



**PILBARA  
PORTS  
AUTHORITY**  
Annual Report  
2017-18

## **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





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## STATEMENT OF COMPLIANCE

### To the Hon. Rita Saffioti MLA

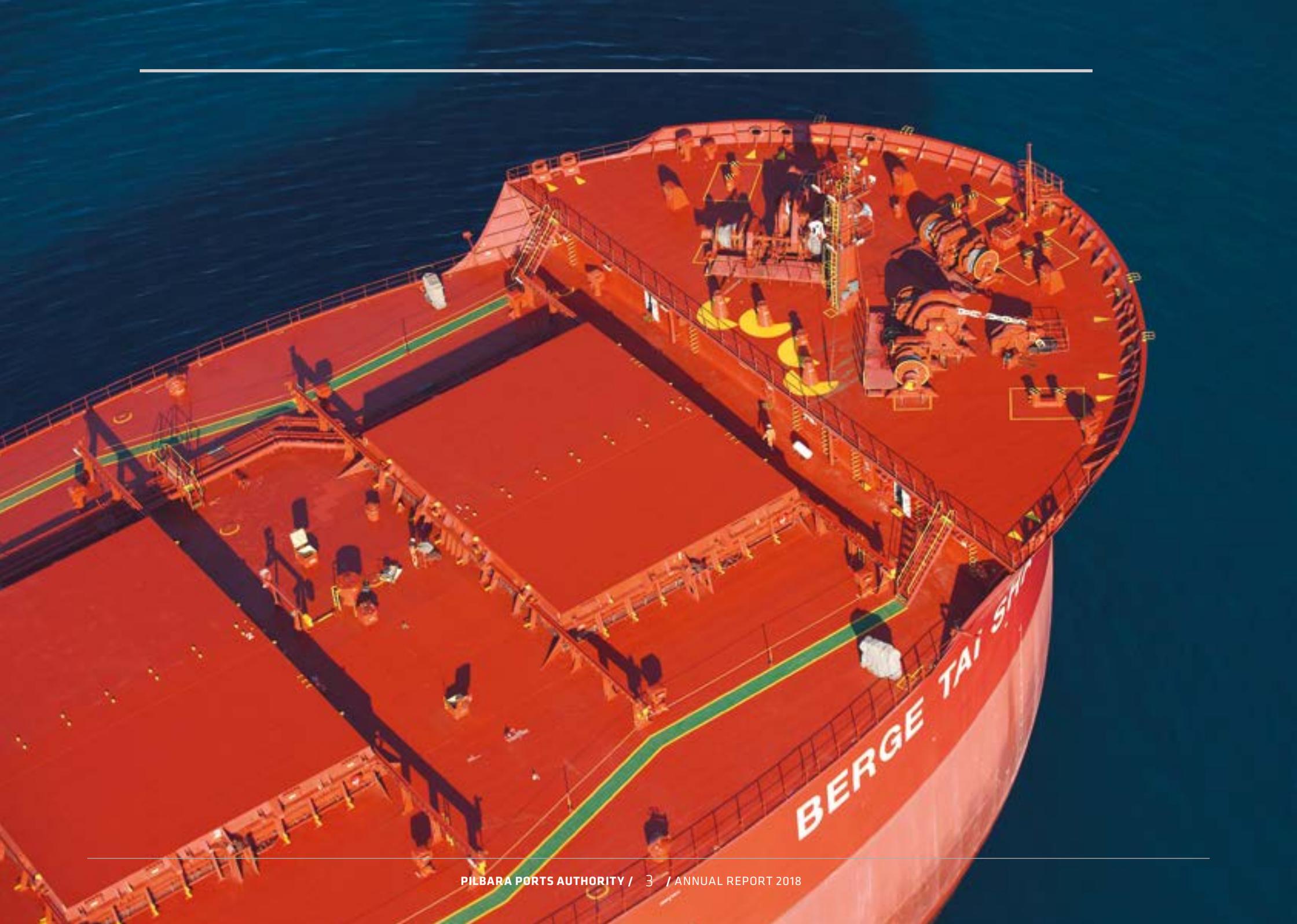
Minister for Transport; Planning; Lands

In accordance with Section 68 and clauses 34 and 35 of Schedule 5 of the *Port Authorities Act 1999* (WA), I hereby submit for your information and presentation to Parliament, the Annual Report of Pilbara Ports Authority for the financial year ended 30 June 2018.

### Ken Pettit

Chairman, Pilbara Ports Authority Board of Directors





## PILBARA PORTS AUTHORITY 2017/18 HIGHLIGHTS

Total annual throughput:

**699.3**

Million Tonnes (Mt)



Revenue:

**\$511.9**

million

Record PPA combined monthly throughput of

**63.8** Mt - December 2017

Record tonnage from Port of Port Hedland in a 24-hour period: 2 June 2018: 12 vessels in 24 hours carrying

**2,398,423** tonnes

Number of safe vessel movements:

**15,894**

Total annual throughput at Port of Port Hedland:

**519.3** Mt



Total annual throughput at Port of Dampier

**177.3** Mt

Dampier Cargo Wharf fender replacement program completed

Record tonnage from Port of Port Hedland on a single tide: 27 December 2017: eight vessels carrying

**1,589,061** tonnes



First shipment of LNG from the Port of Ashburton in October 2017



Port of Balla Balla was proclaimed in October 2017 for development as an iron ore export port

Two shipments of cattle from Port of Port Hedland (approximately 5,000 cattle of head in total)

## PILBARA PORTS AUTHORITY 2017/18 HIGHLIGHTS

Community Support Initiative:

**\$293,707** support for local community groups, sporting and not-for-profit organisations in the Dampier/Karratha, Onslow and Port Hedland communities.

Contract awarded for **Berth 3 deck replacement** at Port of Port Hedland



Port Hedland's **Main Street Jetty upgraded** and reopened to public

**Hydrographic Excellence Award** for Tidal Model Project

Finance Practitioner of the Year (IPAA Awards) **Nick Sarandopoulos**

**Port Improvement Rate Projects** significantly advanced:

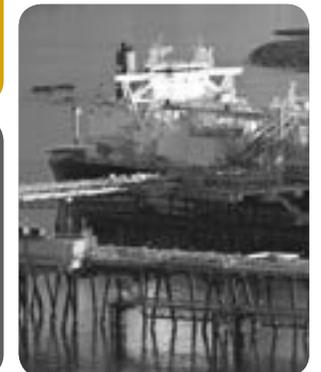
- All land-based navigation aids replaced and commissioned as part of Channel Marker Replacement Program. Replacement of marine-based navigation aids commenced in June 2018
- First stage of capital dredging works for Channel Risk and Optimisation Project completed
- All structural elements of the Integrated Marine Operation Centre complete. Factory testing of VTS equipment has commenced.

**Finalist** – Most Effective Infrastructure Solution held by Incite Western Australian Information Technology and Telecommunication Awards



**Winner** of the Safe, Efficient and Secure Port Award at International Harbour Masters Association Awards in London

**Expression of Interest** released for Lumsden Point development



**Marine cadetship program** launched for school leavers

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## CHAIRMAN'S REPORT

### Pilbara Ports Authority has delivered another outstanding year through the Ports of Port Hedland and Dampier. New operations have commenced through the Port of Ashburton.

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The Authority achieved a record annual throughput of 699.3 million tonnes (Mt). It delivered a profit before income tax of \$267.5 million and a dividend return to the State of \$220.7 million.

Effective 1 October 2017, the Authority implemented an increase in port dues of 17% at the ports of Dampier and Port Hedland. Prior to this increase, PPA had held fees and charges constant at the levels in effect on 1 July 2014. Fees and charges other than port dues remained at 1 July 2014 levels during 2017/18.

Pilbara Ports Authority launched its Futures Forum – an initiative to provide an opportunity for consultation with people with an interest in, or able to contribute to, the long-term direction of the Authority. Port users, local and state government, peak bodies and community representatives contributed to forums held in Karratha, Port Hedland and Perth. The outputs from these forums will help shape our strategies and future planning to 2050.

In June 2018, the Authority issued an expression of interest for the Lumsden Point Development at Port Hedland. The expressions of interest will address development of multi-user berth capacity to facilitate growth in resource and agricultural developments. Some of the anticipated trade is likely to develop in the Pilbara in the next three to five years. Any contract for the development is expected to be awarded in early 2019.

Pilbara Ports Authority is an active supporter of the Government's WA Industry Participation Strategy (WAIPS) to maximise opportunities for WA businesses to secure work on government contracts and raise awareness of local industry capabilities. The results of this have been seen in the development of the Integrated Marine Operations Centre and the replacement of the deck on PPA's Berth 3.

The Authority continues to pursue trade and development opportunities through the Port of Dampier, including cruise ship visits, methanol and magnesium products, urea exports and crude oil.

Further west, the partial transfer of the Port of Ashburton from Chevron Australia (Chevron) to Pilbara Ports Authority, following first gas export on 31 October 2017, was a significant milestone. Work continues with Chevron in preparation for the final surrender of the port in late 2018.

Pilbara Ports Authority's development of industry-leading maritime practices and technologies has been acknowledged by industry peers. At the International Harbour Masters Association Awards in London in June 2018, the Authority won the 'Safe, Efficient and Secure Port' award. In February 2018, its Tidal Model Project was awarded the Hydrographic Excellence Award by the Surveying and Spatial Science's Institute's Hydrography Commission. These awards reflect the Authority's continual pursuit of improvement, industry leadership and best-practice marine technology.

I cannot let the year pass without expressing our sorrow at the tragic death of a contractor's helicopter pilot at the end of the Port Hedland shipping channel on 14 March 2018. Our sympathies were conveyed to the family. Our gratitude has been conveyed to the contractor for its prompt and considerate action in the aftermath of the accident.

On behalf of the Board, I thank the Chief Executive Officer and his executive team and staff for their determination, commitment and innovation in another outstanding year.

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## CHAIRMAN'S REPORT

I thank the Minister for Transport and her staff as well as the Executive teams at the Department of Transport (DoT), the Department of Jobs, Tourism, Science and Innovation (JTSI) and the Department of Treasury (Treasury) for their support. The Board and the Executive at Pilbara Ports Authority are steadfast in their engagement with those arms of government.

I also thank my fellow Directors for their diligence and commitment throughout the year.

### **Ken Pettit**

Chairman

Pilbara Ports Authority Board of Directors



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## CEO'S REPORT

### I am pleased to report that Pilbara Ports Authority has delivered another record throughput for the year.

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The safety of staff, port users, service providers, contractors and visitors continues to be our highest priority. Pilbara Ports Authority reported a Lost Time Injury Frequency Rate (LTIFR) of 1.42 against a target of 1.7 for the year. Our LTIFR tracked at zero for 515 days for all employees and contractors across all sites until 14 March 2018. Tragically, an incident involving a helicopter ditching into the sea, toward the end of the channel at Port Hedland, resulted in the fatality of the helicopter pilot. A second helicopter pilot on-board was rescued shortly after the incident. The Australian Transport Safety Bureau (ATSB) is conducting an investigation into the incident and will issue a report in due course. Pilbara Ports Authority continues to work with everyone across our sites to ensure awareness of, and compliance with, our rigorous approach to safety.

Pilbara Ports Authority has delivered an increase in year-on-year throughput, with a record 699.3Mt achieved in 2017/18; an increase of five per cent on the previous year.

This consisted of a record annual throughput of 519.4Mt at Port Hedland, an increase of four per cent from the last financial year; and a throughput of 177.3Mt at Port of Dampier, an increase of six per cent from the previous year. The record throughput was achieved through 15,894 safe vessel movements across the ports of Ashburton, Dampier and Port Hedland.

The year also saw Pilbara Ports Authority facilitate new and emerging trades through its ports. This included the resumption of livestock exports from the Port of Port Hedland since 2013, with two shipments carrying close to 5,000 head of cattle bound for Indonesia. Our investment into new infrastructure upgrades at the port will help accommodate larger numbers of livestock shipments to satisfy growing demand and support pastoralists in the Pilbara.

Shipments of spodumene Direct Shipping Ore (DSO) continued to be exported through the Port of Port Hedland during the year, exceeding three million tonnes since it was first trialled through the Utah Facility in 2016/17. In March 2018, lithium concentrate was approved to be exported through Port Hedland Eastside berths.

At the Port of Dampier, Pilbara Ports Authority has progressed enquiries from proponents for potential trade and development opportunities, including a proposed methanol production facility and a urea production facility for the Burrup Industrial Estate. The production of magnesium (sodium) carbonate is being trialled at a pilot plant in Karratha, which could further increase product exports from the Port of Dampier.

Considerable activity is underway to enhance existing port facilities and develop new infrastructure across our ports. At the Port of Port Hedland, this includes the Lumsden Point development to support growth in resource and agricultural developments, the Berth 3 Deck Replacement Program and the three Port Improvement Rate projects – the Integrated Marine Operations Centre, Channel Risk and Optimisation Project and Channel Marker Replacement Program. These major projects will enhance efficient and safe operations at the port and maximise trade opportunities for our port users.

In the West Pilbara, the Dampier Cargo Wharf Fender Replacement Program was successfully completed safely, on time and on budget. At the Port of Ashburton the first shipment of LNG took place in October 2017, triggering the handover of port facilities from Chevron Australia to Pilbara Ports Authority.

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## CEO'S REPORT

During the year, Pilbara Ports Authority announced its inaugural Marine Cadetship Program for Pilbara school leavers. A marine cadet has already successfully applied to join the program in Port Hedland and a recruiting program is being undertaken in Karratha/Dampier to facilitate a Dampier based cadet. The successful marine cadets from the Town of Port Hedland and City of Karratha will embark on exciting onshore and offshore training, to equip them with the skills and experience required for a successful and rewarding career within the maritime industry.

Pilbara Ports Authority values its relationships with the local community and supports sustainable communities where we operate. To this end, eight Community Consultation Committee meetings were held across Ashburton, Dampier and Port Hedland and were attended by local community, business and interest groups, as well as the relevant local government authorities. Pilbara Ports Authority also supports local communities through its Community Support Initiative (CSI) Program. In 2017/18, more than \$293,000 was provided to charities, not-for-profit and community groups in the Pilbara region. Recipients of funding included St John Ambulance (Onslow), Hedland Senior High School, Karratha Community Garden, Port Walcott Volunteer Marine Rescue, City of Karratha and Town of Port Hedland.

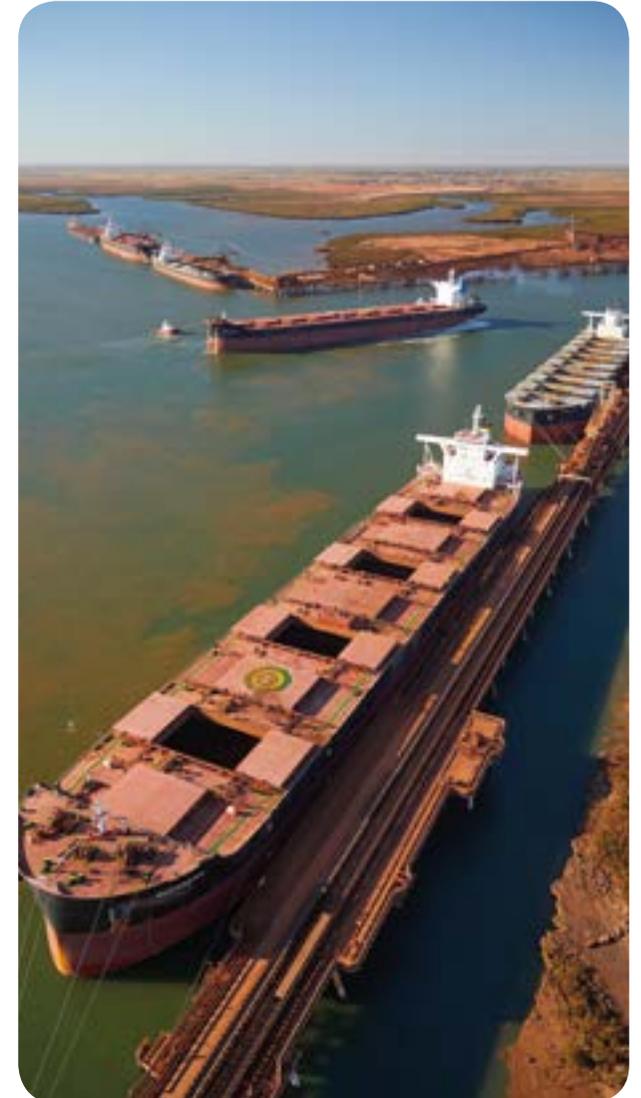
We are proud to assist these local community groups and local councils, and look forward to continuing our support in the future.

I would like to thank the Minister for Transport Hon. Rita Saffioti MLA and her staff for their continued support of Pilbara Ports Authority. I also extend my thanks to DoT, JTSI and Treasury.

I would like to thank the Chairman, Ken Pettit, for his ongoing leadership and guidance, as well the Board of Directors for their contribution and support.

Finally, I acknowledge the efforts and support of my dedicated and hard-working Executive Team, and the diligence and professionalism of all Pilbara Ports Authority staff who have contributed to another strong and successful year.

**Roger Johnston**  
Chief Executive Officer



Port of Port Hedland

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## ORGANISATION PROFILE

Pilbara Ports Authority is the world's largest bulk export port authority, encompassing the ports of Ashburton, Dampier and Port Hedland, and the future ports of Anketell, Balla Balla and Cape Preston East.

Pilbara Ports Authority will eventually assume oversight of five other ports (Barrow Island, Cape Preston, Onslow, Port Walcott and Varanus Island), which are currently administered by the Department of Transport (DoT) under the *Shipping and Pilotage Act 1967*.

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

The ports of Dampier and Port Hedland are 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.

Other major export commodities include Liquefied Natural Gas (LNG) and salt. Approximately seven and a half per cent of the world's LNG is exported through the ports of Dampier and Ashburton.

Salt exports through the ports of Port Hedland and Dampier totalled approximately 7.4Mt in 2017/18, accounting for approximately 67 per cent of Australian salt exports, and 2.65 per cent of the world's solar salt.

In 2017/18, a record throughput of 699.3Mt was achieved through more than 15,000 safe vessel movements. Profit before income tax for the financial year was \$267.5 million, and total net dividend payments of \$220.7 million were paid to the State.

There are 19 operational berths at the Port of Port Hedland. Pilbara Ports Authority operates Berths 1, 2 and 3 on the Eastside of the harbour, and the Utah Point Multi-User Bulk Handling Facility (Utah Facility). BHP owns and operates eight berths, five berths are owned and operated by Fortescue Metals Group and two berths are owned and operated by Roy Hill Infrastructure.

At the Port of Dampier, marine assets owned and operated by Pilbara Ports Authority include the Bulk Liquids Berth and the Dampier Cargo Wharf, which provides up to three berths. Rio Tinto and Woodside Energy own and operate private port terminals; LINX, Toll and WQube also operate private facilities.

The first shipment of LNG sailed from the Port of Ashburton on 31 October 2017, triggering the first phase of a staged handover (turning basin, channel and some navigational aids) and port-vested land from Chevron Australia to Pilbara Ports Authority. The Port of Ashburton is a strategic industrial area accommodating LNG and other hydrocarbon-based and natural gas processing for WA's domestic gas supply. It is ultimately designed as a multi-user port.

Pilbara Ports Authority provides overall port management and coordinates Vessel Traffic Services (VTS), 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, navigation aids and other port infrastructure, and contracts out or issues licences for stevedoring, towage, pilotage, helicopter and pilot boat transfers, security and waste management.

Pilbara Ports Authority manages 10,615ha of port land at Dampier, Port Hedland, Ashburton and Cape Preston East, and facilitates the development of land and leases to support port-related industries.

