iron ore users of the Utah Facility for a further twelve months from 1 July 2016 to 30 June 2017, and negotiate reductions in port charges for manganese ore users of the Utah Facility for a period of twelve months from 1 July 2016 to 30 June 2017. A copy of the Direction was tabled in Parliament on 6 September 2016, pursuant to Section 72(2) of the Act.

In the preceding reporting period, Pilbara Ports Authority also received a Ministerial Direction under Section 72(1) of the Act from the Minister for Transport to aid Utah Facility customers for a specified period of time by providing reductions in port charges in line with the Ministerial Direction. The reduced port charges were in effect during the reporting period.

OTHER FINANCIAL DISCLOSURES

Pilbara Ports Authority's financial objectives include, as a minimum, recovering costs and achieving the State Government's required Rate of Return on Assets. Pilbara Ports Authority has adopted user pays principles to recover costs and avoid unintended cross-subsidisation of fees and charges amongst users, both across ports and within ports.

Lease revenue enables Pilbara Ports Authority to fund land development opportunities without impacting upon charges for existing port users. Pilbara Ports Authority will continue to seek commercial rents for all of its properties and to develop port-vested land to support industry.

Pilbara Ports Authority prices are reviewed on an annual basis and adjustments made to recover costs and achieve both strategic and operational objectives.

Pilbara Ports Authority has announced a price freeze on most of its port shipping charges in 2016/17 at Port Hedland and Dampier. Other port charges will increase in line with existing contractual arrangements. Pilbara Ports Authority benchmarks its prices with other national bulk ports and implements costs and efficiency initiatives to create value for both its customers and stakeholders. The current list of fees and charges is available on Pilbara Ports Authority's website.

Capital Works

Pilbara Ports Authority has multiple capital funding sources including:

- Internal funds and balances (Minor Works);
- Port Improvement Rate (Port of Port Hedland only);
- Proponent contributions (Port of Ashburton); and
- Government contributions (Royalties for Regions).

Governance

Pilbara Ports Authority's Minor Works program facilitates:

- Safety upgrades;
- Upgrading information and communications technology; and
- Upgrades to electrical and other equipment.

This also includes acquisition and replacement of:

- Infrastructure;
- Mobile plant; and
- Office equipment.

Port Improvement Rate funds are utilised for critical capital improvements to common user infrastructure necessary to sustain the long-term safe operation of the Port of Port Hedland. In general, Pilbara Ports Authority requires that private developers provide their own funding for single user port facilities and provide third party access to any surplus capacity.

Pilbara Ports Authority encourages private sector investment that is aligned to long-term port planning objectives. Pilbara Ports Authority will also consider and facilitate private investment in port facilities and infrastructure where proponents provide multi-party or common user access.

Pilbara Ports Authority will invest in port infrastructure and facilities that cannot be funded by the private sector which are essential for trade facilitation and provide economic benefits to the State, regional and local communities. All investments by Pilbara Ports Authority are justified in terms of economic, social, safety and environmental benefits. Where appropriate, Pilbara Ports Authority operates on commercial principles, with rates of return on investment agreed to with the State Government.

GOVERNANCE DISCLOSURES

Pilbara Ports Authority has a Fraud and Corruption Policy and Conflict of Interest Procedure, which governs its approach to the receipt of benefits by and the management of conflicts of interest by Pilbara Ports Authority Board Members and Staff. These documents are reviewed on an ongoing basis.

UNAUTHORISED USE OF CREDIT CARDS

Pilbara Ports Authority has provided details below of instances where a WA government purchasing card (credit card) is used for personal use, as per the amended *TI 321 Credit Card – Authorised Use* and *TI 903*.

There were 12 instances of unauthorised use of a credit card during the reporting year, with a total value of $4,123.10. These occurred due to emergency situations or small private expenses coinciding with business travel. All 12 instances have been fully reimbursed by the card holder.

