

PILBARA PORTS AUTHORITY  
ANNUAL REPORT  
2016-17





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## STATEMENT OF COMPLIANCE

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### 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*, I hereby submit for your information and presentation to Parliament, the Annual Report of Pilbara Ports Authority for the financial year ended 30 June 2017.

### Ken Pettit

Chairman, Pilbara Ports Authority Board of Directors

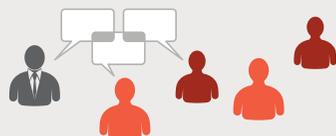


# EXECUTIVE SUMMARY

## PILBARA PORTS AUTHORITY OVERVIEW

### COMMUNITY AND STAKEHOLDERS

**Community Consultation Committees**  
 8 meetings each year across our 3 port locations  
 Dampier, Port Hedland and Ashburton



**Community Support Initiative**  
 >\$295,000 a year  
 in financial and in-kind support across the Pilbara

**Mangrove Rehabilitation Program**  
 6,550 MANGROVE SEEDLINGS PLANTED SINCE 2010  
 Mangrove Mates School Program Reached 969 students @ 8 schools

### RISK AND GOVERNANCE

#### IMS CERTIFICATIONS:

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

**2 BIOSECURITY SYSTEMS** to protect our marine environment

1. Early Warning System
2. Vessel Risk Assessment

Expertise and protection of **LOCAL TRADITIONAL HERITAGE**

- Cultural Heritage Management Plan
- Heritage Action Plan

### OPERATIONS

Record annual throughput of **668.5 million tonnes** | 2016/17

>18,000 safe vessel movements in 2016/17

**2** of the world's largest bulk export ports

**50%** of global seaborne iron ore exports

Record annual iron ore throughput of **629.6 million tonnes** | 2016/17



Record annual LNG throughput = **22.2 million tonnes** | 2016/17

**9%** of global LNG exports

PPA costs per tonne down **4.2%** each year on average over the past 5 years

\$330 million 5-year capital and Port Improvement Rate works program

Pricing relief for junior miners since 1 July 2015



**Record low Lost Time Injury Frequency Rate**  
**0.00** against a target of **1.7**

**1** year and counting - lost time injury free for staff and contractors

### PLANNING AND DEVELOPMENT

**16%** increase in modelled shipping capacity in the Port Hedland channel from **495 mtpa** to **577 mtpa**



**3 GREENFIELD PORTS** in development - Balla Balla, Cape Preston East and Anketell - to support long term growth

**Trade diversification strategies** exploring new opportunities  
 Livestock | Lithium | Cruise shipping

### INNOVATION

Industry leading practices enable customers to safely export **MORE product, MORE efficiently**

- World-first **Dynamic Port Capacity Model**
- State-of-the-art full-bridge **Maritime Simulator**
- Most advanced **Dynamic Under Keel Clearance system**
- Ground-breaking **Tidal Model Study**
- Portable Pilot Units** improve safety
- PortMap** innovative mapping application

Declared depth availability increased by **71cm** at Port of Port Hedland

Each **10cm** equates to **1,200 tonnes** of extra cargo per vessel

## YEAR IN REVIEW HIGHLIGHTS



Record total annual throughput:

**668.5** Mt

Number of safe vessel movements:

**18,683**



Record total annual throughput at Port of Port Hedland:

**500.9** Mt

Major milestone achieved in November 2016 for Port of Port Hedland's Utah Facility, with a total of

**100** Mt

of product exported through the facility since its commissioning in 2010



Revenue:

**\$422.6**  
MILLION



Record monthly throughput at Port of Port Hedland in May 2017:

**44.7** Mt



A Lost Time Injury Frequency Rate of 0.00 was achieved in October 2016 for employees, contractors and licensed service providers, against a target of:

**0.00**

against a target of 1.70 and maintained during the reporting year



Pilbara Ports Authority commenced the management of all port communications and monitoring services at Port of Ashburton in July 2016, well ahead of handover from Chevron Australia



First spodumene (lithium) shipment from Utah Facility in April 2017

## YEAR IN REVIEW HIGHLIGHTS



Record single shipment of  
**270,006<sub>t</sub>**  
on the **HL Tubarao** on a record  
sailing draft of 19.95m on  
1 March 2017  
(Port of Port Hedland)

Pilbara Ports Authority  
granted a Management Order  
for Cape Preston East in  
May 2017



Minister for Transport  
approved the process of  
declaring Balla Balla under  
the Act



Early works for construction of  
**Integrated Marine Operations Centre** in  
Port Hedland commenced in February 2017



All functions of Rio Tinto's  
vessel traffic management  
carried out by  
Port of Dampier's  
Vessel Traffic Services Centre

The first  
**LNG**  
bunkering  
operation

in the Southern Hemisphere was  
carried out at the King Bay Supply  
Base at the Port of Dampier on  
23 January 2017



Inaugural **'Safe Ships, Safe Port'**  
shipping forum  
hosted in Perth in  
September 2016

Finalist in the Institute of  
Public Administration Australia  
WA Achievement Awards -  
IT Practitioner of the Year



**Winner** of the iCMG Global Enterprise IT Architecture Excellence  
Award (Acquisition and merger), iCMG Global Business Chief  
Information Officer Award, iCMG Australian and New Zealand  
Awards (Acquisition and Merger)

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## CHAIRMAN'S REPORT

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**Pilbara Ports Authority has enjoyed outstanding operational success in the reporting year. The Authority achieved a record annual throughput of 668.5 million tonnes (Mt), a six per cent increase on 2015/16 FY. The Port of Port Hedland achieved a record annual throughput of 500.9Mt in 2016/17, an increase of nine per cent from 2015/16 FY.**

Pilbara Ports Authority delivered a profit before income tax of \$216.2 million, and a dividend return to the State of \$13.1 million. 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.

In June 2017, the Board approved an increase to port dues at the ports of Dampier and Port Hedland – the first increase in three years – which is to be applied to shipowners from 1 October 2017. All other port fees will remain fixed until 30 June 2018. The increase is limited to port dues levied on a vessel's gross register tonnage (GRT) and equates to between three and four cents per tonne.

Safe and efficient port operations are underpinned by the Authority's maritime technologies and practices, and comprehensive marine pilot, tugboat pilot and VTS operator training. More fundamental still is the Authority's culture of vigilance for risks and safety and ambition to improve constantly.

The Authority recorded a 12-month rolling Lost Time Injury Frequency Rate of zero in October 2016, which has been maintained throughout the entire reporting period. This is an outstanding achievement, even for the safety-conscious Pilbara region.

Pilbara Ports Authority's efficiency initiatives, port improvement activities and the integration of new developments by port users have facilitated the increased export volumes.

Pilbara Ports Authority has taken initiatives to meet future demand for Pilbara resources. The Authority collaborated with the Department of State Development to develop three greenfield sites – Balla Balla, Cape Preston East, and Anketell. In January 2017, the government signed a State Agreement with BBI Rail Aus Pty Ltd, a subsidiary of the Balla Balla Infrastructure Group, to develop the Balla Balla port, with a proposed trans-shipping capacity of 50 million tonnes per annum. A Management Order has been issued for Cape Preston East, which allows the Authority to negotiate with proponents for access, use and maintenance of the existing bridge, causeway and road, and development of new infrastructure.

On behalf of the Board I thank the Chief Executive Officer and his executive team and staff for their determination and commitment in delivering another exceptional performance in 2016/17. Our shared vision is expressed to be a global leader in port planning, operations and marine services. The realisation of that vision is mostly due to those people.

I thank the Minister for Transport and her staff as well as the Executive teams at the Departments of Transport, State Development and Treasury for their support and advice. I also thank my fellow Directors for their diligence and commitment throughout the year.

### **Ken Pettit**

Chairman,  
Pilbara Ports Authority Board of Directors



LNG tanker at the Port of Dampier

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## CEO'S REPORT

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**I am pleased to report that Pilbara Ports Authority has delivered another strong performance. During the year a number of major projects have been implemented. Operational performance continued to be strong with a focus on operational excellence, innovation and continuous improvement.**

The safety of staff, contractors and visitors to Pilbara Ports Authority sites remains the top priority. During the reporting year, Pilbara Ports Authority recorded a 12-month rolling Lost Time Injury Frequency Rate (LTIFR) of zero in October 2016; a result which was maintained through to the end of the reporting year. From a safety perspective the Lead Indicator reporting matured and is now an effective safety review process used in the business.

Our safety performance is underpinned by an Occupational Health and Safety Management System which was successfully recertified in October 2016 with no corrective actions required. The Executive Committee formally reviews the occupational health and safety performance across all sites on a monthly basis.

Pilbara Ports Authority reported a record annual throughput of 668.5Mt for 2016/17, a six per cent increase on the previous year, delivered off the back of efficiencies, improvements and investment.

During the reporting year, Pilbara Ports Authority made significant progress on the three Port Improvement Rate projects at Port Hedland: being the Integrated Marine Operations Centre, the Channel Risk Optimisation Project and the Channel Marker Replacement Program. Early construction works for the new Integrated Marine Operations Centre commenced early in 2017.

The Centre will control all marine operations within the port, including port security and Vessel Traffic Service, and is planned to safely manage more than 6,000 shipping movements through the Port of Port Hedland each year.

Preparation works for the Channel Risk Optimisation Project are also advanced and will deliver an emergency passing lane alongside the existing shipping channel, enhance the existing deep water refuge zone and improve trade capacity through targeted dredging.

The Channel Marker Replacement Program tender has been advertised during the year. The program to replace the ageing offshore channel markers is anticipated to commence early in 2018.

Pilbara Ports Authority is committed to the Pilbara and building sustainable communities where we operate. Engaging with the local community and facilitating two-way communication between Pilbara Ports Authority and the community on Port and local issues is important to us. 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 has a key focus on meeting environmental requirements and delivering best practise over port controlled land and waters. Our approach to responsible environmental stewardship involves a range of environmental community engagement initiatives such as community clean-up days, education programs delivered to local schools and rehabilitating denuded mangrove areas such as that at the De Grey river mouth.

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In the past year, 178 students from eight schools across Port Hedland, Dampier and Onslow participated in the Mangrove Mates program, which encourages primary-school aged children to get involved in the rejuvenation of mangroves in the Pilbara region. In addition, Pilbara Ports Authority leads and manages the implementation of the ICARE program in West Pilbara. The program is in its seventh consecutive year engaging between 300-400 industry volunteers each year who collect up to 900 bags of rubbish from more than 42km of roadside.

Pilbara Ports Authority also continues to support local communities through its Community Support Initiative Program. In this reporting year, \$295,000 was provided to charities, not-for-profit and community groups in the Pilbara region. The funding provided during the year supported events such as the Australia Day fireworks in Port Hedland and the Cossack Art Awards in Dampier. In addition, organisations such as the Volunteer Marine Rescue and St John Ambulance in Port Hedland as well as the Karratha Arts and Learning Centre, the Karratha Cub Scout Group and the Dampier Community Association also received funding. We are proud to assist these local community groups and look forward to continuing our support in the future.

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

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

**Roger Johnston**

Chief Executive Officer



Helicopter taking off at the Port of Port Hedland

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## ORGANISATIONAL PROFILE

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

Pilbara Ports Authority encompasses the ports of Ashburton, Dampier and Port Hedland, and the future ports of Anketell and Balla Balla. During the reporting year, Pilbara Ports Authority was granted a Management Order of Cape Preston East. Pilbara Ports Authority is to also assume oversight of a number of other ports currently administered by the Department of Transport under the *Shipping and Pilotage Act*. These include Barrow Island, Cape Preston, Onslow, Port Walcott and Varanus Island.

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

Pilbara Ports Authority salt exports total approximately nine million tonnes per annum, accounting for approximately 75 per cent of Australian salt exports, seven and a half per cent of the world's solar salt and three per cent of total global salt sales.

In 2016/17, Pilbara Ports Authority achieved a record annual throughput of 668.5Mt, with 18,683 vessel movements across its ports. The profit before income tax for the financial year was \$216.2m, and total dividend payments of \$13.1m were paid to the State.

There are 19 operational berths in Port Hedland – four Pilbara Ports Authority berths (including the Utah Facility), eight private berths owned and operated by BHP Billiton, five berths owned and operated by Fortescue Metals Group and two berths owned and operated by Roy Hill Infrastructure.

The Port of Dampier comprises private port terminals owned and operated by Rio Tinto and Woodside Energy. LINX and WQube also operate private facilities in 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 seven berths.

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

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

Pilbara Ports Authority contracts out or issues licences for stevedoring, towage, pilotage, helicopter and pilot boat transfers, security and waste management. All licences are issued under the provisions of the Act on a non-exclusive basis.

Pilbara Ports Authority manages 6,721ha of port vested land at Dampier, Port Hedland and Cape Preston East, and is committed to the development of land and leases to support port-related industries.

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## ORGANISATIONAL PROFILE

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### SHARED RESPONSIBILITIES

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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

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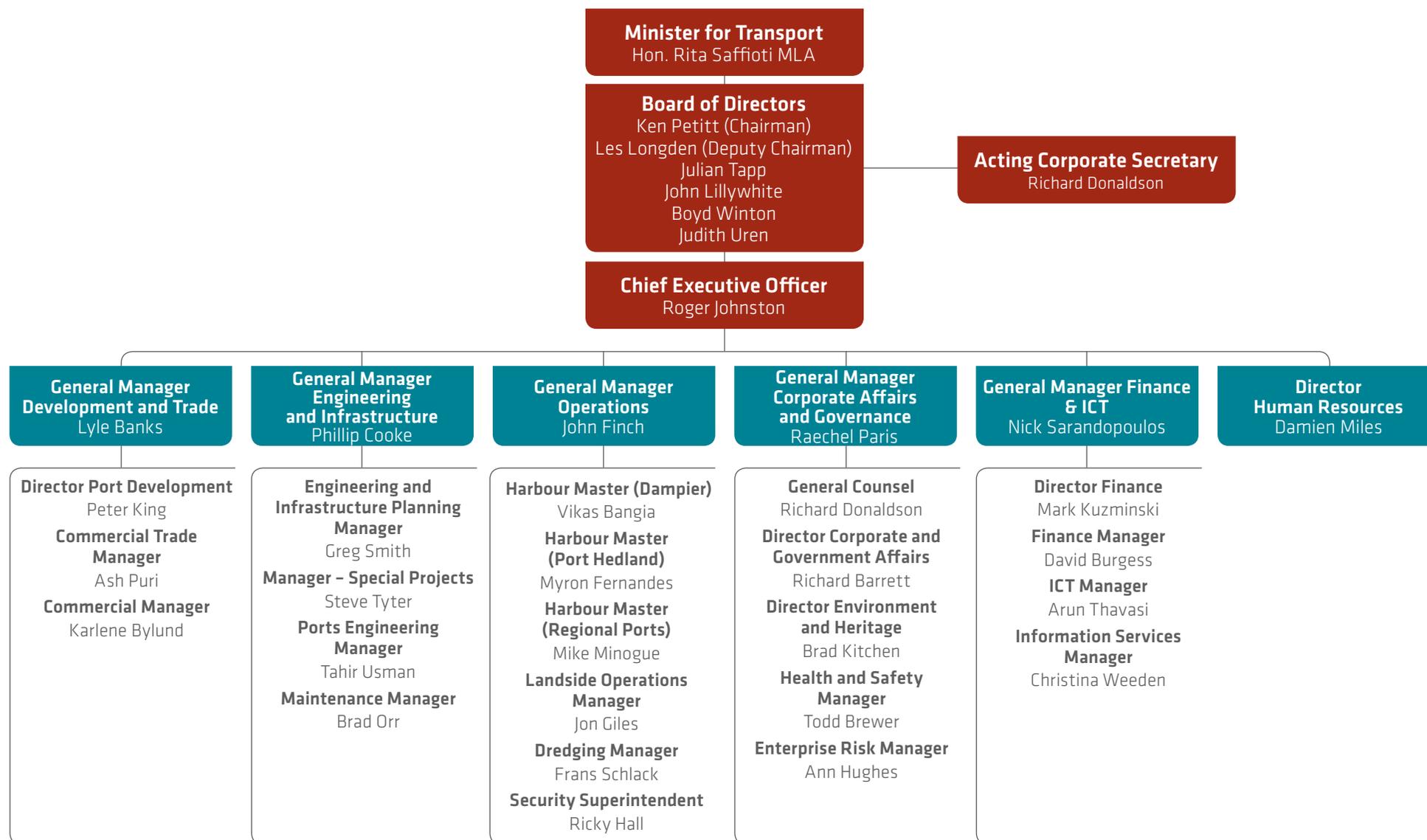
Pilbara Ports Authority is governed under the Act, and operates as a corporatised entity with an independent Board of Directors reporting to Western Australia's Minister for Transport.

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

- Facilitating trade within and through the ports;
- Planning for future growth and development of the ports;
- Undertaking or arranging for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the State through the use of its ports 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.

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

## ORGANISATIONAL STRUCTURE



## BOARD OF DIRECTORS

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**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 on 30 June 2018.

Mr Pettit is a senior barrister practicing from Francis Burt Chambers in Perth, Western Australia. He joined the independent bar in 1995 and was appointed as Senior Counsel in 2003. He has 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.



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

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



**DIRECTOR**  
**Julian Tapp**

BA (Philosophy), MSc  
(Economics of Public Policy), MAICD

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

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

He worked for Fortescue Metals Group as Head of Government Relations for eight and a half years before taking up his current position in the uranium industry and is a Member of the Australian Institute of Company Directors.

## BOARD OF DIRECTORS

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**DIRECTOR**  
**Boyd Winton**  
BCom, BEcon, GAICD

Mr Winton was initially appointed to the Pilbara Ports Authority Board on 22 October 2014 and has been 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**  
**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 reappointed for a term expiring 31 December 2017.

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

Mr Lillywhite is a graduate of the Advanced Management Program from the Harvard Business School and is Chairman of Zetta Group Pty Ltd and the Convenor of the Waste and Recycling Industry Association of WA.

He also holds a Bachelor of Commerce, Graduate Diploma in Ornithology and a MBA 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 for a term expiring on 31 December 2017.

Ms Uren has extensive engineering experience in the design and management of civil infrastructure works in the transport, resource and oil and gas sectors, 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.

## 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.



Bulk carrier escorted by tugs into the Port Hedland inner harbour

## EXECUTIVE TEAM



**GENERAL MANAGER CORPORATE  
AFFAIRS AND GOVERNANCE**  
**Raechel Paris**  
BA, LLB, GAICD

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

In April 2017, Ms Paris was appointed as General Manager Corporate Affairs and Governance with a greater focus on external affairs and stakeholder management.

Ms Paris holds a Bachelor of Arts/Law from Monash University, and is a member of the Governance Institute and a Graduate of the Australian Institute of Company Directors.