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## ORGANISATION PROFILE

### 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.

### ROLE AND LEGISLATIVE FRAMEWORK

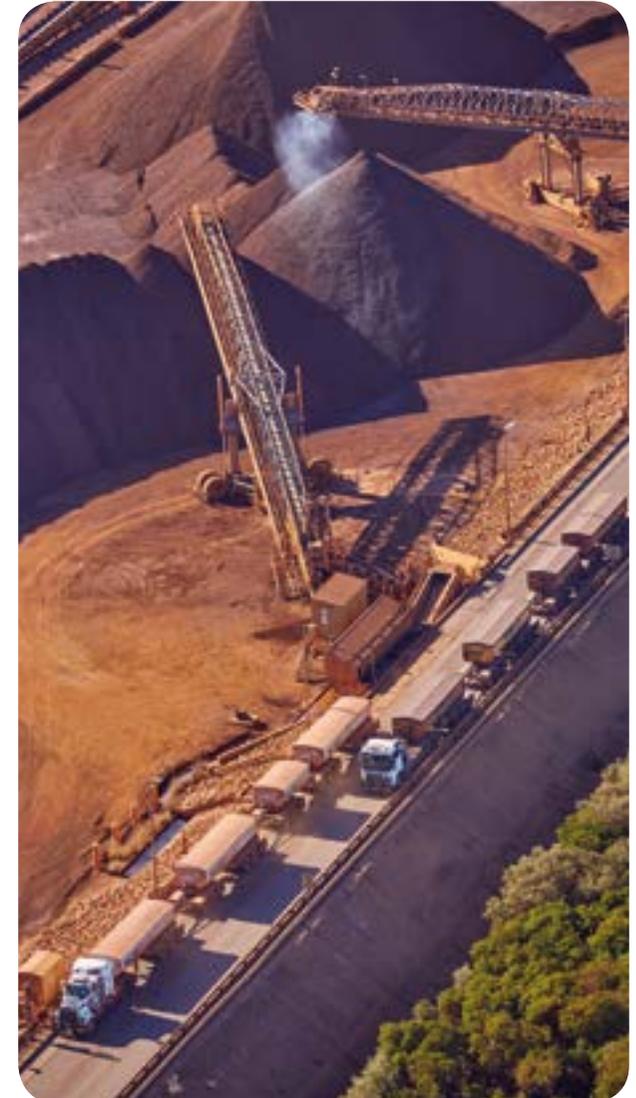
Pilbara Ports Authority operates as a Western Australian Government Trading Enterprise, and is governed under the Act, which establishes the functions of the Authority and State Government reporting requirements. Pilbara Ports Authority has a duty to act on commercial principles, and is granted the power to perform the following 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 its port and related facilities;
- Controlling business and other activities in its ports 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;

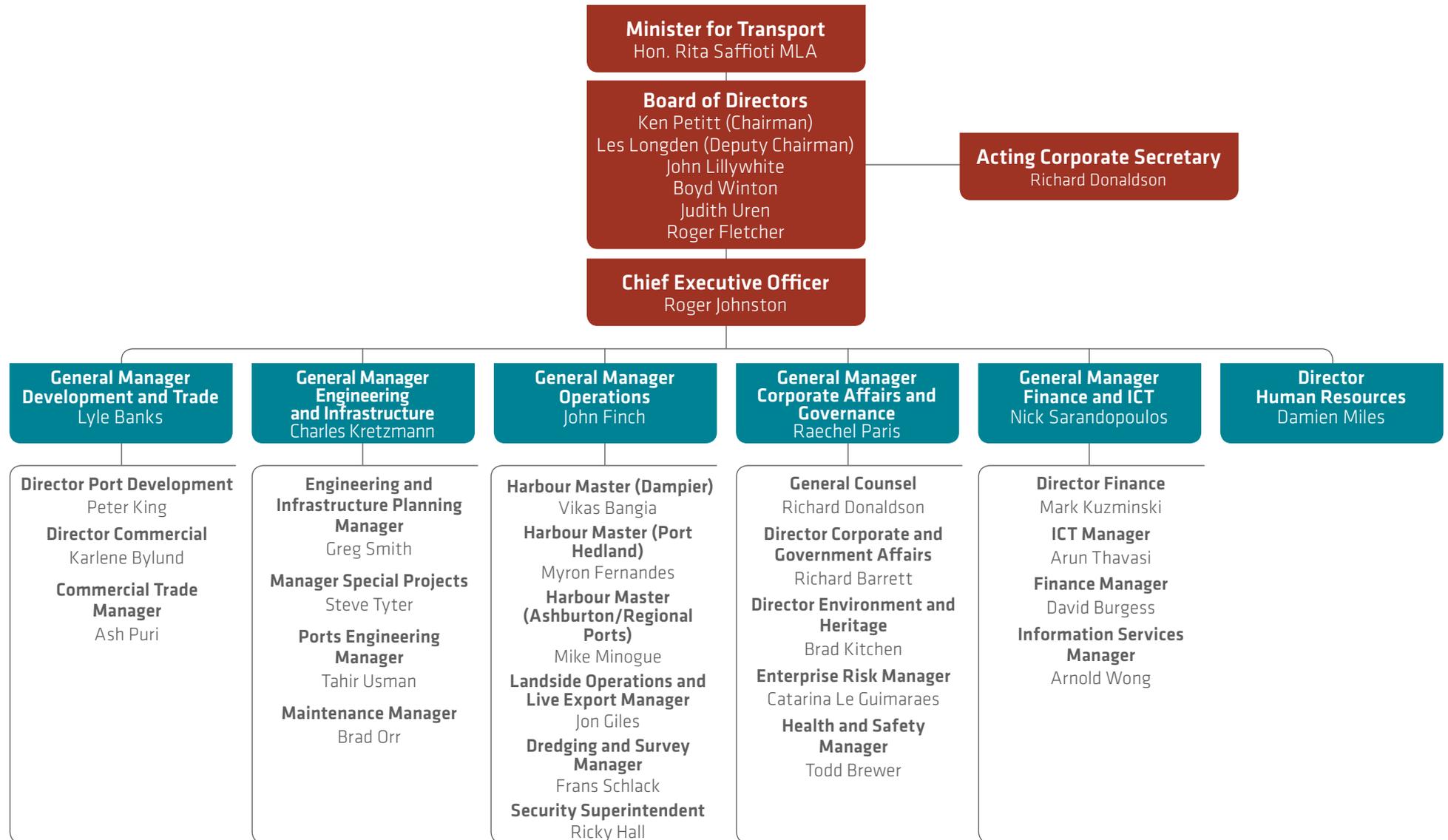
- Being responsible for port security;
- Protecting the environment of the ports; and
- Minimising the impact of port operations on the environment.

Pilbara Ports Authority operates as a commercialised entity with an independent Board of Directors reporting to Western Australia's Minister for Transport. The Board comprises six directors, including a Chairman, who sets strategic direction, and monitors management's achievement against the strategic objectives.

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.



# ORGANISATION STRUCTURE



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## 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 the Board of Pilbara Ports Authority upon its formation in 2014 for a term expiring 30 June 2016. He has been re-appointed for a term expiring 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 more than 30 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.

\*Mr Pettit was reappointed on 1 July 2018 for a term expiring 30 June 2020.



**Deputy Chairman**  
**Les Longden**  
BEng (Hons), Grad Dip App Fin, FFIN, FAICD

Mr Longden was initially appointed to the former Port Hedland Port Authority Board on 1 October 2009, and has 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 from July 2013 until its amalgamation into Pilbara Ports Authority in July 2014.

He has more than 29 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.

\*\*Mr Longden was reappointed on 1 July 2018 for a term expiring 31 December 2019.



**Director**  
**John Lillywhite**  
BCom, MBA, Grad Dip Ornithology, GAICD

Mr Lillywhite was initially appointed to the Pilbara Ports Authority Board on 22 October 2014 and has been subsequently reappointed for a term expiring 30 June 2019.

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, is a Graduate Member of the Australian Institute of Company Directors, and is Chairman of Zetta Group Ltd.

He also holds a Bachelor of Commerce, Graduate Diploma in Ornithology and an MBA and is a Graduate Member of the Australian Institute of Company Directors.

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## BOARD OF DIRECTORS



**Director**  
**Boyd Winton**  
BCom, BEcon, GAICD

Mr Winton was initially appointed to the Pilbara Ports Authority Board on 22 October 2014 and was reappointed for a term expiring 30 June 2018.

He has spent 26 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 and is a Graduate Member of the Australian Institute of Company Directors.



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

Ms Uren was appointed to the Pilbara Ports Authority Board on 23 May 2016 and has been subsequently reappointed for a term expiring on 31 December 2018.

Ms Uren has extensive engineering experience in the design and management of civil infrastructure works in the transport, resource and oil and gas sectors, and 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, a WA Branch Executive Committee member and Life member of Consult Australia and a member of the Australian Institute of Company Directors.



**Director**  
**Roger Fletcher**  
B App Sc, MOHS, GAICD

Mr Fletcher was appointed to the Pilbara Ports Authority Board on 1 February 2018 for a term expiring 30 June 2020.

He has more than 25 years' international and Australian experience in the oil and gas industry and public infrastructure in a variety of corporate, operations, exploration, development and project roles in The Hague, London, Sydney and Perth. This includes senior leadership roles in major capital projects, a global business, Government Trading Enterprise, and specialising in environment, health and safety, enterprise risk, approvals, community and stakeholder engagement.

He holds a Bachelor of Applied Science from Curtin University, Master of Occupational Health and Safety from the University of Sydney and is a Graduate of the Australian Institute of Company Directors.

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## EXECUTIVE TEAM

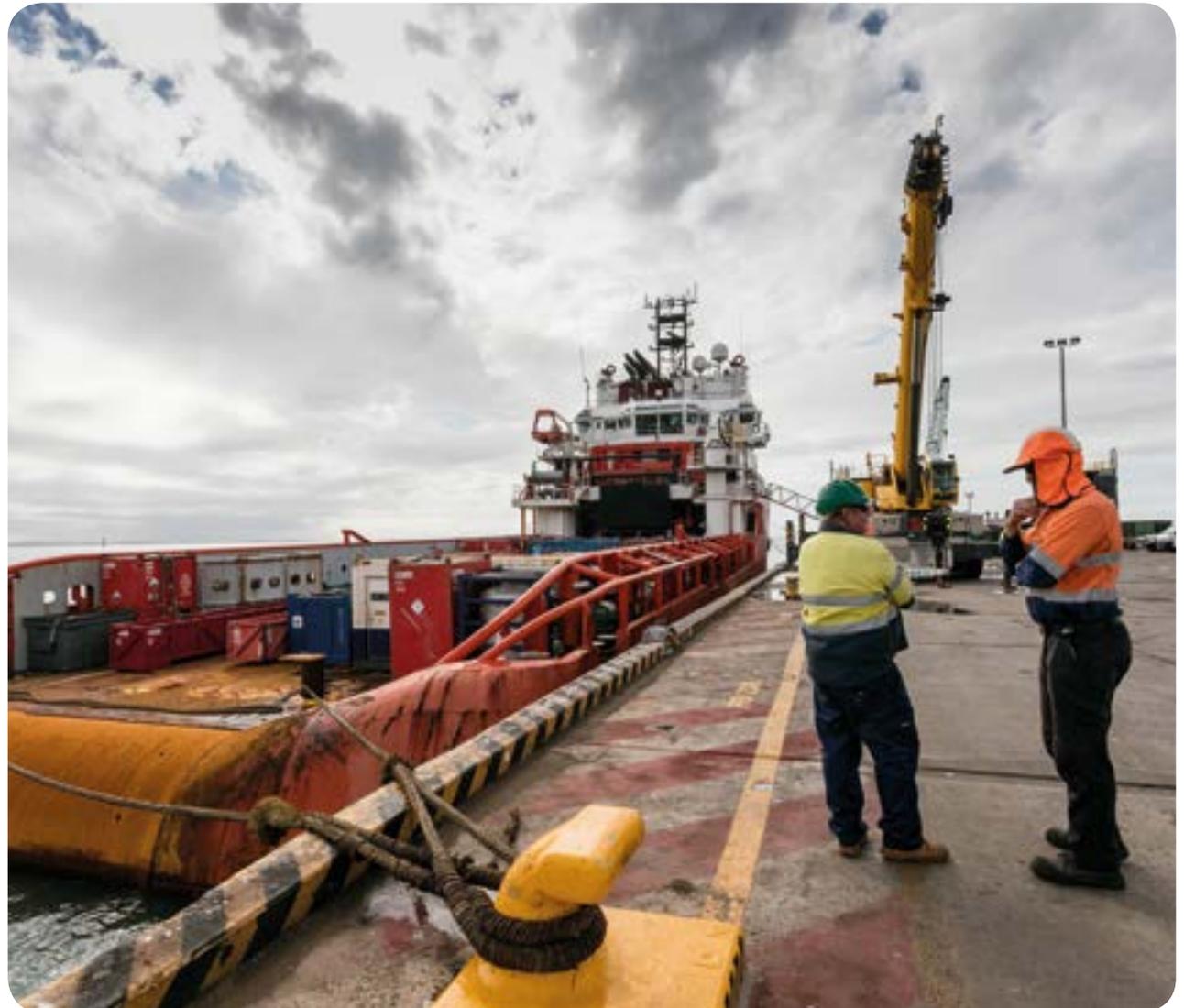


**Chief Executive Officer**  
**Roger Johnston**  
BSc, MAICD

Mr Johnston was appointed CEO of the former Port Hedland Port Authority by the Minister for Transport in January 2012, and in 2015 was re-appointed as CEO of Pilbara Ports Authority to 30 June 2020.

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.

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



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## EXECUTIVE TEAM



**General Manager Corporate Affairs  
and Governance**

**Raechel Paris**  
BA, LLB, GAICD

Ms Paris has more than 20 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.

In April 2017, Ms Paris was appointed as General Manager Corporate Affairs and Governance with a greater focus on external affairs and stakeholder management. Her direct accountabilities include Enterprise Risk, Corporate and Government Affairs, Health and Safety, Environment and Heritage, and Legal Services.

Ms Paris is Pilbara Ports Authority's representative on the Port Hedland Industries Council Pty Ltd, and is Chair of the Board.

She 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.



**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 an MBA in Maritime Management.

Mr Finch has more than 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(Hons), MLaw, Grad Dip Bus,  
GAICD

Mr Banks joined Pilbara Ports Authority in 2013 and is responsible for port planning and commercial development projects across all port sites. Prior to joining the Authority he held management roles in Planning, Development and Environment at Fremantle Ports and managed several private port expansion projects in Dampier and Port Hedland.

Mr Banks has extensive national and international experience in port planning and development in both private and public sectors and 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 Graduate of the Australian Institute of Company Directors.

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## EXECUTIVE TEAM



### General Manager Finance and ICT

**Nick Sarandopoulos**

B.Com, CA, Grad Dip App Fin, MBA,  
GAICD

Mr Sarandopoulos joined Pilbara Ports Authority as General Manager of Finance and ICT in August 2014.

Mr Sarandopoulos is an experienced financial professional with extensive financial, treasury and commercial management expertise. He has worked in a number of major ASX listed companies in the transport, mining, and oil and gas sectors over the past 20 years.

Mr Sarandopoulos holds a Bachelor of Commerce and an MBA from the University of Western Australia. He is a Chartered Accountant and holds a postgraduate qualification in Advanced Finance and Investment with the Financial Securities Institute. He is also a Graduate of the Australian Institute of Company Directors.

In 2018, Mr Sarandopoulos was awarded the Finance Practitioner of the Year Award from the WA Institute of Public Administration Australia (IPAA).



### General Manager Engineering and Infrastructure

**Charles Kretzmann**

BSc (Civil Engineering), BComm

Mr Kretzmann joined Pilbara Ports Authority as General Manager Engineering and Infrastructure in October 2017.

Mr Kretzmann is a Civil Engineer with more than 30 years' experience in planning, design, construction, project and program management for public and private sector organisations. He holds a Bachelor of Science (Civil Engineering), a Bachelor of Commerce degree and a post graduate qualification in Environmental Management. His portfolio has included major construction projects, refurbishment and retrofitting programs, strategic wastewater programs and an advisory role for irrigation projects.



### Director Human Resources

**Damien Miles**

MEthics&LegStud(Bus), BSW (Hons),  
Grad Cert IHS, Adv Dip Mgt

Mr Miles is the Director Human Resources, with responsibility for human resources, industrial relations, employee development, and non-industrial physical resources. He joined the former Port Hedland Port Authority in 2010 as the Human Resources Manager and was the Director responsible for the Pilbara Ports amalgamation. He has 20 years' experience in the human resources and human services sectors.

Mr Miles holds a Masters in Ethics and Legal Studies (Business). He also holds a Bachelor of Social Work with Honours, a Graduate Certificate in Integrated Human Studies, an Advanced Diploma in Management, and is a Graduate of the Australian Institute of Company Directors.

In 2016, he was awarded the Human Resource Management Practitioner of the Year Award from the WA Institute of Public Administration Australia (IPAA).

## PERFORMANCE HIGHLIGHTS

### RESULTS WITH TARGETS FOR BOTH FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

Pilbara Ports Authority's three strategic pillars are Trade Facilitation, Sustainability and Business Excellence. Achievement against these objectives is measured through performance targets. These targets also monitor financial performance.

ECONOMIC RESULTS		
FINANCIAL	FY TARGET	FY RESULTS
Rate of Return on Assets (%) excl. Port Improvement Rate	8.2%	12.4%
Economic Rate of Return (%) excl. Port Improvement Rate	10.3%	12.7%

TRADE RESULTS		
PORT TRADE (Million tonnes)	FY TARGET	FY RESULTS
Port of Ashburton	2.4	2.5
Port of Dampier	177.1	177.3
Port of Port Hedland	528.9	519.4
<b>Total port trade (Million tonnes)</b>	<b>708.5</b>	<b>699.3</b>

VESSEL VISITS		
Port of Ashburton	50	46
Port of Dampier	3,697	3,173
Port of Port Hedland	3,101	3,037
<b>Total vessel visits</b>	<b>6,849</b>	<b>6,256</b>

SYSTEMS AND INDUSTRY BEST PRACTICE		
	FY TARGET	FY RESULTS
Lost Time Injury Frequency Rate	1.7	1.42
Environmental Protection Notices (s65 EP Act)	0	0
Number of sites certified to Integrated Management System	3	3

COMMUNITY ENGAGEMENT AND CUSTOMER SATISFACTION		
	FY TARGET	FY RESULTS
Stakeholder Satisfaction Survey results	>70	76
Number of Community Consultation Committee meetings held	8	8

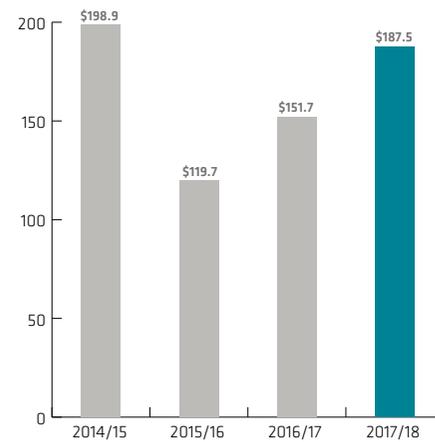
# PERFORMANCE HIGHLIGHTS

## FINANCIAL PERFORMANCE

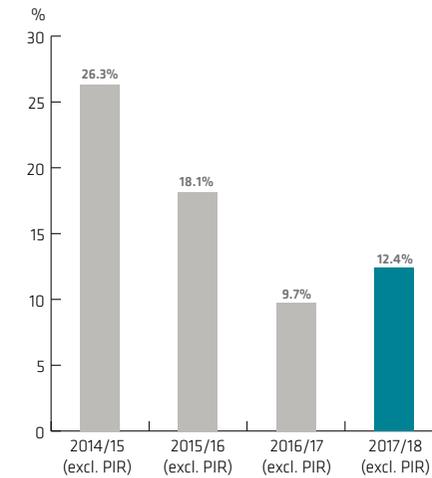
Profit before income tax



Net profit after tax

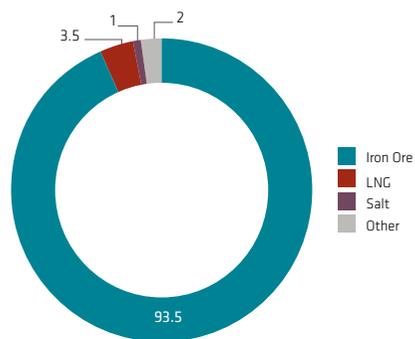


Return on assets

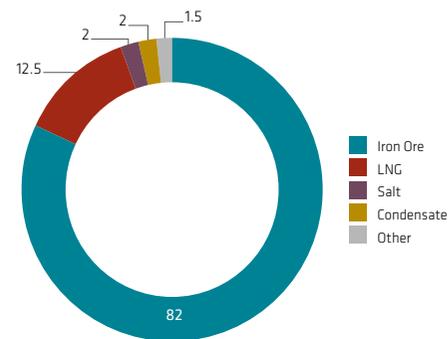


## TOTAL THROUGHPUT 2017/18

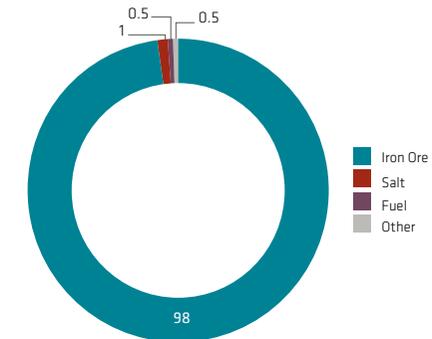
Pilbara Ports Authority total throughput by commodity %



