KIMBERLEY PORTS AUTHORITY

# 2017 ANNUAL REPORT

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# FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CHAIR
**LAURIE SHERVINGTON**

CEO
**KEVIN SCHELLACK**

Kimberley Ports Authority (**KPA**) experienced a very challenging 2016/17 year but delivered better than predicted results.

Safety and environmental standards continue to be the highest priority for KPA and the introduction of the Safety Culture program has driven an improved ethos throughout the workforce. During the period KPA gained an IFAP Platinum Safety Achievement award which was a great accomplishment and demonstrates the team's commitment to ongoing safety improvements.

The Port Authority returned a better than forecast financial result being a loss before tax of $2.105M against a budgeted loss of $4.051M. Vessel visit numbers were down across most trade sectors for the year except for the cruise industry and small commercial vessels.

KPA's loss was largely a result of the Wharf Extension of Life (**WEOL**) works. This included disposal of the original wharf deck with a resulting expense adjustment of $994,000 and repairs expenditure amounting to $980,000. Therefore, the operational loss was a modest $131,000.

The above deck works of the $24M WEOL project were completed ahead of schedule and under budget. Work continues on the wharf piles, fire-fighting capability and underdeck trolley system.

The refurbishment works have enhanced the wharf's expected life by at least 20 years.


Deck works of the $24M Wharf Extension of Life (WEOL) project were completed ahead of schedule and under budget.

The Port of Broome Master Plan was completed and approved by the Board providing a 50 year strategic direction in terms of land usage, infrastructure planning and trade forecasting. The Port Authority continues to work collaboratively with all Port users, contractors, stakeholders and the community.

The due diligence reports for the amalgamation of the Ports of Derby, Yampi Sound and Wyndham have been completed and KPA awaits the passage of amending legislation through Parliament to complete this process.

Significant attention has been given to restructuring the Port of Broome in terms of human resources and right-sizing the organisation to meet forecast trade demand, through reviewing each department's processes and introducing efficiencies to reduce KPA's expenditure.

To ensure Port of Broome waters meet environmental standards KPA completed a base line assessment during the year which resulted in an excellent condition report. KPA intends to continue monitoring against the baseline data to ensure early detection of any changes to the environment.

In late 2016 the Yawuru Nagulagun Roebuck Bay Marine Park was established by the West Australian Government. KPA surrendered a portion of Port of Broome waters to be included in the marine park without reducing the operational capabilities of the port.


*Passengers disembarking from* Artania

The introduction of a new waste water treatment system has enabled KPA to utilise treated water to establish gardens, enhancing the entry to the Port of Broome.

The INPEX Ichthys LNG project reached a significant milestone with the arrival of the *Ichthys Explorer* in the Browse Basin in May and the *Ichthys Venutrer* is scheduled to arrive in late August. INPEX has selected the Port of Broome to support their commissioning phase, through to late 2017, and this has initiated a significant increase in vessel visits and usage of stevedoring services. While some of KPA customers' trade outlook remains stable there are new developments in the pipeline, particularly in the resource sector, which should have a positive impact on trade and revenue figures moving forward.

Considerable work has been conducted, in cooperation with Tourism WA, and the cruise industry to identify improvements for large cruise vessels visiting the Port of Broome. KPA would like to recognise Tourism WA's efforts in assisting to fund the design and construction of an all-tide gangway system, which will provide flexible and safe disembarkation and embarkation for cruise ship passengers. The system is currently under final design and will be ready to use during the next cruise season. In addition, a study is underway to design an improved berthing channel which, if funded, will enable large cruise and commercial vessels to berth at all tides.

Considerable work has been conducted, in cooperation with Tourism WA, and the cruise industry to identify improvements for large cruise vessels visiting the Port of Broome.


# 02.
# AGENCY OVERVIEW

## 2.1 Agency Performance

The following information provides a measurement of agency performance against the Kimberley Port Authority's 2016/17 Statement of Corporate Intent.

### Financial Targets

| Financial Targets 2016/17 | Target $000's / % | Actual $000's / % | Variation $000's / % |
|---|---|---|---|
| Gross revenue | 15,439 | 17,971 | 2,532 |
| Total services costs | 19,490 | 20,076 | 586 |
| Net Tax Equivalent paid to Treasury | 0 | 0 | 0 |
| Profit (Loss) before tax | (4,051) | (2,105) | 1,946 |
| Expected Dividend to be paid to Treasury | 0 | 0 | 0 |
| Net increase/(decrease) in cash (from Statement of Cash Flows) | (15,586) | (10,543) | 5,043 |
| Rate of Return | (4.9)% | (1.7)% | 3.2% |
| Capital Expenditure | 11,867 | 5,215 | (6,652) |
| Total Assets | 61,844 | 62,191 | (347) |
| Full time equivalent (FTE) staff numbers (last year/this year) | 54 | 59 | 5 |

*Table 1 Financial Targets*

Variations in revenue from budget for FY2016/17 were in the main due to the demobilisation of a number of oil and gas campaigns commencing later than expected. This led to increased importation of petroleum which was not included in the budget. The live cattle export season was on target with budget, and cruise ship revenue was slightly down on budget.

A $994,000 expense was incurred due to the disposal of the wharf asset, and an additional $980,000 was deemed a repair as part of the WEOL project. This resulted in an operating loss of $131,000 for the period. KPA maintained operating expenses below the Mid-Year-Review target and as a result the Port Authority returned a positive EBITDA of $0.914M and a net loss of $2.105M.

## 2.1 Agency Performance (continued)

### 2.1.1 Customer Satisfaction

KPA uses a range of methods to monitor customer satisfaction including regular face to face operational meetings, and hosting the KPA Logistics Working Group forum where various managers provide presentations and respond to customer questions. The CEO also regularly meets a range of customers to ensure services meet industry requirements and to plan for future port utilisation.

KPA has a Customer Service Charter which outlines expected service levels and provides information on how to communicate customer feedback. An automated customer feedback form is also available on the KPA website. A customer survey was undertaken in June 2016 with the next survey due in 2018.

## 2.2 Ministerial Directions

No Ministerial directions were received during the period.

## 2.3 Governance

### 2.3.1 Equal Opportunity

KPA has an Equal Employment Opportunity Policy and employees were provided training in aspects of this policy and on dealing with bullying and harassment in May 2017. Prior to the training the policies were reviewed and updated ensuring ongoing relevance to workplace dynamics and legislation. KPA has an Equal Opportunity Management Plan which has been submitted to the Office Equal Employment Opportunity.

### 2.3.2 Human Resources

KPA had a workforce of 91 including full-time, part-time and casual employees during 2016/17. During the reporting period a replacement Harbourmaster / Operations manager was employed, two parental leave employees returned to work part-time, and one employee commenced parental leave, hence a temporary contract employee was engaged. Four office based employees left KPA, without being replaced, during the reporting period contributing to a reduction in expenses.

KPA continues to ensure that it is a workplace that fosters fairness, equity and diversity by providing equal opportunity employment based on merit, regardless of: sex, age, race, pregnancy, marital status, sexual orientation, family responsibility, religious or political conviction or impairment.

KPA has an Education Assistance Policy which provides financial support and study leave to encourage employees to gain higher skills and qualifications. During the past year employees have:

- obtained a CPA accreditation;
- enrolled in a Diploma of Business course;
- enrolled in an Advanced Diploma in Recordkeeping;
- continued a Certificate IV in Frontline Management;
- continued a Diploma of Work Health and Safety, and
- continued a Masters qualification in Engineering Practice.

## 2.3 Governance (continued)

### 2.3.3 The State Records Act 2000

KPA has a registered Recordkeeping Plan – RKP 2014035, revised and updated in late 2014, and uses ELO Digital, a fully functional Electronic Document Recording Management System. Record Keeping Awareness training was delivered to five of the eight new/temporary office personnel, with three still to finalise their training. KPA has a Recordkeeping Policy and Procedure that is provided to office personnel who are also trained, in-house, in using ELO Digital.

### 2.3.4 Freedom of Information

The Information Statement was updated in June 2017 to reflect current legislation and communication requirements. The Information Statement explains how to lodge a Freedom of Information request, lists associated charges, and explains how a copy of the document is available either from the Port Authority offices or via the website – www.kimberleyports.wa.gov.au

There have been no FoI applications made under the *Freedom of Information Act 1992* during the financial year 2016/17.

### 2.3.5 Electoral Act 1907 – Section 175ZE

In accordance with Section 175Ze of the *Electoral Act 1907*, KPA incurred the following expenses in media advertising and research:

| Agency / Organisation | Class | Value |
|---|---|---|
| Beilby Corporation Pty Ltd | Media Advertising Organisation | $1,825 |
| Broome Advertiser | Media Advertising Organisation | $1,144 |
| GoGo On Hold Pty Ltd | Media Advertising Organisation | $753 |
| Key2creative | Media Advertising Organisation | $6,830 |
| Mills Wilson Tudorview | Media Advertising Organisation | $24,850 |
| Seek | Media Advertising Organisation | $1,205 |
| West Australian Newspapers Ltd | Media Advertising Organisation | $5,221 |
| | | **$41,828** |

*Table 2 Advertising 2017*

### 2.3.6 Risk Management

Risk management plays an important role within KPA's decision making functions, from wharf operations through to contractual arrangements and Board strategic decisions. Areas of focus over the last 12 months include:

- Due diligence studies on the Port of Yampi Sound as part of the ports amalgamation process. In this regard, the Board Chairman heads a port amalgamation risk committee;
- Closing out the risks associated with the Wharf Extension of Life Project deck replacement works; and
- Preparing risk assessments and agreements for a range of wharf associated projects including the new wharf under deck trolley, fire pump and fire management system.

The KPA Board has the following sub-Committees: Risk; Governance; and Audit, Human Resources and Remuneration to assess and monitor KPA's risk profile.

### 2.3.7 Compliance with Legislation

KPA uses professional legal advisers to ensure that KPA's documentation and agreements meet best practice and comply with all relevant legislation. Professional staff attend regular training to keep their qualifications up-to-date. KPA also receives newsletters and circulars to stay informed of significant changes to key legislation. A new software system has recently been developed to record key legislation and provide reminders to nominated employees to ensure that legislative obligations are being met.

### 2.3.8 Insurance of Directors and Officers

KPA's Directors and Officers are insured against liabilities for costs and expenses incurred by them in defending any civil or criminal proceedings arising out of the lawful performance of their duties. Coverage excludes conduct involving a number of matters, including a wilful breach of duty in relation to their employment or appointment to the KPA Board.

### 2.3.9 The Public Sector Management Act 1994 – Section 31 (1) Framework

| | |
|---|---|
| **Compliance issues:** | In order to achieve best practice in compliance, KPA has a range of policies in place and is internally and externally audited. |
| **Public Sector Standards (PSS) Breach claims:** | Nil returns |
| **WA Code of Ethics Reports of non-compliance with WA Code of Ethics:** | Nil returns |
| **Agency Code of Conduct:** | There was one formal investigation into inappropriate behaviour which culminated in a letter of apology.<br>Two reports of behavioural issues were raised resulting in an apology. |

*Table 3 Public Sector Management Act 1994 Activities*

## 2.3 Governance (continued)

### 2.3.10 Corruption Prevention

KPA has a comprehensive system of codes and policies that form the basis of its corruption prevention system. These are approved by the Board of Directors and each staff member is required to read and acknowledge receipt of the relevant document and agree to abide by its terms.

In accordance with Section 23 of the *Port Authorities Act 1999*, KPA has reported to the Public Sector Commission on its compliance with the Code of Conduct. KPA's Code of Conduct addresses:

- Customer Service;
- Conflicts of Interest;
- Offer and Acceptance of Gifts and other Incentives;
- Personal Behaviour with customers and work colleagues;
- Professional Integrity;
- Corruption;
- Release and use of Port Authority Information, and
- Use of Port Authority Resources.

KPA's Code of Conduct was reviewed in June 2017 and KPA staff will be receiving training in compliance on this policy.

The Purchasing Policy sets clear guidelines regarding the procedure to be followed when services and products are procured. Staff members authorised to purchase goods and services on behalf of the Port Authority are assigned limits on the value of goods and services they can purchase.

KPA policies also address approved expenditure on entertainment, plus expenditure limits for credit cards to ensure correct expenditure protocols are followed.

The *Public Interest Disclosure Act 2003* enables persons to make disclosures about wrongdoing within the WA public sector, local government and public universities without fear of reprisal. KPA's Public Interest Disclosure Officer is obligated to investigate, assess and where appropriate, refer misconduct allegations to the relevant authorities. KPA's website sets out the process to be followed if an individual wishes to make a Public Interest Disclosure. KPA received no Public Interest Disclosure applications during 2016/17.

## 2.4 Environmental Management

KPA recognises the importance of environmental protection and is committed to acting in an environmentally responsible and sustainable manner. KPA has an environmental management system which assists KPA to integrate environmental management requirements into our business objectives, continually improve our environmental performance and minimise environmental impacts across our operations, both land and marine.

KPA completed a marine baseline assessment in 2017 and the environment in the vicinity of the Port was found to be in excellent condition. Concentrations of contaminants in sediment and water were low and well below relevant guidelines. The project has increased KPA's knowledge of the local marine environment, thus supporting the management of future port activities and potential emergency incidents.