**GENERAL MANAGER OPERATIONS**  
**Captain John Finch**  
MBA

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

Mr Finch has 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 brings with him 30 years' national and international experience in port planning and development in both private and public sectors. He joined Port Hedland Port Authority in 2013 as the General Manager Commerce and Development, and is currently responsible for port development projects in Dampier and Port Hedland. Mr Banks also held management roles in Planning, Development and Environment at Fremantle Ports.

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

## EXECUTIVE TEAM

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**GENERAL MANAGER FINANCE  
AND ICT**

**Nick Sarandopoulos**

Bcom, CA, Grad Dip App Fin, MBA,  
GAICD

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

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

He is a Chartered Accountant and holds postgraduate qualifications in Advanced Finance and Investment with the Financial Securities Institute of Australia and a MBA from the University of Western Australia and is a Graduate of the Australian Institute of Company Directors.



**GENERAL MANAGER ENGINEERING  
AND INFRASTRUCTURE**

**Philip Cooke**

BEng

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

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

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



**DIRECTOR HUMAN RESOURCES**

**Damien Miles**

BSW (Hons), Grad Cert IHS, Adv Dip  
Mgt

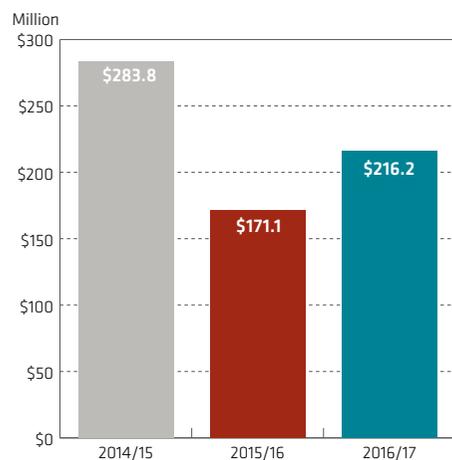
Mr Miles is the Director Human Resources, with responsibility for human resources, industrial relations, non-industrial physical resources, and employee development. He joined Port Hedland Port Authority in 2010 as the Human Resources Manager and was the Director responsible for the Pilbara Ports amalgamation.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

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

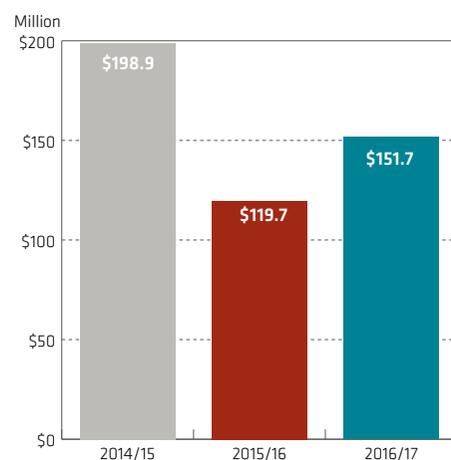
In 2016, he was awarded the Human Resource Management Practitioner of the Year Award from the WA Institute of Public Administration Australia (IPAA).

## KEY BUSINESS RESULTS

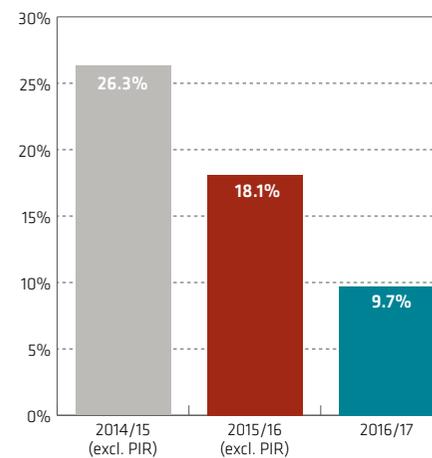
### Profit before income tax



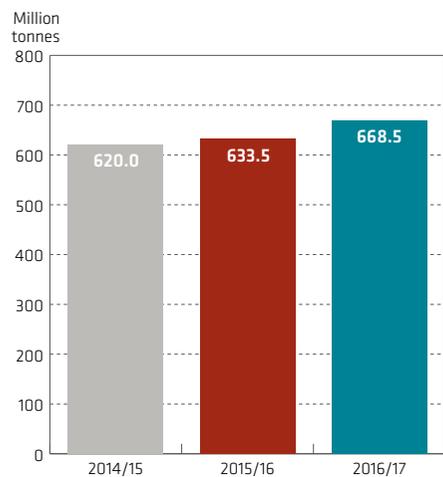
### Net profit after tax



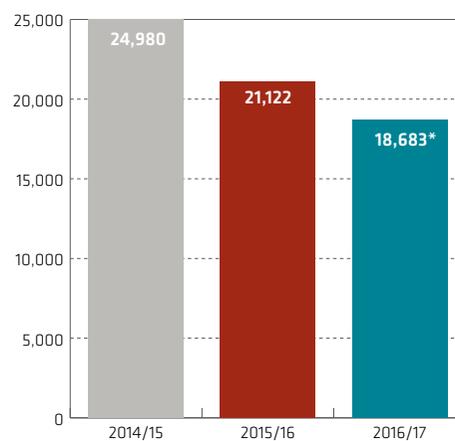
### Return on assets



### Total throughput (imports and exports)



### Total vessel movements



\*Reduced offshore activities has seen a decreased number of vessel movements at the Port of Dampier

## CORPORATE SCORECARD

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

Performance targets are used to measure Pilbara Ports Authority's achievements of its three key objectives: Trade Facilitation, Sustainability and Business Excellence.

It also allows the organisation's financial performance to be monitored. The following illustrates the extent to which these business objectives were achieved.

ECONOMIC RESULTS		
FINANCIAL	FY TARGET	FY RESULTS
Rate of Return on Assets (%) excl. Port Improvement Rate	19.3%	9.7%*
Economic Rate of Return (%) excl. Port Improvement Rate	19.7%	11.6%*

\* Due to fair value accounting being adopted

TRADE RESULTS		
PORT TRADE (Million tonnes)	FY TARGET	FY RESULTS
Port of Ashburton	2.5	0.02
Port of Dampier	175.4	167.6
Port of Port Hedland	504.8	500.9
<b>Total port trade (Million tonnes)</b>	<b>682.7</b>	<b>668.5</b>
VESSEL VISITS		
Port of Ashburton	251	54
Port of Dampier <sup>(1)</sup>	4,270	3,499
Port of Port Hedland	3,011	2,937
<b>Total vessel visits</b>	<b>7,531</b>	<b>6,490</b>

SYSTEMS AND INDUSTRY BEST PRACTICE		
	FY TARGET	FY RESULTS
Lost Time Injury Frequency Rate	≤1.7	0.00
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
Customer Satisfaction Survey results <sup>(2)</sup>	>66	77
Number of Community Consultation Committee meetings held	8	8

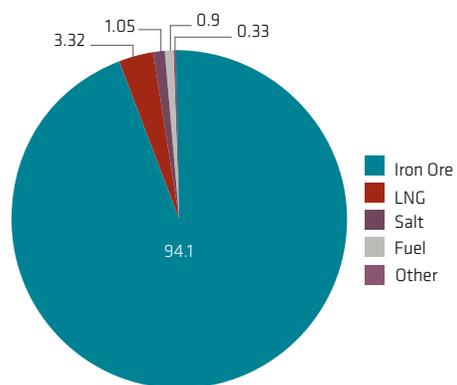
(1) Reduced offshore activities has seen a decreased number of vessel movements at the Port of Dampier.

(2) Based on the TRI\*M corporate reputation index, which measures and displays strength of stakeholder relationship. Pilbara Ports Authority achieved an overall corporate reputation score of 77 (excellent), higher than the Australian average of 46, and global public sector average of 58.

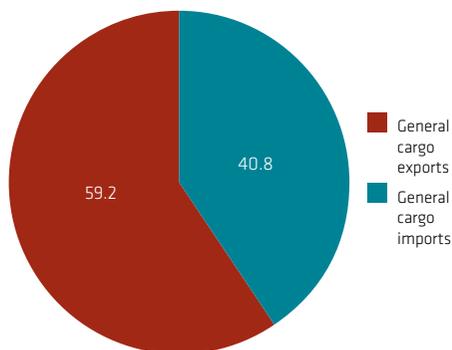
# CORPORATE SCORECARD

## TOTAL THROUGHPUT - 2016/17

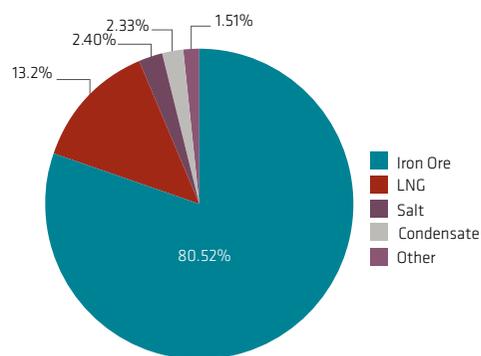
**Pilbara Ports Authority  
(Ashburton, Dampier and  
Port Hedland)**



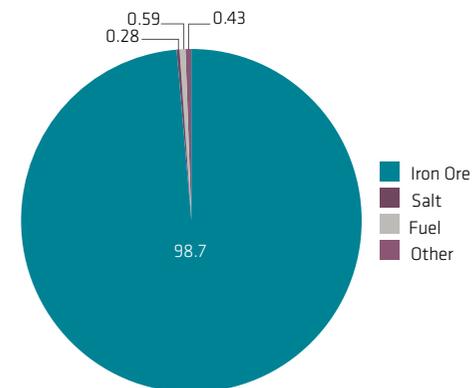
**Port of Ashburton  
(Total: 23,361 tonnes)**



**Port of Dampier  
(167,688,212 tonnes)**



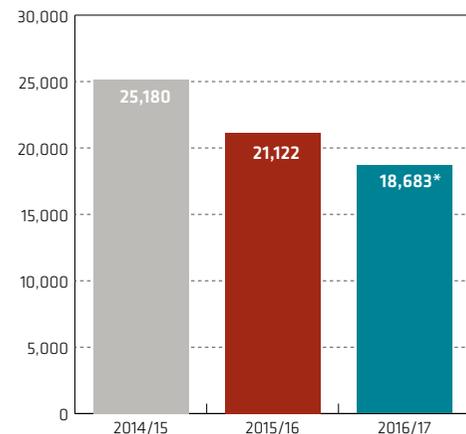
**Port of Port Hedland  
(500,908,612 tonnes)**



# CORPORATE SCORECARD

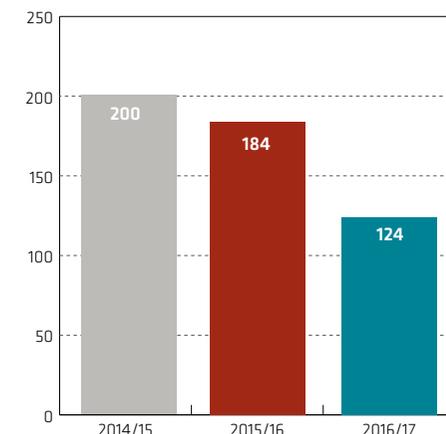
## VESSEL MOVEMENTS

PPA total vessel movements

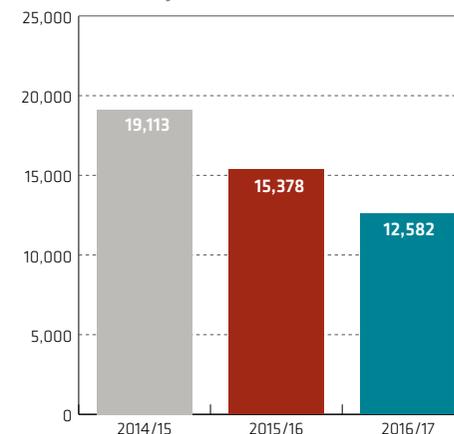


\* Reduced offshore activities has seen a decreased number of vessel movements

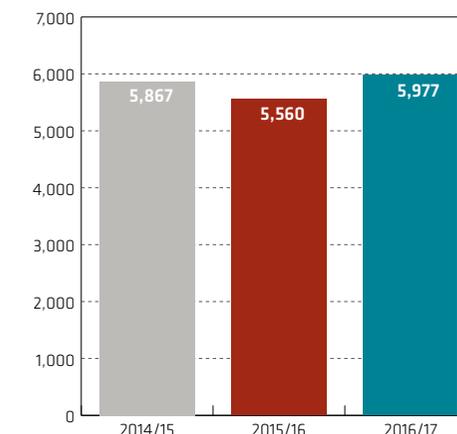
Port of Ashburton



Port of Dampier

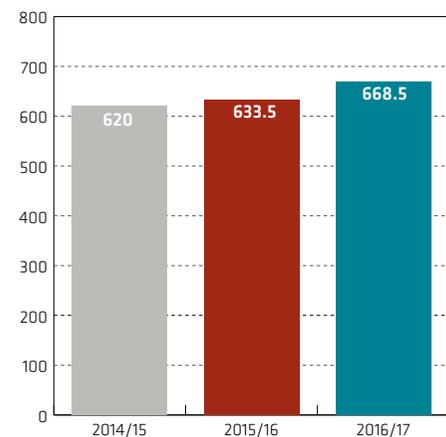


Port of Port Hedland

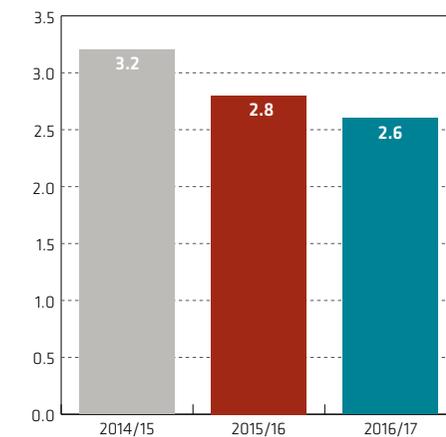


## PPA THROUGHPUT (MILLION TONNES)

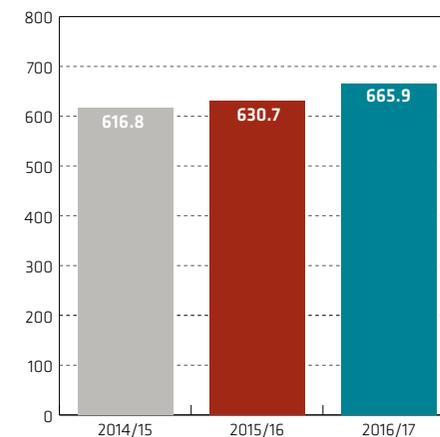
PPA total throughput



PPA total imports



PPA total exports



## PERFORMANCE AGAINST GOVERNMENT GOALS

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

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

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

PILBARA PORTS AUTHORITY OBJECTIVE	RESULTS
To facilitate trade through the Pilbara for the benefit of the State	<ul style="list-style-type: none"> <li>• A record total annual throughput of 668.5Mt was achieved, an increase of six per cent from the previous year</li> <li>• Vessel movements across PPA totalled 18,683</li> <li>• Construction began on the Integrated Marine Operations Centre in Port Hedland, which will ensure safe, reliable and efficient operations commensurate with an increase in vessel traffic and tonnage growth</li> <li>• A new loading ramp was delivered in Port Hedland in mid-June 2017 for livestock exports</li> <li>• Eight trial shipments of spodumene (lithium) were successfully exported through the Utah Facility at the Port of Port Hedland</li> <li>• Monitoring and communications services for the Port of Ashburton continued through Dampier's Vessel Traffic Services Centre, well in advance of the handover date</li> <li>• Cape Preston East land transferred to Pilbara Ports Authority under a Management Order</li> <li>• Port charges were held for a third consecutive year</li> </ul>
KEY OUTCOMES SOUGHT	
<p>Suitable, reliable port facilities</p> <p>Provision for port expansion and new ports</p> <p>Successful project realisation</p> <p>Understanding customer supply chains</p> <p>Understanding new market opportunities</p> <p>Competitive port charges</p>	
INITIATIVES AND PRIORITIES	
<p>Strategic asset management</p> <p>Optimised ports</p> <p>Diversification</p> <p>New export opportunities</p>	

## PERFORMANCE AGAINST GOVERNMENT GOALS

### Goal 3 – Social and environmental responsibility

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

#### PILBARA PORTS AUTHORITY OBJECTIVE

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

#### KEY OUTCOMES SOUGHT

Customer satisfaction  
Stakeholder management  
Minimal environmental incidents/accidents  
Management of heritage  
Incident response preparedness  
Strong regional presence  
Reliable and efficient services

#### INITIATIVES AND PRIORITIES

Strengthen community and industry partnerships  
Prepare for transfer of Shipping and Pilotage Act ports  
Maintain relationships with key stakeholders  
Regional planning

#### RESULTS

- No major environmental incidents
- Maintenance dredging successfully conducted with zero incidents
- Annual Stakeholder Satisfaction Survey resulted in a score of 77 (up from 66 in 2016) based on the TRI\*M corporate reputation index, against the Australian average of 46. Safe operations and commitment to environmental management remain a growing strength, and many stakeholders feel better engaged than previously reported
- A total of \$295,000 was provided to charities, not-for-profit and community groups in Onslow, Dampier/Karratha and Port Hedland as part of Pilbara Ports Authority's Community Support Initiative Program
- A total of eight Community Consultation Committee meetings were held at Dampier/Karratha, Port Hedland and Onslow ensuring effective two-way communication with community and local business groups, and relevant local government authorities
- More than 30 emergency response exercises carried out across all sites (including Perth office), which also include internal desktop exercises, crisis management training and oil spill exercises with external stakeholders

## PERFORMANCE AGAINST GOVERNMENT GOALS

### Goal 4 – Stronger focus on the regions

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

#### PILBARA PORTS AUTHORITY OBJECTIVE

To optimise performance through industry leading practices and innovation

#### KEY OUTCOMES SOUGHT

Safe, secure shipping  
 Safe working environment  
 Capable workforce  
 High performance teamwork  
 Continuous business improvement  
 Enterprise wide risk management  
 Innovation culture

#### INITIATIVES AND PRIORITIES

Safe shipping leadership	Higher education linkages
Innovation platform	Operational technology think tank
Hydroid model application	Business process simplification
Crisis management scenario testing	Regional resourcing
Information technology – cyber security	Human Resources enhancement project

#### RESULTS

- Pilbara Ports Authority reported a 12-month rolling Lost Time Injury Frequency Rate (LTIFR) of 0.00 in October 2016, against a target of 1.7, and maintained during the reporting year
- A successful recertification audit was conducted resulting in;
  - 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
- A Crisis Management Framework was established
- The inaugural ‘Safe Ships Safe Port’ forum was hosted in Perth in September 2016, providing ship owners, ship operators and port users with an enhanced understanding of the critical nature of port operations and the key operational risks at the Port of Port Hedland
- Implementation of Innovation Platform Framework



**TRADE FACILITATION**

TO FACILITATE TRADE  
THROUGH THE PILBARA  
FOR THE BENEFIT OF  
THE STATE

## TRADE FACILITATION



### PORT OF BALLA BALLA

Located 100km east of Dampier, Balla Balla will be developed as an iron ore transhipping export port. In January 2017, the Western Australian government signed a State Agreement with BBI Rail Aus Pty Ltd, a wholly owned subsidiary of the Balla Balla Infrastructure Group (BBI).