Port of Dampier by commodity



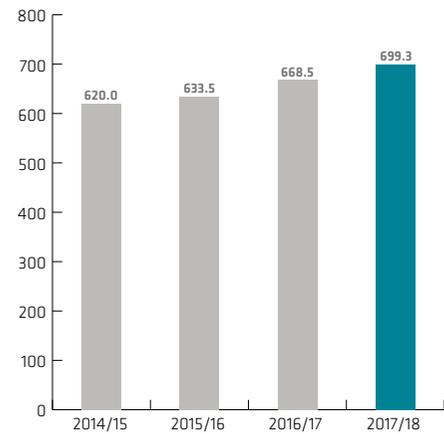
Port of Port Hedland by commodity



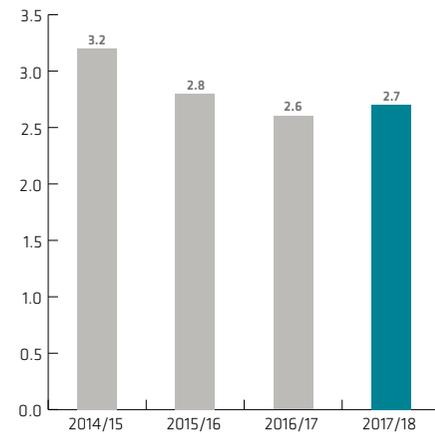
# PERFORMANCE HIGHLIGHTS

## PPA THROUGHPUT (MILLION TONNES)

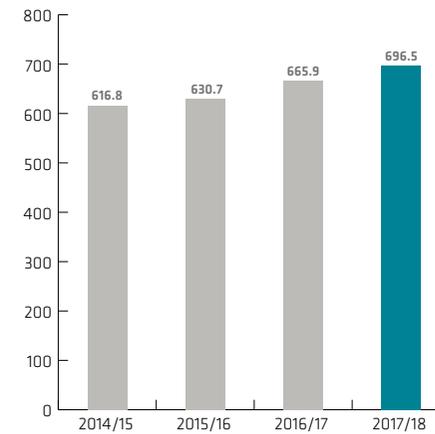
PPA total throughput



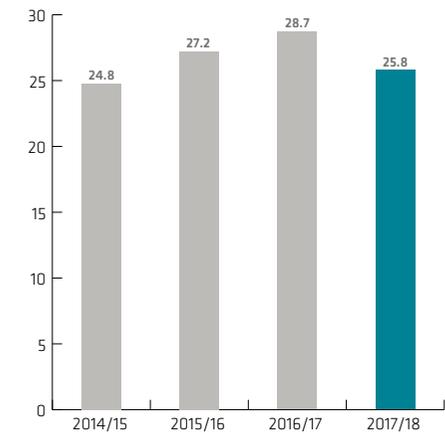
PPA total imports



PPA total exports

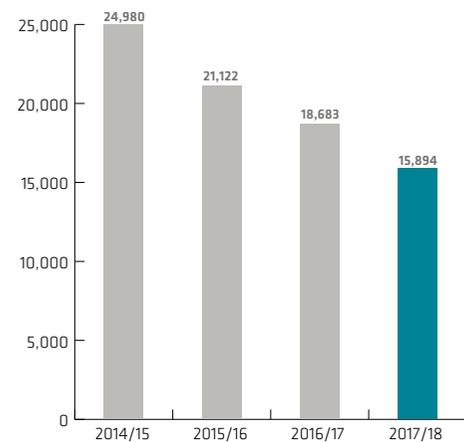


Throughput across PPA's four berths at Port Hedland

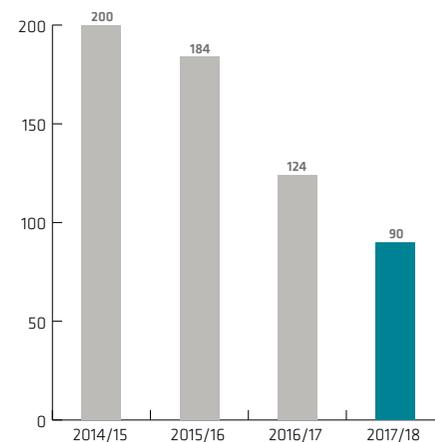


## VESSEL MOVEMENTS

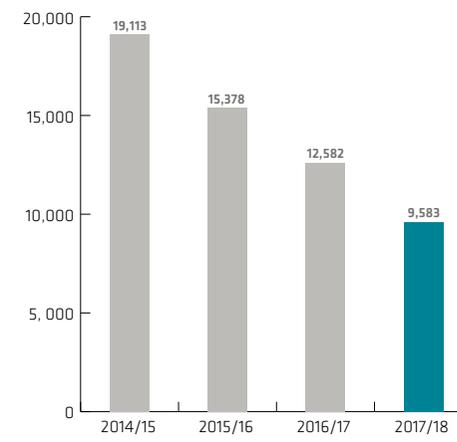
Total vessel movements



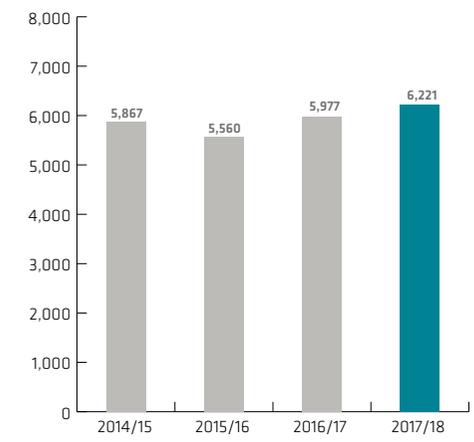
Port of Ashburton



Port of Dampier



Port of Port Hedland



## PERFORMANCE AGAINST GOVERNMENT GOALS

GOVERNMENT GOAL	PILBARA PORTS AUTHORITY'S OBJECTIVES	OUTCOMES SOUGHT	INITIATIVES AND PRIORITIES	RESULTS
<b>Sustainable Finances</b> <i>Responsible financial management and better service delivery</i>	<b>TRADE FACILITATION</b> To facilitate trade through the Pilbara for the benefit of the State and our customers	<ul style="list-style-type: none"> <li>• Suitable, reliable port facilities</li> <li>• Provision for port expansion and new ports</li> <li>• Understanding new market opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Port Improvement Rate Projects               <ul style="list-style-type: none"> <li>– Channel Marker Replacement Program</li> <li>– Channel Risk and Optimisation Project</li> <li>– Integrated Marine Operations Centre</li> </ul> </li> <li>• Port Hedland Berth 3 refurbishment</li> <li>• Lumsden Point General Cargo Facility</li> </ul>	<ul style="list-style-type: none"> <li>• Land-based navigation aids replaced and commissioned as part of Channel Marker Replacement Program. Replacement of marine-based navigation aids commenced in June 2018</li> <li>• First stage of capital dredging works for Channel Risk and Optimisation Project completed in January 2018</li> <li>• Key construction works for the Integrated Marine Operation Centre complete</li> <li>• Contract awarded and preparatory works commenced for Berth 3 Deck Replacement Project in Port Hedland</li> </ul>
	<b>BUSINESS EXCELLENCE</b> To optimise performance through industry-leading practices and innovation	<ul style="list-style-type: none"> <li>• Safe, secure shipping</li> <li>• Safe working environment</li> <li>• Enterprise-wide risk management</li> <li>• Innovation culture</li> </ul>	<ul style="list-style-type: none"> <li>• Crisis management scenario testing</li> <li>• Safe shipping leadership</li> <li>• Information technology – cyber security</li> <li>• Operational technology think tank</li> <li>• Hydroid model application</li> </ul>	<ul style="list-style-type: none"> <li>• Lumsden Point reclamation area remediation works completed. Stage 1 dredging works commenced May 2018</li> <li>• Lumsden Point Expression of Interest released to market</li> <li>• One Crisis Management Team exercise and two oil spill response exercises completed</li> <li>• Hosted the Safe Ships, Safe Ports Forum and 28<sup>th</sup> Biennial Ports WA Forum</li> <li>• Cyber Security Strategic Plan developed</li> <li>• Innovation Hub launched</li> <li>• Awarded Hydrographic Excellence Award 2017 by SSSI Hydrography Commission</li> </ul>

## PERFORMANCE AGAINST GOVERNMENT GOALS

GOVERNMENT GOAL	PILBARA PORTS AUTHORITY'S OBJECTIVES	OUTCOMES SOUGHT	INITIATIVES AND PRIORITIES	RESULTS
<p><b>Future Jobs and Skills</b> <i>Grow and diversify the economy, create jobs and support skills development</i></p> <p><b>Better Places</b> <i>A quality environment with liveable and affordable communities and vibrant regions</i></p>	<p><b>TRADE FACILITATION</b> To facilitate trade through the Pilbara for the benefit of the State and our customers</p>	<ul style="list-style-type: none"> <li>• Provision for port expansion and new ports</li> <li>• Provision of common user assets</li> <li>• Understand customer supply chains and new market opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate new port development – Anketell, Balla Balla, Cape Preston East</li> <li>• Port of Ashburton infrastructure development and asset handover</li> <li>• New export opportunities (livestock)</li> </ul>	<ul style="list-style-type: none"> <li>• Assumed management of newly gazetted Port of Balla Balla</li> <li>• Development and construction applications for Cape Preston East in final stages</li> <li>• First shipment of LNG from Port of Ashburton – October 2017</li> <li>• Two shipments of live cattle exports from the Port of Port Hedland</li> <li>• Piloted State Government's WA Industry Participation Strategy through the Port Hedland Berth 3 Deck Replacement Project</li> <li>• FY2018 Workforce Plan implemented with 19 new positions, including 16 in the Pilbara</li> <li>• Marine Cadetship Program launched</li> </ul>
	<p><b>BUSINESS EXCELLENCE</b> To optimise performance through industry-leading practices and innovation</p>	<ul style="list-style-type: none"> <li>• Capable workforce</li> <li>• High performance teamwork</li> <li>• Continuous business improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce planning</li> <li>• Regional resourcing</li> <li>• Higher education linkages</li> </ul>	

## PERFORMANCE AGAINST GOVERNMENT GOALS

GOVERNMENT GOAL	PILBARA PORTS AUTHORITY'S OBJECTIVES	OUTCOMES SOUGHT	INITIATIVES AND PRIORITIES	RESULTS
<p><b>Strong Communities</b> <i>Safe communities and supported families</i></p>	<p><b>SUSTAINABILITY</b> To manage the ports' growth and operations while respecting the Pilbara's community, environment and heritage</p>	<ul style="list-style-type: none"> <li>• Stakeholder management</li> <li>• Customer satisfaction</li> <li>• Minimal environmental incidents/accidents</li> <li>• Facilitate competition for essential services</li> <li>• Integration of <i>Shipping &amp; Pilotage Act</i> ports</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen community and industry partnerships</li> <li>• Optimise towage arrangements</li> <li>• Prepare for transfer of <i>Shipping &amp; Pilotage Act</i> ports</li> </ul>	<ul style="list-style-type: none"> <li>• Eight Community Consultation Committee meetings held across the communities of Onslow, Dampier and Port Hedland encompassing diverse community groups</li> <li>• \$293,707 in sponsorship granted to Pilbara community groups and local charities through the CSI, including partnering with the Town of Port Hedland and City of Karratha for \$155,000 in sponsorship</li> <li>• Fourth annual Stakeholder Satisfaction Survey conducted with a result of 76 based on the TRI*M corporate reputation index, against WA Ports' average of 66. Action plan in place to address areas of improvement</li> <li>• New technologies developed to locate invasive <i>Passiflora</i> weeds</li> <li>• Second tug service awarded at Port of Port Hedland, with operations expected to commence in 2019</li> <li>• Due diligence completed for <i>Shipping &amp; Pilotage Act</i> ports</li> </ul>





## TRADE FACILITATION

To facilitate trade through the Pilbara for the benefit of the State and our customers

*Pilbara Ports Authority's role is to help ensure the continued sustainability of the Pilbara region by facilitating and expanding trade in the region.*

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## TRADE FACILITATION



### PORT AND INFRASTRUCTURE DEVELOPMENT

#### Port of Ashburton

The first LNG export shipment from the Port of Ashburton occurred on 31 October 2017. The frequency of export shipments have increased to every second day following the commissioning of the second processing facility on 25 June 2018.

Pilbara Ports Authority manages the Wheatstone Marine Shipping Channel and Swing Basin and is set to take over management of the Materials Offloading Facility and channel at the end of 2018.

#### *Shipping and Pilotage Act Ports*

The *Ports Legislation Amendment Bill 2017* was introduced into the Parliament of Western Australia in November 2017. The Bill will facilitate the transfer of management of the ports of Varanus Island, Walcott, Barrow Island, Onslow and Cape Preston from DoT to Pilbara Ports Authority.

Due diligence has been completed, including identification of transferring assets and consideration of port areas and potential boundary changes in preparation for transitioning of the ports.

The Bill passed through the Legislative Assembly, with no amendments, to the Legislative Council on 28 June 2018.

#### Port of Balla Balla

Located 100km east of Dampier, the Port of Balla Balla was proclaimed in October 2017 for development as an iron ore export port. The WA Government enacted a State Rail Agreement for the Balla Balla Infrastructure project in December 2017.

Infrastructure development and port facility agreements are being prepared in anticipation of the foundation proponent, BBI Group, achieving Financial Investment Decision in 2019 as a multi-user port to facilitate the export of iron ore.

#### Port of Cape Preston East

Preparation for proclamation of a port at Cape Preston East is continuing, including a nearshore seabed area which will give Pilbara Ports Authority control of waters adjacent to the proposed port facilities.

The foundation proponent, BCI Minerals, continues to work towards finalising development and construction applications for its proposed multi-commodity port, which will deliver 20Mt tonnes per annum capacity and will service the Buckland Iron Ore and Mardie Salt projects.

#### Port of Anketell

Pilbara Ports Authority is engaging with DoT and JTSI for the declaration and proclamation of the Port of Anketell, 30km east of Karratha.



## Lumsden Point General Cargo Facility

In January 2018, Pilbara Ports Authority commenced preliminary works at Lumsden Point, in the Port of Port Hedland inner harbour, for a new General Cargo Facility and Logistics Hub. Works include land remediation and dredging works, followed by reclamation to provide a development area of 35ha for a land-backed wharf. The works capitalise on land reclaimed during previous port expansion projects, and the realignment of the Great Northern Highway in 2014.

The preliminary works will support private investment into the second stage development, which includes berth construction, cargo handling infrastructure and roads and services for an adjacent logistics hub. An invitation for Expression of Interest was released in May 2018, to progress the second stage of development.

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## TRADE FACILITATION

### PORT HEDLAND BERTH 3

Berth 3 at the Port of Port Hedland is a common-user facility, used primarily for the export of salt and the import of fuels and general cargo. Inspections in recent years revealed the concrete deck had deteriorated and needed replacing.

The contract for the design and construction of the Berth 3 Deck Replacement project was awarded to York Civil Pty Ltd in April 2018, following a public tender process. The project is also a pilot project of the WAIPS to maximise opportunities for WA businesses to secure work on government contracts. The project is planned for completion by July 2019.

### UTAH FACILITY

During the reporting year, the Utah Facility at the Port of Port Hedland underwent enhancements to its ship-loader and out-load circuit to improve safety and operational performance.

Utah Road is the sole access for road trains delivering bulk product to the Utah Facility. The Authority's Board has approved the first stage of a six-stage project to improve the road, which will involve the rehabilitation of 1.74km of degraded road, with expected completion by the end of 2018.

### DAMPIER CARGO WHARF UPGRADES

The Dampier Cargo Wharf fender replacement project was successfully completed in December 2017, within approved budget and schedule. The new, modern fenders allow vessels to safely berth, and ensure the wharf is serviceable for shipping into the future.

### TRADE DIVERSITY

Pilbara Ports Authority works with government and industry to facilitate new and increasing trade opportunities across the Pilbara.

#### Spodumene DSO and Lithium Concentrate

Mineral Resources Limited shipments of spodumene Direct Shipping Ore (DSO) were first trialled through the Utah Facility in 2016/17 and continued in 2017/18 exceeding three million tonnes. Atlas Iron commenced haulage of spodumene DSO in May 2018 and the first shipment of spodumene DSO occurred from the Utah Facility in June 2018.

Lithium concentrate was included as an approved product for export from the Port Hedland Eastside berths in March 2018. Exports by both Altura and Pilbara Minerals are expected to commence in 2018. In the longer term, Pilbara Ports Authority is planning to accommodate an anticipated ramp-up of lithium concentrate production and export through the Lumsden Point General Cargo Facility.

#### Ammonium Nitrate

Pilbara Ports Authority is licensed to handle restricted amounts of ammonium nitrate at the Port of Port Hedland. As production and demand increases, opportunities to facilitate exports and imports of the product are being assessed. These include seeking the appropriate licences to ship ammonium nitrate through the Port of Dampier and the development of the Lumsden General Cargo Facility, which would allow greater export and import capacity in the longer term.

#### Other Commodities

Pilbara Ports Authority is progressing enquiries from potential port users relating to possible trade and development opportunities in the Pilbara, including shipments of sand to Singapore and industrial salt to Asian markets.

A methanol production facility and a urea production facility have been proposed for the Burrup Industrial Estate, near the Port of Dampier. The production of magnesium (sodium) carbonate is being trialled at a pilot plant in Karratha, which could further increase product exports from the Port of Dampier.

Imports of Pilbara mining equipment are anticipated to commence on a fortnightly service from Japan to the Port of Port Hedland in mid-2018. Forecasts indicate this new trade will initially include mining plant tyres. Future shipments may incorporate other mining support equipment and parts.

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## TRADE FACILITATION

### Livestock Exports

Since the commissioning of purpose-built cattle loading infrastructure in July 2017, two shipments of cattle have been exported from the Port of Port Hedland, enabling the safe and efficient loading of approximately 5,000 head of cattle. The port's proximity to pastoral stations reduces road transport travel times, which in turn enhances animal welfare, delivers premium cattle and reduces transport costs for pastoralists.

Pilbara Ports Authority hosted its second Live Export Forum in Port Hedland on 11 April 2018. The event was attended by approximately 40 representatives including pastoralists, export industry representatives and government agencies. Pilbara Ports Authority will continue to promote its live export capabilities through recognised industry forums and events including the Kimberley Pilbara Cattlemen's Association AGM, which will be held in Port Hedland in October 2018.

### Tourism

Pilbara Ports Authority recognises the social and economic benefits of cruise ship visits and is working with the WA State Government to facilitate tourism in the Pilbara. The cruise vessel *Radiance of the Seas* docked at the Port of Port Hedland in February 2018. At the Port of Dampier, a change of vessel procedures was introduced to accommodate boutique cruise ships less than 180m in length. Since the first cruise ship visit in 2011, Pilbara Ports Authority has hosted 21 cruise ship visits at Port Hedland.



A purpose-built cattle-loading ramp was first used to facilitate loading operations at the Port of Port Hedland in September 2017

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## TRADE FACILITATION

### PORT IMPROVEMENT RATE PROJECTS

#### Integrated Marine Operations Centre

Construction on the Integrated Marine Operations Centre at the Port of Port Hedland began in late 2017. The facility is designed to support the safe and efficient movement of increasing vessel traffic and facilitate future growth prospects at the port. The facility comprises a dedicated incident control centre and a state-of-the-art VTS Centre.

At the close of the reporting period, construction of the building structure was complete and internal fit-out was well underway. VTS equipment had been delivered to site in preparation for installation. The facility will be ready for commissioning in October 2018 ahead of a formal opening in 2019.

#### Channel Risk and Optimisation Project

The Channel Risk and Optimisation Project is designed to reduce the risk of an obstruction in the Port Hedland shipping channel and further improve the efficiency of ship movements. The project includes establishing an emergency passing lane, deepening the refuge zone and improved use of existing depths along the channel.

The first stage of dredging was completed in January 2018, including the redesigned refuge zone to 17.5m. The project's second stage is scheduled to commence in the second half of 2018, and will deliver the emergency passing lane, increased depth in the shipping channel and refuge zone to the ultimate design depth of 18m.

#### Channel Marker Replacement Project

The Channel Marker Replacement Project will replace ageing offshore and land-based navigation markers to ensure the ongoing safe passage of vessels within the Port of Port Hedland. The project will ensure the structural integrity and reliability of the channel markers for the next 25 years.

In 2017/18, three land-side navigation leads were replaced. Works involving the replacement of 35 marine navigation aids along the Port Hedland shipping channel began in June 2018 and is forecast to be completed by early 2019.

### VESSEL TRAFFIC SERVICES

The Australian Maritime Safety Authority conducted the VTS intermediate audit for the ports of Ashburton, Dampier and Port Hedland to assess compliance with relevant international standards. No major non-conformities were identified during the audit.

### VESSEL SUITABILITY STUDY

During the reporting period, Pilbara Ports Authority carried out a vessel suitability simulation study for the Toll Dampier Supply Base Access Channel, to optimise the use of the supply base capabilities for larger vessels. The new operational parameters for these vessels have since been implemented.