The Yawuru Nagulagun Roebuck Bay Marine Park was announced in October 2016 and KPA surrendered a portion of port waters to the Marine Park. KPA continues to work closely with the Department of Biodiversity, Conservation and Attractions (previously the Department of Parks and Wildlife) and Nyamba Buru Yawuru to ensure lines of communication are maintained. The three organisations have a Memorandum of Agreement for the marine park and meet on a regular basis to share relevant information, provide updates on new projects and ensure any trans-boundary issues are discussed.

KPA continued to monitor for the presence of invasive marine pests through the Department of Fisheries' State Wide Array Surveillance Program (**SWASP**). The SWASP program involved the deployment of arrays on the wharf to monitor for growth and shoreline searches to identify potential invasive marine species.

KPA worked with its tenants to ensure environmental compliance through development approval processes, regular tenant inspections and the ongoing implementation of KPA's tenant environmental management requirements.

Over the past 12 months KPA has continued to contribute to the Broome Community Seagrass Monitoring Project which monitors sea grass within Roebuck Bay. The Project released its 10 year report card for the 2006-2016 period which highlighted that KPA had contributed 15% of the funding, through donations, totalling over $55,000 since 2006. KPA also continued its involvement in the Roebuck Bay Working Group Committee.

*Marine Baseline Study vessel*

## 2.5 Organisational Structure

| | |
|---|---|
| **Minister** | Hon Rita Saffioti MLA<br>Minister Transport |
| **Board Members** | Laurie Shervington (Chairman)<br>David Mofflin (Deputy Chair)<br>Martin Peirson-Jones<br>Anna Dartnell<br>Elisa Fear<br>Douglas Aberle |
| **Chief Executive Officer** | Kevin Schellack |
| **Harbour Master / Operations Manager** | Captain Lindsay Copeman<br>(Captain Timothy Hungerford-Morgan acting to December 2016) |
| **CFO** | Charles Kleiman BBus (Accounting) CPA |
| **Finance Manager** | Carlee Ryan BComm (Acc/Hrm) CPA<br>(Interim from January 2017)<br>Natalie Beckett BComm (Accounting) CPA<br>(to January 2017) |
| **Commercial Manager and General Counsel** | Sean Mulhall BA LLB |
| **Engineer** | Scott Baker BE (Hons) MIEAust |
| **HSE Manager** | Veronica Mair BEc (Hons) MScTech (OHS) MEnvMgt |

| | |
|---|---|
| **Administration Manager** | Rosemary Braybrook BBus (Public Relations) |
| **Postal Address** | PO Box 46<br>Broome, Western Australia 6725 |
| **Office Address** | 280 Port Drive<br>Broome, Western Australia 6725 |
| **Telephone** | 08 9194 3100 |
| **Facsimile** | Administration 08 9192 1778<br>Operations 08 9194 3188 |
| **Email** | info@kimberleyports.wa.gov.au |
| **Website** | www.kimberleyports.wa.gov.au |

*Table 4 Organisational Structure*

## 2.5.1 KPA Organisational Chart

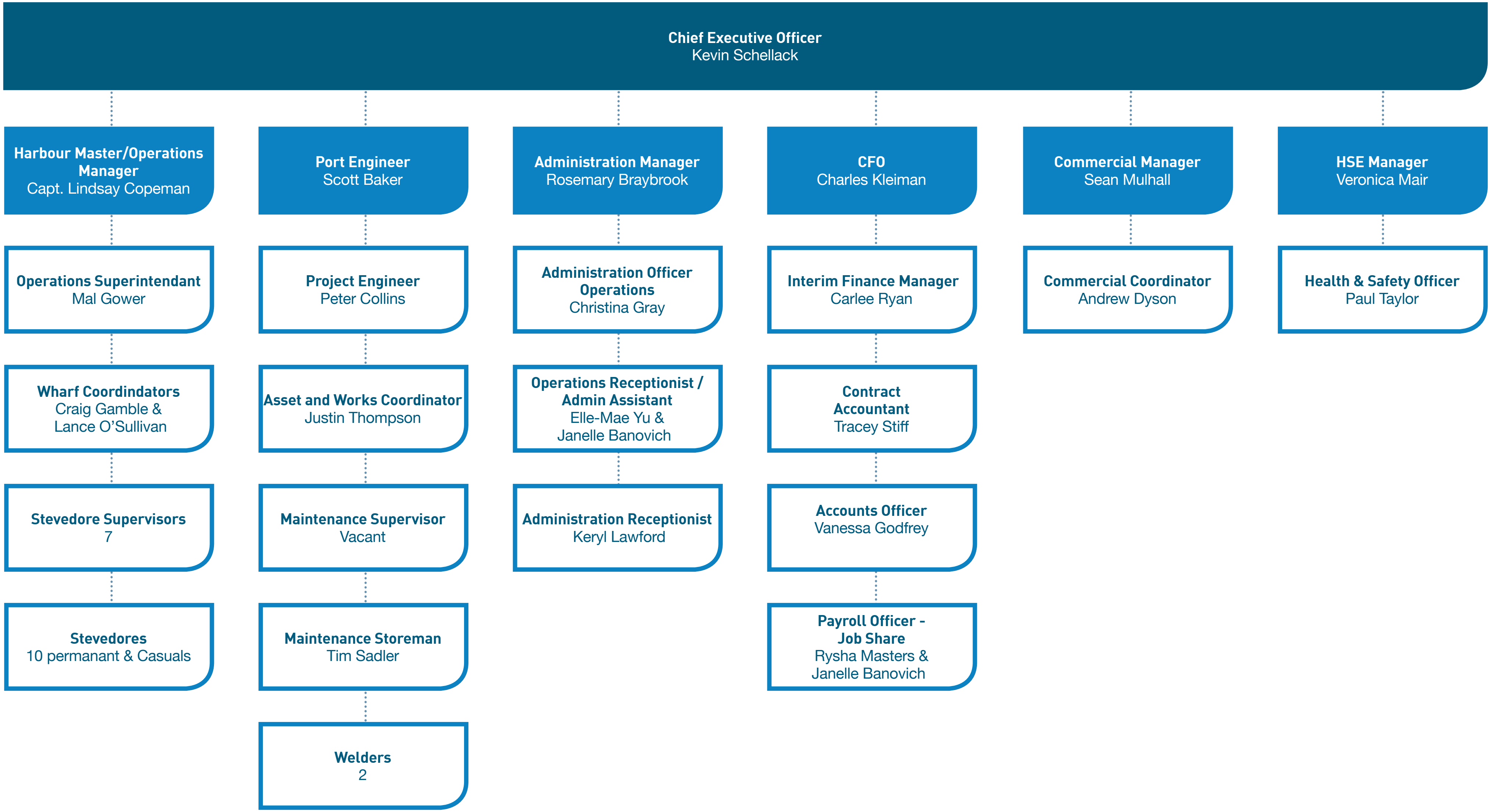



*Figure 1 KPA Organisational Chart*


# 03.
# OPERATIONAL PERFORMANCE

*Safety Toolkits*

## 3.1 Occupational Safety and Health

Safety is a key focus for KPA and we are committed to providing a safe and healthy work environment for all employees, contractors, port users and visitors.

In 2016/17 KPA continued its safety culture program through the introduction of safety rules for the workplace and safety key performance indicators (**KPI's**) for its employees. Pocket size HSE Toolkits were provided to all employees which include information on KPA's safety commitments and safety rules, as well as important first aid and emergency information. Safety culture workshops were held for employees and each employee made a personal safety commitment for 2017.

KPA continued to implement its safe hands program to minimise the risk of hand injuries during cargo operations. Hands free tools are now an integral part of the loading and discharge process and working in line with KPA's safe hands program is a KPA safety rule.

During the reporting period the Engineering and Maintenance Department implemented an innovative safety solution for their maintenance work on the outer berth fender system. It was assessed that the underdeck trolley system would not be adequate to complete the task and as a result a new customised fender platform was designed, fabricated and implemented. The platforms are quick and easy to install, provide instant safe access to the work site and are a great engineering solution for this work.

The Operations Department conducted several person overboard training sessions for its stevedores in 2016. The sessions included a desktop discussion on different person overboard scenarios, reviewing the emergency equipment on the wharf and attendees being involved in various drills simulating a rescue from water using the port tender.

Employees completed a range of safety training courses in 2016/17 including working at heights, confined spaces, lock out tag out, injury management for line managers, risk management essentials for employees and safety leadership for supervisors training.

Flu vaccinations were made available to all employees as part of KPA's health and wellbeing program and an information session was held by KPA's new Employee Assistance Program (**EAP**) provider on how to access EAP and ways to cope with change and build resilience.

### 3.1.1 Commitment to Occupational Safety and Health

KPA is committed to preventing injury and disease in the workplace and to ensuring that occupational safety and health (**OSH**) considerations are integrated into all areas of its operation. KPA has an OSH management system (**OSHMS**) based on AS/NZS 4801:2001 which identifies, assesses and reduces health and safety hazards and risks.

KPA's board and management team take a leading role in regard to safety and KPA's management team have safety KPI's which include attendance at HSE committee meetings, participation in workplace inspections and regular safety interactions in the workplace.

# 3.1 Occupational Safety and Health (continued)

### 3.1.2 Formal Mechanism for Consultation with Employees on OSH Matters

KPA has a HSE Committee with seven employee safety representatives and four management representatives. All employee safety representatives undertake formal safety and health representative training. In 2016/17 there were 14 HSE Committee meetings held. The committee plays an important role in the workplace consultation process and are involved in discussing and reviewing hazards, risks and changes in the workplace.

OSH information is communicated to employees through team meetings, toolbox talks, after action review meetings and in-house training sessions. Safety notices, updates, posters and monthly hazard reviews are also placed on workplace safety notice boards. The Port Induction also provides employees and port users with important safety and environment information.

### 3.1.3 Injury Management and Workers Compensation

KPA is committed to assisting employees who have become injured or ill, due to work, to return to their pre-existing duties as soon as medically appropriate in accordance with the *Workers Compensation and Injury Management Act 1981.*

KPA's Workplace Injury Management Procedure is distributed to all employees and information on injury management is included in new employee inductions.

KPA supports the injury management process and understands that success relies on the active participation and cooperation of all parties including the injured worker, treating medical practitioners, the insurance provider and KPA. As part of the injury management process KPA develops return to work plans with the injured worker, their supervisor, and the return to work coordinator.

### 3.1.4 Occupational Safety and Health Management Systems

KPA has an effective OSHMS that was internally and externally audited in 2017 using the WorkSafe Plan as the audit and assessment tool. The external audit found no non-conformances and an overall score of 85.2%.

During the reporting period KPA received a Platinum IFAP Safety Achievement Award. As part of the evaluation process for this award IFAP undertook a desktop review of KPA's OSHMS.

### 3.1.5 Occupational Safety and Health Performance Indicators

| Measure | Actual 2014-15 | Actual 2016-17 | Target | Comment on Result |
|---|---|---|---|---|
| **Number of fatalities** | 0 | 0 | 0 | Target met |
| **Lost time injury and/or disease incident rate*** | 1.41% | 3.42% | 0 or 10% reduction over the previous three years | Target not met<br>*(Comment: There were two LTI's in 2016/17 compared to one LTI in 2014/15. KPA aims for zero harm in the workplace and will continue to aim for 0 LTI's in the next reporting period).* |
| **Lost time injury and/or disease severity rate** | 0 | 0 | 0 | Target met |
| **Percentage of injured workers returned to work within:**<br>**i) 13 weeks**<br>**ii) 26 weeks** | i) 100% | i) 100%<br>ii) 50% | ≥80% return to work within 26 weeks | Target met |
| **Percentage of managers and supervisors trained in OSH and injury management responsibilities** | 90% | 90% | ≥80% | Target met |

*Table 5 Annual Safety Performance for KPA Employees*

*Note: Results from current reporting year are compared to results from three years prior (i.e. current year is 2016/17 and comparison year is 2014/15).*

** The LTI/D incidence rate was calculated using the Public Sector Commission formula.*

## 3.2 Operational Performance

### 3.2.1 Vessel Visits

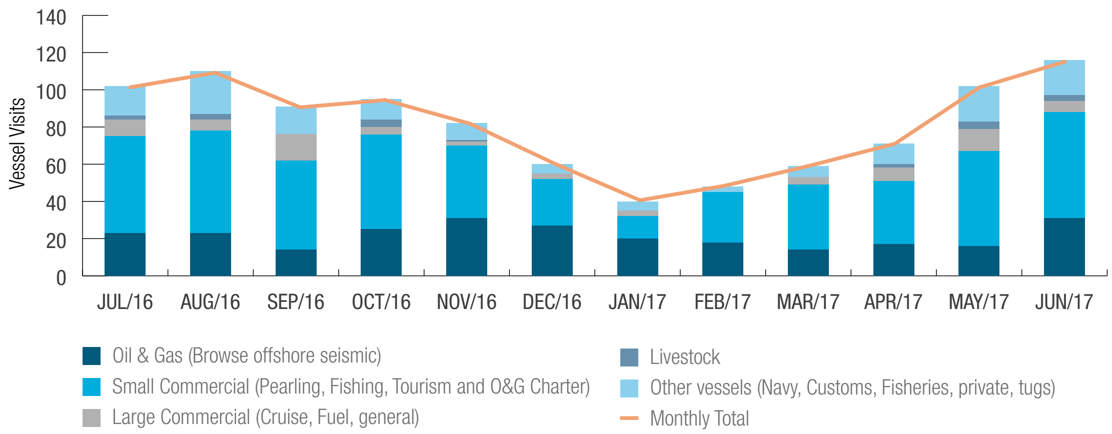
The reduction in the number of Oil and Gas support vessels forecast at the beginning of the financial year has transpired with 190 less oil and gas ships calling at the Port of Broome compared to 2015/16. There was a reduction in shipping numbers across all trades into the port with the exception of the Cruise industry vessels and small commercial.