Subsequently, the Minister for Transport approved Pilbara Ports Authority's request to commence the process of declaring the Port of Balla Balla under the Act. Pilbara Ports Authority is continuing discussions with BBI Group regarding the construction and operation of BBI's port facilities and third party access arrangements, in line with BBI's aim of reaching a final investment decision and a start on construction in 2018.

### PORT OF CAPE PRESTON EAST

The greenfield port of Cape Preston East is located approximately 70km southwest of Dampier, and will be developed as a multi-user port to facilitate the export of iron ore and other bulk minerals. BC Iron has been granted approval in accordance with Pilbara Ports Authority's Port Development Guidelines to develop its project to an ultimate annual throughput of 20Mt.

In March 2017, a reserve was created at Cape Preston East for port purposes, encompassing the jetty, terrestrial and Materials Offloading Facility areas. Subsequently, Pilbara Ports Authority was granted a Management Order by the Department of Lands, allowing the authority to grant leases, subleases and licences. The vesting of the port reserve in Pilbara Ports Authority and declaration of a new port is being progressed.

Salt loaded onto a vessel  
at Port of Port Hedland

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## TRADE FACILITATION

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### ANKETELL

Located approximately 30km east of Karratha, Anketell has been identified as the preferred location for a proposed iron ore export facility and strategic industrial area by joint venture partners Baosteel, AMCI, POSCO and Aurizon (APIJV).

During the reporting year, investigations into the development of port infrastructure have continued, however the timing of the development of Anketell is currently unknown.

### LUMSDEN POINT GENERAL CARGO FACILITY

Recent studies by Pilbara Ports Authority indicate new and increasing trade, such as lithium, livestock and ammonium nitrate will lead to congestion across Pilbara Ports Authority's three common-user berths at the Port of Port Hedland in the near-term.

The proposed Lumsden Point General Cargo Facility in Port Hedland will be designed to facilitate increased trade growth of general cargo and mineral concentrates across the common-user berths.

The proposed facility is located in the inner harbour, and will capitalise on land reclaimed during previous port expansion projects, as well as the realignment of the Great Northern Highway in 2014.

During 2016/17, Pilbara Ports Authority advanced concept studies to support the development. The first stage of development would include dredging, reclamation and land remediation works. This will support private sector investment in berthing and above ground export/import infrastructure, as well as the adjacent cargo and logistics hub.

### PORT IMPROVEMENT RATE PROJECTS

#### Integrated Marine Operations Centre

Early construction works for the new Integrated Marine Operations Centre (IMOC) at the Port of Port Hedland commenced during the reporting year. The IMOC will control all marine operations within the port, including port security and Vessel Traffic Services to manage the safe and efficient movement of approximately 6,000 shipping movements through the port each year.

The Design and Construct tender was awarded to Pindan Contracting Pty Ltd in July 2016. Australian Maritime Systems Group was awarded the tender to design and install the state-of-the art Vessel Traffic Services system in February 2017, which will integrate radar, radio, CCTV and scheduling information.

The IMOC, a Port Improvement Rate funded project, is expected to be operational in late-2018. On completion of the IMOC, the existing control tower at the port will be demolished.

A commemorative book of the Port Hedland Shipping Tower is underway to meet Pilbara Ports Authority's State Heritage obligations and honour its history in the community.

#### Channel Marker Replacement Program

The Channel Marker Replacement Project is another Port Improvement Rate funded project to replace 38 ageing navigation markers in the Port Hedland shipping channel. The project aims to ensure the structural integrity and reliability of the channel markers for the next 25 years and comply with best practice maritime standards.

During the reporting year, a call for tenders was issued with tender evaluation underway. The replacement of the channel markers will continue in 2017/18.

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## TRADE FACILITATION

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### Channel Risk Optimisation Project

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

During the reporting year, the CROP's design was further refined to reduce capital dredging requirements while ensuring optimal results are achieved. In early 2017, Pilbara Ports Authority conducted an environmental and geotechnical investigation to gain a better understanding of material to be dredged to achieve the desired design, as well as to support the Commonwealth dumping permit application.

The first phase of dredging works is expected to commence in September 2017. These works will be carried out simultaneously with the port's annual maintenance dredging campaign.

### PORT HEDLAND BERTH 3

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Common-user Berth 3 at the Port of Port Hedland is primarily used for salt exports and fuel imports. In recent years, condition inspections have revealed that the berth has reached its useful life and its concrete deck needs replacing due to deterioration from the harsh salt environment.

During the reporting year, Pilbara Ports Authority's Board approved a business case for \$33.8 million to replace the deck, which received government approval to proceed in June 2017.

A Request for Tender was issued in June 2017, with the project expected to be completed in mid-2019.

### NEW LIVESTOCK LOADING INFRASTRUCTURE

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During the reporting year, Pilbara Ports Authority commenced a tender process for the construction of new livestock loading infrastructure. The fit-for-purpose livestock loading ramp, which can be used on the Port of Port Hedland's common user berths 1, 2 and 3, was designed after consultation with industry and in line with best-practice.

The new loading ramp was delivered in Port Hedland in mid-June 2017, with commissioning commencing by late July 2017.

### FIRST EXPORT OF SPODUMENE

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The first of eight trial shipments of spodumene (lithium) was successfully exported through the Utah Facility at the Port of Port Hedland on 17 April 2017. The trials were approved by the Department of Water and Environmental Regulation.

The trials were a success across health, safety, operations and maintenance related performance measures.

### DAMPIER CARGO WHARF UPGRADES

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At the Port of Dampier, construction of the Dampier Cargo Wharf western fenders replacement project commenced in early 2017. The new modern fenders will allow vessels to safely berth without damage to vessels and ensure the Dampier Cargo Wharf is serviceable and safe for shipping into the future. The project is due to be completed in 2017.

## TRADE FACILITATION

### PORT OF ASHBURTON ASSET HANDOVER

Pilbara Ports Authority's operational preparations for the final transfer of control and responsibility for the Port of Ashburton and common-user infrastructure continued during the reporting year, which will see port operations, security, and maintenance functions for stevedoring.

Chevron Australia's Wheatstone project is currently in the commissioning stages of the first gas train. The port infrastructure constructed during the project stages has been receiving cargo across the wharves, with several hundred thousand tonnes of cargo imported, the largest of these imports being two 5,000 tonne modules.

Pilbara Ports Authority's Marine Operations continue to provide monitoring and communications services through Dampier's Vessel Traffic Services Centre of all the port's marine vessel traffic. This service commenced July 2016 in direct support of the project and well in advance of the anticipated handover of responsibilities associated with the first gas surrender date.



Port of Ashburton - image courtesy of Chevron Australia

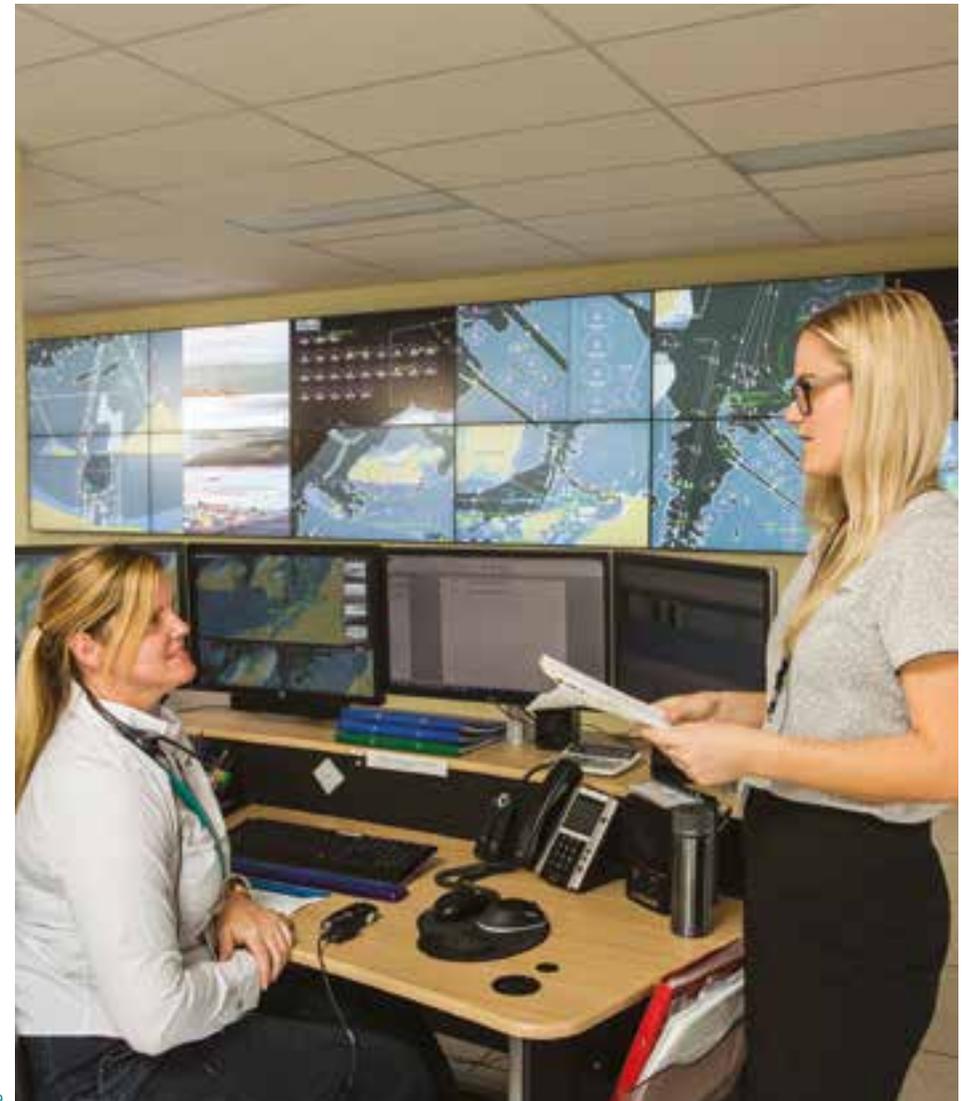
## TRADE FACILITATION

### DAMPIER VESSEL TRAFFIC SERVICES (VTS) CENTRE

The Dampier Vessel Traffic Services Centre provides port monitoring and communications services for commercial vessels using the ports of Ashburton and Dampier.

In January 2017, Rio Tinto and Pilbara Ports Authority agreed that all functions of vessel traffic management within Port of Dampier's waters will be carried out by Port of Dampier's Vessel Traffic Services Centre. Previously, ships using Rio Tinto's berths used Hamersley Base as the communications centre.

During the reporting year, Pilbara Ports Authority continued its West Pilbara Port Communication Network infrastructure program, which saw identical communication towers established for the future greenfield ports and Shipping and Pilotage Act ports. The communications tower for Port Walcott was established in October 2016, and is expected to be operational by October 2017.



Inside the Dampier VTS Centre



## SUSTAINABILITY

TO MANAGE THE  
PORTS' GROWTH  
AND OPERATIONS  
WHILE RESPECTING  
THE PILBARA'S  
ENVIRONMENT AND  
HERITAGE

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## SUSTAINABILITY

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### CULTURAL HERITAGE MANAGEMENT PLAN

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During 2016/17, Pilbara Ports Authority carried out a review of its Cultural Heritage Management Plan. The plan identifies the processes and procedures that enable the organisation to operate its port facilities while protecting and managing Aboriginal, historical and maritime cultural heritage values.

Comment and feedback was sought from a range of stakeholders including Traditional Owner groups, local government, relevant regulatory authorities and local history community groups. The revised plan is published on Pilbara Ports Authority's website.

### MANGROVE MATES

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The Mangrove Mates program was delivered to 280 students across eight primary schools in Dampier, Karratha, Onslow, Port Hedland and South Hedland during the reporting year. Since 2012, Pilbara Ports Authority's Mangrove Mates program has been delivered to 969 primary school aged students across the Pilbara.

Community seminars were also held in Port Hedland and Karratha to give the local community the opportunity to learn about the different local species and the importance of mangroves as a coastal ecosystem.



Mangrove Mates

### PASSIFLORA CASE STUDY

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Pilbara Ports Authority is leading a collaborative research project with Woodside, Commonwealth Scientific and Industrial Organisation (CSIRO), Department of Parks and Wildlife and the Murujuga Land and Sea Unit that aims to improve the management of the introduced environmental weed species, Stinking Passionflower vine (*Passiflora foetida*) on the Burrup Peninsula.

The project has collated more than 18 months of data on the seasonal growth and reproductive characteristics of this weed across port vested land. Several controlled trials to investigate the effectiveness of a range of herbicide types and application techniques have been tested.

Preliminary findings of the research project were presented at the Australasian Weed Conference in Perth in September 2016. The outcomes of the project will also support CSIRO's invasive weed management project, which was awarded \$5.5 million in Commonwealth funding in 2016.

### DUST STUDIES

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Pilbara Ports Authority is required to monitor and report on dust levels which may be generated from its activities at the Utah Facility and Eastside operations. These levels and the reporting requirements are regulated by the Department of Water and Environment Regulation and are set out in Pilbara Ports Authority's Part V Environment Licences.

Pilbara Ports Authority has engaged the services of both the CSIRO and the Western Australian ChemCentre to undertake a series of projects in relation to dust emissions and management in Port Hedland.

The use of these respected, independent organisations with specialised knowledge is expected to lead to a better assessment and understanding of dust in Port Hedland, and consequently improve management practices and community engagement.

## SUSTAINABILITY

### ENVIRONMENTAL MANAGEMENT

Each year, Pilbara Ports Authority undertakes a review of its activities to assess environmental risks and opportunities. A broad range of site personnel were engaged in assessing risks, developing mitigation plans and measuring the success of risk controls.

The review considered port planning, marine services and operations across all ports operated and managed by Pilbara Ports Authority. A revised Environmental Management Plan was developed and provided to government as part of Pilbara Ports Authority's Strategic Development Plan. A copy of the 2016/17 Environmental Management Plan is published on Pilbara Ports Authority's website.



Environment and Heritage team,  
Port of Dampier

### APPROVALS AND PERMITS

The following strategic initiatives were granted approvals during the reporting year:

- Maintenance dredging permit for the Port of Ashburton (*Environment Protection (Sea Dumping) Act 1981(Cth)*); and
- State approvals for amendments to licences issued under the *Environment Protection Act (1986) WA* for operations in Port Hedland.\*  
\*New amendment applications are in progress.

The following strategic initiatives continued to be progressed during the reporting year:

- An application for capital dredging works in Port Hedland associated with the CROP (*Environment Protection (Sea Dumping) Act 1981(Cth)*); and
- Applications to undertake marine sediment sampling in Port Hedland to support an application for a five year sea dumping permit for maintenance dredging within Port Hedland (*Sea Dumping) Act 1981(Cth)*).

Auditing by both State and Commonwealth agencies, independent experts and Pilbara Ports Authority's own personnel, continue to monitor compliance and to identify improvement opportunities.

## SUSTAINABILITY

### COMMUNITY CONSULTATION COMMITTEES

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

The committees provide for communication between the port authority and the local communities in which it operates. Committee membership consists of 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 available on Pilbara Ports Authority's website.

LOCATION	NO. OF MEETINGS HELD IN 2016/17	NO. OF MEETINGS EXPECTED IN 2017/18
Port of Ashburton	2	2
Port of Dampier	3	3
Port of Port Hedland	3	3

### COMMUNITY SUPPORT INITIATIVE

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

During 2016/17, a total of \$295,000 of funding was committed, including support for the following:

- TS Pilbara – Youth Adventure Voyage
- Karratha Arts and Learning Centre
- Karratha Cub Scout Group
- Dampier Community Association
- Hedland BMX
- Karratha BMX
- North West Festival
- Australia Day Fireworks, Port Hedland
- Red Earth Arts Festival
- North Pilbara Football League
- Ngarluma and Yindjibarndi Foundation
- Onslow Goods Shed Museum
- West Pilbara Volunteer Sea Search and Rescue Group
- Volunteer Marine Rescue, Port Hedland
- St John Ambulance, Port Hedland

## SUSTAINABILITY



### COSSACK ART AWARDS

Pilbara Ports Authority has been associated with the Cossack Art Awards for the past 12 years, and sponsors the event through its Community Support Initiative program. Pilbara Ports Authority is proud to continue its support of the event, which shines a spotlight on the artistic talent of local, state and national artists in the historic town of Cossack.

### PORT HEDLAND INDUSTRIES COUNCIL

Pilbara Ports Authority is a foundation member of the Port Hedland Industries Council (PHIC), which was established in 2009, and is represented on PHIC at all levels from senior executive positions and management roles through to participation in various working groups.

Pilbara Ports Authority has continued to work collaboratively with other port users to fund and support the operation of the Port Hedland Ambient Air Quality Monitoring network. The real-time information on ambient dust levels within Port Hedland and its surrounds can be accessed via the PHIC website. PHIC has also engaged the services of an external air quality expert to review all data collected, which is published as an annual dust monitoring report on the group's website.

As a key member of the State Government's Taskforce on dust and noise within Port Hedland, PHIC and its members have worked to complete key tasks assigned to the group in the 2010 Taskforce Report. PHIC members also exchange ideas and information on dust and noise management controls applicable to the port's operating environment.

As PHIC's purpose and focus expands from technical expertise in environmental monitoring to a stronger education and advocacy role, PHIC and its members will continue to provide open and transparent information and advice on dust and noise management within the existing regulatory frameworks. PHIC will also continue to support the ongoing promotion of a sustainable balance between industry and the community for the benefit of all.

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## SUSTAINABILITY

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### STAKEHOLDER SATISFACTION SURVEY

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Pilbara Ports Authority conducts an annual Stakeholder Satisfaction Survey, through an independent market research agency, to seek feedback on the organisation's performance and reputation.

Each year, an action plan is developed in response to stakeholder survey feedback. The action plan is approved by the Executive Committee and the actions are implemented throughout the year. The result of the 2015 and 2016 action plans are reflected in the improved 2017 survey result.

The 2017 survey saw 142 people representing port users, service providers, local and State Government representatives and community organisations.

Key findings from the 2017 survey include:

- **Reputation:** Overall, Pilbara Ports Authority has improved its reputation with the majority of its stakeholders, with changes in senior operational staff at the ports of Dampier and Port Hedland receiving positive feedback.
- **Stakeholder engagement:** Many stakeholders feel more engaged with Pilbara Ports Authority. This positive trend has been linked to Pilbara Ports Authority's work to improve consultation and communication. More collaboration is still being sought on strategic issues.
- **Operations:** Stakeholders report that Pilbara Ports Authority continues to provide efficient shipping and marine services to a high standard.
- **Safety and environment:** Safe operations and a commitment to environmental management remains a clear and growing strength for Pilbara Ports Authority.
- **Financial management:** The ongoing hold on port fees and charges, and the discount at the Utah Facility is welcomed, and is seen as a strength for Pilbara Ports Authority's financial management.
- **Long-term strategy:** While Pilbara Ports Authority has improved communication and engagement regarding short and medium-term projects and initiatives, stakeholders are seeking more information on the long-term strategy and direction of the ports.