## SUSTAINABILITY

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

*The ports of Ashburton, Dampier and Port Hedland are located within and adjacent to areas of significant environmental and cultural heritage value.*

*Pilbara Ports Authority provides responsible environmental stewardship of port controlled land, seabed and waters, and aims to minimise the environmental impact of port activities.*

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## SUSTAINABILITY

### ENVIRONMENTAL AND HERITAGE MANAGEMENT AND REGULATIONS

Pilbara Ports Authority maintains an annual Environmental Management Plan and an environmental management system independently certified to ISO 14001:2015.

In April 2018, Pilbara Ports Authority was granted a licence under the State Environmental Protection Act to increase throughput at its Eastside operations in Port Hedland from 560,000 tonnes per annum to 1.17Mt per annum. Lithium concentrate was also approved as an export commodity.

In March 2017, Pilbara Ports Authority submitted an amendment of its licence for the Utah Facility to increase throughput from 21.35Mt per annum to a maximum of 24.1Mt per annum plus 10 per cent, and to include spodumene DSO within that allocation. The application remains under assessment by the Department of Water and Environmental Regulation (DWER).

Pilbara Ports Authority obtained a Commonwealth Sea Dumping Permit to undertake capital dredging works associated with the Channel Risk and Optimisation Project in Port Hedland. This allowed for the dredging of 1.913 million cubic metres of material with approval granted for the unconfined ocean disposal of this sediment to designated spoil grounds.

During the period, a Variation Application was made against the same Permit to increase the volume of material to be dredged by a further 1.353 million cubic metres.

Pilbara Ports Authority was also granted a licence under the Commonwealth *Environment Protection (Sea Dumping) Act 1981* for a five year maintenance dredging permit for the Port of Port Hedland. An application was made for a licence for a capital dredging project to remove up to 400,000 cubic metres of material for the Stingray Creek Southern Swing Basin adjacent to Lumsden Point, with the inner harbour of the Port of Port Hedland. This remains under assessment by the EPA.

Pilbara Ports Authority also referred the Port Hedland Navigation Marker Replacement Project to the Department of the Environment and Energy (DoEE) under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. DoEE advised the project was assessed as a *Not Controlled Action* if undertaken in a manner set out in the Commonwealth's Referral Decision. These works are advancing.

Environmental fact sheets that provide information on a range of environmental and heritage management areas have been published during the reporting year.

### DUST STUDIES

Pilbara Ports Authority is required to monitor and report on dust levels generated from its activities at the Utah Facility and Berths 1 and 2 at its Eastside operations. These levels and the reporting requirements are regulated by DWER and are set out in Pilbara Ports Authority's Part V Environment Licences.

Pilbara Ports Authority's dust monitoring network is operated and maintained by third party consultants, who have access to air quality data through web-based interfaces. Pilbara Ports Authority continues to work with the Western Australian ChemCentre to investigate the apportionment of dust within the Port Hedland airshed. The first phase of this project aims to determine if there is a difference in the composition of dust within the Port Hedland airshed, which would enable the apportionment of distinct dust sources. As part of this work, ChemCentre collected and analysed dust samples from dust monitors at several locations across Port Hedland, as well as soil samples and samples from stockpiled ore bodies across industry.

CSIRO's Data61 is assisting with the identification of potential improvements to inputs and settings of the Port Hedland Cumulative Air Model, which is the primary predictive tool used by proponents to understand the cumulative dust impact of port expansion projects.

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## SUSTAINABILITY

The use of these independent organisations with specialised knowledge will lead to better assessment and understanding of dust in Port Hedland, and consequently improved management practices and community engagement.

### PORT HEDLAND INDUSTRIES COUNCIL

Pilbara Ports Authority is a foundation member of the Port Hedland Industries Council (PHIC), which brings together port users so there is a consistent and comprehensive approach to shared issues such as air quality and noise.

Pilbara Ports Authority has worked with other members to fund and operate the Port Hedland Ambient Air Quality Monitoring network, which provides real-time information on ambient dust levels within Port Hedland and its surrounds. PHIC engages an independent air quality expert to review the data, which is published as an annual dust monitoring report on the PHIC website.

PHIC commissioned ACIL Allen to prepare an economic study on the Port of Port Hedland, to understand the economic value of the port through the Pilbara. The report was released in October 2017.

Pilbara Ports Authority assisted in restructuring PHIC during 2017/18, and continues to support the council by providing staff and skills to committees and working groups. PHIC is chaired by Pilbara Ports Authority's General Manager Corporate Affairs and Governance.

### STAKEHOLDER SATISFACTION SURVEY

Each year Pilbara Ports Authority seeks feedback on its performance and reputation through its Stakeholder Satisfaction Survey. A total of 156 people were interviewed as part of this year's survey, representing port users, service providers, local, state and federal government and community members and organisations.

Pilbara Ports Authority achieved a result of 76 (excellent) based on the TRI\*M corporate reputation index, which measures the strength of stakeholder relationships. This result was achieved against the WA Ports average of 66, Australian public sector average of 46 and global public sector average of 58.

The survey found that Pilbara Ports Authority has a strong reputation for safe and efficient marine operations and environmental management, and is committed to investing in its facilities.

Many stakeholders noted an improvement in the way Pilbara Ports Authority communicated with them, however there was still room for improvement in communications, especially on the issue of dust at the Port of Port Hedland.

An action plan responding to survey feedback has been developed and is being implemented by the Executive Committee.

### COMMUNITY CONSULTATION COMMITTEES

Pilbara Ports Authority hosts Community Consultation Committees in Ashburton, Dampier and Port Hedland, as required under Section 14A of the Act.

The committee meetings provide a forum for two-way communication between Pilbara Ports Authority and the local communities in which it operates. Committee members include representatives from the local community, business and interest groups as well as the relevant local government authority.

Operational, environmental and community updates are provided at each meeting, as well as presentations on major projects and new initiatives. The minutes of the meetings are published on Pilbara Ports Authority's website.

LOCATION	NUMBER OF MEETINGS HELD IN 2017/18	NUMBER OF MEETINGS EXPECTED IN 2018/19
Port of Ashburton	2	2
Port of Dampier	3	3
Port of Port Hedland	3	3

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## SUSTAINABILITY

### COMMUNITY SUPPORT INITIATIVE

Pilbara Ports Authority's CSI program provides financial and in-kind support to community initiatives and events, local community groups, sporting and not-for-profit organisations in the Dampier/Karratha, Onslow and Port Hedland communities.

During 2017/18, a total of \$293,707 of funding was committed, including support for the following groups and organisations:

- City of Karratha
- Town of Port Hedland
- Port Walcott Volunteer Marine Rescue
- St John Ambulance (Onslow)
- Karratha Districts Junior High School Association
- Hedland Senior High School
- Port Hedland Game Fishing Club
- Karratha Scouts
- South Hedland Cricket Club
- Port Hedland Netball Association
- West Pilbara Ports Welfare Committee
- Karratha Community Garden
- Karratha Kart Club Port Hedland
- FORM – 2018 Hedland Art Awards
- Cossack Art Awards
- Karratha Water Polo Association
- Training Ship Pilbara (Cadet participation in a Youth Adventure Voyage)

As part of its CSI program, Pilbara Ports Authority also provides staff an opportunity to nominate and vote on selected charities or not-for-profit organisations to receive a Staff Community Grant.

This year the Royal Flying Doctor Service received \$10,000 and the Port Hedland Volunteer Marine and Rescue Service and REACH US – Pilbara Inc each received \$5,000.

### MAIN STREET JETTY UPGRADE

Pilbara Ports Authority conducted extensive upgrades to the popular Main Street Jetty in Port Hedland to Australian standards, including wheelchair access, enhanced safety and improved fishing amenities.

The refurbishment began in April 2018 and was reopened to the Port Hedland general public on 26 June 2018.



Pilbara Ports Authority awarded the Royal Flying Doctor Service a \$10,000 Staff Community Grant in 2018.

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## SUSTAINABILITY

### CULTURAL HERITAGE

Pilbara Ports Authority's heritage community engagement has included:

- On-country visit with Traditional Owners Yaburara and Coastal Mardudhunera to the new Port of Cape Preston East;
- Engaging the Marduthuni Rangers to carry out feral cat trapping at the Port of Dampier; and
- Liaising with the Port Hedland Historical Society.

Pilbara Ports Authority maintains a Cultural Heritage Management Plan, which outlines how the organisation operates its port facilities while protecting and managing Aboriginal, historical and maritime cultural heritage values. The plan's tiered approach focuses on the principles of avoidance, mitigation and management.

In December 2017, Pilbara Ports Authority reviewed its plan, seeking input from stakeholders including Traditional Owners, community interest groups and regulatory authorities. The revised plan was published in March 2018. Future revisions will be biennial or as required by changes to legislation or at the request of an affected party.

### PASSIFLORA PROGRAM

Passiflora is a fast growing, introduced weed species that has invaded several deep rocky gullies, rock piles and coastal areas on the Burrup Peninsula including some undeveloped port lands in Dampier. Pilbara Ports Authority is continuing the collaborative research project it initiated in 2016/17, to improve the understanding of the weed and how it can best be managed.

Using Geographic Information Systems mapping software, the research team found a remote sensing technique could effectively identify Passiflora infestations bigger than one square metre, and is now working to refine these techniques. The outcomes of the research have been shared with other industry and indigenous groups, and with leading weed research scientists at CSIRO, who will develop it into a manuscript suitable for submission to a scientific journal.

Pilbara Ports Authority has also engaged the services of Aboriginal Rangers from the Yaburara and Coastal Mardudhunera Corporation and a local contractor to assist in eradication of known infestations of Passiflora from the Port of Dampier, using the information gathered as part of the ongoing research.

### VERTEBRATE PEST MANAGEMENT PROGRAM

Ongoing management of vertebrate pests – specifically feral cats and foxes – at the ports of Port Hedland and Dampier is carried out to protect the local Flat-back turtle rookeries and other native species.

Pilbara Ports Authority leads major port users at the Port of Port Hedland in a co-ordinated approach to managing feral animals on port lands.

At the Port of Dampier, Yaburara and Coastal Mardudhunera Aboriginal Corporation's Marduthuni Rangers were engaged to conduct vertebrate pest management. The project was the Marduthuni Ranger's first commercial engagement in this field.

### STATE-WIDE ARRAY SURVEILLANCE PROGRAM

The State-Wide Array Surveillance Program (SWASP) was first introduced at the ports of Dampier and Port Hedland in 2016. The program uses molecular techniques to identify possible invasive marine species. It has proven a significantly cheaper, more accurate and easier approach to the early detection and identification of introduced marine pests.

In April 2018, Pilbara Ports Authority entered the SWASP into the 2018 Golden Gecko Awards on behalf of all WA Government owned port authorities and the Department of Primary Industries and Regional Development (Aquatic Biosecurity section).



## Mangrove Mates

The Mangrove Mates program is Pilbara Ports Authority's environmental education initiative, developed to educate primary school-aged children about the importance of mangroves. In 2017/18, the program was delivered to 203 students across nine primary schools across the Pilbara including, for the first time, students in Newman, South Newman and Jigalong. Since 2012, the program has been delivered to 1,172 primary school-aged students across the Pilbara.



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## SUSTAINABILITY

### ENVIRONMENTAL MONITORING AND MANAGEMENT PROGRAMS

Pilbara Ports Authority implements comprehensive environmental monitoring programs to understand the impacts operations have on the marine and landside environments, and to guide environmental management programs. Environmental programs for the natural environment include:

- **Mangroves:** monitoring the health of mangroves adjacent to the Utah Facility in Port Hedland; and
- **Groundwater:** annual and biannual sampling of the groundwater bore network in the ports of Dampier and Port Hedland.

Pilbara Ports Authority also develops environmental programs for specific port projects:

- **Channel Risk and Optimisation Project:** a water quality and marine fauna monitoring program was implemented to protect the health of marine fauna, sensitive environments such as mangroves, corals and seagrass beds; and
- **Lumsden Point:** an ongoing water quality monitoring program has been implemented, which includes real time measurements of water quality and laboratory analysis of water samples from six sites within the Port of Port Hedland marine environment during dredging activities.

### MAINTENANCE DREDGING

During 2017/18, about 500,000 cubic metres of sediments were removed from the Port Hedland inner harbour and shipping channel. Prior to dredging, sampling and analysis is undertaken to determine if the sediments that require dredging contain any harmful contaminants. This sampling and analysis is undertaken in accordance with the National Assessment Guidelines for Dredging. These guidelines are set by the Australian Government, are recognised internationally and aim to ensure that only suitable material is returned to the marine environment. To date, monitoring has demonstrated that natural sediments within Pilbara Ports Authority ports are suitable for unconfined placement at approved spoil grounds.

### MARITIME SECURITY COMPLIANCE

Pilbara Ports Authority has implemented Maritime Security Plans for the Ports of Ashburton, Dampier and Port Hedland. Pilbara Ports Authority is also recognised as a Maritime Security Identification Card (MSIC) Issuing Body and has an approved MSIC Plan. The plans are compliant with and approved under the auspices of the *Maritime Transport and Offshore Facilities Security Act (2003)*.

Security compliance inspections of the port facilities at Port Hedland and Dampier were carried out by the Department of Home Affairs during the reporting period. An audit of the Port Hedland MSIC office was conducted by the department in May 2018. Audits of the Maritime Security and MSIC plans for the ports of Ashburton, Dampier and Port Hedland, were conducted in June 2018.

As an industry-leader in maritime compliance, Pilbara Ports Authority assisted other WA ports and DoT with reviews and external audits of their maritime security plans.

### LNG BUNKERING SERVICE

The International Maritime Organisation has set new international regulations for lower fuel emissions by 2020. The change is set to increase the demand for LNG as a transport fuel. Pilbara Ports Authority is a founding member of the LNG Marine Fuel Institute (MFI). LNG MFI and its members are working together to design best practice use of and solutions for LNG as a marine fuel and is investigating the viability for LNG bunkering facilities in the Pilbara.

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## SUSTAINABILITY

### MINOR CAPITAL WORKS

During the reporting year, 39 minor capital projects were endorsed, 34 were approved and 13 closed. The total spend on these projects was \$14.4 million against a budget of \$14.7 million. Reporting improvements were implemented during the year with project cost, risk and trend profiling introduced across all capital projects.

### STRATEGIC ASSET MANAGEMENT PROGRAM

An asset criticality assessment for all significant assets was completed to prioritise capital and operational projects and to sustain fit-for-purpose assets. The current condition of several significant assets was assessed against recognised industry standards in this reporting period. Asset plans are drafted taking account of planning issues, asset criticality and condition, level of service requirements and operational costs.



Staff deploy oil spill containment boom during a training exercise in Port Hedland



## BUSINESS EXCELLENCE

To optimise performance through industry leading practices and innovation

*Pilbara Ports Authority is committed to the development of industry leading practices, technologies and processes that optimise performance and foster innovation.*

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## BUSINESS EXCELLENCE

### SAFETY

The safety of every person who works at or visits a Pilbara Ports Authority site remains the Authority's highest priority. The Board and Executive Committee have clear expectations relating to health and safety and review performance regularly.

In 2017/18, Pilbara Ports Authority committed to a set of safety objectives and improvements and worked closely with stakeholders to achieve them. There was a significant increase in project and construction work at the Authority's workplaces during the financial year and significant resources were dedicated to ensure the health and safety standards set by the Board and Executive Committee were met.

PPA reported an LTIFR of 1.42 against a target of 1.7, with three Lost Time Injuries (LTIs) recorded during the reporting year. This includes all hours across all sites for employees and contractors.

Two of the LTIs, one of which was a fatality, resulted when a marine pilot transfer helicopter ditched at the end of the Port Hedland shipping channel on 14 March 2018. On 3 May, the ATSB released its preliminary report into the helicopter incident. The ATSB investigation is ongoing and the final report is expected to be released in the first quarter of 2019.

The third LTI resulted from a vehicle collision on 12 June 2018 on a public road in South Hedland, where another vehicle turned into the path of a Pilbara Ports Authority vehicle with two employees inside.

### EMERGENCY PREPAREDNESS AND RESPONSE

Pilbara Ports Authority has comprehensive emergency response plans that are regularly tested through simulated field and desktop exercises.

The emergency response plans were activated during the March 2018 helicopter incident at Port Hedland. The incident debrief found that regular training and simulation exercises, including the experience of both the Incident and Crisis Management Teams, resulted in the incident response being handled effectively. Minor enhancements to the Crisis Management Plan and emergency response checklists were identified as part of the response review and have been incorporated.

During 2017/18, the plans were further tested through the following exercises:

#### Exercise Tyrall:

This exercise involved both the Incident and Crisis Management Teams, tested by a cyber-attack affecting the critical marine navigation systems at the Port of Port Hedland. The disruption and failure of these systems simulated a vessel running aground in the vicinity of Beacon 42 at the port. The exercise was facilitated by Dynamiq and involved a full scale deployment of both teams.

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## BUSINESS EXCELLENCE

### Marine pollution response exercise

Pilbara Ports Authority hosted a pollution response exercise at Port Hedland in May 2018. Participants included staff, DoT and port customers. The exercise tested the Authority's pollution response plans and capabilities and further enhanced the existing working relationship with DoT on marine pollution preparedness and response.

### Vessel salvage workshop 2018

On 8 May 2018, Pilbara Ports Authority hosted a salvage workshop at the Port of Port Hedland. The key objective of the workshop was to further develop an understanding of a vessel salvage scenario within the port's operating environment. The workshop included representation from port proponents, government stakeholders and international shipping companies.

### Marine simulator enhancements and training

Pilbara Ports Authority and its marine pilot contractor contributed to technical enhancements to a state-of-the-art marine simulator training facility in Fremantle. This continues to provide trainees with a realistic impression of the Port Hedland operating environment and tangible training outcomes. Improvements include updating the tidal flow modelling, ship models and enhancement of simulator graphics.

### Port of Dampier collaborative response agreement

At the Port of Dampier, a mutual assistance arrangement has been agreed to through the Marine Oil Pollution committee. All port proponents have agreed to a collaborative response in the event of a marine oil pollution emergency within the harbour.

### MARITIME CAPABILITY

Pilbara Ports Authority's Harbour Masters and Deputy Harbour Masters are experienced Master Mariners across the maritime spectrum from blue water navigation to port and ship operations, auditing, surveying, and health and safety. During 2017/18, this capability was showcased at the following industry events:

#### Navigation Safety Symposium 2018:

In May 2018, Pilbara Ports Authority presented at the Navigation Safety Symposium 2018 on the performance improvements its VTS centres have made to the ports of Ashburton, Dampier and Port Hedland. Future opportunities were also presented as Pilbara Ports Authority expands its geographic area of responsibility.

### International Harbour Masters Association Congress

Pilbara Ports Authority attended the International Harbour Master Association (IHMA) Congress in London in June 2018, which saw approximately 260 port, industry and commercial delegates from around the world.

The congress allowed Pilbara Ports Authority to present on its recent operational achievements and its ability to influence industry change, and improve industry and shipping standards.

Pilbara Ports Authority was also bestowed the winner of the Safe, Efficient and Secure Port Award at the IHMA Awards for outstanding achievement in the delivery of safe and efficient port operations in recent years.

#### Safe Ships Safe Ports forum:

Following the success of the inaugural Safe Ships Safe Port forum in 2016, Pilbara Ports Authority hosted the 2017 Safe Ships Safe Ports forum in Perth in September 2017. The forum provided ship owners, ship operators and port users with an enhanced understanding of the critical nature of port operations and the key operational risks across the Pilbara Ports Authority-managed ports.

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## BUSINESS EXCELLENCE

More than 160 representatives from the shipping and ports industry attended the event. This included approximately 90 shipping company executives from 37 international shipping companies. Port terminal operators, port service providers and industry regulators were also present.

### PORT HEDLAND TUG CAPABILITY

Six new dedicated escort tugs were introduced to the Port of Port Hedland, significantly increasing towage capability and aligning with the Pilbara Ports Authority's risk mitigation strategy against significant marine events. The introduction of the RAstar 85 tugs has included an extensive training regime for the tug masters, including achievement of competency in the Seaways accredited training program.

### MARITIME SYSTEMS IMPROVEMENTS

#### Hydrographic Surveys:

Annual hydrographic surveys have been conducted across the ports of Ashburton, Dampier and Port Hedland. In collaboration with the Australian Hydrographic Office, Pilbara Ports Authority has begun development of customised Electronic Navigation Charts for the Port of Port Hedland to further improve the safety and efficiency of marine operations.

In February 2018, Pilbara Ports Authority and its contracted surveyors, Precision Hydrographic Services, won the Hydrographic Excellence Award from the Surveying and Spatial Sciences Institute. The award recognised the Port of Port Hedland's Tidal Model Project, and the Authority's leadership and excellence in hydrographic surveying.