In summary:

- Oil and Gas **down 42.3%**;
- Large Commercial **down 19.8%**;
- Cruise **up 11.76%**;
- Livestock **down 34.5%**;
- Government, Navy, Customs, Fisheries, and private **down 2%**; and
- Small Commercial **up 9.1%**.

In the year ahead it is anticipated that the downward trend for oil and gas support vessels will be arrested with the hook up and commissioning phase support for the INPEX Ichthys LNG and Shell's Prelude projects in the Browse field. There may also be resumption of exploration drilling activities within the Browse field.

Figure 2 Total monthly vessel visits by vessel type



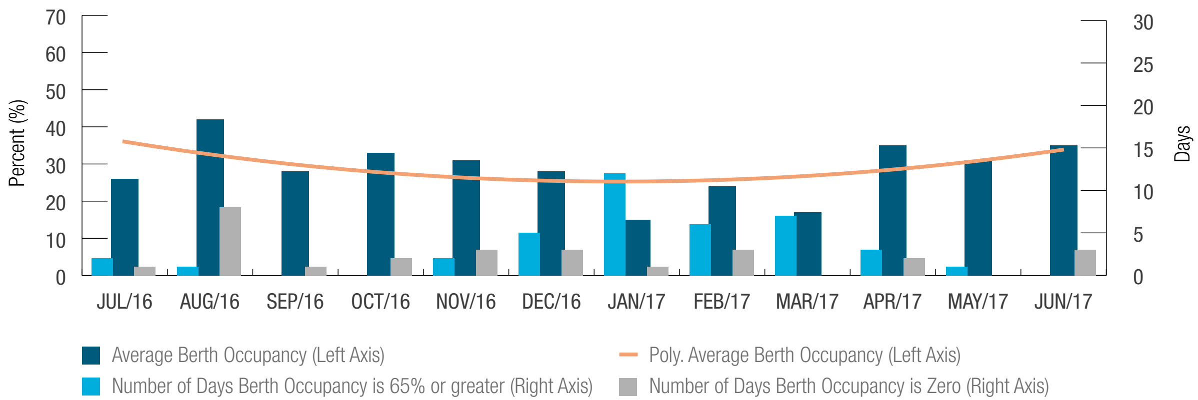

| Vessel distribution 2016/17 | |
|---|---|
| Small Commercial (pearling, fishing, tourism and oil and gas charter) | 486 |
| Large Commercial (cruise, fuel, general) | 73 |
| Oil & Gas (Browse offshore, seismic) | 259 |
| Livestock | 19 |
| Other vessels (Navy, Customs, Fisheries, private, tugs) | 139 |
| **Total** | **976** |

*Table 6 Vessel Distribution*

## 3.2.2 Berth Occupancy

Figure 3 shows the monthly average berth occupancy (berths 3 -10) for the period 2016/17. Berth occupancy averaged 28.8% compared to 36.2% during 2015/16. The highest monthly average was 42% during August 2016 while the lowest was recorded in March 2017 at 17%.

Figure 3 Monthly Berth Occupancy



## 3.2 Operational Performance (continued)

### 3.2.3 Vessel Turnaround Times (Oil and Gas)

Figure 4 shows that monthly average vessel turnaround times for oil and gas supply vessels was 21.62 hours. There were periods in September and April where the turn around period for the month was elevated as a result of vessels remaining alongside for several days undertaking tank cleaning and general demobilisation activities on the completion of drilling campaigns, and vessels going off charter.

### 3.2.4 Berth Utilisation Efficiency

The average berth occupancy for the year was 29% with the average occupancy for the past five years being 34.3%.

Total cargo throughput for the year was of 303,157 tonnes with 424 cargo carrying vessels.

Figure 4 Oil and Gas Vessel Turnaround Time

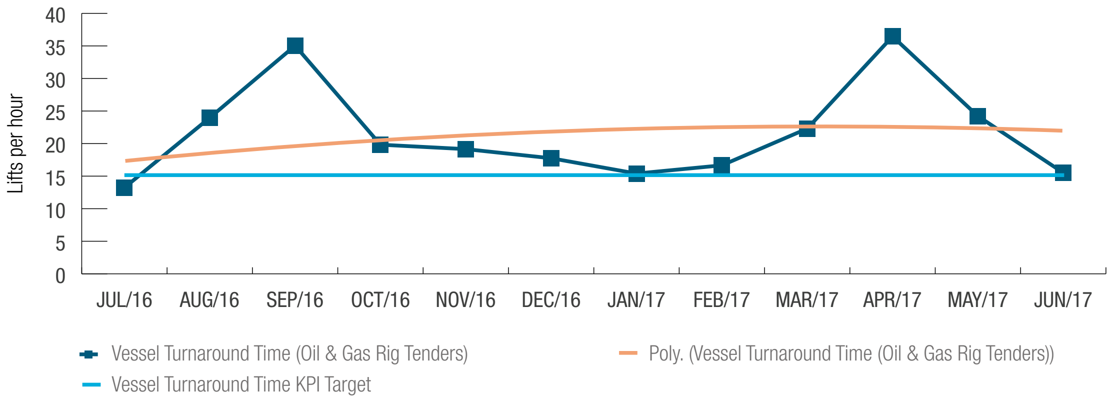
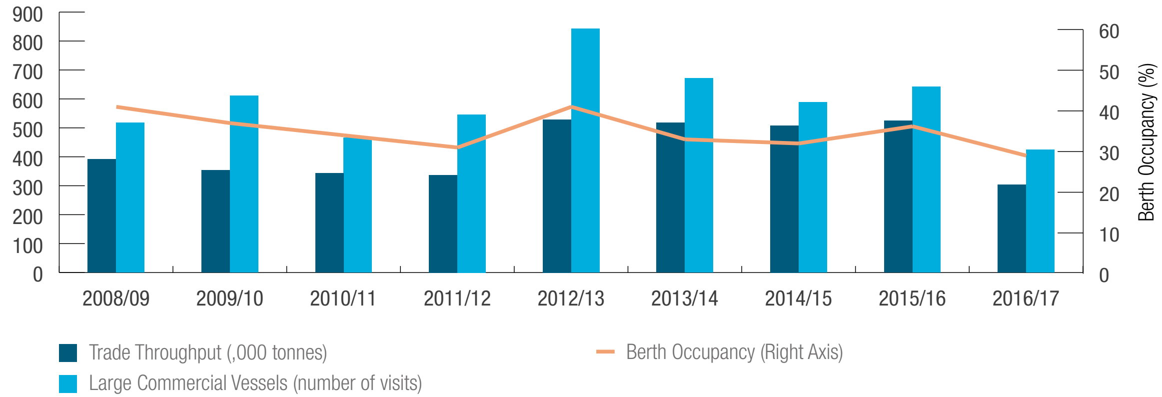


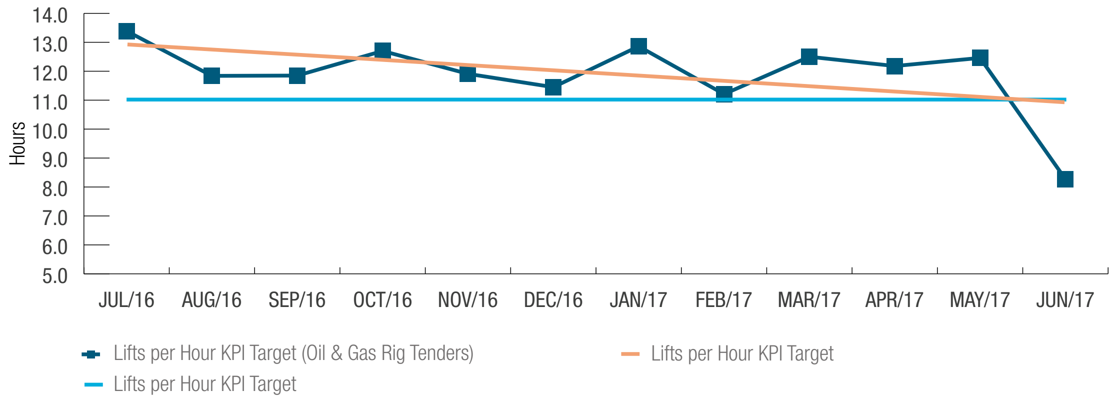

Figure 5 Berth Utilisation 2008 - 2017



### 3.2.5 Crane Rates

Figure 6 below shows that the monthly average crane lifting rates, for oil and gas supply vessels, was 11.88 lifts per hour, slightly above the KPI of 11. The crane lifting rates are influenced by external factors such as weather conditions, types of cargo, heavy lifts and the ability to forklift cargo on and off trucks at the wharf interface. The drop in performance for June is related to the use of a 200 tonne crane substituting the normal 250 tonne due to crane maintenance requirements. The 200 tonne crane is not fitted with a whip line and operates at half the rate of the 250 tonne crane.

Figure 6 Lifts per hour



## 3.3 Trade Statistics

### 3.3.1 Total Trade

Figure 7 shows the total trade throughput in tonnes since 2012/13 showing a five year average throughput of 476,693 tonnes.

The 2016/17 year throughput of 303,157 tonnes represents a 42.3% reduction in throughput from 2015/16. This is the lowest throughput since 2006/07 and correlates closely with the 32.1% reduction in large commercial vessel visits.


Figure 7 Port of Broome Throughput 2012/13 to 2016/17

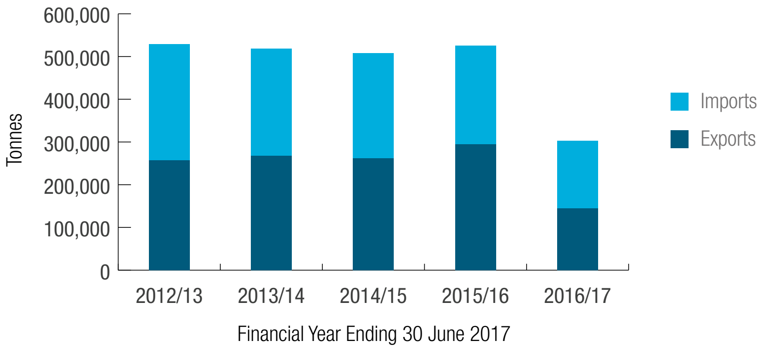
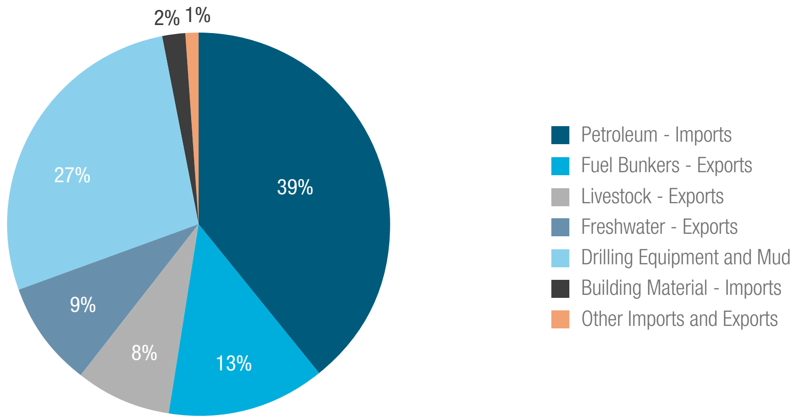



Figure 8 Port of Broome - Percentage Throughput by Commodity 2016/17



### 3.3.2 Import Trade

Figure 9 provides a breakdown of import trade which decreased by 31.3% from the previous year. The decrease was primarily related to a 24% reduction in refined petroleum products being imported and a 48.9% reduction in drilling equipment and bulk products for the oil and gas industry.

### 3.3.3 Export Trade

Figure 10 provides a breakdown of export trade which shows a reduction from the previous year by 51%. All product ranges experienced a reduction over the past year. Major decreases were in water exports - down 63.2% and fuel bunkers - down 52.2%.