### DIVESTMENT OF UTAH FACILITY

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Pilbara Ports Authority assisted the Department of Treasury to progress the potential divestment of the Utah Facility in the first half of 2016/17.

The legislation enabling the divestment of Utah Point (*Pilbara Port Assets (Disposal) Bill 2015*) was passed by Parliament in November 2016.

The divestment's transaction phase was placed on hold by the new government following the March 2017 State election. A decision is yet to be made by government whether the transaction will proceed.

### SHIPPING AND PILOTAGE ACT PORTS

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Pilbara Ports Authority assisted the Department of Transport to progress the transitioning of the Shipping and Pilotage Act ports through participation on legislative review and technical working groups.

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 timing of the introduction is unknown.

## SUSTAINABILITY

### TUG CAPABILITY

Pilbara Ports Authority has developed standard service provider licences to ensure high levels of tug capability and service is available for port users. There are a total of nine licences issued across the ports of Ashburton, Dampier and Port Hedland. During 2016/17, Pilbara Ports Authority issued two new non-exclusive licences to towage service providers.

Following a public tender process, Pilbara Marine, a subsidiary of Fortescue Metals Group, was announced as the second towage service provider at the Port of Port Hedland. Construction of a new tug haven commenced in March 2017, and towage services are anticipated to commence in 2018/19. The new tug haven will provide for future expansion of up to 13 tugs.

Svitzer Australia has been granted a long-term licence at the Port of Ashburton to support Chevron's operations for the Wheatstone Project. Chevron's export jetty and LNG loading platform are complete and all LNG Train 1 modules are on site, with activities continuing offshore and at the LNG plant site for the delivery of first LNG in mid-2017.



Tugs in Port Hedland

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## SUSTAINABILITY

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### MINOR CAPITAL WORKS PROGRAM

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During the reporting year, Pilbara Ports Authority expended its full forecast minor capital works budget as a result of improved project management, governance, reporting and processes.

These improvements have allowed the sustainable minor capital works program to be completed, ensuring Pilbara Ports Authority can continue to provide a high quality service to port customers.

### STRATEGIC ASSET MANAGEMENT PROGRAM

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Pilbara Ports Authority has significantly developed its Strategic Asset Management Program during the reporting year.

An Asset Planning Register, which provides a 10+ year forecast of capital and maintenance requirements for key assets, has been compiled. The register comprises assets that constitute more than 95 per cent maintenance expenditure, forming the basis of future minor capital plans.

Wharf structure condition assessments are now undertaken using an industry-accepted approach published by Ports Australia. The Wharf Structures Condition Assessment Manual provides a risk-based approach to assessing the condition of wharf structures.

### PORT OPERATIONS MANAGEMENT SYSTEM - KLEIN

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Pilbara Ports Authority continued to enhance its Vessel Traffic Information Management System (KLEIN) at the Port of Port Hedland. These enhancements included a new ship scheduling sub-module replacing the previous method of manually entering data of scheduled ship visits, which has increased the efficiency and accuracy of the shipping schedule.

### MARITIME SECURITY COMPLIANCE

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Pilbara Ports Authority has implemented Maritime Security plans for the ports of Ashburton, Dampier and Port Hedland, compliant with the *Maritime Transport and Offshore Facilities Security Act 2003*.

During 2016/17, Pilbara Ports Authority, an approved Maritime Security Identification Card (MSIC) Issuing Body, also implemented an MSIC Plan, compliant with the Maritime Transport and Offshore Facilities Security Regulations 2003.

Transport security inspectors from the Federal Government's Office of Transport Security visited the ports of Port Hedland (February 2017) and Dampier (May 2017) to perform security compliance inspections of the port facilities and an audit of the Dampier MSIC office. The inspections and audit did not identify any non-compliances.

Pilbara Ports Authority has also undertaken work which has resulted in the Office of Transport Security developing a new guidance paper on the roles and powers of maritime security guards in the maritime industry.

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## SUSTAINABILITY

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### NEW MARINE PILOT TRANSFER HELICOPTER CONTRACT

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A new helicopter marine pilot transfer service at the Port of Port Hedland was awarded to Aviator Group during the reporting year, with two new twin engine helicopters commencing operations in April 2017.

The new service has advantages for the port and port users including:

- Reduced travel time by up to six minutes from the helipad to the end of the shipping channel and back;
- Allowing more passengers (up to seven) on each helicopter, improving the port's marine pilot training program; and
- Reliability of service as a result of enhanced efficiencies and engineering aspects of the new helicopters.

Pilbara Ports Authority is well-placed to seamlessly transition to any future change in Civil Aviation Safety Authority regulations for marine pilot helicopter transfers.

### EMERGENCY MANAGEMENT RESPONSE

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The ports of Dampier and Port Hedland have implemented comprehensive emergency response plans to effectively manage incidents within Pilbara Ports Authority's jurisdiction, in accordance with the Act.

#### Port of Dampier

The Port of Dampier works closely with respective Hazard Management Agencies, providing coordinated assistance, communications and marine expertise. Pilbara Ports Authority continues active participation in emergency management committees at local, district and state levels.

In May 2017, Pilbara Ports Authority conducted an oil spill exercise with its port users and service providers to test first strike emergency response and equipment deployment at the port. Exercise Consolidation involved 50 participants representing both staff and external stakeholders. The exercise tested updated first-strike emergency plans. The sharing of emergency equipment and facilities and collaboration between external stakeholders resulted in the exercise objectives being achieved in a safe and efficient manner.

#### Port of Port Hedland

The Port of Port Hedland's annual emergency response exercise was held across two days in May 2017. The key objectives of the exercise were to test and validate emergency preparedness and response arrangements at the port, as well as the port's salvage and waste management plans.

The exercise involved more than 50 staff in various emergency response roles, including the Incident Management Team, field deployment teams and aerial observers. A number of external port users also took part as observers.

During the reporting year, Pilbara Ports Authority also continued to enhance its emergency preparedness and response with a comprehensive review of checklists and drills with staff and service providers.

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## SUSTAINABILITY

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### CONTINUOUS IMPROVEMENT THROUGH WORLD CLASS TRAINING

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Pilbara Ports Authority maintains its commitment to continuous improvement through its ongoing alliance with the HR Wallingford Marine Simulator Training Facility in Fremantle. The marine simulator is used to facilitate whole of port training scenarios for marine pilots, tug masters and marine operation personnel at the Port of Port Hedland.

To ensure a high degree of realism in the training scenarios, the vessel and tug models, as well as the port's metocean data, are updated at regular intervals.

### NEW SALVAGE SERVICE

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During the reporting year, marine salvage consultancy, Ardent Oceania, was selected to provide Pilbara Ports Authority specialist salvage advice in the event of a marine casualty event across any of its operational ports.

Ardent Oceania has also taken part in the annual emergency response exercises at the ports of Dampier and Port Hedland, assisting in the salvage component for the exercises.

### LNG BUNKERING SERVICE

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The first LNG bunkering operation in the Southern Hemisphere was carried out at the King Bay Supply Base at the Port of Dampier on 23 January 2017.

Pilbara Ports Authority worked alongside Woodside's provider EVOL LNG to award an LNG bunkering service provider's licence, permitting truck-to-ship bunkering at the King Bay Supply Base.

Australia's first commercial LNG bunkering saw the refuelling of the offshore supply vessel *Siem Thiima*, which is a new dual fuel vessel chartered by Woodside to provide support to their offshore assets. LNG bunkering is a move towards the environmental and economic sustainability of LNG as a transport fuel.



## BUSINESS EXCELLENCE

TO OPTIMISE  
PERFORMANCE  
THROUGH INDUSTRY  
LEADING PRACTICES  
AND INNOVATION

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## BUSINESS EXCELLENCE

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### SAFETY

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Pilbara Ports Authority reported a 12-month rolling Lost Time Injury Frequency Rate (LTIFR) of 0.00 in October 2016, which has been maintained through the reporting year. The LTIFR target was 1.7, which is inclusive of all work completed by employees, contractors and licensees. This is an outstanding achievement and demonstrates the application of the organisation's values and entrenched safety culture.

Pilbara Ports Authority's safety performance is underpinned by its Occupational Health and Safety Management System (OHSMS). The system was successfully recertified to AS/NZS 4801 in October 2016 with no major or minor corrective actions required. The organisation continues to review and update its OHSMS in order to continuously improve its safety performance and culture.

During the reporting year, Pilbara Ports Authority carried out a risk assessment of its occupational health hazards to develop a risk based Hygiene Management Plan. The plan identifies occupational health hazards, control measures and monitoring programs. Pursuant to the plan, Pilbara Ports Authority conducted a number of hygiene assessments throughout the year including indoor and outdoor air quality, noise, heat stress and vibration.

Pilbara Ports Authority successfully processed a trial of spodumene (lithium) through its Utah Facility in March and April 2017. This involved the completion of a health risk assessment, distribution of information to all workers on site, and conduction of an air quality monitoring program to assess the level of risk to workers at the facility arising from the handling of spodumene. The program found that the risk level is low, with air containments below occupational exposure standards. Pilbara Ports Authority will continue to conduct periodic air monitoring to monitor the control effectiveness.

### CRISIS MANAGEMENT SCENARIO TESTING

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Pilbara Ports Authority has an established Crisis Management Framework that is tested bi-annually through simulated exercises. Crisis management team members undertake mandatory training, with their knowledge and preparedness tested through the exercises.

During the reporting year, a number of enhancements were made to Pilbara Ports Authority's crisis management capability, including:

- implementation of a secure, online crisis management and communication system designed to assist in managing crisis events more effectively; and
- engagement of a fully resourced call centre to respond and manage enquiries during a crisis event.

### ENTERPRISE RISK MANAGEMENT

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Pilbara Ports Authority's Enterprise Risk Management Framework identifies, manages and monitors strategic, corporate and operational risks and controls, and their effectiveness.

Key risk management activities undertaken during the reporting year include:

- a quarterly review and reporting of the authority's risk profile;
- further improvements in the application of risk management processes to business and strategic planning; and
- an independent maturity assessment of the authority's Enterprise Risk Management Framework.

## BUSINESS EXCELLENCE

### INTERNAL AUDIT

During the reporting year, a panel of internal audit service providers was established for delivery of the organisation's internal audit program.

The annual internal audit plan focused on key areas of strategic and operational risk and was developed with reference to Pilbara Ports Authority's Business Assurance Map.

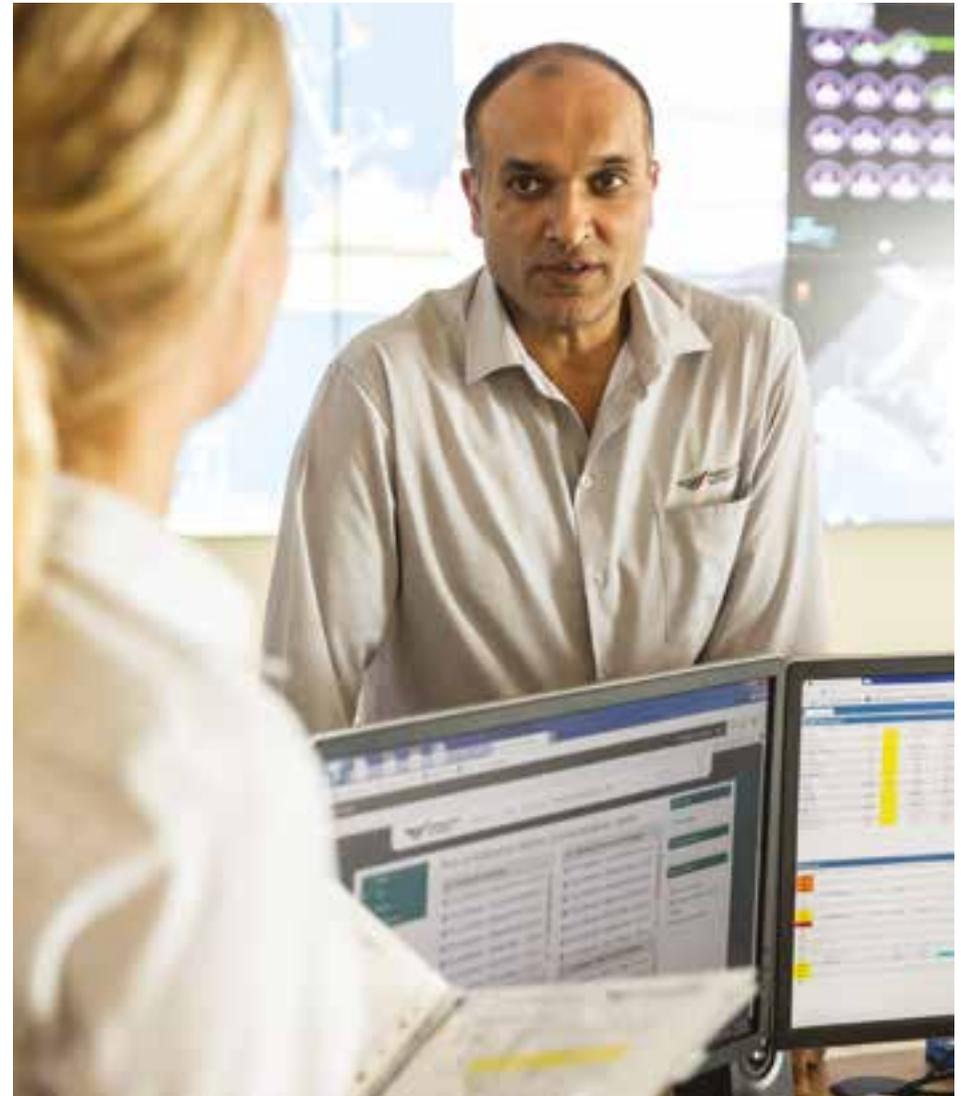
Throughout the year, the Risk and Audit Committee maintained oversight of the internal audit program and implementation of recommendations.

### KNOWLEDGE SHARING

In recent years, Pilbara Ports Authority has established a strong reputation for delivering operational excellence, innovation and continuous improvement. The authority is eager to share this knowledge and experience on a national and international stage with industry peers.

During the reporting year, General Manager Operations Captain John Finch delivered presentations on operational performance, risk management and safety enhancements at a number of conferences and forums including:

- Safe Ships, Safe Port Shipping Forum (Perth, Western Australia);
- Ports Australia Working Group (Melbourne and Brisbane);
- Launch of FMG's new ships – Shipyard and engine manufacturers (China)
- International Harbour Masters Association (Vancouver, Canada); and
- Attorney General's Criticality Project Transport Sector Workshop (Melbourne).



Deputy Harbour Master,  
Sharad Bhasin

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## BUSINESS EXCELLENCE

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### HARBOUR MASTER CAPABILITY

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In July 2016, Captain Vikas Bangia was appointed to the position of Dampier Harbour Master, and in January 2017, Captain Myron Fernandes was appointed to the position of Port Hedland Harbour Master (replacing Captain John Finch). Mr Finch remains General Manager Operations.

The decision was based upon the strategic direction of Pilbara Ports Authority as it prepares for further responsibility and expansion of port oversight, with the transition of the existing Shipping and Pilotage Act ports, currently administered by Department of Transport.

In June 2017, Captain Kevin Richardson, President of the International Harbour Masters Association visited each Pilbara Ports Authority port to conduct a follow up Harbour Master capability audit against the United Kingdom (UK) Port Marine Safety Code and UK Harbour Master Occupational Standards. The key findings of the audit report were:

- Excellent systems and processes in place to manage port operations;
- Well placed when measured against the code and standards;
- Best practice and continuous improvement philosophy;
- High quality, experienced and qualified harbour masters;
- Hazard identification, risk assessment and incident management procedures are robust;
- Management of pilotage service interface in Dampier has improved; and
- Robust training and exercise regimes.

### SAFE SHIPS, SAFE PORTS 2016

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Pilbara Ports Authority hosted the inaugural Safe Ships Safe Port forum in Perth in September 2016. The objective of the forum was to provide ship owners, ship operators and port users with an enhanced understanding of the critical nature of port operations and the key operational risks at the Port of Port Hedland.

The forum was well attended with more than 120 attendees representing various facets of the shipping and ports industry. A total of 31 international shipping companies were represented at the forum.

As a result of positive feedback from attendees, Pilbara Ports Authority will host the 'Safe Ships, Safe Ports' forum in September 2017, which will also include a focus on the ports of Ashburton and Dampier.

### INTEGRATED MANAGEMENT SYSTEM

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Since December 2011, Pilbara Ports Authority has maintained a certified Integrated Management System that supports service quality and consistency. In October 2016, a successful recertification audit was conducted at all sites with no major or minor corrective actions reported. Pilbara Ports Authority is currently 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

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## BUSINESS EXCELLENCE

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### VALUE PROPOSITION

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In order to better inform customers, stakeholders and local communities of its achievements, Pilbara Ports Authority has developed a Value Proposition.

The Value Proposition, which is available in infographic, brochure and animated formats, highlights the organisation's achievements across five key areas: Operations; Risk and Governance; Community and Stakeholders; Innovation and Planning and Development. The Value Proposition is available on the Pilbara Ports Authority's website.

### HUMAN RESOURCES ENHANCEMENT PROJECT

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During the reporting year, Pilbara Ports Authority completed enhancements to several existing Human Resources systems and processes, including:

- Payroll
- Attraction and Commencement
- Implementation of Labour Hire and Independent Contractors Procedure
- Detailed workforce planning procedures and templates

### LEARNING AND DEVELOPMENT

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Pilbara Ports Authority coordinates 40 minimum training requirements across the organisation, including group training such as:

- Incident Cause Analysis Method Lead investigator;
- Safe Bulk Loading;
- First Attack Fire Fighting;
- Oil Spill Response and Incident Management Familiarisation;
- Dangerous Goods; and
- High Voltage Switching.

The Working with Respect program, an initiative that provides employees an opportunity to consider and discuss PPA's values, code of conduct and ethical decision making, was updated and rolled out to all employees during the reporting year.

### SUCCESSION PLANNING AND LEADERSHIP DEVELOPMENT PROGRAM

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Pilbara Ports Authority's Succession and Leadership Development Program was introduced in late 2015. The program hosts numerous scenario and situation exercises, external training, and access to research articles on leadership.

During the reporting year, participants completed higher duties for critical roles within the organisation, which in turn has increased capability in key roles.

The authority's first Leadership Forum was held in August 2016, which included a number of leadership-related activities and panel interviews with the participants.