#### Dynamic Under Keel Clearance System – Disaster Recovery Project:

The Dynamic Under Keel Clearance (DUKC) system is a key aspect to ensuring safe and efficient marine operations at the Port of Port Hedland. Pilbara Ports Authority has set the required availability of the DUKC system at 99.8% in line with international standards and industry best practice for critical navigation systems. Pilbara Ports Authority invested in DUKC system business continuity arrangements for the Port of Port Hedland's operation to ensure the system target availability was achieved consistently.

#### Vessel Motion Study and Survey Accuracy Project:

Pilbara Ports Authority has initiated two research and development projects to further explore enhancements of its hydrographic survey and DUKC system operations. The Survey Accuracy Project aims to improve the accuracy of hydrographic surveys while the Vessel Motion Study, carried out in collaboration with OMC International, aims to verify and improve the DUKC system.



Port Hedland Harbour Master, Myron Fernandes speaks at the 2017 Ports WA Forum

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## BUSINESS EXCELLENCE

### ENTERPRISE RISK MANAGEMENT

Pilbara Ports Authority's Enterprise Risk Management Framework helps identify, manage and monitor strategic, corporate and operational risk and controls, and their effectiveness. Risk management activities undertaken during the reporting period include:

- An update to the Risk Management Policy;
- Quarterly environment scans to identify recent and relevant events in the industry which may have a positive or negative effect on the organisation's strategic risks;
- Quarterly reviews and reporting of the Authority's strategic, corporate and operational risk profile; and
- Implementation of the improvement opportunities highlighted in the independent Enterprise Risk Management Framework maturity assessment performed in 2016/17.

### INTEGRATED MANAGEMENT SYSTEM

Pilbara Ports Authority maintains a certified Integrated Management System that enables consistent quality of the services delivered.

In February 2018, an ISO surveillance audit was conducted at all sites with no corrective actions reported. Pilbara Ports Authority is certified to:

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO/IEC 27001:2013 Information Security Management System
- AS/NZS 4801:2001 Occupational Health and Safety Management System.

In November 2017, the VTS centres for the Ports of Ashburton, Dampier and Port Hedland received certification from the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA).

Certification for the International Standard for Maritime Pilot Organisations (ISPO) was maintained for Port Hedland Pilots during 2017/18.

At the Port of Dampier, ISPO accreditation was achieved for marine pilots employed by Woodside Energy.

### INTERNAL AUDIT

During 2017/18, the following areas and processes were independently audited, in line with the three year strategic internal audit program:

- Port Development, Maintenance and Management;
- ICT and Records Management;
- Organisational Capability Audit;
- Fraud and Corruption (with a focus on Travel, Entertainment and Credit Cards);
- Contractor Safety Management; and
- Port Improvement Rate.

No critical-rated findings or observations were identified through these internal audits.

The Executive and the Risk and Audit Committee maintained oversight of the progress against the internal audit program, the outcomes of the internal audits and the implementation of recommendations and opportunities for improvement.



## Futures Forums

In May 2018, Pilbara Ports Authority hosted planning forums in Karratha, Port Hedland and Perth, providing an opportunity for open engagement with stakeholders on the long-term future direction of the ports in the Pilbara. More than 100 people from 59 organisations, including port users, local and state government, peak bodies and community representatives contributed, exploring emerging issues and uncertainties.

The outputs from the forums will be used to establish objectives and strategies for the planning and development of Pilbara Ports Authority's ports to 2050, in co-operation with all levels of government.

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## BUSINESS EXCELLENCE

### PORT MAPS

During 2017/18, a mobile application was developed that enables GIS information to be accessed in the field. The application is being used at the Port of Dampier in the mooring inspection process, at the Port of Port Hedland in assessing mangrove health, and in the development of greenfield port sites.

An environment and heritage mapping system was also developed to manage and make accessible critical data. An extensive upgrade of Pilbara Ports Authority's mapping system has been commenced, which will improve the delivery of spatial information and provide access to external users. Using GIS data analysis techniques during a recent dredging campaign, the GIS team supported real-time decision making by supplying advanced data visualisations of dredging log files.

### HUMAN RESOURCES

The following Human Resources projects and programs were delivered during the reporting period:

- A review of the Learning and Development system was undertaken and a new framework introduced. The training framework is structured into three areas; minimum training, operational needs, and professional development.

- Ernst & Young was engaged to audit the authority's Organisational Capability. The audit considered design and effectiveness of workforce planning, talent acquisition, learning and development, as well as performance and rewards. The audit found the processes were advanced for an organisation of Pilbara Ports Authority's size, complexity and history.
- An employee-led innovation program, the Innovation Hub, was introduced to foster a culture of innovation and progress ideas from across the organisation.
- The Enterprise Agreement for Dampier based VTS Officers was agreed in 2017/18, meeting the requirements of the Western Australian Government's Wages and Remuneration Policy.
- An internal communications plan was rolled out to employees, explaining the organisation's salary strategy and the standardised process in which pay is determined.
- A review and update of PPA's Diversity and Inclusion Strategy.

### CADETSHIPS & GRADUATES

A Marine Cadet Program and two graduate positions were approved and progressed, as part of Pilbara Ports Authority's Workforce Plan.

The Marine Cadets will gain work experience in port operations, pre-sea training and seagoing time before they complete 12 months of study to gain their Deck Watch Keepers Certificate. The recruitment process for the first cadetship focussed on the Town of Port Hedland in January 2018, and engaged high school students and recent school leavers. A second marine cadetship for the City of Karratha will commence recruitment in September 2018.

The graduate program advertising will commence in July 2018. The Engineering and Infrastructure Graduate will be based in the Pilbara, while the Development and Trade Graduate will be Perth-based and complete regional placements as part of the program.

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## BUSINESS EXCELLENCE

### INFORMATION AND COMMUNICATION TECHNOLOGY PROJECTS

Pilbara Ports Authority continues to develop and deploy technologies that optimise port performance. During the reporting period Information and Communication Technology (ICT) projects have included:

- The ICT Business Continuity Planning and Disaster Recovery project – Following the amalgamation of Pilbara ports in 2014 a detailed assessment of the ICT systems was carried out to identify gaps, deficiencies and points of failures in ICT capability, as well as to measure readiness to sustain and effectively recover ICT capability following a major incident or disaster. The consequent project was implemented with minimal impact and disruption to operations. The project was shortlisted as a finalist for the ‘*Most Effective Infrastructure Solution*’ in the Incite Awards for ICT Innovation in Western Australia.
- The ICT Strategic Plan was developed to dovetail into overall business objectives, forming a primary set of ICT goals which both complement and enable the organisation strategy. Implementation of the ICT Strategic Plan is in progress.

- A detailed Cyber Security Strategic Plan has been developed and is aligned to Pilbara Ports Authority’s ICT Strategic Plan. The Cyber Security Strategic Plan outlines the goals and objectives of the security program to safeguard information assets and assure the confidentiality, integrity and availability of the information vital to achieve organisation goals. The prioritisation of the rollout has been based on a detailed risk assessment. The program of works is being implemented to enhance both technical controls and security awareness among staff.

### INFORMATION SERVICES

The Information Services Team continues to focus on promoting the importance of information governance, enhancing recordkeeping compliance and demonstrating benefits from solutions based on aligning business, information storage and retrieval. A review and design of the digital information repository in Objective was completed, refining the repository structure to align with the business functions and the Business Classification Scheme.

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## CURRENT AND EMERGING TRENDS

The passing of the Ports Legislation Amendment Bill 2017 will result in the progressive transfer of the ports of Barrow Island, Cape Preston, Onslow, Port Walcott and Varanus Island to Pilbara Ports Authority.

The Bill passed the Legislative Assembly on the last sitting day of Parliament for the 2017/18 year and progressed to the Legislative Council. Debate will continue in the Legislative Council when Parliament resumes in 2018/19.

The second and final stage of the transfer of Port of Ashburton from Chevron Australia to Pilbara Ports Authority is expected to occur in late 2018.

The first stage, which occurred on 31 October 2017 following first gas export, triggered the handover of new port facilities (shipping channel, turning basin, some navigation aids) to Pilbara Ports Authority.

The second stage will see Pilbara Ports Authority take over all remaining areas not leased to Chevron



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## 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 2018.

### 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 Pettit was reappointed on 1 July 2018 for a term expiring 30 June 2020.

#### **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 Longden was reappointed on 1 July 2018 for a term expiring 31 December 2019.

#### **Mr John Lillywhite – Director since 22 October 2014**

Mr John Lillywhite was reappointed to the Board as a Director on 14 February 2018 for a term expiring 30 June 2019.

#### **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 reappointed to the Board as a Director on 14 February 2018 for a term expiring 31 December 2018.

#### **Mr Roger Fletcher – Director since 1 February 2018**

Mr Roger Fletcher was appointed to the Board as a Director on 1 February 2018 for a term expiring 30 June 2020.

#### **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. In accordance with schedule 2, clause 4(a) of the Act, Mr Julian Tapp's term of office ended on 1 February 2018.

### BOARD MEETINGS

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

### RISK AND AUDIT COMMITTEE

The Risk and Audit Committee of the Board has a minimum membership of two Directors and operates in accordance with a formal terms of reference reviewed and approved by the Board. The Risk and Audit Committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting, internal control systems, internal and external audit functions, corporate governance and risk management. The Risk and Audit Committee carries out its role through:

- providing independent oversight of Pilbara Ports Authority's systems of accounting and internal controls, including financial reporting and tax and treasury issues;
- providing independent oversight of the planning, performance and outcomes of Pilbara Ports Authority's internal and external audit processes;
- providing independent oversight of Pilbara Ports Authority's risk management systems and obtaining assurance from the Executive that all major risks are identified, prioritised and managed in a coordinated manner and that Pilbara Ports Authority is operating within the risk appetite set by the Board and in compliance with applicable laws, regulations and codes of conduct;
- providing independent oversight of Pilbara Ports Authority's processes for the detection and prevention of fraudulent and corrupt behaviour; and

## DIRECTORS' REPORT

- reviewing the adequacy of Pilbara Ports Authority's insurance policies and verifying that insurance coverage is held at all times.

The Risk and Audit Committee sat six times throughout the reporting period.

The Risk and Audit Committee members throughout the reporting period were Mr Les Longden (Chairman), Mr Julian Tapp and Mr Boyd Winton.

### REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee of the Board has a minimum membership of two Directors and operates in accordance with a formal terms of reference reviewed and approved by the Board.

The Remuneration and Nomination Committee's role is to assist the Board in relation to its responsibilities for remuneration activities, Board composition and Director development and reviewing the performance of the Chief Executive Officer and the Board.

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

### 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 RNC MEETINGS HELD DURING THE PERIOD THE DIRECTOR HELD OFFICE DURING THE YEAR	RNC COMMITTEE MEETINGS ATTENDED
Mr Ken Pettit (Chairman)	13	13	N/A	N/A	2	2
Mr Les Longden (Deputy Chairman)	13	12	6	6	2	2
Mr John Lillywhite	13	10	N/A	N/A	N/A	N/A
Mr Boyd Winton	13	13	6	6	N/A	N/A
Ms Judith Uren	13	12	N/A	N/A	N/A	N/A
Mr Roger Fletcher	5	5	N/A	N/A	N/A	N/A
Mr Julian Tapp	8	8	3	2	1	1

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## 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 \$267.5 million. The income tax expense attributable to the profit for the financial year was \$80.1 million.

### DIVIDENDS

Total dividend payments of \$220.7 million 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.

	2018 (\$'000)	2017 (\$'000)
Profit before income tax	267,513	216,221
Income tax expense	(80,061)	(64,534)
Profit for the year	187,452	151,687
Other Income	27	(24)
Retained earnings at 1 July	429,783	291,205
Dividends paid in the financial year	(220,685)	(13,085)*
Retained earnings at 30 June	396,577	429,783

\*The dividend paid to the State during 2016/17 was lower due to the deferral of Pilbara Ports Authority's interim dividend payment until December 2017.

### 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 Act.

### EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Directors at Pilbara Ports Authority, there were no events subsequent to the end of the financial year and to the date of this report that significantly affected, or were likely to affect, operations, the results of those operations or the state of affairs, in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Nil.

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## 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.

### 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.

### INDEMNIFICATION OF DIRECTORS AND 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 \$96,706.50 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 30 June 2018 was \$119,000 (GST exclusive).

### 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 7 September 2018.

# DIRECTORS' REPORT

## BOARD AND COMMITTEE REMUNERATION

		SHORT TERM				POST-EMPLOYMENT SUPERANNUATION BENEFITS	OTHER LONG TERM (D)	TERMINATION BENEFITS	SHARE-BASED PAYMENTS OPTIONS AND RIGHTS (B & C)	TOTAL	PROPORTION OF REMUNERATION PERFORMANCE RELATED
		SALARY & FEES (D)	STI CASH BONUS (A)	NON-MONETARY BENEFITS	TOTAL						
<b>Directors</b>											
<b>Non-Executive Directors</b>											
Name: (Chairperson) Ken Pettit (Appointed 15/08/2011)	2018	\$ 89,501			\$ 89,501	\$ 8,503				\$ 98,004	
	2017	\$ 94,780			\$ 94,780	\$ 9,004				\$ 103,784	
Name: (Deputy Chair) Les Longden (Appointed 01/10/2009)	2018	\$ 54,514			\$ 54,514	\$ 5,179				\$ 59,693	
	2017	\$ 56,113			\$ 56,113	\$ 5,331				\$ 61,444	
Name: Julian Tapp (Appointed 01/07/2009) Contract End 9/02/2018	2018	\$ 29,104			\$ 29,104	\$ 2,765				\$ 31,869	
	2017	\$ 49,223			\$ 49,223	\$ 4,676				\$ 53,899	
Name: Boyd Winton (Appointed 22/10/2014)	2018	\$ 44,751			\$ 44,751	\$ 4,251				\$ 49,002	
	2017	\$ 48,401			\$ 48,401	\$ 4,598				\$ 52,999	
Name: John Lillywhite (Appointed 22/10/2014)	2018	\$ 42,208			\$ 42,208	\$ 4,010				\$ 46,218	
	2017	\$ 43,824			\$ 43,824	\$ 4,163				\$ 47,987	
Name: Anthony Adcock (Contract End 13/08/2016)	2018	0			0	0				0	
	2017	\$ 7,692			\$ 7,692	\$ 731				\$ 8,423	
Name: Judith Uren (Appointed 23/05/2016)	2018	\$ 42,208			\$ 42,208	\$ 4,010				\$ 46,218	
	2017	\$ 43,824			\$ 43,824	\$ 4,163				\$ 47,987	
Name: Roger Fletcher (Appointed 1/02/2018)	2018	\$ 17,370			\$ 17,370	\$ 1,650				\$ 19,020	

## DIRECTORS' REPORT

		SHORT TERM				POST-EMPLOYMENT SUPERANNUATION BENEFITS	OTHER LONG TERM (D)	TERMINATION BENEFITS	SHARE-BASED PAYMENTS OPTIONS AND RIGHTS (B & C)	TOTAL	PROPORTION OF REMUNERATION PERFORMANCE RELATED
		SALARY & FEES (D)	STI CASH BONUS (A)	NON-MONETARY BENEFITS	TOTAL						
Sub-total non-executive directors' remuneration*	2018	\$ 319,656			\$ 319,656	\$ 30,368				\$ 350,024	
	2017	\$ 343,857			\$ 343,857	\$ 32,666				\$ 376,523	
<b>Executive Officers</b>											
Name: Roger Johnston, CEO	2018	\$ 477,782			\$ 477,782	\$ 67,052	\$ 38,000			\$ 582,834	
	2017	\$ 496,035			\$ 496,035	\$ 69,614	\$ 39,462			\$ 605,111	
Name: John Finch (General Manager Operations/ Harbour Master)	2018	\$ 421,209		\$ 35,000	\$ 456,209	\$ 54,757				\$ 510,966	
	2017	\$ 437,105		\$ 35,000	\$ 472,105	\$ 56,824				\$ 528,929	
Name: Raechel Paris (General Manager Corporate Affairs and Governance)	2018	\$ 304,884		\$ 35,000	\$ 339,884	\$ 28,964				\$ 368,848	
	2017	\$ 246,244		\$ 35,000	\$ 281,244	\$ 23,393				\$ 304,637	
Total executive officers remuneration*	2018	\$ 1,203,875		\$ 70,000	\$ 1,273,875	\$ 150,773	\$ 38,000			\$ 1,462,648	
	2017	\$ 1,179,384		\$ 70,000	\$ 1,249,384	\$ 149,831	\$ 39,462			\$ 1,438,677	



First Chevron Wheatstone LNG cargo departs the Port of Ashburton for Japan. Image supplied by Chevron Australia Pty Ltd.

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# **Financial Statements**

## for the year ended 30 June 2018

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# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 \$'000	2017 \$'000
<b>REVENUE</b>			
Revenue	2	418,039	399,962
Other revenue	3	93,851	22,671
<b>Total revenue</b>		<b>511,890</b>	422,633
<b>EXPENSES</b>			
Employee benefits	4	(51,055)	(49,011)
Finance expenses	5	(8,236)	(7,283)
Supplies and services	6	(78,316)	(76,048)
Other expenses	7	(12,100)	(12,434)
Asset maintenance		(29,579)	(21,998)
Port utilities		(11,045)	(10,470)
Rates and taxes		(6,218)	(3,713)
Depreciation and amortisation		(47,828)	(25,455)
<b>Total expenses</b>		<b>(244,377)</b>	(206,412)
<b>Profit before income tax</b>		<b>267,513</b>	216,221
Income tax expense	8	(80,061)	(64,534)
<b>Net profit after tax</b>		<b>187,452</b>	151,687
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurement of defined benefit liability, net of tax	21 (c)(ii)	27	(24)
Changes in the asset revaluation reserve, net of tax		(26,751)	666,313
<b>Total comprehensive income</b>		<b>160,728</b>	817,976

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	323,116	419,834
Trade receivables	11	53,389	44,578
Other receivables	12	52,222	2,187
Inventories	13	6,099	4,635
<b>Total current assets</b>		<b>434,826</b>	471,234
<b>Non-current assets</b>			
Property, plant and equipment	14	1,408,126	1,405,268
Intangible assets	16	1,043	1,131
<b>Total non-current assets</b>		<b>1,409,169</b>	1,406,399
<b>Total assets</b>		<b>1,843,995</b>	1,877,633
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	17	6,922	9,766
Other payables	18 (a)	23,605	23,079
Interest bearing borrowings	19 (a)	22,856	22,691
Current tax liabilities	20	766	11,294
Provisions	21 (a)	7,377	6,978
<b>Total current liabilities</b>		<b>61,526</b>	73,808

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018 (CONTINUED)

	NOTES	2018 \$'000	2017 \$'000
<b>Non-current liabilities</b>			
Other payables	18 (b)	-	100
Interest bearing borrowings	19 (b)	131,864	154,721
Provisions	21 (b)	68,900	78,426
Deferred tax liabilities	22	263,950	255,339
<b>Total non-current liabilities</b>		<b>464,714</b>	488,586
<b>Total liabilities</b>		<b>526,240</b>	562,394
<b>NET ASSETS</b>			
		<b>1,317,755</b>	1,315,239
<b>EQUITY</b>			
Contributed equity	23 (a)	281,616	219,143
Reserves	23 (b)	639,562	666,313
Retained earnings	23 (c)	396,577	429,783
<b>Total equity</b>		<b>1,317,755</b>	1,315,239

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	CONTRIBUTED EQUITY \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2016		214,031	-	291,205	505,236
Total comprehensive income					
Profit		-	-	151,687	151,687
Other comprehensive income/(loss)		-	666,313	(24)	666,289
<b>Total comprehensive income</b>		-	666,313	151,663	817,976
Transactions with owners in their capacity as owners	23 (a)	5,112	-	-	5,112
Dividends paid	24	-	-	(13,085)	(13,085)
Balance as at 30 June 2017		219,143	666,313	429,783	1,315,239
<b>Balance at 1 July 2017</b>		<b>219,143</b>	<b>666,313</b>	<b>429,783</b>	<b>1,315,239</b>
<b>Total comprehensive income</b>					
Profit		-	-	187,452	187,452
Other comprehensive income/(loss)		-	(26,751)	27	(26,724)
<b>Total comprehensive income</b>		-	(26,751)	187,479	160,728
Transactions with owners in their capacity as owners	23 (a)	62,473	-	-	62,473
Dividends paid	24	-	-	(220,685)	(220,685)
<b>Balance as at 30 June 2018</b>		<b>281,616</b>	<b>639,562</b>	<b>396,577</b>	<b>1,317,755</b>

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

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		449,007	463,957
Payments to suppliers and employees		(232,567)	(214,624)
Government contributions	2 (iii)	8,680	8,035
Interest received		9,576	8,892
Interest paid		(7,689)	(7,933)
Income taxes paid		(73,706)	(67,500)
<b>Net cash inflow from operating activities</b>	10	<b>153,301</b>	190,827
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangibles		(67,266)	(23,176)
Proceeds from sale of property, plant and equipment		53	70
<b>Net cash (outflow) from investing activities</b>		<b>(67,213)</b>	(23,106)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(22,856)	(22,535)
Equity contributions	23 (i)	60,735	5,112
Dividends paid	24	(220,685)	(13,085)
<b>Net cash (outflow) from financing activities</b>		<b>(182,806)</b>	(30,508)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(96,718)</b>	137,213
Cash and cash equivalents at the beginning of the financial year		419,834	282,621
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>323,116</b>	419,834

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

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 1 BASIS OF PREPARATION

### (a) Australian Accounting Standards

The Pilbara Ports Authority (“the Authority”) has prepared its financial statements for the year ended 30 June 2018 in accordance with Australian Accounting Standards. The term ‘Australian Accounting Standards’ includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Authority has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

#### Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by *TI 1101 Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of any Australian Accounting Standards that have been issued or amended (but not operative) by the Authority for the year ended 30 June 2018.