Figure 9 Import throughput for past five years

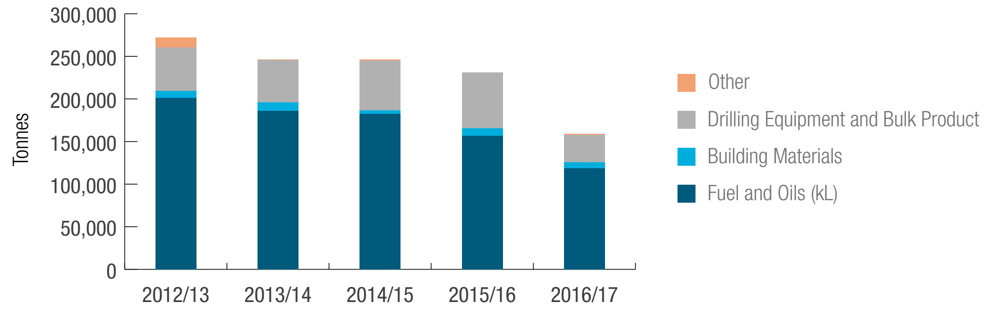
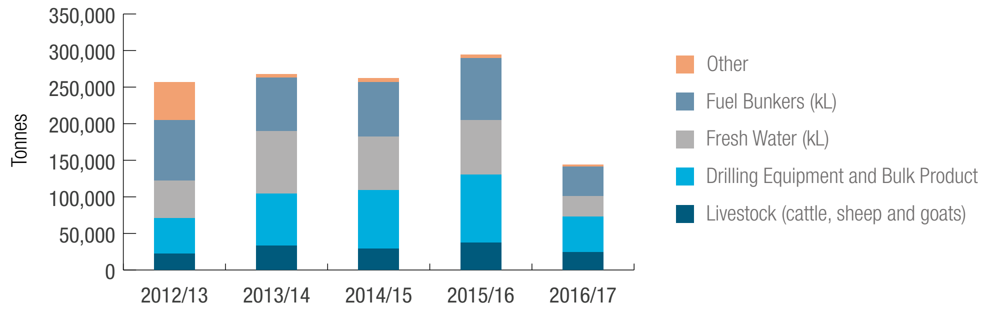



Figure 10 Export throughput past five years

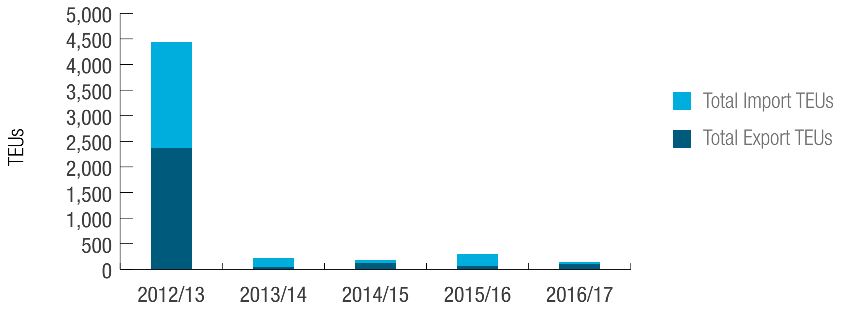


## 3.3 Trade Statistics

### 3.3.4 Container Trade

The slight increase in container trade that was experienced during 2014/15 and 2015/16 has been eroded in 2016/17 with 54 containers imported and 94 empty containers exported. Overall this represents a drop in total container throughput of 52%.

Figure 11 Container throughput for past five years



## 3.4 Infrastructure Improvement and Maintenance

### 3.4.1 Wharf Extension of Life Project

The WEOL project continued through 2016/17. The project is refurbishing the original 50 year old wharf structure plus upgrading the load carrying capacity for heavier vehicle and crane loads. The major component of work, the deck replacement, reached practical completion in September 2016. Pile repairs will be ongoing through 2017/18.
Key project milestones completed in 2016/17 include:

- The project was completed six weeks ahead of the Contracted schedule;
- A total of approximately 53,000 man hours were worked with no Lost Time Injury;
- There were 123 people inducted into the work-site, 4,356 breathalyser tests, 613 safety inspections / observations, 25 incidents and 197 hazards identified;
- There was 1,851m$^3$ of concrete demolished, 944 tonnes of reinforcing steel installed by hand, 4,102m$^3$ of concrete poured and 1,058 stiffeners installed and painted; and
- There was a total of 923 vessel visits during the works (spanning two financial years) which consisted of nine fuel tankers, 368 oil and gas support vessels, 15 cruise ships, 16 general cargo vessels, 21 livestock vessels loading 88,000 head of cattle, with the remainder of vessel visits made up of smaller fishing / pearling vessels.

### 3.4.2 Infrastructure Projects

In addition to the WEOL project, works undertaken over the reporting period include:

- A new waste water servicing plant was commissioned, on Port lands, reducing the number of septic tanks and leach drains adjacent to the environmentally sensitive Roebuck Bay;
- A major outer berth fender refurbishment project commenced with a total of eight of 26 bays completed in 2016/17;
- The old cathodic protection system on the 2007 built wharf was de-commissioned and replaced with a more modern, easy to maintain system;
- Replacement of the public walkway commenced with the first 180m removed and fabrication of walkway modules underway;
- Detailed design was completed on a new wharf fire-fighting system with construction to be completed in 2017/18;
- A feasibility design was completed on a dedicated all-tide gangway system for cruise ships with construction to be completed in 2017/18; and
- Early design works commenced for the shipping channel optimisation to allow deeper draft cruise ships access to the wharf at all tides.

# 04. DIRECTORS' REPORT

*Fender Repairs*

## 4.1 Role of the Board

In accordance with the *Port Authorities Act 1999* (WA) the Board of Kimberley Ports Authority is its governing body, and the Board, in the name of the Port Authority, is to perform the functions, determine the policies and control the affairs of the Port Authority.

## 4.2 Directors' Rights

If required, Directors are provided with access to independent legal or financial advice as an approved KPA expense and are entitled to access KPA records for a period of seven years following retirement from the Board.

## 4.3 Directors' Details

The names and details of the Directors of the Kimberley Ports Authority during the financial year and until 30 June 2017 are:

### 4.3.1 Mr Laurie Shervington LLB – Chairman

*LLB, FAICD, SF FIN, FCL, LLM (Applied Law) (Honorary)*

Mr Shervington was appointed on 24 March 2011. He has been a practicing lawyer for 49 years and has listed public company and private company experience as a director. His current term expires 31 December 2017.

### 4.3.2 Dr David Mofflin – Deputy Chair

*PhD(Cantab), BE Hons, FIEAust*

David has broad experience in the engineering sector, including overall business management, strategic planning, business acquisition, project advisory, project due diligence, technology commercialisation, and project management. In recent times he has been engaged in developing bankable feasibilities and delivery strategies for multi-billion dollar mining projects. David is a civil engineer, and holds a PhD from the University of Cambridge. Until recently he was a non-executive director of Engineering Education Australia, and a past Chair of the WA Centre for Engineering Leadership and Management. For over 20 years he held various roles at WorleyParsons, including Executive Director, Director, and General Manager.

David was appointed to the Board on 21 October 2013 and his current term expires on 30 June 2019.

### 4.3.3 Mr Martin Peirson-Jones

Mr Peirson-Jones is a resident of Broome who first came to the Kimberley some 40 years ago to work on cattle stations. He now heads the family owned Kimberley Accommodation group of companies which operate a number of hospitality businesses in both the East and West Kimberley.

He was a founding member of the original Port of Broome advisory board and sits on the Executive of the W.A. Branch of the Australian Hotels Association.

Martin was appointed to the Board on 21 October 2013 and his current term expires on 30 June 2018.

## 4.3 Directors' Details (continued)

### 4.3.4 Ms Elisa Fear

Elisa has held a wide variety of positions within the financial sector, both in Australia and the United Kingdom. This includes three years with Macquarie Bank's Project and Structured Finance Division, providing advice in relation to infrastructure assets in Western Australia and over 10 years' experience in small business at director level. Elisa served as a non-Executive Director on the Board of the Port Hedland Port Authority for three years and is currently a non-Executive Director on the Board of the Good Samaritan Industries.

Elisa joined the inaugural KPA Board on 1 July 2014, with her term expiring on 30 June 2018.

### 4.3.5 Ms Anna Dartnell

Anna is a seasoned executive with over 20 years' experience developed in Supply Chain, Logistics, Operational Excellence and Workplace Transformation across global resources, manufacturing, transport and consulting businesses.

In addition to her role on the board of KPA, Anna is a member of the leadership team at Bis Industries, holding the innovation, strategy and market engagement portfolios for the resources logistics business. She also serves as Chair of the Board with Spare Parts Puppet Theatre and is the Western Australian Chair of NAWO (the National Association of Women in Operations).

Anna is a passionate advocate for workplace diversity, and is committed to the development of future operational leaders with strong commercial capability and diverse industry experience.

Anna was appointed to the inaugural KPA Board from 1 July 2014, with her term expiring on 31 December 2017.

### 4.3.6 Mr Douglas Aberle

*MEngSc, BE(Hons), FIEAust, CPEng, FAICD, PACFA Reg.Clinical 20483*

Doug is Director of business consultancy Marple Bridge Pty Ltd. He provides support to CEOs and executive teams to improve their capacity to engage and thus lift business performance. He also assists in the development of strategic plans and consults to electricity businesses, having spent almost 40 years in that industry.

Along with his directorship at KPA, Doug is Chairman of the Centre for Engineering Leadership and Management in WA and a board member of Edge Employment Solutions.

Doug was appointed to the inaugural KPA Board from 1 July 2014, with his term expiring on 31 December 2017.

### 4.3.7 Retirements, Appointments and Continuation in Office of Directors

Chair Laurie Shervington and Director Douglas Aberle had their terms extended to 31 December 2017 and Deputy Chair David Mofflin's term was extended to 30 June 2019 during the reporting period.

## 4.4 Directors Meetings

During the financial year 2016/2017 the Directors held eight Board meetings.

| Members Name | Laurie Shervington (Chairman) | David Mofflin (Deputy Chairman) | Martin Peirson-Jones | Elisa Fear | Anna Dartnell | Doug Aberle |
|---|---|---|---|---|---|---|
| Number of Board meetings attended in 2016-17 | 8 | 8 | 8 | 8 | 8 | 8 |

*Table 7 Meetings attended by Directors*

Three KPA Board sub-Committees continued meeting during the reporting period being:

- Audit, Human Resources and Remuneration;
- Risk; and
- Governance.

In July 2016 KPA's Board and members of the management team attended Cultural Awareness Training provided by Nyamba Buru Yawuru which proved to be a very beneficial exchange for both parties.

*Nyamba Buru Yawuru and KPA Board members*

## 4.4 Directors Meetings (continued)

The following table outlines the membership and number of meetings held and attended.

| Members Name | Audit, Human Resources & Remuneration | Governance | Risk |
|---|---|---|---|
| Laurie Shervington | na | 2 | 2 |
| David Mofflin | na | 2 | 2 |
| Martin Peirson-Jones | 4 | na | 2 |
| Elisa Fear | 4 | 2 | na |
| Anna Dartnell | 2 | 2 | na |
| Doug Aberle | 4 | na | 2 |

*Table 8 Board sub-Committee Meetings Attendance*

## 4.5 Planned Achievements

Outcomes arising from the 2016/17 objectives within the Statement of Corporate Intent are configured in the tabulation below.

| **Objective** | To improve business performance to ensure KPA:<br>• remains financially viable; and<br>• meets the commercial expectations of shareholders and stakeholders. | |
|---|---|---|
| **Strategic Measures** | **Targets** | **Management Outcomes** |
| • Improved efficiencies<br>• Return on assets<br>• Profitability<br>• Dividends<br>• Cost per tonne<br>• Real price index<br>• Compliance<br>• Debt ratio | • Reduction in cost to produce the same level or better service;<br>• Meet the Minister's required return on assets;<br>• Improve profitability and dividends whilst maintaining competitiveness and meeting statutory obligations. | • Overall reduction in costs against budget achieved.<br>• KPA did not achieve the Minister's rate of return on assets during 2016/17.<br>• Statutory obligations have been met, however there was a sizable reduction in oil and gas revenue. The significant asset disposal and the one off additional repairs related to the Wharf Extension of Life project caused the majority of the 2016/17 loss. |

*Table 9 – Strategic Planning Objectives*

## 4.5 Planned Achievements (continued)

| Objective | To improve corporate governance through the provision of efficient, safe, secure, and professional port services underpinned by solid business systems and processes | |
|---|---|---|
| **Strategic Measures** | **Targets** | **Management Outcomes** |
| • Number of safety inductions<br>• Lost time injury frequency rate<br>• Number of security incidents<br>• Customer satisfaction<br>• Cost per vessel movement<br>• Number of vessel movements<br>• Management of strategic assets | • Zero lost time accidents.<br>• Zero security incidents.<br>• Biennial improvement in customer satisfaction levels.<br>• Annual increase in number of vessel movements.<br>• All critical assets in good working order. | • KPA did not meet the target of zero lost time accidents, however, as part KPA's safety culture program, KPA continues to actively identify, implement and review risk control measures in the workplace to meet our goal of zero harm.<br>• Two security incidents were recorded for the year, one a breach of the waterside security zone and one fraudulent use of an MSIC card to access a port facility.<br>• Next customer survey due in 2018.<br>• Costs have remained the same throughout the reporting period.<br>• 976 vessels visited Port of Broome, a decrease of 174 vessels compared to the previous financial year.<br>• All critical assets are in acceptable working order. |

| Objective | To proactively influence the future development and success of the Kimberley Region. | |
|---|---|---|
| **Strategic Measures** | **Targets** | **Management Outcomes** |
| • Level of satisfaction and support for KPA<br>• Capital funding secured<br>• Master planning for the Kimberley Ports<br>• Environmental incidents<br>• Compliance with environment and heritage management plan | • High level Stakeholder satisfaction (based on survey)<br>• Approval of capital works budget or part thereof.<br>• Integrated planning outcomes resulting in best use land management practice outcomes.<br>• Annual reduction in number of environmental incidents.<br>• Increase in environmental and heritage awareness. | • The previous customer satisfaction survey in 2016 found that 71% of customers considered Port of Broome provided their required services and were reliable.<br>• No approval of major capital works was sought during the period.<br>• A Master Plan was completed for Port of Broome.<br>• There were no reportable environment incidents during the last financial year.<br>• KPA continued to provide environmental updates to its employees, including toolbox talks on waste minimisation and recycling. KPA also continued to implement its tenant environmental management requirements for port tenants. |

| Objective | To continue to improve stakeholder relationships and increase engagement with amalgamated ports. | |
|---|---|---|
| **Strategic Measures** | **Targets** | **Management Outcomes** |
| • Level of Stakeholder engagement<br>• Community awareness. | • Annual improvement in stakeholder awareness | • A Marketing Plan was finalised during the reporting period resulting in focused business development meetings.<br>• A Communications Plan was also developed to assist in sharing information.<br>• Three Community Consultation Committee meetings held and the Navigator newsletter distributed. Media releases and public notices circulated. |

## 4.6 Operating Results

KPA's economic objectives were to employ sound financial management and to enhance trade. In pursuing these goals, KPA aimed to achieve its set rate of return on assets, while providing the most cost-effective service to port users. The final result for 2016/17 was a loss before tax of $2.105M, against a budgeted loss of $4.1M.