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## BUSINESS EXCELLENCE

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### INNOVATION AND IMPROVEMENT COMMITTEE

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An Innovation and Improvement Committee was approved by the Executive Committee in October 2016. The responsibilities of the committee are to:

- Champion and facilitate an innovation culture across the organisation;
- Identify processes that will support an innovation culture;
- Ensure innovation is examined from a broad range of perspectives;
- Encourage transparency, collaboration and confidence around innovation, from idea generation to implementation; and
- Define a set of Key Performance Area's that link to developing Pilbara Ports Authority's innovation culture.

### SALARY STRATEGY

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Pilbara Ports Authority has implemented a Salary Strategy which ensures all new employees, and new contracts for existing employees, are benchmarked against the Mercer Australian General Market. Mercer undertakes job evaluations for most management roles, with other roles evaluated internally. The strategy operates within the Western Australian Government's Wages and Remuneration Policy.

During 2016/17, Pilbara Ports Authority's Port Hedland Enterprise Agreement 2017 was approved, which covers 45 per cent of employees. The new agreement has created a separate salary schedule for new employees. Taking account of historical and current turnover rates, this arrangement is expected to reduce salary costs over the next four years.

Pilbara Ports Authority also undertakes annual workforce planning to align resources to the achievement of the organisation's strategic objectives.

### PROPERTY

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Pilbara Ports Authority manages 42 owned and 84 rented residential properties. Fifteen capital improvement projects for these properties have been completed during the reporting year.

Given the greater supply of housing in Port Hedland and Karratha, property utilisation is at approximately 95 per cent and significant rental savings have been achieved.

An improvement project has commenced in the Perth office, which includes changes to the reception and meeting room areas to increase security.

### INFORMATION TECHNOLOGY

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Pilbara Ports Authority is committed to the development and implementation of technologies that result in continuous business improvements, optimised performance and innovation. During the reporting year, Pilbara Ports Authority focused on the following four initiatives:

- Cyber Security – Pilbara Ports Authority is continuously monitoring and investing in technical controls to improve its cyber security. There is also a focus on social engineering initiatives to build a strong culture of awareness.
- ICT Business Continuity and Disaster Recovery – Existing ICT systems and processes were reviewed to ensure appropriate systems are in place as a result of technology changes. Initiatives are expected to be completed during the first half of 2017/18.
- ICT Strategy – An ICT strategic plan has been developed to assist Pilbara Ports Authority identify activities required to enable business success and prioritise service requirements.
- ICT Wireless Network – A wireless network has been implemented across all sites to improve network access for staff and visitors.

## BUSINESS EXCELLENCE

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### Stay Smart Online

Pilbara Ports Authority has partnered with Stay Smart Online, a Federal Government initiative promoting cyber security protection, which included holding a cyber-security awareness week in October 2016 across all sites, which extended to contractors and visitors.

### Office of the Government Chief Information Officer

Pilbara Ports Authority continues to take a lead agency role in the Office of the Government Chief Information Officer's reform program, to advance ICT capabilities within WA Government.

### ICT Awards

Pilbara Ports Authority was recognised for its ICT architecture work at the prestigious iCMG Global Enterprise and IT Architecture Excellence Awards in India in September 2016. ICT Manager Arun Thavasi was also awarded iCMG's Global CIO award for his leadership of ICT works and initiatives implemented during and after Pilbara Ports Authority's amalgamation.

Mr Thavasi was also a finalist for the Institute of Public Administration Australia 2017 (IPAA WA) Achievement Awards, receiving a special mention in the Information Technology Practitioner of the Year category.

Information sharing across  
Pilbara Ports Authority

## INFORMATION MANAGEMENT

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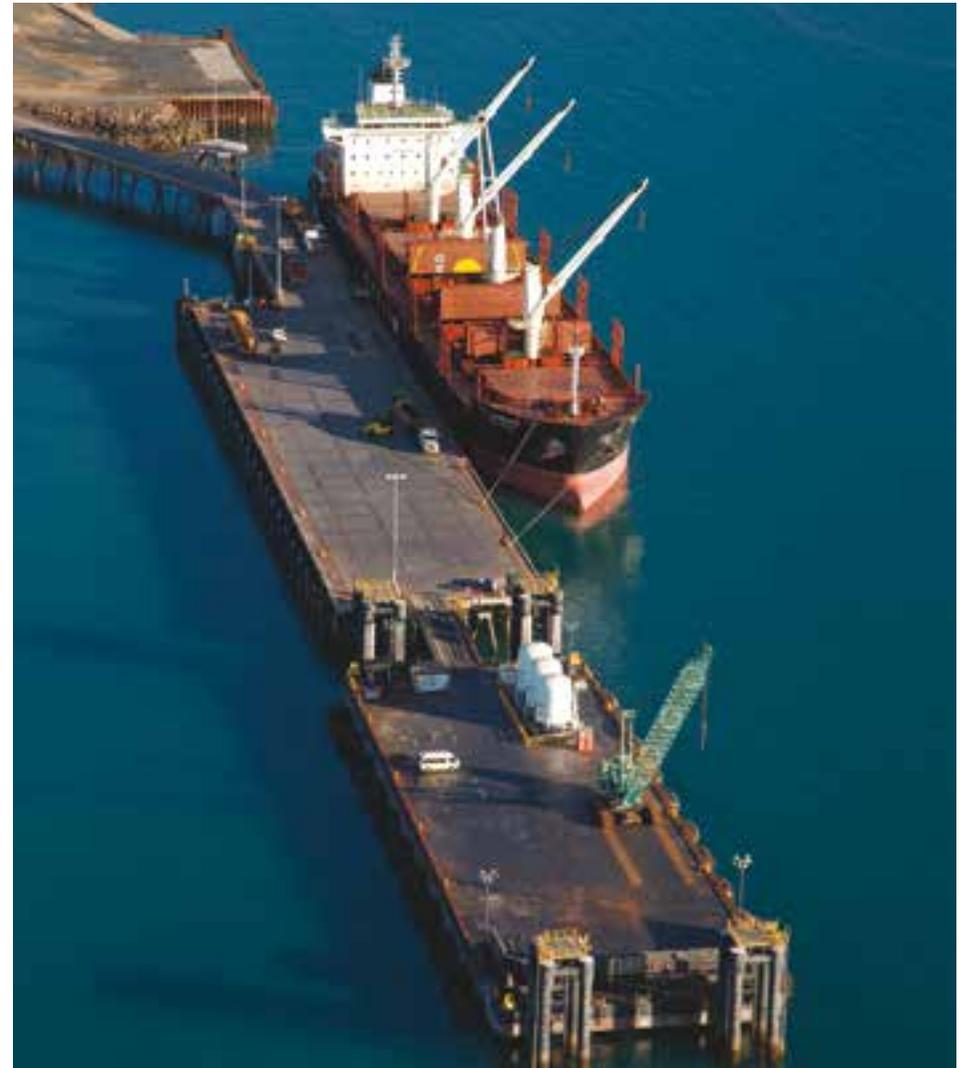
Pilbara Ports Authority is committed to a strategic approach to information management to support aligning business requirements, information assets and digital technologies to enable digital transformation. Information assets must be defined, valued, readily available and easy to use, reuse and share.

This reporting year focused on building foundations for Information Governance, enhancing recordkeeping compliance and demonstrating benefits from solutions based on aligning business, information and technology.



## CURRENT AND EMERGING TRENDS

- Pilbara Ports Authority is working with industry to facilitate new and increasing trade such as lithium, livestock and ammonium nitrate through the Port of Port Hedland.
- 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 timing of the introduction is unknown.
- The legislation enabling the divestment of Utah Point (Pilbara Port Assets (Disposal) Bill 2015) was passed by Parliament in November 2016. The divestment's transaction phase was placed on hold by the new government following the March 2017 State election. A decision is yet to be made by government whether the transaction will proceed.



Dampier Cargo Wharf

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## DIRECTORS' REPORT

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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 2017.

### APPOINTMENT, RETIREMENT AND CONTINUATION OF DIRECTORS

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

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

#### **Mr Ken Pettit SC (Chairman) – Director and Chairman since 15 August 2011**

Mr Ken Pettit SC was reappointed to the Board as Chairman on 1 July 2016 for a term expiring 30 June 2018.

#### **Mr Les Longden (Deputy Chairman) – Director since 1 October 2009**

Mr Les Longden was reappointed to the Board as Deputy Chairman on 1 July 2016 for a term expiring 30 June 2018.

#### **Mr Julian Tapp – Director since 30 June 2009**

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

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

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

#### **Mr Boyd Winton – Director since 22 October 2014**

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

#### **Ms Judith Uren – Director since 23 May 2016**

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

### Independent Chairman of Risk and Audit Committee

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

### BOARD MEETINGS

Eleven Board Meetings and three 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 three Directors and operates in accordance with a formal terms of reference reviewed and approved at least annually 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 are Mr Les Longden (Chairman), Mr Julian Tapp and Mr Boyd Winton. Mr Tony Adcock was appointed to the Risk and Audit Committee as Independent Chairman for a 12 month period commencing on 14 August 2015 and expiring on 13 August 2016. Mr Les Longden was appointed the Chairman of the Risk and Audit Committee effective 25 August 2016.

### BOARD MEETINGS

DIRECTOR	NUMBER OF BOARD MEETINGS HELD DURING THE PERIOD THE DIRECTOR HELD OFFICE DURING THE YEAR	BOARD MEETINGS ATTENDED	NUMBER OF RAC MEETINGS HELD DURING THE PERIOD THE DIRECTOR HELD OFFICE DURING THE YEAR	RAC MEETINGS ATTENDED	NUMBER OF REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS HELD DURING THE PERIOD THE DIRECTOR HELD OFFICE DURING THE YEAR	REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS ATTENDED
Mr Ken Pettit (Chairman)	14	12	N/A	N/A	2	2
Mr Les Longden (Deputy Chairman)	14	14	6	6	2	2
Mr Julian Tapp	14	12	6	5	2	2
Mr John Lillywhite	14	13	N/A	N/A	N/A	N/A
Mr Boyd Winton	14	14	6	6	N/A	N/A
Ms Judith Uren	14	12	N/A	N/A	N/A	N/A

### REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee of the Board has a membership of three Directors and operates in accordance with a formal terms of reference reviewed and approved at least annually 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 are Mr Ken Pettit (Chairman), Mr Les Longden and Mr Julian Tapp.

## 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 \$216.2 million. The income tax expense attributable to the profit for the financial year was \$64.5 million.

### DIVIDENDS

Total dividend payments of \$13.1 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.

	2017 (\$'000)	2016 (\$'000)
<b>Profit before income tax</b>	216,221	171,076
Income tax expense	(64,534)	(51,350)
<b>Profit for the year</b>	151,687	119,726
Other Income	(24)	(23)
Retained earnings at 1 July	291,205	271,966
Dividends paid in the financial year	(13,085)*	(100,464)
Retained earnings at 30 June	429,783	291,205

\*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 operations, the results of those operations or the state of affairs, in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The legislation enabling the divestment of Utah Point (Pilbara Port Assets (Disposal) Bill 2015) was passed by Parliament in November 2016. The divestment's transaction phase was placed on hold by the new government following the March 2017 State election. A decision is yet to be made by government whether the transaction will proceed.

### 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.

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## DIRECTORS' REPORT

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### 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 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 June 30 2017 was \$116,000 (GST exclusive).

### ENVIRONMENTAL AND HERITAGE MANAGEMENT AND REGULATIONS

Pilbara Ports Authority maintains an Environmental Management Plan and an environmental management system certified to ISO 14001:2015 by external auditors, well in advance of required timeframes.

Pilbara Ports Authority advised the Commonwealth Clean Energy Regulator and the State Department of Environment Regulation (DER) of two misreporting events following the completion of an internal audit of our operations. It was found that in the 2014 and 2015 National Pollutant Inventory report and the National Greenhouse and Energy Reporting submission, Pilbara Ports Authority had inadvertently omitted the operations of five remote diesel generator units. This omission did not materially change the advice issued to the various agencies and steps were taken to resubmit corrected reports for these periods. No further action was required or remains outstanding.

Pilbara Ports Authority also self-reported an administrative breach against a previous environment licence, where water samples were taken outside the nominated time period. The delay in sampling did not materially change the result and DER acknowledged the self-reporting. No further action has been taken. Pilbara Ports Authority notes a further administrative breach of the conditions of its environmental licences in relation to submission of two reports outside the nominated time period. Pilbara Ports Authority notes the delay in reporting did not materially change the result and there was no evidence of material or serious environment harm. Pilbara Ports Authority has advised DER and will self-report these administrative breaches in its 2016/2017 Compliance Report.

An audit of the Utah Facility and Eastside Operations at the Port of Port Hedland in early 2017 identified minor non-compliances with Pilbara Ports Authority's Part V environmental licence issued by the DER. These issues are being rectified. There was no evidence of material or serious environment harm as a result of these non-compliances, which were largely administrative.

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## DIRECTORS' REPORT

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During the reporting year, Pilbara Ports Authority obtained a Commonwealth Sea Dumping Permit to undertake maintenance dredging and disposal within the Port of Ashburton. The permit will also enable the authority to maintain the channel and ancillary areas to the required depth to ensure safe navigation for the Wheatstone project.

Pilbara Ports Authority has lodged applications under the Commonwealth Environment Protection (Sea Dumping) Act and Environment Protection and Biodiversity Conservation Act for the capital dredging works association with the Channel Risk and Optimisation Project in Port Hedland.

### 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 24 August 2017.

## 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: Ken Pettit – Chairman (Appointed 15/08/2011)	2017	\$94,780			\$94,780	\$9,004				\$103,784	
	2016	\$91,557			\$91,557	\$8,698				\$100,255	
Name: Les Longden – Deputy Chairman (Appointed 01/10/2009)	2017	\$56,113			\$56,113	\$5,331				\$61,444	
	2016	\$50,549			\$50,549	\$4,802				\$55,351	
Name: Julian Tapp (Appointed 30/06/2009)	2017	\$49,223			\$49,223	\$4,676				\$53,899	
	2016	\$47,043			\$47,043	\$4,469				\$51,512	
Name: Boyd Winton (Appointed 22/10/2014)	2017	\$48,401			\$48,401	\$4,598				\$52,999	
	2016	\$41,985			\$41,985	\$3,988				\$45,973	
Name: John Lillywhite (Appointed 22/10/2014)	2017	\$43,824			\$43,824	\$4,163				\$47,987	
	2016	\$41,985			\$41,985	\$3,988				\$45,973	
Name: Anthony Adcock (Contract End 13/08/2016)	2017	\$7,692			\$7,692	\$731				\$8,423	
	2016	\$42,500			\$42,500	\$4,037				\$46,537	
Name: Judith Uren (Appointed 23/05/2016)	2017	\$43,824			\$43,824	\$4,163				\$47,987	
	2016	\$3,231			\$3,231	\$307				\$3,538	
<i>Sub-total non-executive directors' remuneration</i>	2017	\$343,857			\$343,857	\$32,666				\$376,523	
	2016	\$318,850			\$318,850	\$30,289				\$349,139	

## DIRECTORS' REPORT

### EXECUTIVES' EMOLUMENTS

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

		SHORT TERM				POST-EMPLOYMENT 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>Executive Officers</b>											
Name: Roger Johnston, CEO	2017	\$496,035			\$496,035	\$69,614	\$39,462			\$605,111	
	2016	\$473,335			\$473,335	\$66,463	\$37,922			\$577,720	
Name: John Finch (General Manager Operations/ Harbour Master)	2017	\$437,105			\$437,105	\$56,824				\$493,929	
	2016	\$409,698			\$409,698	\$53,261				\$462,959	
Name: Phil Cooke (General Manager Engineering & Infrastructure) Commenced 19/10/2015	2017	\$346,380			\$346,380	\$45,029				\$391,409	
	2016	\$222,115			\$222,115	\$28,875				\$250,990	
<i>Total executive officers remuneration</i>	2017	\$1,279,520			\$1,279,520	\$171,467	\$39,462			\$1,490,449	
	2016	\$1,105,148			\$1,105,148	\$148,599	\$37,922			\$1,291,669	



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**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2017

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$'000	2016 \$'000
Revenue	3	399,962	383,985
Other revenue	4	22,671	22,924
<b>Total revenue</b>		<b>422,633</b>	406,909
Employee benefits	5	(49,011)	(47,552)
Asset maintenance		(21,998)	(22,916)
Port utilities		(13,933)	(17,359)
Depreciation and amortisation	6	(25,455)	(25,549)
Finance expenses	7	(7,283)	(10,439)
Supplies and services	8	(76,048)	(75,955)
Impairment losses	9	-	(24,480)
Other expenses	10	(12,684)	(11,583)
<b>Total expenses</b>		<b>(206,412)</b>	(235,833)
<b>Profit before income tax</b>		<b>216,221</b>	171,076
Income tax expense	11	(64,534)	(51,350)
<b>Net profit after tax</b>		<b>151,687</b>	119,726
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability, net of tax	25 (c)	(24)	(23)
Changes in the asset revaluation reserve, net of tax	26 (b)	666,313	-
<b>Total comprehensive income</b>		<b>817,976</b>	<b>119,703</b>

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

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	419,834	282,621
Trade receivables	14	44,578	44,969
Other receivables	15	2,187	12,842
Inventories	16	4,635	2,800
<b>Total current assets</b>		<b>471,234</b>	343,232
<b>Non-current assets</b>			
Property, plant and equipment	17	1,405,268	452,581
Intangible assets	19	1,131	1,532
Deferred tax assets	20 (a)	-	28,255
<b>Total non-current assets</b>		<b>1,406,399</b>	482,368
<b>Total assets</b>		<b>1,877,633</b>	825,600
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	21	9,766	6,090
Other payables	22 (a)	23,079	16,740
Interest bearing borrowings	23 (a)	22,691	22,535
Current tax liabilities	24	11,294	12,292
Provisions	25 (a)	6,978	6,139
<b>Total current liabilities</b>		<b>73,808</b>	63,796

	NOTES	2017 \$'000	2016 \$'000
<b>Non-current liabilities</b>			
Other payables	22 (b)	100	100
Interest bearing borrowings	23 (b)	154,721	177,412
Provisions	25 (b)	78,426	79,056
Deferred tax liabilities	20 (b)	255,339	-
<b>Total non-current liabilities</b>		<b>488,586</b>	256,568
<b>Total liabilities</b>		<b>562,394</b>	320,364
<b>NET ASSETS</b>		<b>1,315,239</b>	505,236
<b>EQUITY</b>			
Contributed equity	26 (a)	219,143	214,031
Reserves	26 (b)	666,313	-
Retained earnings	26 (c)	429,783	291,205
<b>Total equity</b>		<b>1,315,239</b>	505,236

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 2017

	NOTES	CONTRI- BUTED EQUITY \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2015		178,281	-	271,966	450,247
<b>Total comprehensive income</b>					
Profit		-	-	119,726	119,726
Other comprehensive income/(loss)		-	-	(23)	(23)
<b>Total comprehensive income</b>		-	-	119,703	119,703
Transactions with owners in their capacity as owners	26 (a)	35,750	-	-	35,750
Dividends paid	12	-	-	(100,464)	(100,464)
<b>Balance as at 30 June 2016</b>		214,031	-	291,205	505,236
<b>Balance at 1 July 2016</b>		<b>214,031</b>	-	<b>291,205</b>	<b>505,236</b>
<b>Total comprehensive income</b>					
Profit		-	-	151,687	151,687
Other comprehensive income/(loss)	26 (b)	-	666,313	(24)	666,289
<b>Total comprehensive income</b>		-	<b>666,313</b>	<b>151,663</b>	<b>817,976</b>
Transactions with owners in their capacity as owners	26 (a)(i)	5,112	-	-	5,112
Dividends paid	12	-	-	(13,085)	(13,085)
<b>Balance as at 30 June 2017</b>		<b>219,143</b>	<b>666,313</b>	<b>429,783</b>	<b>1,315,239</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 2017

	NOTES	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		463,957	438,641
Payments to suppliers and employees		(214,624)	(195,643)
Government contributions	3 (i)	8,035	7,839
Interest received		8,892	7,150
Interest paid		(7,933)	(9,679)
Income taxes paid		(67,500)	(89,079)
<b>Net cash inflow from operating activities</b>	31	<b>190,827</b>	159,229
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangibles		(23,176)	(14,880)
Proceeds from sale of property, plant and equipment		70	8
<b>Net cash (outflow) from investing activities</b>		<b>(23,106)</b>	(14,872)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(22,535)	(22,389)
Equity contributions (net)	26	5,112	35,750
Dividends paid	12	(13,085)	(100,464)
<b>Net cash (outflow) from financing activities</b>		<b>(30,508)</b>	(87,103)
<b>Net increase in cash and cash equivalents</b>		<b>137,213</b>	57,254
Cash and cash equivalents at the beginning of the financial year	13	282,621	225,367
<b>Cash and cash equivalents at the end of the financial year</b>	13	<b>419,834</b>	282,621

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 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 2017 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 other Australian Accounting Standards that have been issued or amended (but not operative) by the Authority for the annual reporting period ended 30 June 2017.