EXPENDITURE ON ADVERTISING, MARKET RESEARCH, POLLING AND DIRECT MAIL

Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, Pilbara Ports Authority incurred the following expenditure in advertising, market research, and media advertising.

Total expenditure for 2015/16 was $190,790 ex. GST.

Governance

Expenditure was incurred in the following areas.

EXPENDITURE	TOTAL	EXPENDITURE	AMOUNT
Advertising agencies/ media advertising	$131,890	Adcorp	$90,316
		Market Creation	$8,392
		Redwave Media	$18,112
		Seek	$10,665
		TenderLink	$200
		West Australian Newspapers	$4,205
Market research organisations	$58,900	Taylor Nelson Sofres (TNS) Australia Pty Ltd	$58,900
Polling organisations	N/A	N/A	N/A
Direct mail organisations	N/A	N/A	N/A

COMPLIANCE WITH PUBLIC SECTOR STANDARDS AND ETHICAL CODES

Pilbara Ports Authority's Code of Ethics and Conduct was last updated in May 2016, ensuring it continues to align with public sector standards. The Code of Ethics and Conduct is designed to communicate Pilbara Ports Authority's standards of conduct and integrity, and to promote professionalism in the provision of services to customers, port users and the community. Pilbara Ports Authority's Code of Ethics and Conduct is available on Pilbara Ports Authority's website and intranet.

Pilbara Ports Authority's Working with Respect program provides an opportunity for all employees to explore the code and reinforces the importance of observance of its legal requirements.

Where breaches occur, Pilbara Ports Authority has procedures that support workplace resolution and/or disciplinary investigation if required. Disciplinary matters involving alleged breaches require involvement of the relevant General Manager, and are reported to the Chief Executive Officer and the Risk and Audit Committee.

There have been four breaches of Pilbara Ports Authority's Code of Ethics and Conduct for 2015/16. Actions associated included written apologies, review and re-signing of policies and one reduction in employment level.

RECORDKEEPING PLANS

During the reporting year, Pilbara Ports Authority engaged an external consultant to undertake an evaluation of its recordkeeping program, which was delivered in September 2015.

As a result of the evaluation, Pilbara Ports Authority created a separate Information Services function with responsibility to establish a broader information management focus and enhance the recordkeeping program. An Information Services Manager was appointed in February 2016, reporting directly to the General Manager, Finance and ICT. A comprehensive Information Management and Records Management Enhancement Plan will be executed in 2016/17.

During the reporting year, another key focus has been on promoting and consolidating the use of Objective, Pilbara Ports Authority's record management system, including providing support to staff across all Pilbara Ports Authority sites.

Governance

As part of the Utah Facility divestment, the Information Services team has been identifying and preparing relevant records so that they may be shared to a potential leaseholder. This is a complex project involving legal checkpoints to quality assure the methodology, execution and outcomes. It involved relevant physical records being digitised and scanned copies captured in Objective.

There have also been improvements in storage facilities for physical records in Port Hedland with a new secure compactus unit installed. Vital records have been sent to Perth for storage.

During the reporting year, a Business Continuity Policy, Business Resilience Framework, Business Continuity Management Plan, Crisis Management Plan and an Incident Management Plan were also developed for the whole of Pilbara Ports Authority, taking into account recordkeeping requirements.

Recordkeeping training program

Pilbara Ports Authority rolled out a recordkeeping training program, which involved Recordkeeping Awareness Training and Objective User Training.

All relevant Pilbara Ports Authority staff and contractors have completed the training.

GOVERNMENT POLICY REQUIREMENTS – OCCUPATIONAL SAFETY, HEALTH AND INJURY MANAGEMENT

Pilbara Ports Authority is committed to providing safe and healthy work environments for all persons within Pilbara Ports Authority controlled areas, and to managing any impacts to the community arising from its operations. Should an employee be injured at work, Pilbara Ports Authority's injury management process aims to achieve an employee's earliest possible safe return to work. Pilbara Ports Authority has formally documented its commitment to occupational health and safety and injury management in their respective policies. Each policy is endorsed by the Chief Executive Officer and Board and is communicated to all stakeholders.