KPA's rate of return for the period was a negative 1.7%. This rate of return is calculated on profit before borrowing and taxation costs, divided by the written down deprival cost of total assets, less gifted assets.

KPA met its efficiency dividend requirements as set by government.

### 4.6.1 Shipping Revenue

Shipping activity and revenue was higher than anticipated for the year and figure 12 shows that the oil and gas sector remained the Port of Broome's major revenue generator. The percentage of revenue realised from each shipping industry is also shown at figure12.

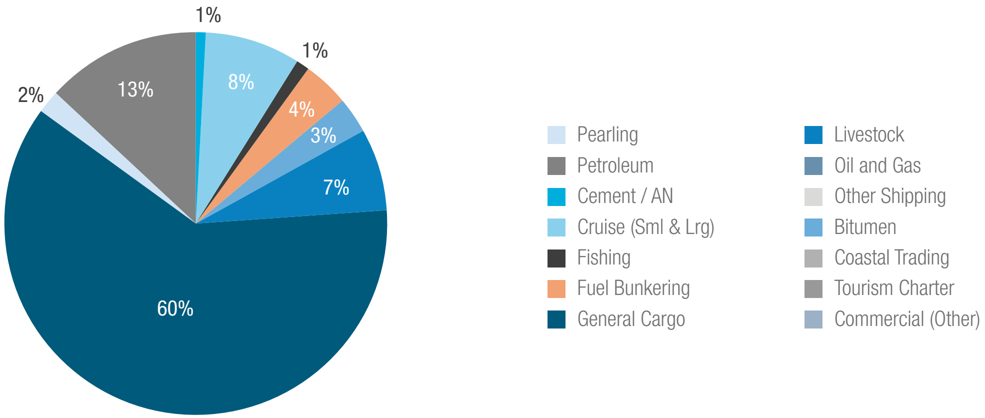
### 4.6.2 Non-shipping Revenue

The total non-shipping revenue was higher than budget forecast for the period due to an increase in lease revenue above budget targets.

### 4.6.3 Expenditure

Total expenditure was $0.586M above the 2016/17 budget due to an adjustment of $994,000 for the disposal of the wharf asset. Overall expenditure was contained, notwithstanding, trade revenue increased against the 2016/17 budget.

Figure 12 Shipping Revenue by Industry



### 4.6.4 Appointment of Auditors

The Auditor General's Office has been appointed as KPA's auditor in accordance with schedule 5 section 37(2) of the *Port Authorities Act 1999*. The total fee payable for the financial year ending 30 June 2017 is $44,000.

## 4.7 Dividends

A final dividend of $2.561M was paid during the 2016/17 for the 2015/16 financial year.

## 4.8 Significant Changes in the State of Affairs

There was no significant change in the nature of the Kimberley Ports Authority activities during the year.

## 4.9 Events Subsequent to Reporting

Transactions and events that occurred between end of June and the date of approval of the financial statements were 'non-adjusting' events.

## 4.10 Likely Developments

KPA expects a decrease in oil and gas revenue for the next two to three years at the Port of Broome with a resultant decrease in revenue and profits.

## 4.11 Remuneration Report

The following tabulations are provided in accordance with Section 13(c)(i) of Schedule 5 of the *Port Authorities Act 1999*. The nature and amount of each major element of remuneration for each Director, plus three key management personnel of the Authority who received the highest remuneration are included in the following tables:

## 4.11 Remuneration Report (continued)

### Directors Remuneration 2016/17

| Name | Directors Fees | Salary sacrificed Superannuation contributions | Superannuation | Total |
|---|---|---|---|---|
| Aberle, D | $30,513 | - | $2,899 | $33,412 |
| Dartnell, A | $30,513 | - | $2,899 | $33,412 |
| Fear, E | - | $33,055 | $3,140 | $36,195 |
| Mofflin, D | - | $33,361 | $3,169 | $36,530 |
| Peirson-Jones, M | $30,513 | - | $2,899 | $33,412 |
| Shervington, L | $61,023 | - | $5,797 | $66,820 |
| | **$152,562** | **$66,416** | **$20,803** | **$239,781** |

*Table 10 Directors Remuneration 2016/17*

### Directors Remuneration 2015/16

| Name | Directors Fees | Salary sacrificed Superannuation contributions | Superannuation | Total |
|---|---|---|---|---|
| Aberle, D | $32,860 | - | $3,122 | $35,982 |
| Dartnell, A | $32,860 | - | $3,122 | $35,982 |
| Fear, E | - | $35,598 | $3,382 | $38,980 |
| Mofflin, D | $8,265 | $27,661 | $3,413 | $39,339 |
| Peirson-Jones, M | $32,860 | - | $3,122 | $35,982 |
| Shervington, L | $65,720 | - | $6,243 | $71,963 |
| | **$172,565** | **$63,259** | **$22,404** | **$258,228** |

*Table 11 Directors Remuneration 2015/16*

** Due to the timing of KPA's payroll cycle, directors received 13 payments in 2015/16.*

## Executive Remuneration 2016/17

| Name | Salary | Other | Superannuation | Total |
|---|---|---|---|---|
| Schellack, K | $346,837 | - | $32,950 | $379,787 |
| Mulhall, S | $283,429 | - | $26,926 | $310,355 |
| Kleiman, C | $252,181 | - | $23,957 | $276,138 |
| | **$882,447** | **-** | **$83,833** | **$966,280** |

*Table 12 Executive Remuneration 2016/17*

## Executive Remuneration 2015/16

| Name | Salary | Other | Superannuation | Total |
|---|---|---|---|---|
| Schellack, K | $350,848 | - | $33,331 | $384,179 |
| Bangia, V* | $200,959 | $84,201 | $24,849 | $310,009 |
| Mulhall, S | $279,719 | - | $26,573 | $306,292 |
| | **$831,526** | **$84,201** | **$84,753** | **$1,000,480** |

*Table 13 Executive Remuneration 2015/16*

** Other includes settlement of unused leave and payment in-lieu of notice on termination 3 February 2016, totalling $84,201.*

## 4.12 Rounding Off

Amounts have been rounded off to the nearest thousand dollars in the Directors' Report and Financial Statements.

**L Shervington**
**Chair**
12 September 2017

**D Mofflin**
**Deputy Chair**
12 September 2017

# FINANCIAL STATEMENTS

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

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| | | | |
| **Revenue** | 4 | 17,971 | 24,552 |
| | | | |
| **Expenditure** | | | |
| Port operation expenses | 5 | (5,852) | (7,067) |
| Depreciation and amortisation expense | 6 | (2,165) | (1,395) |
| General administration expenses | 7 | (4,960) | (5,473) |
| Asset maintenance | | (2,694) | (1,369) |
| Environmental expenses | | (118) | (160) |
| Port utilities | | (893) | (984) |
| Safety & security | | (655) | (663) |
| Finance costs | 8 | (854) | (907) |
| Other expenses | 9 | (1,885) | (903) |
| **(Loss) / Profit before income tax** | | **(2,105)** | **5,631** |

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Income tax expense | 10 | (875) | (1,691) |
| | | | |
| **(Loss) / Profit for the year** | | **(2,980)** | **3,940** |
| | | | |
| Other comprehensive income | | - | - |
| **Total other comprehensive income** | | **-** | **-** |
| | | | |
| **TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR** | | **(2,980)** | **3,940** |

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

# STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 12 | 13,139 | 23,682 |
| Current tax asset | 10 | 759 | 207 |
| Trade and other receivables | 13 | 2,904 | 2,908 |
| **Total Current Assets** | | **16,802** | **26,797** |
| | | | |
| **Non-Current Assets** | | | |
| Deferred tax assets | 10 | - | 1,214 |
| Property, plant and equipment | 14 | 45,309 | 43,235 |
| Intangible assets | 15 | 80 | 139 |
| **Total Non-Current Assets** | | **45,389** | **44,588** |
| | | | |
| **TOTAL ASSETS** | | **62,191** | **71,385** |

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | 1,512 | 4,039 |
| Interest bearing borrowings | 17 | 1,199 | 1,028 |
| Provisions | 18 | 1,737 | 1,839 |
| Other current liabilities | 19 | 534 | 521 |
| **Total Current Liabilities** | | **4,982** | **7,427** |
| | | | |
| **Non-Current Liabilities** | | | |
| Interest bearing borrowings | 17 | 12,963 | 14,162 |
| Provisions | 18 | 101 | 110 |
| **Total Non-Current Liabilities** | | **13,064** | **14,272** |
| | | | |
| **TOTAL LIABILITIES** | | **18,046** | **21,699** |
| | | | |
| **NET ASSETS** | | **44,145** | **49,686** |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 20 | 41,286 | 41,286 |
| Retained earnings | 20 | 2,859 | 8,400 |
| | | | |
| **TOTAL EQUITY** | | **44,145** | **49,686** |

*The Statement of Financial Position 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 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts from customers | | 17,266 | 24,515 |
| Receipts from State and Commonwealth | | 60 | - |
| Interest received | | 348 | 465 |
| Cash paid to suppliers and employees | | (18,382) | (16,409) |
| Interest paid | | (859) | (892) |
| Income taxes paid | | (214) | (2,411) |
| **Net cash (used in) / provided by operating activities** | 21 | **(1,781)** | **5,268** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | 42 | 7 |
| Acquisition of property, plant and equipment | | (5,215) | (11,315) |
| **Net cash (used in) investing activities** | | **(5,173)** | **(11,308)** |

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | (1,028) | (886) |
| Dividends paid | | (2,561) | (449) |
| Receipts from State Government equity contributions | | - | 10,575 |
| **Net cash (used in) / provided by financing activities** | | **(3,589)** | **9,240** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(10,543)** | **3,200** |
| Cash and cash equivalents at the beginning of the period | | 23,682 | 20,482 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 12 | **13,139** | **23,682** |

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

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | Contributed Equity $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2015** | | 30,711 | 4,909 | 35,620 |
| Total comprehensive income for the year | | - | 3,940 | 3,940 |
| Transactions with owners in their capacity as owners: | | | | |
| Contributed equity | 20 | 10,575 | - | 10,575 |
| Dividends paid | 11 | - | (449) | (449) |
| **Balance at 30 June 2016** | | **41,286** | **8,400** | **49,686** |
| | | | | |
| **Balance at 1 July 2016** | | 41,286 | 8,400 | 49,686 |
| Total comprehensive loss for the year | | - | (2,980) | (2,980) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributed equity | 20 | - | - | - |
| Dividends paid | 11 | - | (2,561) | (2,561) |
| **Balance at 30 June 2017** | | **41,286** | **2,859** | **44,145** |

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

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

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## Note 1 - Basis of preparation

### a) Statement of compliance

Kimberley Ports Authority ("the Authority") is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the financial reporting provisions of the *Port Authorities Act 1999*.

The financial statements were authorised for issue on 12 September 2017 by the Board of Directors of the Authority.

### b) Presentation of the statement of comprehensive income

Statement of Comprehensive Income classification of expenses by nature is considered to provide more relevant and reliable information than classification by function due to the nature of the Authority's operations.

According to AASB 101 Presentation of Financial Statements, expenses classified by nature are not reallocated among various functions within the entity. However, the Authority has allocated employee benefits expenses to various line items on the Statement of Comprehensive Income including marine expenses, port operations expenses, general administration, and asset maintenance. This allocation reflects the internal reporting structure of the Authority which allocates labour expenses to significant expense items in the Statement of Comprehensive Income based on the nature of the expenses incurred. The Authority believes that the allocation is more relevant to the understanding of the financial performance of the Authority and does not result in a function of expense presentation.

### c) Basis of measurement

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

### d) Functional and presentation currency

These financial statements are presented in Australian dollars which is the Authority's functional currency. All financial information presented in Australian dollars has been rounded to the nearest thousand dollars ($'000) unless otherwise stated.

### e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts 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 accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 are:

(i) discount rates used in estimating provisions;

(ii) estimating useful life and residual values of key assets;

(iii) long service leave – retention rates and discount rates.

# Note 2 - Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

Certain comparative amounts have been reclassified to conform with the current year's presentation [see note 1(b)].

## a) Revenue recognition

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

### (i) Rendering of services

Revenue from services rendered is recognised to the extent that the service is provided at the reporting date. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### (ii) Interest

Interest revenue is recognised as it accrues using the effective interest method [see note 2(b)].