#### (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 24 August 2017 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 for the first time for the year ended 30 June 2017.

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

#### (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:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1 BASIS OF PREPARATION (CONTINUED)

#### (f) Use of estimates and judgements (continued)

- Note 2 (f) – Property, plant and equipment: useful life and fair value
- Note 2 (m) – Employee benefit provision: actuarial assumptions
- Note 2 (r) – Provisions: discount and inflation rates
- Note 25 – Provision for rehabilitation: assumptions and uncertainties including the:
  - extent of environmental damages to be rectified
  - methodology and timing of the rectifications
  - financial rates to be used, including discount and inflation rates

#### (g) Change in accounting policy

As at 30 June 2017, the Authority changed its accounting policy on the subsequent measurement of the below asset classes, from the cost model to the revaluation model:

- Channels and breakwaters
- Land
- Berths and jetties

The change in accounting policy provides more reliable and relevant information; Land asset values are representative of current market values. Channel, breakwaters, berths and jetties asset values are representative of depreciated replacement cost.

The valuation were provided by an independent valuer appointed by the Authority. As a result, there is a carrying balance of \$666.3 million (net of tax) for asset revaluation reserve as disclosed in Note 26 (b). The corresponding fair value increments for channels and breakwaters, land and berths and jetties are disclosed in Note 17 and Note 18.

As this change of accounting policy does not require retrospective application, no adjustment has been necessary to the brought forward balance of equity and comparative period balances have not been adjusted for this change.

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) 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) Interest revenue

Interest revenue is recognised as the interest accrues.

##### (iii) Rental income

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

##### (iv) Gains

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

##### (v) Grants, donations, gifts and other non-reciprocal contributions

Grants from the Government are recognised at their fair value when the Authority obtains control over the asset comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Finance income and finance costs

Finance income and finance costs include:

- Interest income;
- Interest expense;
- Unwinding of discount on provisions;
- Finance charges payable under finance leases; and
- Borrowing costs.

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

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

#### (c) Income tax

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

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

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

##### (i) Current tax

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

##### (ii) Deferred tax

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

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

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

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

#### (d) Receivables

##### (i) Trade receivables

Trade receivables are recognised and carried at the original invoice amounts less 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 as a result.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Inventories

Inventories consist of spare parts which are measured at cost.

#### (f) Property, plant and equipment

##### (i) Capitalisation/expensing of assets

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. Items of property, plant and equipment costing less than \$5,000 are expensed to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

##### (ii) Initial recognition and measurement

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. Vested land is 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.

##### (iii) 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.

Channels and breakwaters, land and berths and jetties are independently valued by Herron Todd White every three years. Where there are signs of significant or volatile movements, annual revaluation will be performed. The valuation is recognised to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

The fair value of land is determined on the basis of current market values with reference to recent market transactions.

The fair value of the channels, breakwaters, berths and jetties is determined using depreciated replacement cost. When revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is applied where the evidence does not provide a clear distinction between market type assets and existing use assets.

##### (iv) 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:

<b>Asset class at fair value</b>	<b>Estimated useful lives</b>
Channels and breakwaters	10 – 50 years
Berths and jetties	20 – 50 years

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Property, plant and equipment (continued)

Asset class at cost	Estimated useful lives
Infrastructure	10 – 50 years
Buildings and improvements	5 – 50 years
Plant and equipment (including office equipment and motor vehicles)	2 – 40 years

Land assets are not depreciated.

Works of art controlled by the Authority are classified as property, plant and equipment. These are anticipated to have indefinite useful life. Their service potential has not, in any material sense, been consumed during the reporting period and consequently no depreciation has been recognised.

#### (v) Repairs and maintenance

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

#### (vi) Land

Land which is either freehold, vested in the Authority or under management order is considered to be under the control of the Authority and is recorded in property, plant and equipment.

#### (g) Intangible assets

##### (i) Capitalisation/expensing of assets

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 costing less than \$5,000 are expensed to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total value).

##### (ii) Research and development

Expenditure on research activities is recognised in the Statement of Comprehensive Income, as incurred.

Development expenditure is capitalised only if the expenditure:

- can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Authority intends to and has sufficient resources to complete development and to use or sell the asset, otherwise it is recognised in the Statement of Comprehensive Income as incurred.

##### (iii) Recognition and measurement

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.

##### (iv) Subsequent expenditure

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

##### (v) Computer software

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

##### (vi) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Intangible assets (continued)

##### (vii) Amortisation

Amortisation of intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) 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.

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

Asset class	Estimated useful lives
Computer software	2 – 8 years
Environmental approvals	50 years

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

#### (h) Impairment

Property, plant and equipment and intangible assets are tested for indication of impairment at each reporting period. Where there is indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income. As the Authority is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

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

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

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

#### (i) Leases

##### (i) Leased assets

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

Assets held under other leases are classified as operating leases and are not recognised in the Authority's Statement of Financial Position.

##### (ii) Lease payments

Payments made under operating leases are recognised in 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 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

##### Financial assets

- Non-restricted cash and cash equivalents;
- Restricted cash and cash equivalents;
- Other financial assets; and
- Trade and other receivables.

##### Financial liabilities

- Trade and other payables; and
- Interest bearing liabilities.

Refer to Note 27 for further information regarding financial instruments.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value, plus directly attributable transaction costs for assets not carried at fair value through profit or loss. Subsequent measurement is at amortised cost using the effective interest method.

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

#### (k) Payables

Payables, including trade payables, other amounts payable and accrued expenses, are recognised 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.

#### (l) Borrowings

All borrowings are recognised at their fair value, being the net proceeds received less principal repayments.

#### (m) Employee benefits provisions

The liability for annual and long service leave expected to be settled within 12 months after the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled using the remuneration rates expected to apply at the time of settlement. All annual leave and long service leave not expected to be settled wholly within 12 months after the reporting date, will be considered as an “other long term benefit” and the calculation of the leave liability 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Employee benefits provisions (continued)

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

##### *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.

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 (GESBS). 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 agency purposes because the concurrent contributions (defined contributions) made by the Authority to GESB extinguish the agency'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.

#### (n) Dividends

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

#### (o) Cash and cash equivalents

Cash and cash equivalents (and restricted 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.

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

#### (p) Accrued Salaries

Accrued salaries (see Note 22 'Other payables') represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Authority considers the carrying amount of accrued salaries to be equivalent to its fair value. Accrued salaries and superannuation at year end were 2017: \$0 (2016: \$1.247 million).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) Goods and services tax

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

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

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

#### (r) Provisions

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.

#### (i) Other – 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 developed in 2017.

#### (ii) Employment on costs

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

#### (s) Contributed equity

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

#### (t) New accounting standards and interpretations

The Authority has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2016 that impacted on the Authority:

- *AASB 1057 Application of Australian Accounting Standards*  
This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.
- *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]*  
The adoption of this Standard has no financial impact for the Authority as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.
- *AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]*  
These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. The Authority has determined that the application of the Standard has no financial impact.
- *AASB 2015-2 Amendments to Australian Accounting Standards Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]*  
This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) New accounting standards and interpretations (continued)

- *AASB 2015-6 Amendments to Australian Accounting Standards Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]*

The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.

- *AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128*

This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & AASB 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. There is no financial impact.

#### (u) Future impact of Australian accounting standards not yet operative

The Authority has not adopted any of the following Australian Accounting Standards in the current reporting period. Below is a list of issued Accounting Standards that may impact the Authority in the future. Where applicable, the Authority intends to apply these Australian Accounting Standards from their noted application date.

- *AASB 9 Financial Instruments*

This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2015-1 *Amendments to Australian Accounting Standards*. The Authority has not yet determined the application or the potential impact of the Standard.

- *AASB 15 Revenue from Contracts with Customers*

This Standard establishes the principles that the Authority shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Authority has not yet determined the application or the potential impact of the Standard.

- *AASB 16 Leases*

This Standard 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. Whilst the impact of AASB 16 has not yet been quantified, the Authority has non cancellable operating lease commitments of \$12.9 million. The Authority anticipates these operating lease commitments will be brought onto the Statement of Financial Position, excepting amounts pertinent to short term or low value leases. Interest and amortisation expenses will increase and rental expense will decrease.

- *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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) Future impact of Australian accounting standards not yet operative (continued)

The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Authority has not yet determined the application or the potential impact of the Standard.

- *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 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*  
This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The Authority has not yet determined the application or the 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 effective date (application date) of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For Not-For-Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The Authority has not yet determined the application or the potential impact of AASB 15.
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*  
This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.
- *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 of the standard.
- *AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*  
This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*. The Authority has not yet determined the application or the potential impact of the standard.
- *AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not for Profit Entities*  
This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15 for not for profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) Future impact of Australian accounting standards not yet operative (continued)

- *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.

- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.

#### (v) Comparative accounts

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

### 3 REVENUE

	2017 \$'000	2016 \$'000
Shipping	196,204	187,988
Charges on cargo	111,358	106,148
Port improvement rate	53,878	49,934
Rental and leases	30,487	32,076
Government contribution (i)	8,035	7,839
<b>Total revenue</b>	<b>399,962</b>	<b>383,985</b>

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

### 4 OTHER REVENUE

	2017 \$'000	2016 \$'000
Utility revenue	8,589	9,391
Interest revenue	8,689	7,324
MSIC revenue	913	1,104
Reversal of impairment	1,309	-
Other revenue (i)	3,171	5,106
<b>Total other revenue</b>	<b>22,671</b>	<b>22,924</b>

(i) Includes a remeasurement of the rehabilitation receivable of nil (2016: \$1.5m), and gifted assets of nil (2016: \$0.4m).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>5 EMPLOYEE BENEFITS</b>		
Salaries	34,253	34,817
Superannuation (i)	4,384	4,505
Temporary staff	3,723	1,938
Annual leave	2,338	2,242
Long service leave	701	501
Board member fees	344	359
Other employee expenses	3,268	3,190
<b>Total employee benefits</b>	<b>49,011</b>	<b>47,552</b>

(i) Includes contributions to the defined benefits plan.

	2017 \$'000	2016 \$'000
<b>6 DEPRECIATION AND AMORTISATION</b>		
<b>Depreciation</b>		
Plant and equipment	10,010	10,052
Berths and jetties	6,184	6,106
Infrastructure	5,516	5,477
Buildings and improvements	1,836	1,810
Channels and breakwaters	1,471	1,472
<b>Total depreciation</b>	<b>25,017</b>	<b>24,917</b>
<b>Amortisation</b>		
Intangible computer software (i)	430	623
Intangible environmental approvals (i)	9	9
<b>Total amortisation</b>	<b>439</b>	<b>632</b>
<b>Total depreciation and amortisation</b>	<b>25,455</b>	<b>25,549</b>

(i) Details of intangible assets are provided in Note 19.

	2017 \$'000	2016 \$'000
<b>7 FINANCE EXPENSES</b>		
WATC borrowing expenses	7,735	8,595
Interest expenses	14	516
Other finance expenses (i)	(466)	1,328
<b>Total finance expenses</b>	<b>7,283</b>	<b>10,439</b>

(i) Other finance expenses includes the revaluation of the provision for rehabilitation.

	2017 \$'000	2016 \$'000
<b>8 SUPPLIES AND SERVICES</b>		
Contractor expenses	49,427	47,694
Software licences	5,248	4,738
Consulting	4,529	4,215
Lease of commercial property, plant and equipment	6,072	6,987
Other	10,772	12,321
<b>Total supplies and services</b>	<b>76,048</b>	<b>75,955</b>

	2017 \$'000	2016 \$'000
<b>9 IMPAIRMENT LOSSES</b>		
Buildings and improvements	-	4,984
Land	-	1,100
Rehabilitation receivable (i)	-	18,396
<b>Total impairment losses</b>	<b>-</b>	<b>24,480</b>

(i) As a result of a commercial settlement, a portion of the rehabilitation receivable was waived resulting in an impairment in the 2016 financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<b>10 OTHER EXPENSES</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Lease of residential properties	4,219	6,116
Loss on disposal of assets	2,889	83
Insurance	2,696	2,505
Other	2,880	2,879
<b>Total other expenses</b>	<b>12,684</b>	<b>11,583</b>

<b>11 INCOME TAX EXPENSE</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
(a) Income tax expense		
Current taxation	66,803	66,255
Temporary differences	(1,972)	(14,920)
Over/(under) provision in prior year	(297)	15
<b>Total income tax expense</b>	<b>64,534</b>	<b>51,350</b>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	216,221	171,076
Tax at the Australian tax rate of 30%	64,866	51,323
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment and travel	10	2
Other	(22)	10
<b>Total numerical reconciliation of income tax expense to prima facie tax payable</b>	<b>64,854</b>	<b>51,335</b>
Under/(over) provision in prior years	(319)	15
<b>Total income tax expense</b>	<b>64,534</b>	<b>51,350</b>

<b>12 DIVIDENDS</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Final dividend	13,085	35,727
Interim dividend	-	64,737
<b>Total dividends</b>	<b>13,085</b>	<b>100,464</b>

For the year ended 30 June 2017, Government Financial Policy requires WA Ports to pay a dividend of 90% (65% in the 2016 financial year and 75% for the 2018 financial year onwards) of after tax profits; payable in two tranches:

Tranche 1 = 75% via an interim dividend prior to 30 June, and

Tranche 2 = 25% final dividend after year end due and payable by 31 December.

The interim dividend for the year ended 30 June 2017 has been deferred to the following financial year and payable by 31 December 2017 with the final dividend.

In accordance with Australian Accounting Standards, the final dividend relating to the financial results for the year ended 30 June 2017 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 are to be returned to the Authority as an equity contribution each year. \$5.1m (2017) and \$24.8m (2016) has been returned to the Authority.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>13 CASH AND CASH EQUIVALENTS</b>		
Non-restricted	231,985	132,146
Restricted (i)	187,849	150,475
<b>Total cash and cash equivalents</b>	<b>419,834</b>	282,621

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

- Port Improvement Rate cash of 2017: \$114.530 million (2016: \$84.881 million) quarantined for the sole purpose of being invested within the Port for the improvement projects identified by the Authority; and
- Proponent contributions of \$73.319 million (2017) and \$65.594 million (2016) quarantined for the Port of Ashburton development and specific rehabilitation purposes in Port Hedland.

	2017 \$'000	2016 \$'000
<b>14 TRADE RECEIVABLES</b>		
Trade receivables	44,578	44,969
<b>Total trade receivables</b>	<b>44,578</b>	44,969

There was no impairment of trade receivables required for the year ended 30 June 2016 or 30 June 2017.

The aged analysis of trade receivables is provided in Note 27.

	2017 \$'000	2016 \$'000
<b>15 OTHER RECEIVABLES</b>		
Prepayments	763	705
Other receivables	1,424	4,137
Rehabilitation receivable	-	8,000
<b>Total other receivables</b>	<b>2,187</b>	12,842

	2017 \$'000	2016 \$'000
<b>16 INVENTORIES</b>		
Spare parts - at cost	4,635	2,800
<b>Total inventories</b>	<b>4,635</b>	2,800

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>17 PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Channels and breakwaters</b>		
At fair value (i)	830,165	-
At cost	-	47,408
Less: accumulated depreciation	-	(15,184)
<b>Total channels and breakwaters</b>	<b>830,165</b>	<b>32,224</b>
<b>Land</b>		
At fair value (i)	69,291	-
At cost	-	17,369
Less: accumulated impairment	-	(1,100)
<b>Total land</b>	<b>69,291</b>	<b>16,269</b>
<b>Berths and jetties</b>		
At fair value (i)	277,959	-
At cost	-	241,632
Less: accumulated depreciation	-	(57,992)
<b>Total berths and jetties</b>	<b>277,959</b>	<b>183,640</b>
<b>Buildings and improvements</b>		
At cost	55,756	54,836
Less: accumulated depreciation	(14,514)	(13,363)
Less: accumulated impairment	(3,817)	(4,984)
<b>Total buildings and improvements</b>	<b>37,426</b>	<b>36,489</b>

	2017 \$'000	2016 \$'000
<b>17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
<b>Plant and equipment</b>		
At cost	155,819	153,942
Less: accumulated depreciation	(67,969)	(59,459)
<b>Total plant and equipment</b>	<b>87,850</b>	<b>94,483</b>
<b>Infrastructure</b>		
At cost	115,348	114,457
Less: accumulated depreciation	(37,787)	(32,475)
<b>Total infrastructure</b>	<b>77,561</b>	<b>81,982</b>
<b>Building under construction</b>		
Construction costs	13,316	1,594
<b>Total building under construction</b>	<b>13,316</b>	<b>1,594</b>
<b>Work in progress</b>	<b>11,700</b>	<b>5,900</b>
<b>Total property, plant and equipment</b>	<b>1,405,267</b>	<b>452,581</b>

(i) Effective 30 June 2017, the Authority changed its accounting policy for channels and breakwaters, land and berths and jetties to the revaluation model. Up until that date and in the prior year, these assets were recorded on a historic cost basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 17 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.