Pilbara Ports Authority's Executive team provides a safe and healthy work environment for all people within port controlled areas and for port controlled works. The Executive team provides the leadership within the business to foster a strong safety culture, is actively engaged with the workforce, and regularly reviews Pilbara Ports Authority's safety performance data with the aim of continual improvement.

The Board oversees Pilbara Ports Authority's occupational safety and health activities and reviews relevant performance indicators on an ongoing basis. The Board also approves Pilbara Ports Authority's policies in this area and sets the direction for Pilbara Ports Authority's occupational health and safety framework.

Pilbara Ports Authority's occupational health and safety processes are integrated throughout the business to effectively communicate and consult with employees on occupational health and safety matters. Pilbara Ports Authority equips its employees with the information and tools necessary to effectively communicate and consult throughout the business to prevent injury and occupational illness.

Occupational health and safety policies and general hazard information form part of Pilbara Ports Authority's induction process for new employees. Occupational health and safety matters are also communicated during pre-start meetings, toolbox meetings, safety meetings and stakeholder forums.

Pilbara Ports Authority provides timely and pertinent health and safety information to all stakeholders through monthly safety campaigns, regular safety bulletins and weekly safety briefs.

Governance

Pilbara Ports Authority has a Staff Health and Safety Committee Charter that is supported by Health and Safety Committees at its Dampier, Port Hedland and Perth sites. The committees comprise representatives from both staff and management levels and support Pilbara Ports Authority's occupational health and safety objectives.

Pilbara Ports Authority complies with the requirements of the *Workers' Compensation and Injury Management Act* 1981, as set out in the Injury Management Policy and Injury Management Procedure. If an employee is injured at work, Pilbara Ports Authority supports the employee's earliest possible safe return to work. Consistent with appropriate medical advice, a Return to Work Program is developed with input from appropriate stakeholders to achieve the best possible outcome for the employee and Pilbara Ports Authority.

Pilbara Ports Authority's Occupational Safety and Health Management System is certified to AS/NZS 4801 (Australian Standard and New Zealand Standard for OSH Safety Management Systems) and was audited against AS/NZS 4801 in February 2016 with no minor or major non-conformances noted. In 2016, the Port of Dampier was included as part of the audit with a successful outcome.

As part of its audit preparations, Pilbara Ports Authority reviewed all occupational health and safety documentation to align and improve processes across its operational sites. This review resulted in Pilbara Ports Authority ensuring that best practice processes were delivered consistently through the business.

MEASURE	ACTUAL RESULTS		RESULTS AGAINST TARGET	
	2013-14 (1)	2015-16 (2)	Target	Comment on result
Number of fatalities	0	0	0	Target met
Lost time injury and/or disease incidence rate	1.77	0	0 or 10% reduction (3) (actual target can be stated)	Target met
Lost time injury and/or disease severity rate	0	0	0 or 10% reduction (3) (actual target can be stated)	Target met
Percentage of injured workers returned to work:			Actual result to be stated	Target met
(i) within 13 weeks	100%	N/A	Greater than or equal to 80%	
(ii) within 26 weeks	N/A	N/A		
Percentage of managers trained in occupational safety, health and injury management responsibilities	94%	90.6%	Greater than or equal to 80%	Target met

Note (1) This is a three-year trend and as such the year is to be three years prior to the current reporting year (i.e. current year is 2015/16 and comparison year is 2013/14)

Note (2) The current year i.e. 2015/16

Note (3) The reduction is calculated over a three year period

Corporate office
Level 3/16 Parliament Place
WEST PERTH WA 6005
Tel: (08) 6217 7112

Dampier office
Mof Road
Burrup Peninsula
DAMPIER WA 6713
Tel: (08) 9159 6555

Port Hedland office
The Esplanade
PORT HEDLAND WA 6721
Tel: (08) 9173 9000

www.pilbaraports.com.au

feedback@pilbaraports.com.au