### (iii) Rental income

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

### (iv) Deferred income

Deferred income represents income received in advance and is released to the Statement of Comprehensive Income over that period to which the income relates.

### (v) Contributed assets

Contributed assets or services received by the Authority is recognised as income at the fair value of the assets or services where they can be reliably measured.

## b) Finance income and expenses

Finance income comprises interest income on funds invested and interest receivable from debtors.  Interest income is recognised as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowing and finance charges payable under finance leases. All borrowing costs are recognised in profit or loss using the effective interest method. The interest expense component of finance lease payments is also recognised in the Statement of Comprehensive Income using the effective interest method.

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

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

## c) Income tax

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

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

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

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

Deferred tax is recognised using the balance sheet method, providing for 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 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/loss.

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

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 will be realised.

## d) Receivables

### (i) Trade receivables

Trade receivables are recognised and carried at the original invoice amounts less an allowance for any uncollectable amounts. Receivables are generally settled within 14 days except for property rentals, which are governed by individual lease agreements.

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 a debt.

### (ii) Lease receivables

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

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

## e) Property, plant and equipment

### (i) Capitalisation/expensing of assets

Items of property, plant and equipment purchased or constructed costing more than $1,000 are recorded at the cost of acquisition less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

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

Any gain or loss on disposal of an item of property, plant and equipment is calculated as the difference between the net proceeds from disposal and the carrying amount of the item and is recognised in profit or loss

### (ii) 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.

### (iii) Subsequent costs

Any subsequent cost of replacing/upgrading an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably.

### (iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

### (v) Depreciation

Items of property, plant and equipment are depreciated on either a straight-line or diminishing basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term. Land is not depreciated.

Property, plant and equipment, excluding freehold land, are depreciated at rates based on the expected useful lives using the straight line method. Depreciation on assets under construction commences when the assets are ready for use. Depreciation is charged to the Statement of Comprehensive Income.

The depreciation rates for the various classes of non-current assets are as follows:

| | |
|---|---|
| Access Channel | 5 - 20 years |
| Buildings | 3.75 - 50 years |
| Electronic | 2.5 - 20 years |
| Furniture & fittings | 3 - 17 years |
| Harbour facilities | 10 - 40 years |
| Improvements | 2.5 - 20 years |
| Infrastructure | 15 - 40 years |
| Low Value Pool | 3 years |
| Plant & equipment | 3 - 50 years |
| Motor vehicles | 3 - 8 years |

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

## f) Intangible assets

### (i) Capitalisation / expensing of assets

Acquisitions of intangible assets and internally generated intangible assets are capitalised. The cost of using the asset is expensed (amortised) over their useful life. 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.

### (ii) Subsequent expenditure

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

### (iii) Computer software

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

### (iv) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Computer software 2 to 20 years

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

## g) Impairment

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is any indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Authority is a not-for-profit entity, unless an asset has been identified as a surplus asset, the carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater 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.

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

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

Impairment losses are recognised in profit or loss.

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

## h) Leases

Leases are classified as either finance leases or operating leases based on the economic substance of the lease agreements.

Leases in terms of which the Authority assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. A finance lease liability of equal value is also recognised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Authority's Statement of Financial Position.

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

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

## i) Finance instruments

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

1. Loans and receivables;
2. Held to maturity investments; and
3. Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

**(i) Financial Assets**

Cash & cash equivalents

Trade and other receivables

**(ii) Financial Liabilities**

Trade payables and accruals

Borrowings

Finance lease liabilities

Refer to Note 22 for further information on the classification of financial instruments.

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

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

## j) Payables

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

## k) Borrowings

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

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process.

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

## l) Employee benefits

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

Annual and long service leave expected to be settled more than 12 months after the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected 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.

Associated payroll on-costs are included in the determination of other provisions.

## m) Employee superannuation

The Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme, and the Superannuation and Family Benefits Act Scheme, a defined benefit pension scheme, are now closed to new members. The Authority is liable for superannuation benefits for past years' service of members of the Superannuation and Family Benefits Act Scheme who elected to transfer to the GSS Scheme. The Authority also accrues for superannuation benefits to the pension scheme for those members who elected not to transfer from that scheme.

The superannuation liability for existing employees with the pre-transfer service incurred under the Superannuation and Family Benefits Act Scheme who transferred to the GSS Scheme is provided for at reporting date.

Employees who are not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund until 15 April 2007. From 16 April 2007, employees who are not members of the Pension, GSS or WSS Schemes become non-contributory members of the GESB Superannuation Scheme (GESB Super), a taxed accumulation fund.

The Authority makes concurrent contributions to the Government Employee Superannuation Board (GESB) on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB Super Schemes.

**Defined benefit plan**

The Authority's net obligation in respect of defined benefit pension plan is calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. These benefits are unfunded.

The discount rate used is the market yield rate at the reporting date on national government bonds that have maturity dates approximating to the terms of the entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The superannuation expense of the defined benefit plan is made up of the following elements:

(i) Current service cost;

(ii) Interest cost (unwinding of the discount);

(iii) Actuarial gains and losses; and

(iv) Past service cost.

Actuarial gains and losses of the defined benefit plan are recognised immediately in profit or loss.

The superannuation expense of the defined contribution plan is recognised as and when the contributions fall due.

## n) Dividends

Dividends are declared and recognised as a liability in the period in which the Minister's approval and the Treasurer's concurrence is received.

## o) Provisions

A provision is recognised if, as a result of a past event, the Authority has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

## p) Cash & cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank, at call deposits and term deposits with original maturities of no greater than 90 days.

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

## 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) Contributed equity

The Authority receives support from the WA Government (see note 20). The amount received is recognised directly as a credit to contributed equity.

## s) Current and non-current classification

Assets and liabilities are presented in the Statement of Financial Position on current and non-current classification.

An asset is classified as current when it is either expected to be realised or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expect to be realised within 12 months after the reporting period; or the asset is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current.

## t) Changes in accounting policies, new and amended standards and interpretations

In the current year, the Authority has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Authority's accounting policies.

## u) Comparative figures

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

## v) New Accounting Standards and Interpretations not yet mandatory or adopted

The following most relevant new and amended Australian Accounting Standards and Interpretations were available for early adoption but have not been assessed for application by the Authority in these financial statements:

### AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 2014 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 is applicable to annual reporting periods beginning on or after 1 January 2019. 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 is applicable to annual reporting periods beginning on or after 1 January 2019. 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. The Authority has not yet determined the application or the potential impact of the Standard.

## Note 3 - Expenses by Nature

Operating expenses are presented on the face of the Statement of Comprehensive Income using a classification based on the nature of expenses (see note 1(b)). Port operations expenses include those expenses related to land based support activities whilst general administration expenses includes expenditure of an administrative nature.

## Note 4 - Revenue

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Revenue consists of the following items: | | |
| **Rendering of services** | | |
| Charges on cargo | 6,015 | 8,272 |
| Charges on ships | 8,871 | 12,997 |
| Shipping services | 408 | 492 |
| Interest revenue (a) | 307 | 492 |
| Rentals and leases | 2,172 | 2,164 |
| Government Grants & Subsidies | 60 | - |
| Other | 138 | 128 |
| Net gain on disposal of property, plant & equipment | - | 7 |
| **Total revenue** | **17,971** | **24,552** |

*(a) Interest revenue is interest received from bank accounts*

## Note 5 - Port Operation Expenses

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Shipping activity | 1,840 | 2,936 |
| Indirect salaries and wages - operations | 3,352 | 3,678 |
| Plant and equipment | 455 | 252 |
| Other | 205 | 201 |
| **Total port operations expense** | **5,852** | **7,067** |

## Note 6 - Depreciation and Amortisation Expense

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Depreciation** | | |
| Improvements | 58 | 5 |
| Buildings | 134 | 122 |
| Infrastructure | 121 | 62 |
| Harbour Facilities | 1,430 | 787 |
| Access Channel | 10 | 10 |
| Electronic | 109 | 112 |
| Plant and Equipment | 178 | 174 |
| Furniture and Fittings | 6 | 5 |
| Motor Vehicles | 19 | 23 |
| Low Value Pool | 43 | 46 |
| **Total depreciation** | **2,108** | **1,346** |
| | | |
| **Amortisation** | | |
| Intangible Assets | 57 | 49 |
| **Total amortisation** | **57** | **49** |
| | | |
| **Total depreciation and amortisation** | **2,165** | **1,395** |

## Note 7 - General Administration Expenses

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Administration employee expenses | 3,028 | 3,427 |
| Other administration expenses | 1,932 | 2,046 |
| **Total general administration expense** | **4,960** | **5,473** |

## Note 8 - Finance Costs

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Finance charges | 80 | 80 |
| Interest expense | 774 | 827 |
| **Finance costs expensed** | **854** | **907** |

## Note 9 - Other Expenses

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Employee on-costs (a) | 793 | 806 |
| Net loss on disposal of assets (b) | 994 | - |
| Other | 98 | 97 |
| | **1,885** | **903** |

*(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at Note 18 Provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employee on-costs.*

*(b) Derecognition of original wharf structure required by AASB 116 in relation to the major refurbishment of the Wharf deck completed and recognised during year. This component represents 92% of total.*

# Note 10 - Income Tax

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **(i) Recognised in profit or loss** | | |
| **Current tax expense** | | |
| Current year | - | (1,783) |
| Prior year adjustment | 338 | - |
| | **338** | **(1,783)** |
| **Deferred tax expense** | | |
| Current tax expense/benefit | 613 | 92 |
| Prior year adjustment | (341) | - |
| | **272** | **92** |
| | | |
| **Total income tax benefit/(expense) pre derecognition of deferred tax asset** | **610** | **(1,691)** |
| | | |
| Derecognise current year deferred tax asset | (613) | - |
| Derecognise prior year deferred tax asset | (872) | - |
| | | |
| **Total income tax expense post recognition of deferred tax asset** | **(875)** | **(1,691)** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **(ii) Reconciliation between tax expense and profit before tax** | | |
| (Loss)/Profit for the year | (2,105) | 5,631 |
| Total tax (expense)/benefit | (875) | (1,691) |
| **(Loss)/Profit after tax** | **(2,980)** | **3,940** |
| | | |
| Tax using the statutory tax rate of 30% (2015/16: 30%) | 631 | (1,689) |
| Non-deductible expenses | (2) | (2) |
| Sundry items | (16) | - |
| Adjustments for prior period | (3) | - |
| **Income tax (benefit)/expense pre derecognition of deferred tax asset** | **610** | **(1,691)** |
| | | |
| Derecognise current year deferred tax asset | (613) | - |
| Derecognise prior year deferred tax asset | (872) | - |
| **Income tax benefit/(expense) post derecognition of deferred tax asset** | **(875)** | **(1,691)** |

| | 2017 Statement of Financial Position $'000 | 2016 Statement of Financial Position $'000 | 2017 Statement of Comprehensive Income $'000 | 2016 Statement of Comprehensive Income $'000 |
|---|---|---|---|---|
| **(iii) Deferred tax** | | | | |
| **Deferred tax liabilities** | | | | |
| Receivables | 11 | 23 | (12) | 10 |
| FBT Instalment | 2 | 5 | (3) | 2 |
| Gross Deferred Tax Liabilities | **13** | **28** | **(15)** | **12** |
| | | | | |
| **Deferred tax assets** | | | | |
| Accelerated depreciation for accounting purposes | 186 | 251 | 65 | (2) |
| Payables | 13 | 63 | 50 | (18) |
| Prepaid rental | 104 | 101 | (3) | (3) |
| Employee benefits | 554 | 590 | 36 | (115) |
| Borrowing costs | 46 | 44 | (2) | (7) |
| Business related costs | 120 | 193 | 73 | 41 |
| Carried forward tax losses | 475 | - | (475) | - |
| Gross Deferred Tax Assets | **1,498** | **1,242** | **(256)** | **(104)** |
| | | | | |
| Derecognise current year deferred tax asset | **(613)** | **-** | **613** | **-** |
| Derecognise prior year deferred tax asset | **(872)** | **-** | **872** | **-** |
| | | | | |
| Gross Deferred Tax Assets | **13** | **1,242** | **1,229** | **(104)** |
| | | | | |
| Set-off of deferred tax liabilities pursuant to the set-off provisions | (13) | (28) | | |
| **Net deferred tax assets** | **-** | **1,214** | | |
| Prior period adjustments | | | - | - |
| **Deferred tax charge** | | | **1,214** | **(92)** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **(iv) Tax liability** | | |
| Current tax liability (asset) | (759) | (207) |
| **Total current tax liability (asset)** | **(759)** | **(207)** |
| Unrecognised deferred tax assets<br>Deferred tax assets have not been recognised in respect of the following items: | | |
| Deductible temporary differences - other | 1,010 | |
| Tax losses on revenue account | 475 | |
| | **1,485** | |

The deductible temporary differences and tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable profits will be available against which they can be realised.

## Note 11 - Dividends

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| | 2,561 | 449 |
| **Dividends paid in the financial year** | **2,561** | **449** |

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 75% (2016: 65%) of after tax profits, adjusted for special circumstances as approved by Government. From 1 July 2014, an amendment to Section 84 of the *Port Authorities Act 1999* came into effect which provides for Government to request an interim dividend recommendation be made by the Board. An interim dividend for the year ended 30 June 2017 was not required to be declared by the Board (2016: Nil).