		CHANNELS AND BREAK- WATERS \$'000	LAND \$'000	BERTHS AND JETTIES \$'000	BUILDINGS AND IMPROVE- MENTS \$'000	PLANT AND EQUIP- MENT \$'000	INFRASTR- UCTURE \$'000	BUILDINGS UNDER CONST- RUCTION \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
<b>2017</b>										
<b>Carrying amount as at 1 July</b>	<b>Note</b>	<b>32,224</b>	<b>16,269</b>	<b>183,640</b>	<b>36,489</b>	<b>94,483</b>	<b>81,982</b>	<b>1,594</b>	<b>5,900</b>	<b>452,581</b>
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	6	(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>		799,461	53,060	99,354	-	-	-	-	-	951,875
(Impairment) / reversals of assets <sup>(iii)</sup>	4	-	142	-	1,167	-	-	-	-	1,309
<b>Carrying amount as at 30 June</b>		<b>830,165</b>	<b>69,291</b>	<b>277,959</b>	<b>37,426</b>	<b>87,850</b>	<b>77,561</b>	<b>13,316</b>	<b>11,700</b>	<b>1,405,268</b>

(i) The balance of the transfer from work in progress (\$59,000) in 2017 was transferred to the computer software intangible asset class. Further information on intangible assets is provided in Note 19.

(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. Further information on fair value measurements is provided in Note 18.

(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 2017

### 17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CHANNELS AND BREAK- WATERS \$'000	LAND \$'000	BERTHS AND JETTIES \$'000	BUILDINGS AND IMPROVE- MENTS \$'000	PLANT AND EQUIP- MENT \$'000	INFRASTR- UCTURE \$'000	BUILDINGS UNDER CONST- RUCTION \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
<b>2016</b>									
<b>Carrying amount as at 1 July</b>	33,463	17,229	185,066	42,075	101,699	86,953	768	1,594	468,847
Additions	260	140	4,687	1,179	2,815	523	826	5,325	15,755
Transfer from work in progress	-	-	1	92	621	-	-	(714)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(252)	(252)
Transfer to Statement of Comprehensive Income	-	-	-	-	-	-	-	(53)	(53)
Depreciation	6	(1,472)	(6,106)	(1,810)	(10,052)	(5,477)	-	-	(24,917)
Disposals	(68)	-	(49)	(136)	(2,496)	(33)	-	-	(2,782)
Accumulated depreciation on disposals	41	-	41	73	1,896	16	-	-	2,067
(Impairment) / reversals of assets <sup>(iii)</sup>	9	(1,100)	-	(4,984)	-	-	-	-	(6,084)
<b>Carrying amount as at 30 June</b>	<b>32,224</b>	<b>16,269</b>	<b>183,640</b>	<b>36,489</b>	<b>94,483</b>	<b>81,982</b>	<b>1,594</b>	<b>5,900</b>	<b>452,581</b>

(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 2017

### 18 FAIR VALUE MEASUREMENTS

#### Assets measured at fair value as at the end of the reporting period:

	LEVEL	NOTE	2017 \$'000	2016 \$'000
Channels and breakwaters	2	17	830,165	-
Land	2	17	69,291	-
Berths and jetties	2	17	277,959	-
<b>Total assets measured at fair value</b>			<b>1,177,415</b>	-

#### Valuation techniques

For the year ended 30 June 2017, the Authority engaged the services of an independent external valuation organisation to determine the fair value of assets. 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 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.

#### 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 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.

Reconciliations of the carrying amounts of the assets measured at fair value are provided in Note 17.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>19 INTANGIBLE ASSETS</b>		
<b>Computer software</b>		
At cost	4,608	4,823
Less: accumulated amortisation	(3,822)	(3,645)
<b>Total computer software</b>	<b>786</b>	<b>1,178</b>
<b>Environmental approvals</b>		
At cost	449	449
Less: accumulated amortisation	(104)	(95)
<b>Total environmental approvals</b>	<b>345</b>	<b>354</b>
<b>Total intangible assets</b>	<b>1,131</b>	<b>1,532</b>

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

	COMPUTER SOFT- WARE \$'000	ENVIRON- MENTAL APPRO- VALS \$'000	TOTAL \$'000
<b>2017</b>			
<b>Carrying amount as at 1 July</b>	<b>1,178</b>	<b>354</b>	<b>1,532</b>
Additions	-	-	-
Transfer from work in progress	59	-	59
Amortisation for year	(430)	(9)	(439)
Disposals	(274)	-	(274)
Accumulated amortisation on disposals	254	-	254
<b>Carrying amount as at 30 June</b>	<b>786</b>	<b>345</b>	<b>1,131</b>
<b>2016</b>			
<b>Carrying amount as at 1 July</b>	<b>1,190</b>	<b>363</b>	<b>1,916</b>
Additions	359	-	359
Transfer from work in progress	252	-	252
Amortisation for year	(623)	(9)	(641)
Disposals	-	-	-
Accumulated amortisation on disposals	-	-	-
<b>Carrying amount as at 30 June</b>	<b>1,178</b>	<b>354</b>	<b>1,886</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>20 DEFERRED TAX ASSETS</b>		
<b>(a) Deferred tax assets</b>		
Depreciation timing differences	1,173	3,173
Project pool expenditure	2,538	3,113
Provisions (ii)	25,636	25,559
Other	2,233	2,153
<b>Total deferred tax assets</b>	<b>31,580</b>	<b>33,998</b>
<b>(b) Deferred tax liabilities</b>		
Property, plant and equipment (i)	(285,562)	(2,754)
Receivables	-	(2,400)
Other	(1,357)	(589)
<b>Total deferred tax liabilities</b>	<b>(286,919)</b>	<b>(5,743)</b>
<b>Net deferred tax assets / (liabilities)</b>	<b>(255,339)</b>	<b>28,255</b>

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

(ii) This balance represents the deferred tax impact of the total provisions. Further information on provisions is provided in Note 25.

	2017 \$'000	2016 \$'000
<b>21 TRADE PAYABLES</b>		
Trade payables	9,766	6,090
<b>Total trade payables</b>	<b>9,766</b>	<b>6,090</b>

	2017 \$'000	2016 \$'000
<b>22 OTHER PAYABLES</b>		
<b>(a) Current</b>		
Rent received in advance	8,751	5,307
Other payables	3,586	3,792
Accrued expenses	10,742	7,641
<b>Total current other payables</b>	<b>23,079</b>	<b>16,740</b>
<b>(b) Non-current</b>		
Other payables	100	100
<b>Total non-current other payables</b>	<b>100</b>	<b>100</b>
<b>Total other payables</b>	<b>23,179</b>	<b>16,840</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>23 INTEREST BEARING BORROWINGS</b>		
<b>(a) Current</b>		
WA Treasury Corporation	22,691	22,535
<b>Total current interest bearing borrowings</b>	<b>22,691</b>	22,535
<b>(b) Non-current</b>		
WA Treasury Corporation	154,721	177,412
<b>Total non-current interest bearing borrowings</b>	<b>154,721</b>	177,412
<b>Total interest bearing borrowings</b>	<b>177,412</b>	199,947

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

- The loan for the Utah Point Bulk Handling Facility (BHF) 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) 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 loan.

	2017 \$'000	2016 \$'000
<b>24 CURRENT TAX LIABILITIES</b>		
Opening balance	12,292	35,219
Prior year true up	(102)	(103)
Tax instalments paid	(61,354)	(61,976)
Tax paid	(6,345)	(27,103)
Current tax expense	66,803	66,255
<b>Total current tax liabilities</b>	<b>11,294</b>	12,292

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>25 PROVISIONS</b>		
<b>(a) Current</b>		
<b>Employee benefits</b>		
Annual leave	3,097	2,894
Long service leave	3,506	3,018
Other employee benefits	375	227
<b>Total current employee benefits</b>	<b>6,978</b>	<b>6,139</b>
<b>Total current provisions</b>	<b>6,978</b>	<b>6,139</b>
<b>(b) Non-current</b>		
<b>Employee benefits</b>		
Long service leave	592	763
Other employee benefits	562	555
<b>Total non-current employee benefits</b>	<b>1,154</b>	<b>1,318</b>
<b>Other</b>		
Provision for land rehabilitation	77,272	77,738
<b>Total other</b>	<b>77,272</b>	<b>77,738</b>
<b>Total non-current provisions</b>	<b>78,426</b>	<b>79,056</b>

	2017 \$'000	2016 \$'000
<b>Movements in other provisions</b>		
Movements in provisions during the financial year, other than employee benefits, are set out below.		
<b>Current provision for land rehabilitation</b>		
<b>Carrying amount as at 1 July</b>	-	2,582
Provisions made during the year (incl. unwinding of discount)	-	(2,072)
Amounts utilised during the year	-	(510)
<b>Carrying amount as at 30 June</b>	<b>-</b>	<b>-</b>
<b>Non-current provision for land rehabilitation</b>		
<b>Carrying amount as at 1 July</b>	<b>77,738</b>	74,338
Movements during the year	(466)	3,400
<b>Carrying amount as at 30 June</b>	<b>77,272</b>	<b>77,738</b>
<b>(c) Pension and gold state scheme (i)</b>		
<b>Present value of defined benefit obligations as at 1 July</b>	<b>555</b>	547
Interest cost	12	15
Actuarial gains	24	23
Benefits paid	(29)	(30)
<b>Present value of defined benefit obligations as at 30 June</b>	<b>562</b>	<b>555</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>26 EQUITY</b>		
<b>(a) Contributed equity</b>		
<b>Carrying amount as at 1 July</b>	<b>214,031</b>	178,281
PIR (i)	<b>5,112</b>	24,812
FDTS (ii)	-	13,926
RFR (iii)	-	(2,988)
<b>Carrying amount as at 30 June</b>	<b>219,143</b>	214,031

- (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 \$5.1m (2017) and \$24.8m (2016) have been returned to the Authority. 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 12.
- (ii) The taxation paid relating to the gifting of the Floating Deck Transshipment System (FDTS) in 2016 was returned to the Authority as an equity contribution.
- (iii) The Authority repaid surplus Royalties for Regions (RFR) funds to the Government in 2016.

		2017 \$000	2016 \$000
<b>(b) Asset revaluation reserve</b>			
<b>Carrying amount as at 1 July</b>	Note	-	-
Net revaluation increments/(decrements)			
Channels and breakwaters	17	<b>799,461</b>	-
Land	17	<b>53,060</b>	-
Berths and Jetties	17	<b>99,354</b>	-
Deferred tax impact	20 (b)	<b>(285,562)</b>	-
<b>Carrying amount as at 30 June</b>		<b>666,313</b>	-
<b>(c) Retained earnings</b>			
<b>Carrying amount as at 1 July</b>		<b>291,205</b>	271,966
Total comprehensive income for the year		<b>151,663</b>	119,703
Dividends paid (i)	12	<b>(13,085)</b>	(100,464)
<b>Carrying amount as at 30 June</b>		<b>429,783</b>	291,205
<b>Total equity at end of period</b>		<b>1,315,239</b>	505,236

- (i) 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. See note 12 for further information on Dividends.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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### 27 FINANCIAL INSTRUMENTS

#### Financial risk management objectives and policies

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

#### Credit risk

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

#### (i) Trade and other receivables

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting the industry. The maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 14 'Trade receivables'.

The Authority follows stringent credit control and management procedures in reviewing and monitoring debtor accounts and outstanding balances. Management of receivable balances includes frequent monitoring thereby minimising the Authority's exposure to bad debts. For financial assets that are either past due or impaired, refer to Note 14 'Trade receivables'.

The Authority has very low levels of default. Aged accounts receivable and key debts are reviewed monthly by the Executive Committee and the Board with legal action instigated if necessary. There have been two bad debt write offs totalling \$573 this financial year. In 2016 there were five bad debt write offs totalling \$13,628 and one commercial settlement resulting in a write off totalling \$18.4 million.

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

#### (ii) Cash and cash equivalents and other financial assets

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

#### Liquidity risk

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

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

#### Market risk

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

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## **NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 30 JUNE 2017

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### **27 FINANCIAL INSTRUMENTS (CONTINUED)**

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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 2017

### 27 FINANCIAL INSTRUMENTS (CONTINUED)

#### Categories of financial instruments

The following table discloses:

- the carrying amounts of the Authority's financial instruments. The carrying amounts of the financial instruments represent their fair values unless otherwise disclosed.
- the Authority's maximum exposure to credit risk (carrying amount of financial assets) at the end of the reporting period. The Authority does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.
- the Authority's interest rate exposure on the carrying amounts of each item.

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

	NOTE	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	CARRYING AMOUNT \$000	INTEREST RATE EXPOSURE			MATURITY DATES					
				FIXED INTEREST RATE \$000	VARIABLE INTEREST RATE \$000	NON- BEARING \$000	NOMINAL AMOUNT \$000	LESS THAN 1 MONTH \$000	1 MONTH TO 6 MONTHS \$000	6 MONTHS TO 1 YEAR \$000	1-5 YEARS \$000	MORE THAN 5 YEARS \$000
<b>2017</b>												
<b>Financial assets</b>												
Cash and cash equivalents	13	2.26	419,834	-	419,833	1	419,834	419,834	-	-	-	-
Trade receivables (i)	14		44,578	-	-	44,578	44,578	39,318	5,260	-	-	-
Other receivables (i) (ii)	15		1,424	-	-	1,424	1,424	1,424	-	-	-	-
<b>Total financial assets</b>			<b>465,836</b>	<b>-</b>	<b>419,833</b>	<b>46,003</b>	<b>465,836</b>	<b>460,576</b>	<b>5,260</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>												
Trade payables	21		9,766	-	-	9,766	9,766	9,766	-	-	-	-
Other payables	22		14,328	-	-	14,328	14,328	14,328	-	-	-	-
Borrowings (iii)	23	3.97	177,412	52,712	124,700	-	214,294	-	3,691	26,382	136,604	47,616
<b>Total financial liabilities</b>			<b>201,506</b>	<b>52,712</b>	<b>124,700</b>	<b>24,094</b>	<b>238,388</b>	<b>24,094</b>	<b>3,691</b>	<b>26,382</b>	<b>136,604</b>	<b>47,616</b>

(i) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

(ii) Other receivables excludes prepayments. Further information on other receivables is provided in Note 15.

(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 2017

### 27 FINANCIAL INSTRUMENTS (CONTINUED)

	NOTE	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	CARRYING AMOUNT \$000	INTEREST RATE EXPOSURE			MATURITY DATES					
				FIXED INTEREST RATE \$000	VARIABLE INTEREST RATE \$000	NON- INTEREST BEARING \$000	NOMINAL AMOUNT \$000	LESS THAN 1 MONTH \$000	1 MONTH TO 6 MONTHS \$000	6 MONTHS TO 1 YEAR \$000	1-5 YEARS \$000	MORE THAN 5 YEARS \$000
<b>2016</b>												
<b>Financial assets</b>												
Cash and cash equivalents	13	2.30	282,621	-	282,619	2	282,621	282,621	-	-	-	-
Trade receivables (i)	14		44,969	-	-	44,969	44,969	43,606	1,363	-	-	-
Other receivables (i) (ii)	15		12,137	-	-	12,137	12,137	12,137	-	-	-	-
<b>Total financial assets</b>			<b>339,727</b>	<b>-</b>	<b>282,619</b>	<b>57,108</b>	<b>339,727</b>	<b>338,364</b>	<b>1,363</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>												
Trade payables	21		6,090	-	-	6,090	6,090	6,090	-	-	-	-
Other payables	22		11,433	-	-	11,433	11,433	11,433	-	-	-	-
Borrowings (iii)	23	4.12	199,947	55,247	144,700	-	246,145	-	5,380	25,380	116,180	99,205
<b>Total financial liabilities</b>			<b>217,470</b>	<b>55,247</b>	<b>144,700</b>	<b>17,523</b>	<b>263,668</b>	<b>17,523</b>	<b>5,380</b>	<b>25,380</b>	<b>116,180</b>	<b>99,205</b>

(i) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

(ii) Other receivables excludes prepayments. Further information on other receivables is provided in Note 15.

(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 2017

### 27 FINANCIAL INSTRUMENTS (CONTINUED)

#### 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:

INTEREST RATE SENSITIVITY ANALYSIS	CARRYING AMOUNT \$'000	-1% CHANGE PROFIT \$'000	+1% CHANGE PROFIT \$'000
<b>2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	419,834	(4,198)	4,198
<b>2016</b>			
<b>Financial assets</b>			
Cash and cash equivalents	282,621	(2,826)	2,826

#### Fair Values

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

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

	CARRYING AMOUNT 2017 \$'000	FAIR VALUE 2017 \$'000	CARRYING AMOUNT 2016 \$'000	FAIR VALUE 2016 \$'000
Borrowings from WATC	177,412	189,256	199,947	216,682

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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### 28 CONTINGENCIES

#### Contingent liabilities

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

#### Contaminated sites

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

#### Port of Dampier

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

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

DER has assessed the De Witt Location 471 to be suitable for commercial/ industrial use, but it may not be suitable for more sensitive land uses (such as residential housing). DER has also indicated that further works may be required to determine the contamination status of soil, surface water and groundwater at the site. During 2015/2016, the Authority engaged specialist consultants to further investigate groundwater across Lot 471. The Authority is also working with lessees to undertake additional site investigations in order to further understand and manage contamination matters on the site. In 2016/2017, the Authority engaged specialist consultants to undertake a groundwater investigation of the site, in accordance with a request from DER. This information has been provided to DER 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. It is worth noting that a portion of the contamination will be remediated as part of the Integrated Marine Operations Centre (IMOC) development.