### (b) Statement of compliance

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 AASB and the financial reporting provisions of the Port Authorities Act 1999.

The financial statements were authorised for issue on 7 September 2018 by the Board of Directors of the Authority.

### (c) Presentation

#### *Statement of Comprehensive Income*

Expenses have been classified by nature. 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.

### (d) Basis of measurement

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for channels, breakwaters, land, berths and jetties which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 1 BASIS OF PREPARATION (CONTINUED)

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### (e) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Authority's functional currency. All amounts have been rounded to the nearest thousand (\$'000), unless otherwise indicated.

### (f) Use of estimates and judgements

In preparing the 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 14 – Property, plant and equipment: useful life and fair value
- Note 21 – Employee benefit provision: actuarial assumptions
- Note 21 – Provisions: discount and inflation rates
- Note 21 – Provision for rehabilitation: assumptions and uncertainties including the:
  - extent of environmental damages to be rectified;
  - methodology and timing of the rectifications; and
  - financial rates to be used, including discount and inflation rates.

### (g) Comparative accounts

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

### (h) 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.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

2 REVENUE	NOTES	2018 \$'000	2017 \$'000
Shipping	(i)	224,909	196,204
Charges on cargo	(i)	97,856	111,358
Port improvement rate	(i)	56,119	53,878
Rental and leases	(ii)	30,475	30,487
Government contributions	(iii)	8,680	8,035
<b>Total revenue</b>		<b>418,039</b>	399,962

### Revenue recognition

Revenue is recognised and 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 the Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date.

#### (ii) Rental and leases

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.

#### (iii) Government contributions

Grants received from Government for the operation of the Bulk Liquids Berth at the Port of Dampier are measured at fair value of the consideration received or receivable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

<b>3 OTHER REVENUE</b>	<b>NOTES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Non-Government contributions	(i)	71,152	-
Utility revenue	(ii)	7,692	8,589
Interest revenue	(iii)	9,618	8,689
MSIC revenue	(iv)	903	913
Reversal of impairment	(v)	1,240	1,309
Other revenue	(vi)	3,246	3,171
<b>Total other revenue</b>		<b>93,851</b>	<b>22,671</b>

## Revenue recognition

Other revenue is recognised and measured at the fair value of consideration received or receivable as follows:

### (i) Non-Government contributions

During the year ended 30 June 2018:

- A commercial arrangement was entered into with a proponent to provide \$71 million in dredging services.
- A gifted navigational aid was received from a proponent \$152,000.

### (ii) Utility revenue

Utility revenue is a partial cost recovery of proportion utility expenditure passed onto proponents. The revenue is recognised when the cost of utility expenditure has been incurred by the Authority.

### (iii) Interest revenue

Interest revenue is recognised as the interest is earned.

### (iv) MSIC revenue

MSIC revenue is recognised when Maritime Security Identification Cards are ordered by customers.

### (v) Reversal of Impairment

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 in prior years. Refer to Note 14 for breakdown by asset class.

### (vi) Other revenue

Other revenue consists of gains which may be realised or unrealised and are recognised on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

<b>4 EMPLOYEE BENEFITS</b>	<b>NOTES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Salaries		36,014	34,253
Superannuation	(i)	4,473	4,384
Temporary staff		3,854	3,723
Annual leave expense		2,383	2,338
Long service leave expense		937	701
Board member fees		320	344
Other employee expenses		3,074	3,268
<b>Total employee benefits</b>		<b>51,055</b>	49,011

(i) Includes contributions to the defined benefits plan.

Employment on-costs comprise superannuation, payroll tax and workers' compensation and are recognised as liabilities and expenses when the employment to which they relate has occurred. These employment on-cost expenses are included in the employee benefits disclosed in Note 4.

<b>5 FINANCE EXPENSES</b>	<b>NOTES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Borrowing expenses		6,533	7,735
Interest expenses		22	14
Land rehabilitation provision net present value increase/(decrease)	21 (c)(i)	1,681	(466)
<b>Total finance expenses</b>		<b>8,236</b>	7,283

All finance expenses 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*.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

<b>6 SUPPLIES AND SERVICES</b>	<b>NOTES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Contractor expenses		51,000	49,427
Software licences		5,430	5,248
Consulting		4,616	4,529
Lease of plant and equipment and commercial property	(i)	6,965	6,931
Other		10,305	9,913
<b>Total supplies and services</b>		<b>78,316</b>	<b>76,048</b>

(i) Operating lease payments for plant and equipment and commercial property are recognised on a straight line basis over the lease term.

Supplies and services are recognised as expenses in the reporting period in which they are incurred. These include the day-to-day running costs incurred in the normal course of operations.

<b>7 OTHER EXPENSES</b>	<b>NOTES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Lease of residential properties	(i)	3,938	4,219
Loss on disposal of assets		1,466	2,889
Insurance		2,751	2,696
Rehabilitation provision movement	21 (c)(i)	450	-
Other		3,495	2,630
<b>Total other expenses</b>		<b>12,100</b>	<b>12,434</b>

(i) Operating lease payments for residential properties are recognised on a straight line basis over the lease term.

Other expenses are recognised as expenses in the reporting period in which they are incurred. These include the day-to-day running costs incurred in the normal course of operations.

All expenditure relating to asset maintenance, port utilities and rates and taxes are recognised as an expense in the reporting period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

8 INCOME TAX EXPENSE	NOTES	2018 \$'000	2017 \$'000
<b>(a) Income tax expense</b>			
Current tax	(i)	61,075	66,803
Adjustment for prior period	(ii)	(1,091)	(301)
Temporary differences		19,199	(1,972)
Over/(under) provision in prior years		878	4
<b>Total income tax expense</b>		<b>80,061</b>	64,534
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>			
Profit before income tax expense		267,513	216,221
Tax at the Australian tax rate of 30%		80,254	64,866
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</b>			
Entertainment and travel		16	10
Other		5	(22)
<b>Total numerical reconciliation of income tax expense to prima facie tax payable</b>		<b>80,275</b>	64,854
Under/(over) provision in prior years		(214)	(319)
<b>Total income tax expense</b>		<b>80,061</b>	64,534

(i) Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year.

(ii) Any adjustment to tax payable in respect of previous years is separately disclosed. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 and is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Refer to Note 22 Deferred tax liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

9 CASH AND CASH EQUIVALENTS	NOTES	2018 \$'000	2017 \$'000
Non-restricted		151,624	231,985
Restricted	(i)	171,492	187,849
<b>Total cash and cash equivalents</b>		<b>323,116</b>	419,834

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

- (i) Restricted cash and cash equivalents are reserved for a specific purpose and therefore not available for general business use. These include:
- Port Improvement Rate cash 2018: \$107.672 million (2017: \$114.530 million) quarantined for approved Port of Port Hedland improvement projects; and
  - Proponent contributions 2018: \$63.820 million (2017: \$73.319 million) quarantined for Port of Ashburton development and Port of Port Hedland land rehabilitation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

<b>10 NOTES TO THE STATEMENT OF CASH FLOWS</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Reconciliation of net profit after tax to net cash inflow from operating activities:		
<b>Net profit after tax</b>	<b>187,452</b>	151,687
<b>Non-cash items:</b>		
Non-Government contributions	<b>(71,152)</b>	-
Depreciation and amortisation expense	<b>47,828</b>	25,455
Loss on disposal of assets	<b>1,466</b>	2,889
Other	<b>1,767</b>	(839)
<b>Change in assets and liabilities:</b>		
Trade receivables	<b>(8,811)</b>	391
Other receivables	<b>(2,389)</b>	10,655
Inventories	<b>(1,464)</b>	(1,835)
Deferred tax assets / liabilities	<b>8,611</b>	(6,804)
Trade payables	<b>(2,844)</b>	3,676
Other payables	<b>426</b>	6,339
Current income tax	<b>(10,528)</b>	(998)
Provisions	<b>2,939</b>	210
<b>Net cash inflow from operating activities</b>	<b>153,301</b>	190,827

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

<b>11 TRADE RECEIVABLES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Trade receivables	53,389	44,578
<b>Total trade receivables</b>	<b>53,389</b>	<b>44,578</b>

Trade receivables are recognised and carried at the original invoice amounts less allowance for any uncollectible amounts or discounts provided. 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.

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

The aged analysis of trade receivables is provided in Note 25. There was no impairment of trade receivables required for the years ended 30 June 2018 or 30 June 2017.

<b>12 OTHER RECEIVABLES</b>	<b>NOTES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Dredging receivable	(i)	47,647	-
Prepayments		593	763
Accrued income		1,733	(184)
GST paid to suppliers		2,242	1,565
Sundry receivables		7	43
<b>Total other receivables</b>		<b>52,222</b>	<b>2,187</b>

(i) The dredging receivable represents the remaining value of dredging works expected to be completed during the year ended 30 June 2019.

<b>13 INVENTORIES</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Spare parts	6,099	4,635
<b>Total inventories</b>	<b>6,099</b>	<b>4,635</b>

Inventories are not held for resale and are measured at cost; unless they are no longer required, in which case they are measured at net realisable value.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

### 14 PROPERTY, PLANT AND EQUIPMENT

	CHANNELS AND BREAK- WATERS \$'000	LAND \$'000	BERTHS AND JETTIES \$'000	BUILDINGS AND IMPROVE- MENTS \$'000	PLANT AND EQUIPMENT \$'000	INFRA- STRUCTURE \$'000	BUILDINGS UNDER CON- STRUCTION \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
2017									
At fair value	830,165	69,291	277,959	-	-	-	-	-	1,177,415
Less accumulated depreciation <sup>(i)</sup>	-	-	-	-	-	-	-	-	-
Total written down value at fair value	830,165	69,291	277,959	-	-	-	-	-	1,177,415
At cost	-	-	-	55,757	155,819	115,348	13,316	11,700	351,940
Less accumulated depreciation	-	-	-	(14,514)	(67,969)	(37,787)	-	-	(120,270)
Less accumulated impairment	-	-	-	(3,817)	-	-	-	-	(3,817)
Total written down value at cost	-	-	-	37,426	87,850	77,561	13,316	11,700	227,853
Total property, plant and equipment	830,165	69,291	277,959	37,426	87,850	77,561	13,316	11,700	1,405,268

(i) No accumulated depreciation, following the adoption of subsequent measurement from cost to the revaluation model of channels and breakwaters, land and berths and jetties asset classes as at 30 June 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CHANNELS AND BREAK- WATERS \$'000	LAND \$'000	BERTHS AND JETTIES \$'000	BUILDINGS AND IMPROVE- MENTS \$'000	PLANT AND EQUIPMENT \$'000	INFRA- STRUCTURE \$'000	BUILDINGS UNDER CON- STRUCTION \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
<b>2018</b>									
At fair value	830,779	71,029	286,822	-	-	-	-	-	1,188,630
Less fair value increment/ (decrement)	-	(39,210)	-	-	-	-	-	-	(39,210)
Less reserve impact of transfers increment/(decrement)	(95)	-	1,090	-	-	-	-	-	995
Less accumulated depreciation	(20,835)	-	(9,674)	-	-	-	-	-	(30,509)
<b>Total written down value at fair value</b>	<b>809,849</b>	<b>31,819</b>	<b>278,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,119,906</b>
At cost				58,865	157,862	117,692	38,806	53,638	426,863
Less accumulated depreciation	-	-	-	(16,024)	(77,100)	(42,942)	-	-	(136,066)
Less accumulated impairment	-	-	-	(2,577)	-	-	-	-	(2,577)
<b>Total written down value at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,264</b>	<b>80,762</b>	<b>74,750</b>	<b>38,806</b>	<b>53,638</b>	<b>288,220</b>
<b>Total property, plant and equipment</b>	<b>809,849</b>	<b>31,819</b>	<b>278,238</b>	<b>40,264</b>	<b>80,762</b>	<b>74,750</b>	<b>38,806</b>	<b>53,638</b>	<b>1,384,773</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below:

	NOTES	CHANNELS AND BREAK-WATERS \$'000	LAND \$'000	BERTHS AND JETTIES \$'000	BUILD-INGS AND IMPROVE-MENTS \$'000	PLANT AND EQUIPMENT \$'000	INFRA-STRUCTURE \$'000	BUILDINGS UNDER CONSTRUCTION \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
2017										
Carrying amount as at 1 July		32,224	16,269	183,640	36,489	94,483	81,982	1,594	5,900	452,581
Additions		-	-	435	542	1,507	167	11,722	13,697	28,070
Transfer from work in progress <sup>(i)</sup>		-	-	2,055	1,344	2,233	1,625	-	(7,316)	(59)
Transfer to Statement of Comprehensive Income		-	-	-	-	-	-	-	(581)	(581)
Depreciation		(1,471)	-	(6,184)	(1,836)	(10,010)	(5,516)	-	-	(25,017)
Disposals		(78)	(180)	(2,130)	(966)	(1,864)	(902)	-	-	(6,120)
Accumulated depreciation on disposals		29	-	788	686	1,501	205	-	-	3,209
Revaluation increments <sup>(ii)</sup>	23(b)	799,461	53,060	99,354	-	-	-	-	-	951,875
Impairment losses reversed <sup>(iii)</sup>	3(iv)	-	142	-	1,167	-	-	-	-	1,309
Carrying amount as at 30 June		830,165	69,291	277,959	37,426	87,850	77,561	13,316	11,700	1,405,268

(i) The balance of the transfer from work in progress of \$59,000 was transferred to the computer software intangible asset class.

(ii) For asset classes measured at fair value, increases or decreases in value are recognised as a revaluation increment / decrement in the asset revaluation reserve.

(iii) For asset classes measured at cost, impairment losses or reversals are recognised in the Statement of Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	NOTES	CHANNELS AND BREAK-WATERS \$'000	LAND \$'000	BERTHS AND JETTIES \$'000	BUILDINGS AND IMPROVEMENTS \$'000	PLANT AND EQUIPMENT \$'000	INFRA-STRUCTURE \$'000	BUILDINGS UNDER CONSTRUCTION \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
<b>2018</b>										
Carrying amount as at 1 July		830,165	69,291	277,959	37,426	87,850	77,561	13,316	11,700	1,405,268
Additions <sup>(i)</sup>		152	1,738	2,938	1,465	1,868	1,398	28,664	51,492	89,715
Transfer from work in progress <sup>(ii)</sup>		-	-	4,733	3,318	2,693	823	(3,044)	(8,836)	(313)
Transfer between asset classes <sup>(iii)</sup>		(252)	-	1,352	(1,108)	(1,017)	1,065	-	-	40
Transfer to Statement of Comprehensive Income		-	-	-	-	-	-	(130)	(718)	(848)
Depreciation and amortisation		(20,121)	-	(9,551)	(2,002)	(10,069)	(5,648)	-	-	(47,391)
Disposals		-	-	(382)	(227)	(2,254)	(524)	-	-	(3,387)
Accumulated depreciation on disposals		-	-	99	152	1,691	75	-	-	2,017
Revaluation increments/(decrements) <sup>(iv)</sup>	23(b)	-	(39,210)	-	-	-	-	-	-	(39,210)
Reserve impact of transfers <sup>(v)</sup>	23(b)	(95)	-	1,090	-	-	-	-	-	995
Impairment losses reversed <sup>(vi)</sup>	3(iv)	-	-	-	1,240	-	-	-	-	1,240
<b>Carrying amount as at 30 June</b>		<b>809,849</b>	<b>31,819</b>	<b>278,238</b>	<b>40,264</b>	<b>80,762</b>	<b>74,750</b>	<b>38,806</b>	<b>53,638</b>	<b>1,408,126</b>

(i) Dredging works of \$23.353 million have been completed by a proponent and are recognised as work in progress as at 30 June 2018.

(ii) The balance of the transfer from work in progress 2018: \$313,000 was transferred to the computer software intangible asset class.

(iii) The balance of the transfer between asset classes 2018: \$40,000 was transferred from the computer software intangible asset class.

Further information on intangible assets are provided in Note 16.

(iv) For asset classes measured at fair value, increases or decreases in value are recognised as a revaluation increment / decrement in the asset revaluation reserve.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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Further information on fair value measurements is provided in Note 15.

(v) Minor movements in the revaluation reserve have occurred due to transfers between asset classes.

(vi) For asset classes measured at cost, impairment losses or reversals are recognised in the Statement of Comprehensive Income.

### Minor assets

Items of property, plant and equipment costing less than \$5,000 are expensed to the Statement of Comprehensive Income.

### Initial recognition and measurement

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition with the exception of vested crown land. Vested land is generally transferred at the Valuer General's fair value at the time of transfer. 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.

### Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of channels and breakwaters, land and berths and jetties, and historical cost for all other property, plant and equipment. Channels and breakwaters, land and berths and jetties are carried at fair value less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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### Depreciation

All non-current assets having a limited useful life are systematically depreciated using the straight line method over their estimated useful lives in a manner that reflects the consumption of their future economic benefits, recognised in the Statement of Comprehensive Income.

Estimated useful lives for each class of depreciable asset are:

ASSET CLASS AT COST	ESTIMATED USEFUL LIVES	ASSET CLASS AT FAIR VALUE	ESTIMATED USEFUL LIVES
Infrastructure	10 – 50 years	Channels and breakwaters	10 – 71 years
Buildings and improvements	2 – 50 years	Berths and jetties	10 – 50 years
Plant and equipment (including office equipment, motor vehicles)	2 – 40 years		

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### 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 its effective life are capitalised and depreciated.

### Land

Land which is either freehold, vested in the Authority or under management order in accordance with the Port Authorities Act 1999 is considered to be under the control of the Authority and is recorded in property, plant and equipment. Land assets are not depreciated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

15 FAIR VALUE MEASUREMENTS	LEVEL	NOTES	2018 \$'000	2017 \$'000
Assets measured at fair value as at the end of the reporting period:				
Channels and breakwaters	2	14	809,849	830,165
Land	2	14	31,819	69,291
Berths and jetties	2	14	278,238	277,959
<b>Total assets measured at fair value</b>			<b>1,119,906</b>	<b>1,177,415</b>

Reconciliations of the carrying amounts of the assets measured at fair value are provided in Note 14.

## Valuation techniques

PPA engaged the services of an external valuer to determine the fair value of assets and will continue to do so as a minimum every three years.

ASSET CLASS AT FAIR VALUE	DATE OF LAST VALUATION
Channels and breakwaters	30 June 2017
Land	30 June 2018
Berths and jetties	30 June 2017

## Valuation technique to derive level 2 fair value

The basis of the valuation assumes an asset can be exchanged after an adequate period of marketing to obtain its best price, having regard to the highest and best use of the asset for which market participants in the principal or most advantageous markets would be prepared to pay. In the absence of a market price, the fair value has been estimated by reference to the best available market evidence and is considered to be a level 2 input. This evidence includes current market prices for recent transactions of similar assets, or current market new replacement costs, against which an allowance for depreciation is applied.

## Channels and breakwaters

The valuation of channels and breakwaters has been determined based on the assumed total volumes that would need to be dredged to replace them. A calculation of the gross current cost for dredged areas was made based on current market new replacement costs. Depreciation was applied to determine the written down current cost having regard to the life of the port generally and its remaining life specifically. Depreciation was calculated after giving consideration to the condition generally of port assets employed, economic factors relating to a continuation of trade and technological advances giving rise to potential risk of functional obsolescence.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 15 FAIR VALUE MEASUREMENTS (CONTINUED)

### Land

In determining the value of land, consideration was given to industrial and residential land sales evidence and land value movement trends generally over the last 3 years within the boundaries of the Town of Port Hedland (including Finucane Island, South Hedland and Wedgefield), City of Karratha (including Dampier), and the Shire of Ashburton (including Onslow). The applied analysis of this evidence took into account the limited number of uses to which much of the port related land could be put.