In respect of the financial year results for the year ended 30 June 2016, a payment of $2.561 million representing the full and final dividend was paid by 31 December 2016.

In respect of the financial year results for the year ended 30 June 2015, a payment of $0.449 million representing the balance of the final dividend totalling $1.489 million was made by 31 December 2015.

## Note 12 - Cash and Cash Equivalents

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Bank balances | 4,532 | 4,427 |
| Restricted cash and cash equivalents (a) | 4,607 | 11,255 |
| Term deposits | 4,000 | 8,000 |
| **Cash and cash equivalents in the Statement of Cash Flows** | **13,139** | **23,682** |

*(a) Unspent funds are committed to the wharf extension of life project.*

The Authority's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 22(i).

## Note 13 - Trade and Other Receivables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 2,790 | 2,759 |
| Less: allowance for impairment of receivables | - | - |
| | **2,790** | **2,759** |
| Other receivables: | | |
| Accrued revenue | 28 | 69 |
| Prepayments | 86 | 80 |
| **Balance at the end of the year** | **2,904** | **2,908** |

The Authority does not hold any collateral as security or other credit enhancements relating to receivables.

The Authority does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

As at 30 June, the ageing analysis of trade debtors past due but not impaired is as follows:

| | | |
|---|---|---|
| Not more than 3 months | 7 | 193 |
| More than 3 months but less than 6 months | - | - |
| More than 6 months but less than 1 year | - | - |
| More than 1 year | - | - |
| | **7** | **193** |

## Note 14 - Property, Plant and Equipment

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Land** | | |
| At cost | 1,291 | 1,291 |
| Less: accumulated depreciation | - | - |
| Less: Accumulated impairment losses | - | - |
| | **1,291** | **1,291** |
| **Improvements** | | |
| At cost | 2,149 | 1,315 |
| Less: accumulated depreciation | (246) | (189) |
| Less: Accumulated impairment losses | - | - |
| | **1,903** | **1,126** |
| **Buildings** | | |
| At cost | 3,989 | 3,988 |
| Less: accumulated depreciation | (1,284) | (1,150) |
| Less: Accumulated impairment losses | - | - |
| | **2,705** | **2,838** |
| **Infrastructure** | | |
| At cost | 4,260 | 2,704 |
| Less: accumulated depreciation | (1,552) | (1,468) |
| Less: Accumulated impairment losses | - | - |
| | **2,708** | **1,236** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Harbour Facilities** | | |
| At cost | 41,978 | 26,345 |
| Less: accumulated depreciation | (8,779) | (8,044) |
| Less: Accumulated impairment losses | - | - |
| | **33,199** | **18,301** |
| **Access Channel** | | |
| At cost | 488 | 488 |
| Less: accumulated depreciation | (438) | (426) |
| Less: Accumulated impairment losses | - | - |
| | **50** | **62** |
| **Electronic Equipment** | | |
| At cost | 727 | 737 |
| Less: accumulated depreciation | (490) | (409) |
| Less: Accumulated impairment losses | - | - |
| | **237** | **328** |
| **Plant and Equipment** | | |
| At cost | 4,680 | 4,525 |
| Less: accumulated depreciation | (2,702) | (2,550) |
| Less: Accumulated impairment losses | - | - |
| | **1,978** | **1,975** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Furniture and Fittings** | | |
| At cost | 99 | 93 |
| Less: accumulated depreciation | (64) | (58) |
| Less: Accumulated impairment losses | - | - |
| | **35** | **35** |
| **Motor Vehicles** | | |
| At cost | 411 | 359 |
| Less: accumulated depreciation | (153) | (294) |
| Less: Accumulated impairment losses | - | - |
| | **258** | **65** |
| **Low Value Pool** | | |
| At cost | 340 | 295 |
| Less: accumulated depreciation | (235) | (191) |
| Less: Accumulated impairment losses | - | - |
| | **105** | **104** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Total property, plant and equipment** | | |
| At cost | 60,412 | 42,140 |
| Less: accumulated depreciation | (15,943) | (14,779) |
| Less: Accumulated impairment losses | - | - |
| | **44,469** | **27,361** |
| | | |
| Add: Work in progress (at cost) | 840 | 15,874 |
| | **840** | **15,874** |
| | | |
| **Total property, plant and equipment** | **45,309** | **43,235** |

## Reconciliation of carrying amounts:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Land** | | |
| Carrying amount at 1 July | 1,291 | 1,291 |
| Additions | - | - |
| Disposals | - | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **1,291** | **1,291** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Improvements** | | |
| Carrying amount at 1 July | 1,126 | 70 |
| Additions | - | - |
| Transfer from work in progress | 835 | 1,061 |
| Depreciation for the year | (58) | (5) |
| Disposals | - | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **1,903** | **1,126** |
| | | |
| **Buildings** | | |
| Carrying amount at 1 July | 2,838 | 2,942 |
| Additions | 1 | - |
| Transfer from work in progress | - | 18 |
| Depreciation for the year | (134) | (122) |
| Disposals | - | - |
| Accumulated depreciation on disposals | - | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **2,705** | **2,838** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Infrastructure** | | |
| Carrying amount at 1 July | 1,236 | 1,128 |
| Additions | 7 | - |
| Transfer from work in progress | 1,681 | 170 |
| Depreciation for the year | (121) | (62) |
| Disposals | (131) | - |
| Accumulated depreciation on disposals | 36 | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **2,708** | **1,236** |
| | | |
| **Harbour Facilities** | | |
| Carrying amount at 1 July | 18,301 | 19,024 |
| Additions | - | - |
| Transfer from work in progress | 17,243 | 64 |
| Depreciation for the year | (1,428) | (787) |
| Disposals | (1,610) | - |
| Accumulated depreciation on disposals | 693 | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **33,199** | **18,301** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Access Channel** | | |
| Carrying amount at 1 July | 62 | 72 |
| Additions | - | - |
| Transfer from work in progress | - | - |
| Depreciation for the year | (12) | (10) |
| Disposals | - | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **50** | **62** |
| | | |
| **Electronic Equipment** | | |
| Carrying amount at 1 July | 328 | 426 |
| Additions | 18 | 15 |
| Transfer from work in progress | - | - |
| Depreciation for the year | (109) | (112) |
| Disposals | (28) | (30) |
| Accumulated depreciation on disposals | 28 | 29 |
| Impairment losses | - | - |
| Carrying amount at 30 June | **237** | **328** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Plant and Equipment** | | |
| Carrying amount at 1 July | 1,975 | 2,086 |
| Additions | 174 | 61 |
| Transfer from work in progress | 8 | 2 |
| Depreciation for the year | (178) | (174) |
| Disposals | (26) | (38) |
| Accumulated depreciation on disposals | 25 | 38 |
| Impairment losses | - | - |
| Carrying amount at 30 June | **1,978** | **1,975** |
| | | |
| **Furniture & Fittings** | | |
| Carrying amount at 1 July | 35 | 36 |
| Additions | - | 4 |
| Transfer from work in progress | 6 | - |
| Depreciation for the year | (6) | (5) |
| Disposals | - | - |
| Accumulated depreciation on disposals | - | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **35** | **35** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Motor Vehicles** | | |
| Carrying amount at 1 July | 65 | 88 |
| Additions | 226 | - |
| Depreciation for the year | (19) | (23) |
| Disposals | (174) | - |
| Accumulated depreciation on disposals | 160 | - |
| Impairment losses | - | - |
| Carrying amount at 30 June | **258** | **65** |
| | | |
| **Low Value pool** | | |
| Carrying amount at 1 July | 104 | 114 |
| Additions | 44 | 36 |
| Transfer from work in progress | - | - |
| Depreciation for the year | (43) | (46) |
| Disposals | - | - |
| Carrying amount at 30 June | **105** | **104** |
| | | |
| **Work in progress:** | | |
| Carrying amount at 1 July | 15,874 | 3,905 |
| Additions | 6,745 | 13,895 |
| Transfers to expenditure | (2,006) | (576) |
| Transfers to property, plant and equipment | (19,773) | (1,350) |
| Transfers to intangibles | - | - |
| Carrying amount at 30 June | **840** | **15,874** |
| | | |
| **Total property, plant and equipment** | **45,309** | **43,235** |

## Note 15 - Intangible Assets

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Computer software** | | |
| At cost | 324 | 360 |
| Less: accumulated depreciation | (244) | (221) |
| | **80** | **139** |

### Reconciliation of carrying amounts:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Computer software** | | |
| Carrying amount at 1 July | 139 | 153 |
| Additions | 5 | - |
| Transfer from work in progress | 4 | 35 |
| Depreciation for the year | (57) | (49) |
| Disposals | (45) | - |
| Accumulated depreciation on disposals | 34 | - |
| Carrying amount at 30 June | **80** | **139** |

## Note 16 - Trade and Other Payables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 1,202 | 3,665 |
| Accrued expenses | 310 | 374 |
| | **1,512** | **4,039** |

The Authority's exposure to liquidity risk related to trade and other payables is disclosed in note 22(i).

## Note 17 - Interest Bearing Borrowing

This note provides information about the contractual terms of the Authority's interest bearing borrowings, which are measured at amortised cost.
For more information about the Authority's exposure to interest rate and liquidity risk, see note 22(i).

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Direct borrowings | 1,199 | 1,028 |
| | **1,199** | **1,028** |
| **Non-current liabilities** | | |
| Direct borrowings | 12,963 | 14,162 |
| | **12,963** | **14,162** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Financing arrangements** | | |
| The Authority has access to the following lines of credit: | | |
| | | |
| Total facilities available: | | |
| Liquid facility and direct borrowings | 14,200 | 15,300 |
| | **14,200** | **15,300** |
| Facilities utilised at the end of the reporting period: | | |
| Liquid facility and direct borrowings | 14,162 | 15,190 |
| | **14,162** | **15,190** |
| Total facilities not utilised at the end of the reporting period: | | |
| Liquid facility and direct borrowings | **38** | **110** |

At reporting date, the Authority has an approved financing facility from Western Australian Treasury Corporation (WATC) for 30 June 2018 of $12.963 million (30 June 2017: $14.162 million).

### (i) Master Lending Agreement (MLA)

For the purposes of accessing more simplified and flexible borrowing arrangements, the Authority entered into a MLA with the WATC on 1 February 2008 which consolidates all of the existing agreements into one facility.

### (ii) Significant terms and conditions

Direct borrowings comprise of five (5) loans at fixed interest rates from WA Treasury Corporation and are repayable in accordance with a fixed repayment schedule;

1. $11.320m with fixed monthly principal and interest repayments that will result in the loan being fully settled in February 2025. The effective interest rate on the loan is 5.82%.
2. $2.073m with fixed monthly principle and interest repayments that will result in the loan being fully settled in July 2026. The effective interest rate on the loan is 5.63%.
3. $1.800m with fixed monthly principle and interest repayments that will result in the loan being fully settled in September 2032. The effective interest rate on the loan is 4.27%.
4. $3.077m with fixed monthly principle and interest repayments that will result in the loan being fully settled in January 2029. The effective interest rate on the loan is 5.01%.
5. $1.328m with fixed monthly principle and interest repayments that will result in the loan being fully settled in July 2030. The effective interest rate on the loan is 3.81%.

### Interest rate risk exposure

The Authority's exposure to interest rate risk on the interest bearing borrowings and the effective weighted average interest rate at year end by maturity periods is set out in the following table:

| 2017 Fixed interest rate | 1 year or less $'000 | Over 1 to 2 years $'000 | Over 2 to 3 years $'000 | Over 3 to 4 years $'000 | Over 4 to 5 years $'000 | More than 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Interest bearing borrowings:** | | | | | | | |
| Direct borrowings (WATC) | 1,199 | 1,266 | 1,337 | 1,411 | 1,490 | 7,459 | 14,162 |
| | **1,199** | **1,266** | **1,337** | **1,411** | **1,490** | **7,459** | **14,162** |
| **Weighted average interest rate:** | | | | | | | |
| Direct borrowings | 5.41% | | | | | | |

| 2016 Fixed interest rate | 1 year or less $'000 | Over 1 to 2 years $'000 | Over 2 to 3 years $'000 | Over 3 to 4 years $'000 | Over 4 to 5 years $'000 | More than 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Interest bearing borrowings:** | | | | | | | |
| Direct borrowings (WATC) | 1,028 | 1,199 | 1,266 | 1,337 | 1,411 | 8,949 | 15,190 |
| | **1,028** | **1,199** | **1,266** | **1,337** | **1,411** | **8,949** | **15,190** |
| **Weighted average interest rate:** | | | | | | | |
| Direct borrowings | 5.42% | | | | | | |

## Note 18 - Provisions

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Annual leave (a) | 882 | 978 |
| Sick leave (b) | 184 | 179 |
| Time in lieu (c) | 138 | 152 |
| Accrued days off (d) | - | 4 |
| Long service leave (e) | 525 | 510 |
| Fringe benefits tax | 8 | 16 |
| | **1,737** | **1,839** |
| | | |
| **Non-current** | | |
| Long service leave (e) | 101 | 110 |
| | **101** | **110** |

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting date. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within 12 months of the reporting date | 435 | 546 |
| More than 12 months after the reporting date | 447 | 432 |
| | **882** | **978** |

(b) Sick leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting date. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within 12 months of the reporting date | 79 | 80 |
| More than 12 months after the reporting date | 105 | 99 |
| | **184** | **179** |