In February 2016, four parcels of land (W004, W002 and two adjacent road reserves) located within the Wedgefield Estate part of Lot 370 were classified by DER as “Possibly Contaminated – Investigation Required”. This listing 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 2017

	2017 \$'000	2016 \$'000
<b>29 COMMITMENTS</b>		
<b>Service contracts – port operations</b>		
Within one year	49,909	49,780
Later than one year but not later than five years	88,127	95,481
Later than five years	76,274	67,771
<b>Total service contracts – port operations</b>	<b>214,310</b>	213,032
<b>Capital commitments</b>		
Within one year	46,156	14,357
Later than one year but not later than five years	7,144	-
Later than five years	-	-
<b>Total capital commitments</b>	<b>53,300</b>	14,357
<b>Operating lease commitments (non-cancellable)</b>		
Within one year	3,147	4,962
Later than one year but not later than five years	5,684	12,222
Later than five years	-	-
<b>Total operating lease commitments (non-cancellable)</b>	<b>8,831</b>	17,184
<b>Operating lease commitments – employee housing (non-cancellable)</b>		
Within one year	2,161	3,214
Later than one year but not later than five years	1,879	2,842
Later than five years	-	-
<b>Total operating lease commitments – employee housing (non-cancellable)</b>	<b>4,040</b>	6,056

## 30 REVENUE COMMITMENTS

### Long term property leases

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

	2017 \$'000	2016 \$'000
Within one year	27,691	26,655
Later than one year but not later than five years	104,816	92,426
Later than five years (up to 50 years)	408,164	419,443
<b>Total revenue commitments</b>	<b>540,671</b>	538,524

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 31 NOTES TO THE STATEMENT OF CASH FLOWS

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

	NOTE	2017 \$'000	2016 \$'000
Net profit		<b>151,687</b>	119,726
<b>Non-cash items:</b>			
Depreciation and amortisation expense	6	<b>25,455</b>	25,549
Impairment losses	9	-	6,084
Non-cash contributions		-	(400)
Loss on disposal of assets		<b>2,889</b>	83
Other		<b>(839)</b>	(180)
<b>Change in assets and liabilities:</b>			
Trade receivables		<b>391</b>	9,317
Other receivables		<b>10,655</b>	41,289
Inventories		<b>(1,835)</b>	(1,241)
Deferred tax assets / liabilities		<b>(6,804)</b>	(7,602)
Trade payables		<b>3,676</b>	99
Other payables		<b>6,339</b>	(4,284)
Current income tax		<b>(998)</b>	(30,127)
Provisions		<b>210</b>	916
<b>Net cash inflow from operating activities</b>		<b>190,827</b>	159,229

### 32 RELATED PARTIES

Related parties of the Authority include all key management personnel, being Directors and Executive Committee Members, their close family members, and their controlled or jointly controlled entities;

#### Directors

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

- Ken Pettit, Chairman
- Les Longden, Deputy Chairman
- Julian Tapp
- Boyd Winton
- John Lillywhite
- Judith Uren

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

#### Remuneration benefits

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

#### Executive committee

The following persons held positions on the PPA Executive Committee during the financial year, the comparative period and until the date of this report:

- Roger Johnston, Chief Executive Officer
- Lyle Banks, General Manager Development and Trade
- Phillip Cooke, General Manager Engineering and Infrastructure
- John Finch, General Manager Operations
- Raechel Paris, General Manager Corporate Affairs and Governance
- Nick Sarandopoulos, General Manager Finance and ICT
- Damien Miles, Director Human Resources

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 32 RELATED PARTIES (CONTINUED)

#### Material transactions with related parties

During the year 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 value of the works under the contract is \$187,241, with variations of \$7,064. At the reporting date, \$135,619 was payable. 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.

	2017 \$'000	2016 \$'000
Transactions with Latitude XL Pty Ltd	136	-
<b>Total transactions with related parties</b>	<b>136</b>	<b>-</b>

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.

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

### 33 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 (\$)	2017	2016
Above 500,000	1	1
400,000 – 500,000	1	1
300,000 – 400,000	3	4
200,000 – 300,000	2	1
100,000 – 200,000	1	1
50,001 – 100,000	3	3
Up to 50,000	2	2
<b>Total number of key management personnel</b>	<b>13</b>	<b>13</b>

	2017 \$'000	2016 \$'000
Short-term employee benefits	2,804	2,626
Post-employment benefits	344	319
<b>Total compensation of key management personnel</b>	<b>3,148</b>	<b>2,945</b>

### 34 SUBSEQUENT EVENTS

No matters have arisen since 30 June 2017 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<b>35 SUPPLEMENTARY FINANCIAL INFORMATION</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Write-offs</b>		
Bad debts	1	14
<b>Total write-offs</b>	<b>1</b>	<b>14</b>

### **36 AUDITOR'S REMUNERATION**

Remuneration paid or payable to the Auditor General in respect of the audit for the current reporting period is as follows:

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Auditors remuneration</b>		
Auditor General's fee (external audit)	116	112
<b>Total Auditor remuneration</b>	<b>116</b>	<b>112</b>

## DIRECTORS' DECLARATION

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24 August 2017

### DIRECTORS' DECLARATION

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

- (a) The financial statements and notes are set out in accordance with the financial reporting provisions of the *Port Authorities Act 1999*, including:
  - (i) giving a true and fair view of the financial position of Pilbara Ports Authority as at 30 June 2017 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Port Authorities Act 1999*.
- (b) There are reasonable grounds to believe that Pilbara Ports Authority will be able to pay its debts as and when they become due and payable.

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



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**Ken Pettit SC**  
Chairman  
24 August 2017



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**Les Longden**  
Deputy Chairman  
24 August 2017

## INDEPENDENT AUDITOR'S REPORT

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### 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 2017, 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, 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 2017 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 Port Authorities Act 1999 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.

## INDEPENDENT AUDITOR'S REPORT

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### ***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.

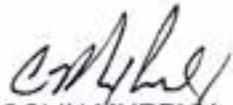
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## INDEPENDENT AUDITOR'S REPORT

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### ***Matters Relating to the Electronic Publication of the Audited Financial Report***

This auditor's report relates to the financial report of Port Authorities Act 1999 for the year ended 30 June 2017 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.



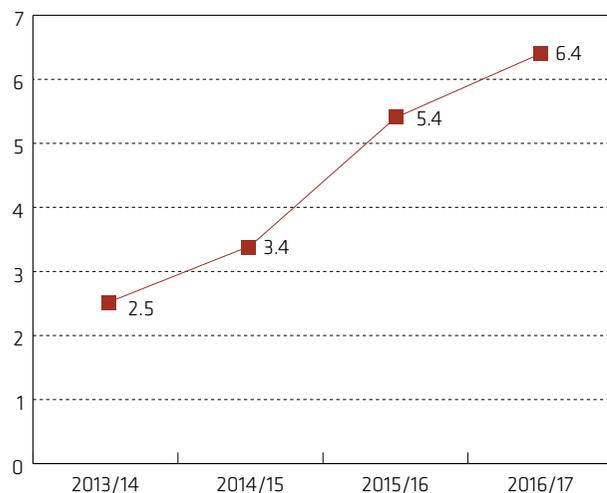
COLIN MURPHY  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia

28 August 2017

## 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.

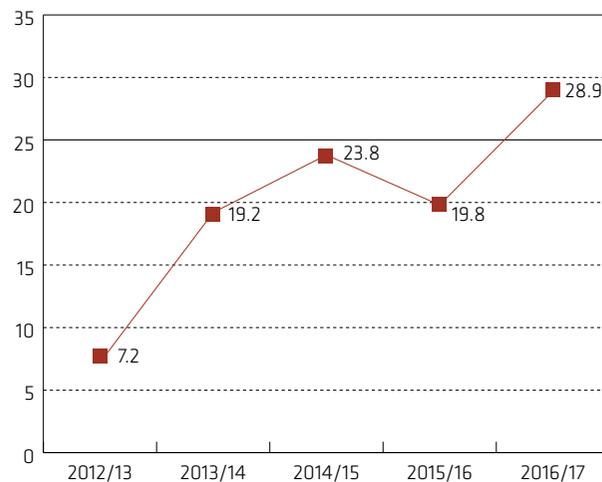
**Current Ratio**  
Comparison 2013/14 to 2016/17



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.

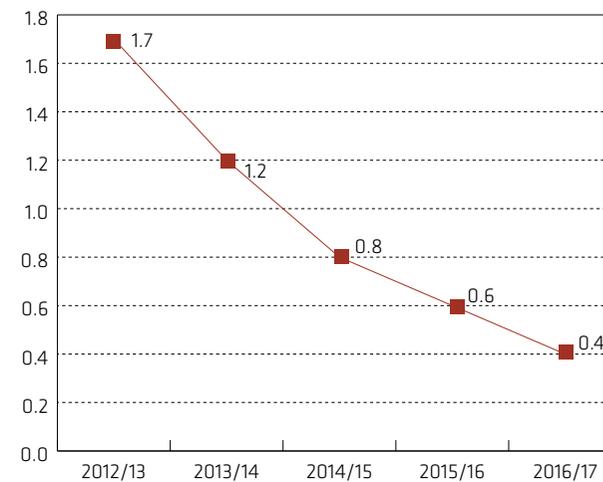
**Interest Cover**  
Comparison 2012/13 to 2016/17



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 2012/13 to 2016/17

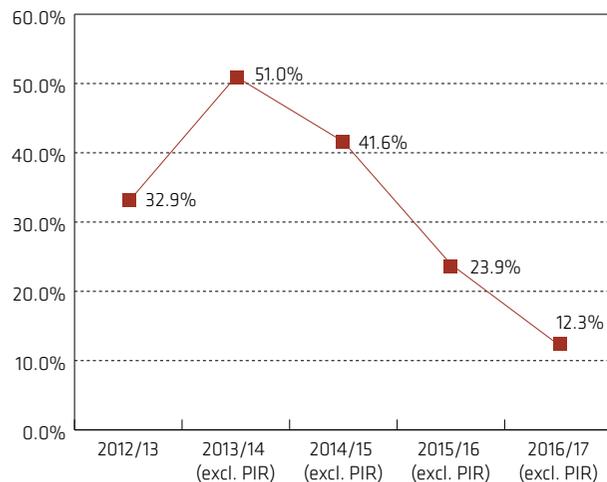


The debt to equity ratio is a measure of the Authority's financial leverage. It indicates what proportion of equity and debt the Authority is using to finance its assets.

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

## KEY FINANCIAL PERFORMANCE INDICATORS

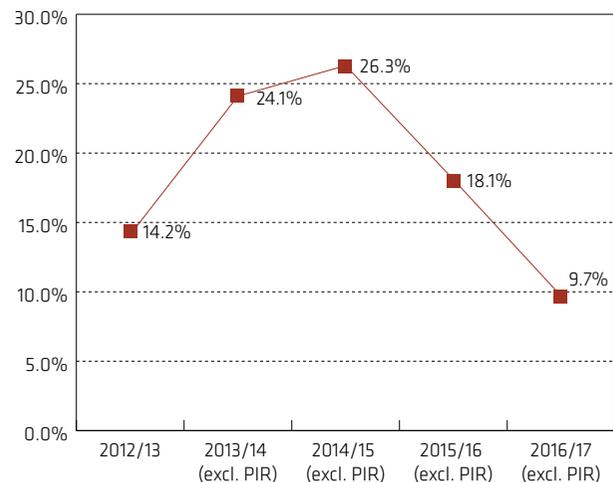
Return on Equity  
Comparison 2012/13 to 2016/17



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

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

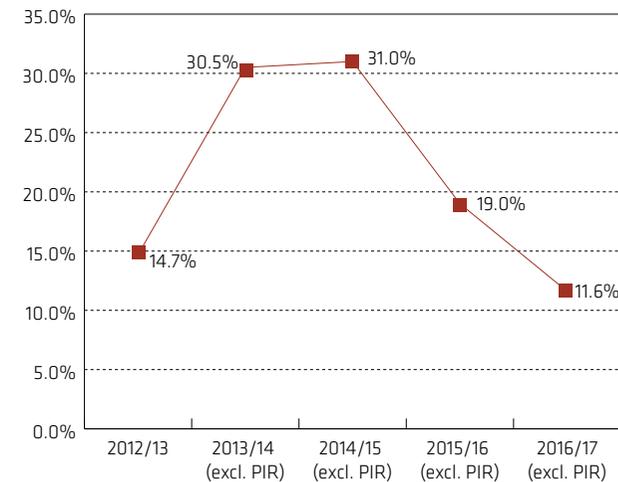
Return on Assets  
Comparison 2012/13 to 2016/17



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 2012/13 to 2016/17



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:** 2016/17 financial performance indicators reflect fair value accounting. Prior year values are not restated.

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## GOVERNANCE

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### MINISTERIAL DIRECTIVES

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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.

### FINANCIAL DISCLOSURES

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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 and within ports.

Lease revenue enables the 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 through regular independent valuations, and to develop port-vested land to support industry. Leases are reviewed on an annual basis and adjustments made to recover costs and achieve both strategic and operational objectives.

In June 2017, the Board approved an increase to port dues at the ports of Dampier and Port Hedland, which will be applied to shipowners from 1 October 2017.

The increase of 17 per cent is limited to port dues levied on a vessel's gross registered tonnage (GRT) and equates to between three and four cents per tonne. This is the first increase in port dues in three years.

All other port fees remained on hold until 30 June 2018, as announced in December 2016.

### Capital Works

Pilbara Ports Authority has multiple capital funding sources including: borrowings, internal funds and balances (Minor Works); Port Improvement Rate (Port Hedland only) and proponent contributions (Port of Ashburton).

The authority's Minor Works Program facilitates safety upgrades, upgrades to information and communications technology and upgrades to electrical and other equipment. It also includes acquisition and replacement of infrastructure, mobile plant and office equipment.

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

## GOVERNANCE

### GOVERNANCE DISCLOSURES

A Fraud and Corruption Policy and Conflict of Interest Procedure is in place, which governs Pilbara Ports Authority's approach to the receipt of benefits, and the management of conflicts of interest, by the Board and staff. These documents are regularly reviewed.

### UNAUTHORISED USE OF CREDIT CARDS

There were six instances of unauthorised use of a credit card during the reporting year, with a total value of \$620.81. These occurred due to emergency situations or small private expenses coinciding with business travel. All six instances have been fully reimbursed by card holders.

### OTHER LEGAL REQUIREMENTS (EXPENDITURE ON ADVERTISING, AND MARKET RESEARCH)

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 2016/17 was \$184,121 ex. GST.

EXPENDITURE	TOTAL	EXPENDITURE	AMOUNT
Advertising agencies / media advertising	\$122,946	Adcorp (recruitment advertising, tender notices, public notices)	\$63,977
		Market Creations	\$4,382
		Redwave Media (community service announcements - recreational boating safety within port waters)	\$18,792
		Seek	\$6,180
		Alyka	\$26,160
		WA Newspapers	\$3,455
Market Research Agencies	\$61,175	TNS (Stakeholder Satisfaction Survey)	
Polling Organisations	N/A	N/A	N/A
Direct Mail Organisations	N/A	N/A	N/A

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## GOVERNANCE

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### COMPLIANCE WITH PUBLIC SECTOR STANDARDS AND ETHICAL CODES

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The Code of Ethics and Conduct 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. Pilbara Ports Authority's Code of Ethics and Conduct 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.

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

There have been seven breaches of Pilbara Ports Authority's Code of Ethics and Conduct during 2016/17. All instances were managed in accordance with the organisation's procedures. Actions associated included counselling, written warnings, apologies, discussions at team meetings, training, and one termination of employment.

### SUBSTANTIVE EQUALITY

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A new Diversity and Inclusion Strategy was completed in May 2017. The initiatives continue to achieve equal employment opportunities, and support workforce diversity.

### RECORDKEEPING PLANS

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During the reporting year, Pilbara Ports Authority developed a strategic approach to its information management and enhanced its recordkeeping program. Areas for improvement were identified, which saw further development of Information Management Governance Framework and the redesign of its Document Management System (Objective).

The Information Management Governance Framework controls now apply to all information created, captured, received and used throughout the business.

The following controls have been applied to the redesign of Objective:

- Revision of Business Classification scheme – based on business functions which better support collaboration and improves information lifecycle management;
- Redefined and tailored metadata register – enhances the management of information, including vital records; and
- Redefined Information Security classification scheme – redefined information security levels to improve information accessibility.

During the reporting year, all staff and contractors completed training in the use of Objective and Records Awareness (updated module).

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## GOVERNANCE

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### OCCUPATIONAL SAFETY, HEALTH AND INJURY MANAGEMENT

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Pilbara Ports Authority is committed to providing a safe and healthy work environment and aims to prevent all work related injuries and illnesses. Should an employee be injured at work, Pilbara Ports Authority aims to manage the injury so the employee can resume their full duties as soon as medically safe to do so. The organisation has formalised its commitments to occupational health and safety and injury management through its Occupational Health and Safety Policy and Injury Management Policy, which are endorsed by the Board and displayed throughout the workplace.

The Executive Committee is the driver of occupational health and safety within the workplace and actively engages with the workforce in its pursuit of continual improvement. The Executive Committee formally reviews the occupational health and safety performance of all port users on a monthly basis.

Communication and consultation commences the moment an employee is engaged by Pilbara Ports Authority, with formal processes in place that allow for the ongoing effective information sharing between the authority and its employees.

All employees undertake an induction which provides essential health and safety information. Employees also undertake hazard management training that explains how health and safety hazards are reported and effectively managed. A hazard register is maintained on Pilbara Ports Authority's intranet to allow employees to track the status of hazards raised through its electronic hazard management system. All reported incidents and hazards are formally communicated weekly to all port users, along with a safety message.

Formal forums are in place to facilitate consultation and knowledge sharing. Safety and Health Representatives are elected at all sites and a Safety and Health Committee (Committee) meet on a monthly basis. The Committee is supported by a charter that has been signed by Safety and Health Representatives and management representatives.

Pilbara Ports Authority uses numerous communication platforms (e.g. monthly safety campaigns, safety bulletins, noticeboards and the intranet) to inform employees about health and safety matters, and also meets regularly with stakeholders to discuss safety at toolbox meetings, port user meetings, stakeholder forums and safety meetings.

Should an employee be injured at work, Pilbara Ports Authority will meet legislative workers compensation and injury management requirements as a minimum standard, and its injury management program provides for a structured, systematic approach to workplace based injury management for all employees, including the development and use of return to work plans.

## GOVERNANCE

### PPA EMPLOYEES ONLY

MEASURE	ACTUAL RESULTS		RESULTS AGAINST TARGET	
	2014/15 <sup>(1)</sup>	2016/17 <sup>(2)</sup>	Target	Comment on result
Number of fatalities	0	0	0	Target met
Lost time injury and/or disease incidence rate <sup>(4)</sup>	2.46	0.00	0 or 10% reduction <sup>(3)</sup> (actual target can be stated)	Target met – no work related lost time injury recorded in 2016/17
Lost time injury and/or disease severity rate <sup>(5)</sup>	100	0	0 or 10% reduction <sup>(3)</sup> (actual target can be stated)	Target met
Percentage of injured workers returned to work:				
(i) within 13 weeks	0%	N/A	Actual result to be stated	No work related lost time injury recorded in 2016/17
(ii) within 26 weeks	0%	N/A	Greater than or equal to 80%	
Percentage of managers trained in occupational safety, health and injury management responsibilities	93%	98%	Greater than or equal to 80%	Target met

Note (1) this is a three-year comparison trend (i.e current year is 2016/17 and comparison year is 2014/15).

Note (2) the current reporting year is 2016/17.

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

Note (4) per million hours worked.

Note (5) formula used in this report updated from the formula used in the 2014/15 annual report.

**Corporate office**

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WEST PERTH WA 6005  
Tel: (08) 6217 7112

**Dampier office**

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Burrup Peninsula  
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Tel: (08) 9159 6555

**Port Hedland office**

The Esplanade  
PORT HEDLAND WA 6721  
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