### Berths and jetties

The Authority's fair values for berths and jetties have been estimated using current market new replacement cost, against which an allowance for depreciation was applied.

<b>16 INTANGIBLE ASSETS</b>	<b>COMPUTER SOFTWARE \$'000</b>	<b>ENVIRONMENTAL APPROVALS \$'000</b>	<b>TOTAL \$'000</b>
<b>2017</b>			
At cost	4,608	449	5,057
Less: accumulated amortisation	(3,822)	(104)	(3,926)
<b>Total written down value at cost</b>	<b>786</b>	<b>345</b>	<b>1,131</b>
<b>2018</b>			
At cost	<b>4,956</b>	<b>449</b>	<b>5,405</b>
Less: accumulated amortisation	<b>(4,249)</b>	<b>(113)</b>	<b>(4,362)</b>
<b>Total written down value at cost</b>	<b>707</b>	<b>336</b>	<b>1,043</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 16 INTANGIBLE ASSETS (CONTINUED)

Reconciliations of the carrying amounts of intangibles at the beginning and end of the reporting period are set out in the table below:

	COMPUTER SOFTWARE \$'000	ENVIRONMENTAL APPROVALS \$'000	TOTAL \$'000
<b>2017</b>			
Carrying amount as at 1 July	1,177	354	1,531
Transfer from work in progress	59	-	59
Amortisation for year	(430)	(9)	(439)
Disposals	(274)	-	(274)
Accumulated amortisation on disposals	254	-	254
Carrying amount as at 30 June	786	345	1,131
<b>2018</b>			
<b>Carrying amount as at 1 July</b>	<b>786</b>	<b>345</b>	<b>1,131</b>
Additions	77	-	77
Transfer from work in progress	313	-	313
Transfer between asset classes	(40)	-	(40)
Amortisation for year	(429)	(9)	(438)
Disposals	(2)	-	(2)
Accumulated depreciation on disposals	2	-	2
<b>Carrying amount as at 30 June</b>	<b>707</b>	<b>336</b>	<b>1,043</b>

### Minor assets

Intangible assets costing less than \$5,000 are expensed to the Statement of Comprehensive Income.

### Recognition and measurement

Intangible assets costing \$5,000 or more are recognised as assets and the cost of utilising these assets is expensed (amortised) over their useful lives. Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition. The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 16 INTANGIBLE ASSETS (CONTINUED)

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### Subsequent expenditure

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

### Computer software

Software that is an integral part of related hardware is treated as property, plant and equipment.

### Environmental approvals

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

### Amortisation

Amortisation of intangible assets with finite useful lives is calculated for the period of the expected benefit on a straight line basis, recognised in the Statement of Comprehensive Income. All intangible assets controlled by the Authority have a finite useful life and zero residual value. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The expected useful lives for each class of intangible asset are:

ASSET CLASS AT COST	ESTIMATED USEFUL LIVES
Computer software	2 – 7 years
Environmental approvals	50 years

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

### Research and development

Research expenditure is recognised in the Statement of Comprehensive Income, as incurred. Development expenditure is capitalised only if the following applies:

- 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

17 TRADE PAYABLES	2018 \$'000	2017 \$'000
Trade payables	6,922	9,766
<b>Total trade payables</b>	<b>6,922</b>	<b>9,766</b>

Trade payables are recognised at the amounts payable 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.

18 OTHER PAYABLES	NOTES	2018 \$'000	2017 \$'000
<b>(a) Current</b>			
Rent received in advance		5,658	8,751
GST collected from customers		3,820	3,586
Accrued expenses	(i)	14,127	10,742
<b>Total current other payables</b>		<b>23,605</b>	<b>23,079</b>
<b>(b) Non-current</b>			
Other payables		-	100
<b>Total non-current other payables</b>		<b>-</b>	<b>100</b>
<b>Total other payables</b>		<b>23,605</b>	<b>23,179</b>

(i) Accrued expenses are recognised at the amounts payable 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

19 INTEREST BEARING BORROWINGS	2018 \$'000	2017 \$'000
<b>(a) Current</b>		
Western Australian Treasury Corporation	22,856	22,691
<b>Total current interest bearing borrowings</b>	<b>22,856</b>	<b>22,691</b>
<b>(b) Non-current</b>		
Western Australian Treasury Corporation	131,864	154,721
<b>Total non-current interest bearing borrowings</b>	<b>131,864</b>	<b>154,721</b>
<b>Total interest bearing borrowings</b>	<b>154,720</b>	<b>177,412</b>

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the Authority has categorised its interest bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest bearing liabilities. The Authority determines the classification of its interest bearing liabilities at initial recognition.

The Authority has two loans with the Western Australian Treasury Corporation (WATC) being:

- The loan for the Utah Point Bulk Handling Facility (BHF) which is repayable via annual principal payments 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 Port of Dampier Bulk Liquids Berth (BLB) which is repayable via 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 loans.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

<b>20 CURRENT TAX LIABILITIES</b>		<b>2018 \$'000</b>	<b>2017 \$'000</b>
Opening balance		11,294	12,292
Prior year true up		(1,021)	(102)
Tax instalments paid		(64,533)	(61,354)
Tax paid		(6,049)	(6,345)
Current tax expense		61,075	66,803
<b>Total current tax liabilities</b>		<b>766</b>	<b>11,294</b>
<b>21 PROVISIONS</b>		<b>2018 \$'000</b>	<b>2017 \$'000</b>
	<b>NOTES</b>		
<b>(a) Current</b>			
<b>Employee benefits</b>			
Annual leave		3,039	3,097
Long service leave		4,006	3,506
Other employee benefits		332	375
<b>Total current employee benefits</b>		<b>7,377</b>	<b>6,978</b>
<b>Total current provisions</b>		<b>7,377</b>	<b>6,978</b>
<b>(b) Non-current</b>			
<b>Employee benefits</b>			
Long service leave		580	592
Other employee benefits	21 (c)(ii)	518	562
<b>Total non-current employee benefits</b>		<b>1,098</b>	<b>1,154</b>
<b>Other provisions</b>			
Provision for land rehabilitation	21 (c)(i)	67,802	77,272
<b>Total other provisions</b>		<b>67,802</b>	<b>77,272</b>
<b>Total non-current provisions</b>		<b>68,900</b>	<b>78,426</b>
<b>Total provisions</b>		<b>76,277</b>	<b>85,404</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

21 PROVISIONS (CONTINUED)	NOTES	2018 \$'000	2017 \$'000
<b>(c) Movements in other non-current provisions are set out below:</b>			
<b>(i) Land rehabilitation</b>			
<b>Carrying amount as at 1 July</b>		<b>77,272</b>	77,738
Land rehabilitation works completed during the year		<b>(11,601)</b>	-
Change in cost assumptions	7	<b>450</b>	-
Net present value increase/(decrease)	5	<b>1,681</b>	(466)
<b>Carrying amount as at 30 June</b>		<b>67,802</b>	77,272
<b>(ii) Pension and Gold State Superannuation</b>			
<b>Carrying amount as at 1 July</b>		<b>562</b>	555
Interest cost		<b>12</b>	12
Actuarial (gains)/losses		<b>(27)</b>	24
Benefits paid		<b>(29)</b>	(29)
<b>Carrying amount as at 30 June</b>		<b>518</b>	562

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period. The unwinding of a discount is recognised as a finance cost.

### Land rehabilitation

Provision for land rehabilitation liability has been recognised using a discounted cash flow methodology. Management's estimates have been developed from an internal cost model.

### Employee benefits

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

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 21 PROVISIONS (CONTINUED)

### Employee benefits (continued)

Long service leave not expected to be settled wholly within 12 months after the reporting date, is disclosed as non-current and the calculation of such 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, such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

Employment on-costs are recognised as liabilities and expenses when the employment to which they relate has occurred.

### Pension and Gold State Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Gold State Superannuation scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995. Two people remain in the GSS.

Employees commencing employment prior to 16 April 2007 who were not members of the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBSS). The Authority makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Authority's liability for superannuation charges in respect of employees who are not members of the GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for Authority purposes because the concurrent contributions (defined contributions) made by the Authority to GESB extinguish the Authority's obligations to the related superannuation liability.

The Authority has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Authority to GESB.

GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

22 DEFERRED TAX LIABILITIES	NOTES	2018 \$'000	2017 \$'000
<b>(a) Deferred tax assets</b>			
Depreciation timing differences		6,527	1,173
Project pool expenditure		625	2,538
Provisions	(i)	22,884	25,636
Other		1,941	2,233
<b>Total deferred tax assets</b>		<b>31,977</b>	31,580
<b>(b) Deferred tax liabilities</b>			
Property, plant and equipment	(ii)	(274,098)	(285,562)
Receivables		(21,300)	-
Other		(529)	(1,357)
<b>Total deferred tax liabilities</b>		<b>(295,927)</b>	(286,919)
<b>Net deferred tax assets / (liabilities)</b>		<b>(263,950)</b>	(255,339)

(i) This balance represents the deferred tax impact of the total provisions. Further information on provisions is provided in Note 21.

(ii) This balance represents the deferred tax impact of increased future depreciation for accounting purposes as a result of the fair value accounting policy change.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

23 EQUITY	NOTES	2018 \$'000	2017 \$'000
<b>(a) Contributed equity</b>			
Carrying amount as at 1 July		219,143	214,031
PIR	(i)	60,735	5,112
Vested land		1,738	-
<b>Equity contributions during the year</b>		<b>62,473</b>	5,112
<b>Carrying amount as at 30 June</b>		<b>281,616</b>	219,143
<b>(b) Asset revaluation reserve</b>			
Carrying amount as at 1 July		666,313	-
Net revaluation increments/(decrements):			
- Channels and breakwaters	14	(95)	799,461
- Land	14	(39,210)	53,060
- Berths and jetties	14	1,090	99,354
<b>Asset revaluations during the year</b>		<b>(38,215)</b>	951,875
Deferred tax impact		11,464	(285,562)
<b>Carrying amount as at 30 June</b>		<b>639,562</b>	666,313
<b>(c) Retained earnings</b>			
Carrying amount as at 1 July		429,783	291,205
Total comprehensive income for the year	(ii)	187,479	151,663
Dividends paid	24, (iii)	(220,685)	(13,085)
<b>Carrying amount as at 30 June</b>		<b>396,577</b>	429,783
<b>Total equity at end of period</b>		<b>1,317,755</b>	1,315,239

(i) The proportion of dividends paid relating to the Port Improvement Rate (PIR) are returned to the Authority as an equity contribution each year. Equity contributions of \$60.735 million in 2018 (\$5.112 million in 2017) have been returned to the Authority. Further information on dividends is provided in Note 24.

Any contributions received from the WA Government are recognised directly as a credit to contributed equity.

(ii) Total comprehensive income for the year excludes the changes in the asset revaluation reserve, net of tax.

(iii) The reduced dividend paid in 2017 results from a Government decision to defer the interim dividend for the year ended 30 June 2017 to the following financial year. Further information on dividends is provided in Note 24.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

24 DIVIDENDS	NOTES	2018 \$'000	2017 \$'000
Final dividend prior year	(i)	136,518	13,085
Interim dividend current year	(ii)	84,167	– <sup>(i)</sup>
<b>Total dividends</b>		<b>220,685</b>	13,085

(i) For the year ended 30 June 2017:

- The final dividend for the year ended 30 June 2016 of \$13.085 million was paid in December 2017.
- The State Government of Western Australia deferred the interim dividend previously scheduled for payment in June 2017, to be paid with together with the final dividend in December 2017.
- The dividend payout ratio was 90%.

(ii) For the year ended 30 June 2018:

- The dividend is payable in two tranches:
  - Tranche 1 = 75% via an interim dividend prior to 30 June 2018, and
  - Tranche 2 = 25% final dividend after year end due and payable by 31 December 2018.
- The dividend payout ratio is 85%.

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. In accordance with Australian Accounting Standards, the final dividend relating to the financial results for the year ended 30 June 2018 has not been provided for 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 (PIR) profit are to be returned to the Authority as an equity contribution each year. \$60.735 million in 2018 (\$5.112 million in 2017) has been returned to the Authority.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 25 FINANCIAL INSTRUMENTS

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### Financial risk management objectives and policies

Financial instruments held by the Authority are cash and cash equivalents, restricted cash and cash equivalents, receivables, payables and Western Australian Treasury Corporation (WATC) borrowings. The Authority has limited exposure to financial risks. The Authority's overall risk management program focuses on managing the risks identified below.

#### (a) Summary of risks and risk management

##### Credit risk

Credit risk arises when there is the possibility of the Authority's receivables defaulting on their contractual obligations resulting in financial loss to the Authority. The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table in Note 25 (c). The Authority trades only with recognised, creditworthy third parties. The Authority has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

##### Liquidity risk

Liquidity risk arises when the Authority is unable to meet its financial obligations as they fall due. The Authority is exposed to liquidity risk through its trading in the normal course of business. The Authority has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

##### 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's exposure to market risk includes:

- the impact that changes in commodity prices have on the price relief (discount) provided to proponents at the Utah Point BHF; and
- the impact of changes in interest rates relating primarily to cash and cash equivalents.

The Authority's borrowings are all obtained through the WATC and are at fixed rates with varying maturity dates. The risk is managed by WATC through portfolio diversification and variation in maturity dates. The Authority does not trade in foreign currency.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

25 FINANCIAL INSTRUMENTS (CONTINUED)	2018 \$'000	2017 \$'000
<b>(b) Categories of financial instruments</b>		
The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:		
<b>Financial assets</b>		
Cash and cash equivalents	151,624	231,985
Restricted cash and cash equivalents	171,492	187,849
Loans and receivables	50,275	40,385
<b>Total financial assets</b>	<b>373,391</b>	460,219
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	180,797	206,670
<b>Total financial liabilities</b>	<b>180,797</b>	206,670

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 25 FINANCIAL INSTRUMENTS (CONTINUED)

	NOTES	CARRYING AMOUNT \$000	NOT PAST DUE AND NOT IMPAIRED \$000	PAST DUE BUT NOT IMPAIRED					IMPAIRED FINANCIAL ASSETS \$000
				UP TO 1 MONTH \$000	1 - 3 MONTHS \$000	3 MONTHS TO 1 YEAR \$000	1-5 YEARS \$000	MORE THAN 5 YEARS \$000	
<b>2017</b>									
Financial assets									
Cash and cash equivalents	9	231,985	231,985	101,057	130,928	-	-	-	-
Restricted cash and cash equivalents	9	187,849	187,849	187,849	-	-	-	-	-
Trade receivables (i)		40,525	40,525	35,743	4,782	-	-	-	-
Other receivables (i)		(141)	(141)	(141)	-	-	-	-	-
<b>Total financial assets</b>		<b>460,218</b>	<b>460,218</b>	<b>324,508</b>	<b>135,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2018</b>									
<b>Financial assets</b>									
Cash and cash equivalents	9	<b>151,624</b>	<b>151,624</b>	<b>77,363</b>	<b>74,261</b>	-	-	-	-
Restricted cash and cash equivalents	9	<b>171,492</b>	<b>171,492</b>	<b>18,328</b>	<b>153,164</b>	-	-	-	-
Trade receivables (i)		<b>48,535</b>	<b>48,535</b>	<b>38,160</b>	<b>10,375</b>	-	-	-	-
Other receivables (i)		<b>1,740</b>	<b>1,740</b>	<b>1,740</b>	-	-	-	-	-
<b>Total financial assets</b>		<b>373,391</b>	<b>373,391</b>	<b>135,591</b>	<b>237,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(i) The value of receivables excludes GST recoverable from the ATO (statutory receivable), prepayments and the dredging receivable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 25 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Liquidity risk and interest rate exposure

The following table details the Authority's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

### Interest rate exposure and maturity analysis of financial assets and financial liabilities

NOTES	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	CARRYING AMOUNT \$000	INTEREST RATE EXPOSURE			NOMINAL AMOUNT \$000	MATURITY DATES					
			FIXED INTEREST RATE \$000	VARIABLE INTEREST RATE \$000	NON- INTEREST BEARING \$000		LESS THAN 1 MONTH \$000	1 MONTH TO 3 MONTHS \$000	3 MONTHS TO 1 YEAR \$000	1-5 YEARS \$000	MORE THAN 5 YEARS \$000	
2017												
Financial assets												
Cash and cash equivalents	9	231,985	-	231,984	1	231,985	101,057	130,928	-	-	-	-
Restricted cash and cash equivalents	9	187,849	-	187,849	-	187,849	187,849	-	-	-	-	-
Trade receivables (i)		40,525	-	-	40,525	40,525	35,743	4,782	-	-	-	-
Other receivables (i)		(141)	-	-	(141)	(141)	(141)	-	-	-	-	-
Total financial assets		460,218	-	419,833	40,385	460,218	324,508	135,710	-	-	-	-
Financial liabilities												
Trade payables (ii)		9,766	-	-	9,766	9,766	9,766	-	-	-	-	-
Other payables (ii)		19,492	-	-	19,492	19,492	19,492	-	-	-	-	-
Borrowings (iii)	19	177,412	52,712	124,700	-	214,293	-	3,691	26,382	136,604	47,616	
Total financial liabilities		206,670	52,712	124,700	29,258	243,551	29,258	3,691	26,382	136,604	47,616	

(i) The value of trade and other receivables excludes GST recoverable from the ATO (statutory receivable), prepayments and the dredging receivable.

(ii) The value of trade and other payables includes GST payable to the ATO (statutory payable).

(iii) With reference to the nominal amount, the maturity date analysis of financial assets and financial liabilities is inclusive of principal and interest cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 25 FINANCIAL INSTRUMENTS (CONTINUED)

### Interest rate exposure and maturity analysis of financial assets and financial liabilities

NOTES	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	CARRYING AMOUNT \$000	INTEREST RATE EXPOSURE			NOMINAL AMOUNT \$000	MATURITY DATES					
			FIXED INTEREST RATE \$000	VARIABLE INTEREST RATE \$000	NON-IN- TEREST BEARING \$000		LESS THAN 1 MONTH \$000	1 MONTH TO 3 MONTHS \$000	3 MONTHS TO 1 YEAR \$000	1-5 YEARS \$000	MORE THAN 5 YEARS \$000	
<b>2018</b>												
<b>Financial assets</b>												
Cash and cash equivalents	9	151,624	-	151,623	1	151,624	77,363	74,261	-	-	-	-
Restricted cash and cash equivalents	9	171,492	-	171,492	-	171,492	18,328	153,164				
Trade receivables (i)		48,535	-	-	48,535	48,535	38,160	10,375	-	-	-	-
Other receivables (i)		1,740	-	-	1,740	1,740	1,740	-	-	-	-	-
<b>Total financial assets</b>		<b>373,391</b>	<b>-</b>	<b>323,115</b>	<b>50,276</b>	<b>373,391</b>	<b>135,591</b>	<b>237,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>												
Trade payables		6,292	-	-	6,292	6,292	6,292	-	-	-	-	-
Other payables (ii)		19,785	-	-	19,785	19,785	19,785	-	-	-	-	-
Borrowings (iii)	19	154,720	50,200	104,700	-	182,687	-	2,926	25,740	100,390	53,631	
<b>Total financial liabilities</b>		<b>180,797</b>	<b>50,200</b>	<b>104,700</b>	<b>26,077</b>	<b>208,764</b>	<b>26,077</b>	<b>2,926</b>	<b>25,740</b>	<b>100,390</b>	<b>53,631</b>	

(i) The value of trade and other receivables excludes GST recoverable from the ATO (statutory receivable), prepayments and the dredging receivable.

(ii) The value of trade and other payables excludes GST payable to the ATO (statutory payable).

(iii) With reference to the nominal amount, the maturity date analysis of financial assets and financial liabilities is inclusive of principal and interest cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 25 FINANCIAL INSTRUMENTS (CONTINUED)

### (e) Interest rate sensitivity analysis

The Authority does not account for any fixed rate financial assets and liabilities at fair value through the Statement of 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.

The Authority regularly 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:

	CARRYING AMOUNT \$'000	-1% CHANGE PROFIT \$'000	+1% CHANGE PROFIT \$'000
<b>Financial Assets</b>			
2017			
Cash and cash equivalents	419,834	(4,198)	4,198
<b>2018</b>			
Cash and cash equivalents	<b>323,116</b>	<b>(3,231)</b>	<b>3,231</b>

## 26 CONTINGENCIES

### Contingent liabilities

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

#### Litigation in progress

The Authority is the second defendant in a plaintiff's claim for damages for personal injuries allegedly sustained during the plaintiff's employment with the first defendant. The plaintiff's claim is for \$2.677 million excluding yet to be determined past special damages. The Authority has denied any liability to the plaintiff and is defending the claim.