(c) Time in lieu leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting date. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within 12 months of the reporting date | 138 | 152 |
| More than 12 months after the reporting date | - | - |
| | **138** | **152** |

(d) Accrued days off leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting date. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within 12 months of the reporting date | - | 4 |
| More than 12 months after the reporting date | - | - |
| | **-** | **4** |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| (e) The settlement of long service leave liabilities gives rise to the payment of employment on-costs including workers compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. | | |
| Within 12 months of the reporting date | 101 | 83 |
| More than 12 months after the reporting date | 525 | 537 |
| | **626** | **620** |

## Note 19 - Other Liabilities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Prepaid lease and licence income | 534 | 521 |
| **Total other liabilities** | **534** | **521** |

## Note 20 - Equity

The WA Government holds the equity interest in the Authority on behalf of the community. Equity represents the residual interest in the net assets of the Authority.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Contributed equity** | | |
| Balance at start of year | 41,286 | 30,711 |
| Equity contributions in the year | - | 10,575 |
| **Balance at end of year** | **41,286** | **41,286** |
| | | |
| **Retained earnings** | | |
| Balance at start of year | 8,400 | 4,909 |
| Profit for the year | (2,980) | 3,940 |
| Dividends paid | (2,561) | (449) |
| **Balance at end of year** | **2,859** | **8,400** |

## Note 21 - Reconciliation of Cash Flows from Operating Activities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(Loss) for the period | (2,980) | 3,940 |
| Adjustments for: | | |
| Depreciation | 2,108 | 1,346 |
| Amortisation of intangible assets | 57 | 49 |
| (Gain) / loss on sale of property, plant and equipment | 994 | (7) |
| **Operating profit before changes in working capital and provisions** | **179** | **5,328** |
| | | |
| Changes in assets and liabilities | | |
| Change in deferred tax provision | 1,214 | (92) |
| Change in trade and other receivables | (31) | 136 |
| Change in prepayments | (6) | (30) |
| Change in accrued income | 41 | (27) |
| Change in GST liability | 134 | (399) |
| Change in trade and other payables | (2,661) | 583 |
| Change in prepaid income | 13 | 7 |
| Change in provisions | (111) | 391 |
| Change in income tax | (553) | (629) |
| **Net cash (used in) / from operating activities** | **(1,781)** | **5,268** |

## Note 22 - Financial Instruments

### (i) Financial risk management objectives and policies

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

The fair values and carrying amounts of various financial instruments recognised at reporting date are noted below:

| | | 2017 $'000 | | 2016 $'000 | |
|---|---|---|---|---|---|
| | Notes | Carrying Amount | Fair Values | Carrying Amount | Fair Values |
| Cash & cash equivalents | 12 | 13,139 | 13,139 | 23,682 | 23,682 |
| Trade and other receivables | 13 | 2,904 | 2,904 | 2,908 | 2,908 |
| Trade and other payables | 16 | (1,512) | (1,512) | (4,039) | (4,039) |
| Interest bearing borrowings | 17 | (14,162) | (15,677) | (15,190) | (17,332) |
| | | **369** | **(1,146)** | **7,361** | **5,219** |

The carrying amounts of (1) cash and cash equivalents, (2) trade and other receivables and (3) trade and other payables are a reasonable approximation of their fair values on account of their short maturity cycle.

The fair value of interest bearing borrowings is provided by WATC. The Authority does not expect prepayments of those loans and borrowings.

### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates that will affect the Authority's income or the value of its holdings of financial instruments. The Authority does not trade in foreign currency and is not materially exposed to other price risks.

The Authority's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than as detailed in the interest rate sensitivity analysis in the table below, the Authority has limited exposure to interest rate risk because it has no borrowings other than WATC borrowings (fixed interest rate).

### Sensitivity analysis

The Authority's policy is to manage its finance costs using a mix of fixed and variable debt with the objective of achieving optimum returns whilst managing interest rate risk to avoid uncertainty and volatility in the market place.

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

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

| | | +0.50% change | | (0.50%) change | |
|---|---|---|---|---|---|
| 2017 Financial Assets | Carrying Amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| Cash and cash equivalents | 13,139 | 66 | 66 | (66) | (66) |
| **Total Increase/ (Decrease)** | **13,139** | **66** | **66** | **(66)** | **(66)** |

| | | +0.50% change | | (0.50%) change | |
|---|---|---|---|---|---|
| 2016 Financial Assets | Carrying Amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| Cash and cash equivalents | 23,682 | 118 | 118 | (118) | (118) |
| **Total Increase/ (Decrease)** | **23,682** | **118** | **118** | **(118)** | **(118)** |

### Credit risk

Credit risk arises when there is the possibility of the Authority's receivables defaulting on their contractual obligations resulting in financial loss to the Authority. The Authority measures credit risk on a fair value basis and monitors risk on a regular basis. With respect to credit risk arising from cash and cash equivalents, 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.

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that 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 22 (ii).

The Authority follows stringent credit control and management procedures in reviewing and monitoring debtor accounts and outstanding balances as evidenced by the historical aged debtor balances. In addition, management of receivables includes frequent monitoring thereby minimising the Authority's exposure to bad debts. For financial assets that are either past due or impaired, refer to note 13 'Trade and other receivables'.

The Authority'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.

**Liquidity risk**

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due.

The Authority's objective is to maintain a balance between continuity of funding and flexibility through the use of cash reserves and its borrowing facilities. The Authority manages its exposure to liquidity risk by ensuring that appropriate procedures are in place to manage cash flows, including monitoring forecast cash flows to ensure sufficient funds are available to meet its commitments.

The weighted average interest rate for each category of financial instrument is as follows:

| 2017 Financial Assets & Liabilities | Weighted Average Interest Rate | Fixed Interest Rate $'000 | Floating Interest Rate $'000 | Non-Interest Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cash & cash equivalents | 1.82% | - | 13,139 | - | **13,139** |
| Trade and other receivables | - | - | - | 2,904 | **2,904** |
| Interest bearing borrowings | 5.41% | (14,162) | - | - | **(14,162)** |
| Trade and other payables | - | - | - | (1,512) | **(1,512)** |
| **Net Financial Assets (Liabilities)** | | **(14,162)** | **13,139** | **1,392** | **369** |

| 2016 Financial Assets & Liabilities | Weighted Average Interest Rate | Fixed Interest Rate $'000 | Floating Interest Rate $'000 | Non-Interest Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cash & cash equivalents | 2.40% | - | 23,682 | - | **23,682** |
| Trade and other receivables | - | - | - | 2,908 | **2,908** |
| Interest bearing borrowings | 5.42% | (15,190) | - | - | **(15,190)** |
| Trade and other payables | - | - | - | (4,039) | **(4,039)** |
| **Net Financial Assets (Liabilities)** | | **(15,190)** | **23,682** | **(1,131)** | **7,361** |

The table below reflects the contractual maturity of financial liabilities and financial assets. The table includes both interest and principle cash flows:

| 2017 Financial assets | Carrying Amount $'000 | 6 months or less $'000 | 6 - 12 months $'000 | 1 - 2 years $'000 | 2 - 5 years $'000 | more than 5 years $'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **13,139** | 13,139 | - | - | - | - |
| Trade and other receivables | **2,904** | 2,904 | - | - | - | - |
| | **16,043** | **16,043** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | |
| Trade payables and accruals | **(1,512)** | (1,512) | - | - | - | - |
| Borrowings | **(18,121)** | (958) | (958) | (1,916) | (7,666) | (6,623) |
| | **(19,633)** | **(2,470)** | **(958)** | **(1,916)** | **(7,666)** | **(6,623)** |
| | | | | | | |
| **Net maturity** | **(3,590)** | **13,573** | **(958)** | **(1,916)** | **(7,666)** | **(6,623)** |

| 2016 Financial assets | Carrying Amount $'000 | 6 months or less $'000 | 6 - 12 months $'000 | 1 - 2 years $'000 | 2 - 5 years $'000 | more than 5 years $'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **23,682** | 23,682 | - | - | - | - |
| Trade and other receivables | **2,908** | 2,908 | - | - | - | - |
| | **26,590** | **26,590** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | |
| Trade payables and accruals | **(4,039)** | (4,039) | - | - | - | - |
| Borrowings | **(19,929)** | (864) | (943) | (1,916) | (7,666) | (8,540) |
| | **(23,968)** | **(4,903)** | **(943)** | **(1,916)** | **(7,666)** | **(8,540)** |
| | | | | | | |
| **Net maturity** | **2,622** | **21,687** | **(943)** | **(1,916)** | **(7,666)** | **(8,540)** |

### (ii) Categories of financial instruments

Set out below are the carrying amounts of the Authority's financial instruments. The directors consider the carrying amounts of the financial instruments represent their net fair value except for special borrowings whose fair value is disclosed at Note 22(i).

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 12 | 13,139 | 23,682 |
| Trade and other receivables | 13 | 2,904 | 2,908 |
| | | **16,043** | **26,590** |
| | | | |
| **Financial Liabilities** | | | |
| Trade and other payables | 16 | (1,512) | (4,039) |
| Interest-bearing borrowings: | | | |
| Fixed rate borrowings | 17 | (14,162) | (15,190) |
| | | **(15,674)** | **(19,229)** |

The Authority's exposure to interest rate risk on the interest-bearing borrowings is disclosed in note 17.

### (iii) Fair values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

## Note 23 - Commitments

### (i) Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within 1 year (a) | 5,092 | 10,610 |
| Later than 1 year and not later than 5 years | - | - |
| Later than 5 years | - | - |
| | **5,092** | **10,610** |

*(a) Majority of the capital commitments are related to wharf extension life project.*

### (ii) Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Commitments for minimum lease payments are payable as follows: | | |
| Within 1 year | 79 | 95 |
| Later than 1 year and not later than 5 years | 109 | 188 |
| Later than 5 years | - | - |
| | **188** | **283** |

### (iii) Other expenditure commitments

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Remote Area Housing Tenancy Commitments | 67 | 151 |
| | **67** | **151** |

### (iv) Operating leases receivable

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Future minimum rentals receivable for operating leases at reporting date: | | |
| Within 1 year | 1,940 | 1,899 |
| Later than 1 year and not later than 5 years | 3,580 | 4,779 |
| Later than 5 years | 2,549 | 2,322 |
| | **8,069** | **9,000** |

Operating leases receivable are in respect of the Authority's property leases. Lease payments are in accordance with the terms of their respective lease agreements. Many leases include an option to renew.

### (v) Other receivables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Remote Area Housing Tenancy Receivables | 45 | 115 |
| | **45** | **115** |

## Note 24 – Remuneration of Auditor

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Auditing the accounts and financial statements | 44 | 43 |
| | **44** | **43** |

## Note 25 – Related Parties

The Authority is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Authority include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other department and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

### Material transactions with related parties

The Authority had no material related party transactions with Ministers, Senior Officers or their close family members or their controlled or jointly controlled entities.

### Parent entity

Kimberley Ports Authority is the parent entity.

### Key Management Personnel Compensation

The Authority has determined that key management personnel include Ministers and senior officers of the Authority. However, the Authority is not obligated to compensate Ministers, and therefore disclosures in relation to Ministers compensation may be found in the Annual Report on State Finances.

| Senior Officers | 2017 $'000 |
|---|---|
| Short-term employee benefits | 2,051 |
| Post-employment benefits | 191 |
| Other long-term benefits | 40 |
| Termination benefits | - |
| **Total compensation of Senior Officers** | **2,282** |

### Transactions with related parties

The following transactions occurred with related parties:

KPA received a Grant from the Department of Transport for $60,000 to conduct an Entrance Point Improvement Study.

KPA has two leases in operation with the Department of Fisheries for land known as Lot 505-512 & Pump Station for annual lease revenue of $39,489.

There were no transactions for goods and services to any other related parties at the current and previous reporting date.

### Receivable from and payable to related parties

There were no outstanding balances at the reporting date in relation to transactions with related parties.

### Loans to/from related parties

There were no loans to or from related parties at the current or previous reporting date.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 26 – Contingent Liabilities and Assets

There are no contingent liabilities and assets at reporting date.

## Note 27 – Subsequent Events

There has not risen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in future financial years.

# Directors' Declaration

In the opinion of the directors of Kimberley Ports Authority:

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

   (i) giving a true and fair view of the Authority's financial position as at 30 June 2017 and its performance, for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Port Authorities Act 1999*;

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

Signed in accordance with a resolution of the directors:

**L. Shervington**
**Chairman**
12 September 2017

**D. Mofflin**
**Deputy Chairman**
12 September 2017

Auditor General

**INDEPENDENT AUDITOR'S REPORT**

**To the Parliament of Western Australia**

**KIMBERLEY PORTS AUTHORITY**

***Opinion***
I have audited the financial report of the Kimberley Ports Authority (the Authority), 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, the financial report of the Kimberley Ports Authority is in accordance with schedule 5 of the Port Authorities Act 1999, including:

(a) giving a true and fair view of the Authority's financial position as at 30 June 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 Kimberley Ports Authority in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

***Responsibility of the Directors for the Financial Report***
The directors of the Authority 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 Authority'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 Authority.

***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.

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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 Authority'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 Authority'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.

***Matters Relating to the Electronic Publication of the Audited Financial Report***
This auditor's report relates to the financial report of the Kimberley Ports Authority for the year ended 30 June 2017 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from 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.

DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
14 September 2017

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