#### Contaminated sites

Under the Contaminated Sites Act 2003 (WA), the Authority must report known and suspected contamination sites to the Department of Water and Environmental Regulation (DWER). After receiving such a report, the DWER 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 remediation expenses. The Authority will only incur liability if a lessee fails to comply with its obligations under the lease.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 26 CONTINGENCIES (CONTINUED)

### 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, DWER 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, DWER 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.

DWER has assessed the De Witt Location 471 to be suitable for commercial/industrial use, but it may not be suitable for more sensitive land uses (such as residential housing). DWER 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. In 2016/2017, the Authority engaged specialist consultants to undertake a groundwater investigation of the site, in accordance with a request from DWER. This information has been provided to DWER and the Authority is yet to be advised of the outcome.

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 Port Hedland

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 remediation requirements.

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 DWER as “Possibly Contaminated – Investigation Required”. This listing resulted from 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

<b>27 COMMITMENTS</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Service contracts – port operations</b>		
Within one year	43,440	49,909
Later than one year but not later than five years	59,591	88,127
Later than five years	125,692	76,274
<b>Total service contracts – port operations</b>	<b>228,723</b>	<b>214,310</b>
<b>Capital commitments</b>		
Within one year	88,335	46,156
Later than one year but not later than five years	8,161	7,144
Later than five years	-	-
<b>Total capital commitments</b>	<b>96,496</b>	<b>53,300</b>
<b>Operating lease commitments (non-cancellable)</b>		
Within one year	3,329	3,147
Later than one year but not later than five years	3,824	5,684
Later than five years	3	-
<b>Total operating lease commitments (non-cancellable)</b>	<b>7,156</b>	<b>8,831</b>
<b>Operating lease commitments – employee housing (non-cancellable)</b>		
Within one year	2,717	2,161
Later than one year but not later than five years	1,615	1,879
Later than five years	-	-
<b>Total operating lease commitments – employee housing (non-cancellable)</b>	<b>4,332</b>	<b>4,040</b>

### Lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income 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 2018  
(CONTINUED)

<b>28 REVENUE COMMITMENTS</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Long term property leases</b>		
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:		
Within one year	<b>26,514</b>	27,691
Later than one year but not later than five years	<b>90,356</b>	104,816
Later than five years (up to 50 years)	<b>453,651</b>	408,164
<b>Total revenue commitments</b>	<b>570,521</b>	540,671

## **29 RELATED PARTIES**

The Authority is a wholly owned Government Trading Enterprise.

### **Related parties of the Authority**

Related parties of the Authority include:

- all Cabinet Ministers and their close family members, and their controlled or jointly controlled entities;
- all Senior Officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies, that are included in the whole-of-Government consolidated financial statements
- associates and joint ventures of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

### **Significant transactions with Government-related entities**

Significant transactions include:

- Defined contribution superannuation payments made to GESB.
- Defined benefit superannuation payments made to Department of Treasury: \$29,000 in 2018 (2017: \$29,000). Refer to Note 21(c)(ii).
- Interest bearing borrowings from WATC: \$154.720 million in 2018 (2017: \$177.412 million). Refer to Note 19.
- Dividends paid to the Western Australian State Government: \$220.685 million in 2018 (2017: \$13.085 million). Refer to Note 24.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 29 RELATED PARTIES (CONTINUED)

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### Material transactions with related parties

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Related party transactions	NOTES	2018 \$'000	2017 \$'000
Latitude XL Pty Ltd	(i)	65	136
Corrs Chambers Westgarth	(ii)	123	51
<b>Total related party transactions</b>		<b>188</b>	187

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- (i) During the year ended 30 June 2017, the Authority awarded a contract to Latitude XL Pty Ltd, a company controlled by a related party of General Manager Corporate Affairs and Governance Raechel Paris, for refurbishment works at its West Perth office. The contract was awarded following a select tender process and on arm's length terms and conditions consistent with the Authority's procurement processes and procedures. The General Manager Corporate Affairs and Governance had no involvement in the tender evaluation process, nor in the award of the contract to Latitude XL Pty Ltd. The value of the works under the contract was \$187,241, with variations of \$12,985 and was completed during the year ended 30 June 2018.
- (ii) The Authority has been notified that a current WA State Government Minister has declared that a non-dependent close family member is a partner-in-charge of a law firm that provided services to the Authority. The value totalled \$123,453 during 2017-18. The Authority has used the firm in previous years.

The Authority had no other material related party transactions with key management personnel or their close family members or their controlled (or jointly controlled) entities for disclosure.

### Related and affiliated bodies

The Authority had no related bodies or affiliated bodies during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

## 30 COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Authority has determined that key management personnel include the Board of Directors and senior management of the Authority.

Total compensation of the key management personnel of the Authority for the reporting period is presented within the following bands:

Compensation band (\$)	2018	2017
Above 500,000	1	1
400,000 - 500,000	1	1
300,000 - 400,000	3	3
200,000 - 300,000	2	2
100,000 - 200,000	-	1
50,001 - 100,000	3	3
Up to 50,000	5	2
<b>Total number of key management personnel</b>	<b>15</b>	<b>13</b>

Compensation of key management personnel	2018 \$'000	2017 \$'000
Short-term employee benefits	2,713	2,777
Post-employment benefits	331	344
Other-long term employment benefits	11	27
<b>Total compensation of key management personnel</b>	<b>3,055</b>	<b>3,148</b>

31 SUPPLEMENTARY FINANCIAL INFORMATION	2018 \$'000	2017 \$'000
<b>Write-offs</b>		
Bad debts	57	1
<b>Total write-offs</b>	<b>57</b>	<b>1</b>

32 AUDITOR'S REMUNERATION	2018 \$'000	2017 \$'000
Office of Auditor General - External audit fee	119	116
<b>Total Auditor's remuneration</b>	<b>119</b>	<b>116</b>

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 33 SUBSEQUENT EVENTS

No matters have arisen since 30 June 2018 that significantly affect, or may significantly affect the Authority's operations, the results of those operations, or the state of its affairs in future financial years.

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## 34 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 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 mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7. The Authority has not yet determined the application or the potential impact of the Standard, effective for not-for-profit entities on or after 1 January 2019.

- *AASB 16 Leases*

This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

- *AASB 1058 Income of Not-for-Profit Entities*

This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Authority has not yet determined the application or the potential impact of the Standard.

- *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]*

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.

The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Authority is only insignificantly impacted by the Standard.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)

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## 34 FUTURE IMPACT OF AUSTRALIAN ACCOUNTING STANDARDS NOT YET OPERATIVE (CONTINUED)

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- *AASB 2014-1 Amendments to Australian Accounting Standards*  
Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. The Authority has not yet determined the application or potential impact of the Standard.
- *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*  
This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Authority has not yet determined the application or the potential impact of the Standard.
- *AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15*  
This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.
- *AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15*  
This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Authority has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019.
- *AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*  
This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.
- *AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*  
This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.

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## DIRECTORS' DECLARATION

7 September 2018

### 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* (WA), including:
  - (i) giving a true and fair view of the financial position of Pilbara Ports Authority as at 30 June 2018 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* (WA).
- (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  
7 September 2018



**Les Longden**  
Deputy Chairman  
7 September 2018

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## INDEPENDENT AUDITOR'S REPORT

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

PILBARA PORTS AUTHORITY



Auditor General

#### **Opinion**

I have audited the financial report of Pilbara Ports Authority (the Corporation), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of 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, and the directors' declaration.

In my opinion, the financial report of 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 Corporation's financial position as at 30 June 2018 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### **Basis for Opinion**

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Pilbara Ports Authority in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Responsibility of the Directors for the Financial Report**

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 5 of the *Port Authorities Act 1999*. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

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## INDEPENDENT AUDITOR'S REPORT

### ***Auditor's Responsibility for the Audit of the Financial Report***

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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## 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 Pilbara Ports Authority for the year ended 30 June 2018 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation'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 these financial report. If users of the financial report are concerned with the inherent risks arising from publication on 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.

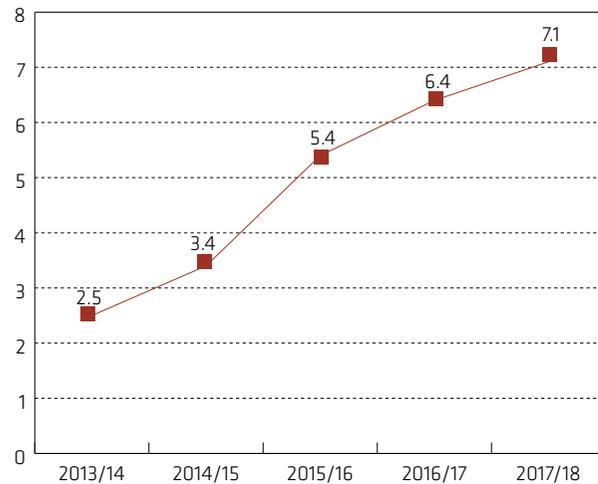


CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
13 September 2018

## KEY FINANCIAL PERFORMANCE INDICATORS

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.

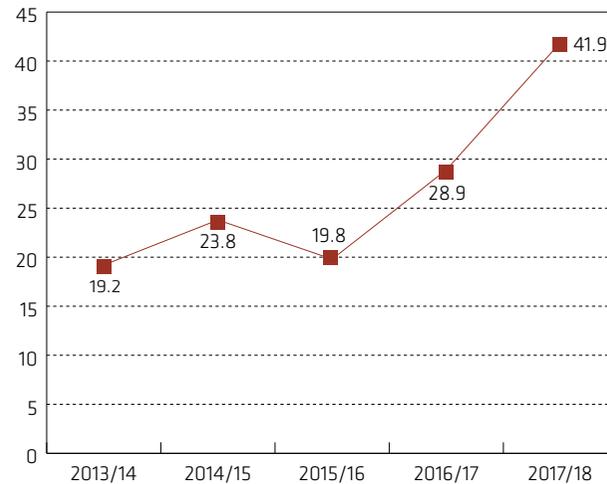
**Current Ratio**  
Comparison 2013/14 to 2017/18



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.

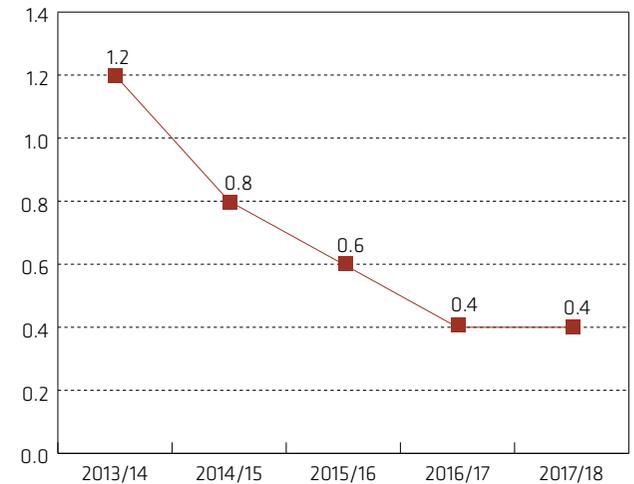
**Interest Cover**  
Comparison 2013/14 to 2017/18



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.

**Debt to Equity**  
Comparison 2013/14 to 2017/18

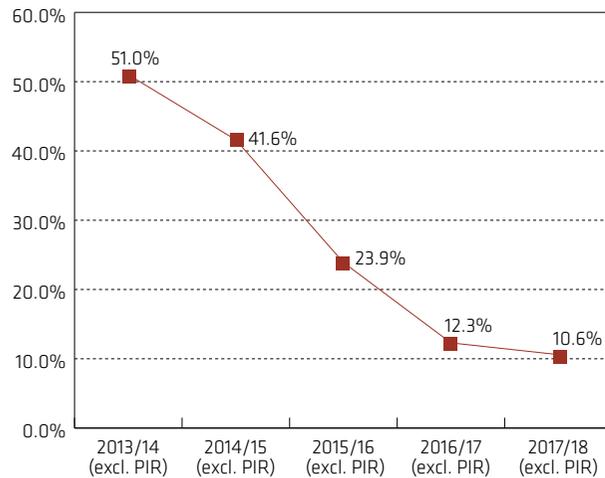


The debt to equity ratio is a measure of the Authority's financial leverage. It indicates what proportion of equity and debt the Authority is using to finance its assets.

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

## KEY FINANCIAL PERFORMANCE INDICATORS

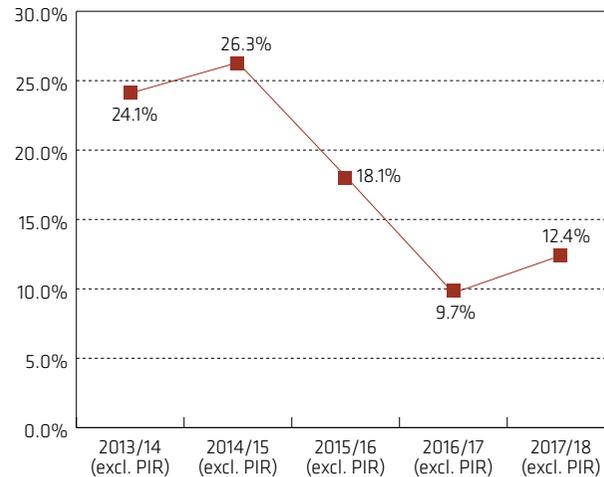
Return on Equity  
Comparison 2013/14 to 2017/18



The return on equity ratio measures the Authority's profitability by revealing how much profit an entity 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.

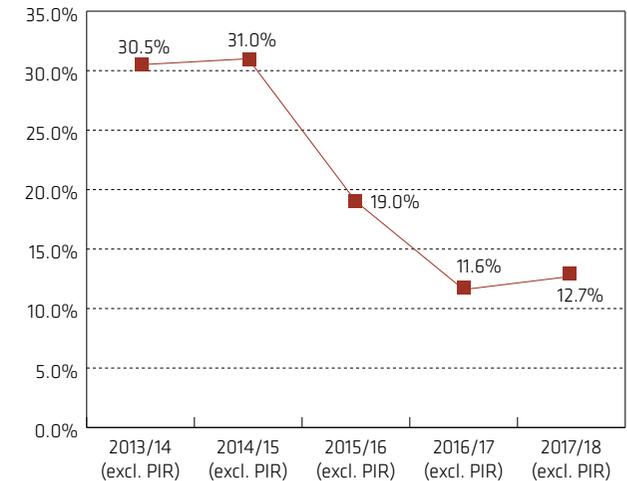
Return on Assets  
Comparison 2013/14 to 2017/18



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.

Economic Rate of Return  
Comparison 2013/14 to 2017/18



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

The economic rate of return is calculated as per below:

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

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

**Note:** Fair value accounting was implemented and reflected in the financial performance indicators from FY 2016/17 onwards. Prior year values are not restated.

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## 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.

There were no Ministerial Directives 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.

From 1 October 2017, Pilbara Ports Authority implemented an increase in port dues of 17% at the ports of Dampier and Port Hedland. Prior to this increase, PPA had held fees and charges constant at the levels in effect on 1 July 2014.

Fees and charges other than port dues still remained at 1 July 2014 levels during 2017/18.

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

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.

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## GOVERNANCE

### GOVERNANCE DISCLOSURES

Pilbara Ports Authority has a Fraud and Corruption Policy and a 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.

Two minor non-compliances occurred during the reporting year, in which gifts were accepted that were not in line with Pilbara Ports Authority's Conflict of Interest Procedure.

Since then, changes have been made to Pilbara Ports Authority's Gifts and Benefits disclosure Form to better reflect DoT's procedure regarding the acceptance of gifts and benefits.

### 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 four instances of unauthorised use of a credit card during the reporting year, with a total value of \$1,440.15. These occurred due to emergency situations or small private expenses coinciding with business travel. All four instances were declared and have been fully reimbursed by card holders.

### EXPENDITURE ON ADVERTISING, MARKET RESEARCH, POLLING AND DIRECT MAIL

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 2017/18 was \$171,635 excluding GST.

Expenditure was incurred in the following areas.

EXPENDITURE	TOTAL	EXPENDITURE	AMOUNT
Advertising agencies / media advertising	\$106,135	Adcorp	\$92,714
		Market Creations	\$8,392
		Michael Page International	\$2,500
		Paragon Media	\$720
		WA Newspapers	\$1,650
		Seek	\$159
Market Research Agencies	\$65,500	Kantar TNS (Stakeholder Satisfaction Survey)	\$65,000
Polling Organisations	-	-	-
Direct Mail Organisations	-	-	-

### COMPLIANCE WITH PUBLIC SECTOR STANDARDS AND ETHICAL CODES

The Code of Ethics and Conduct (Code) communicates Pilbara Ports Authority's standards of conduct and integrity, and promotes professionalism in the provision of services to customers, port users and the community. The Code is available on its website and intranet.

The Working with Respect program provides an opportunity for all employees to explore the Code and reinforces the importance of observance of its legal requirements.

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## GOVERNANCE

Where breaches occur, procedures are in place to 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 as well as the Risk and Audit Committee.

There have been seven breaches of Pilbara Ports Authority's Code of Ethics and Conduct during 2017/18. All instances were managed in accordance with the Authority's procedures. Actions associated included counselling, written warnings, apologies, discussions at team meetings, training, and two terminations of employment.

### SUBSTANTIVE EQUALITY

Pilbara Ports Authority's Diversity and Inclusion Strategy was approved in May 2017. The initiatives were reviewed in May 2018, and further actions have been expanded to support workforce diversity.

### RECORDKEEPING PLANS

During the reporting year, Pilbara Ports Authority enhanced its recordkeeping program.

There have been continuous reviews and enhancements to the Electronic Document and Records Management System (EDRMS) and Objective ECM, to satisfy the requirements outlined in the Authority's Recordkeeping Plan.

Throughout the reporting year, staff and contractors continued to complete training in the use of Objective ECM and Records Awareness.

### OCCUPATIONAL SAFETY, HEALTH AND INJURY MANAGEMENT

Pilbara Ports Authority's highest priority is the safety of all persons who work at or visit any of its sites. Each employee has a Key Performance Indicator relating to health and safety performance and progress is reviewed on a regular basis. Annually, the Board and Executive Committee review safety performance from the prior year and set out objectives for the coming year in their pursuit of continual improvement.

Formal processes are in place to ensure the appropriate level of treatment is provided where an injury occurs at the workplace. At all times Pilbara Ports Authority complies with the *Workers' Compensation and Injury Management Act 1981* and aims for any injured person to return to work as soon as is medically appropriate.

Any person working at or visiting the ports is able to contribute to the safety performance of its ports. Suggested improvements and identified hazards can be reported directly to a Pilbara Ports Authority representative or online through an electronic hazard reporting system. In addition, the Authority communicates and consults with all port users through regular meetings and forums.

Pilbara Ports Authority has formal consultation processes established at each of its sites through elected Safety and Health Representatives. Elected representatives meet each month with a management representative to review safety performance and facilitate consultation and cooperation between the organisation and its employees in initiating, developing and implementing health and safety measures. In 2018, Pilbara Ports Authority also established an Innovation Hub where employees can suggest innovative ideas to improve the safety at the ports, as well as other general improvements.

Pilbara Ports Authority's occupational health and safety management system is regularly reviewed and audited by internal and external parties.

## GOVERNANCE

### PPA EMPLOYEES ONLY

MEASURES	RESULTS 2015/16 <sup>(1)</sup> BASE YEAR	RESULTS 2016/17 PRIOR YEAR	RESULTS 2017/18 <sup>(1)</sup> CURRENT REPORTING YEAR	TARGETS	COMMENTS TOWARDS TARGETS
Number of fatalities	0	0	0	0	Target met
Lost time injury and disease incidence rate	0	0	0.47 <sup>(3)</sup>	0 or 10% reduction in incidence rate	One lost time injury involving a PPA employee occurred in the current reporting year <sup>(2)</sup>
Lost time injury and severity rate	0	0	0	0 or 10% reduction in severity rate	Target met <sup>(2)</sup>
Percentage of injured workers returned to work within 13 weeks	N/A	N/A	100%	Greater than or equal to 80%	Target met
Percentage of injured workers returned to work within 26 weeks	N/A	N/A	100%	Greater than or equal to 80%	Target met
Percentage of managers trained in occupational safety, health and injury management responsibilities, including refresher training within 3 years	90.6%	98%	100%	Greater than or equal to 80%	Target met

Note (1) This is a three-year comparison trend (i.e current reporting year is 2017/18 and comparison year is 2015/16).

Note (2) Comment on performance over the three-year period.

Note (3) New reporting guidelines now only allow reporting on FTE, and not million hours worked.



**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](http://www.pilbaraports.com.au)**

**[feedback@pilbaraports.com.au](mailto:feedback@pilbaraports.com.au)**