KIMBERLEY PORTS AUTHORITY

2018 ANNUAL REPORT

CONTENTS

CHAIR and CHIEF EXECUTIVE OFFICER REPORT 2017/18

LAURIE SHERVINGTON
CHAIR

KEVIN SCHELLACK
CEO

The Port of Broome has been supporting business, the community and the development of North West Australia since 1889.

The importance of the Port of Broome to the local economy and the growth of the Broome community is something KPA's team is very cognisant of in carrying out their duties. The Port of Broome facilitates trade for a range of industries including oil and gas logistics, cruise shipping, live cattle exports, pearling and fishing, and fuel imports and exports. With oil and gas companies representing approximately 70 percent of Kimberley Ports Authority's (**KPA**) revenue.

Safety is KPA's number one priority and has once again been recognised by IFAP with a Platinum Safety Achievement award and by the Department of Commerce and Industrial Relations with a Work Safety Award WA for "*Best solution to a specific workplace safety and health issue*". KPA was also awarded a Gold Certificate of Achievement for workplace health and safety. Achieving these awards reflects the talent and innovation of KPA's team, who are committed to continuously improving safety. KPA recorded 586 LTI free days as at 30 June 2018.

KPA recognises that the Port of Broome's environment is valued by and extremely important to the Broome community, as it is to the KPA team. This is demonstrated by KPA's participation in environmental projects such as the State Wide Array Surveillance Program, the completion of an environmental baseline study around the Broome wharf, the engagement of a consultant to undertake an ongoing marine monitoring program commencing Q3 2018, and substantial financial support of the Roebuck Bay Seagrass Monitoring program.

Overall trade volume increased by 2.7 percent in terms of vessel numbers, and tonnage increased by 10.2 percent from 2016/17. Several trade areas performed strongly, in particular the oil and gas sector, with activity arising from the commissioning of INPEX's Ichthys LNG Project and the arrival of Shell's FLNG facility in the Browse Basin.

Sun Princess coming into to berth at Port of Broome

KPA's financial performance was better than predicted this year with a profit of $95,000 after tax.

Cruise shipping saw 16 vessels welcomed at Port of Broome for 2017/18 with 27 booked for the 2018/19 season. Carnival Australia announced in 2017 that if two of Western Australia's regional ports improved access they would home base a large cruise vessel in Fremantle. Home porting will provide the Port of Fremantle and regional ports with a significant boost to vessel visits and in turn benefit the regional economy.

In support of the requirements of the cruise industry, the State Government engaged with KPA to identify how vessel access could be improved. The Channel Optimisation Project was developed to be jointly funded by KPA, Tourism WA and the Department of Primary Industries and Regional Development. The works will optimise the channel approach to enable all tide access for larger vessels, particularly cruise ships. The project is well advanced with some environmental approvals completed, geotechnical data collected and channel design nearing completion. Dredging works are planned for the 2018/19 financial year.

The growing cruise ship industry in Broome will benefit from a new above deck gangway system to be constructed during the second half of 2018. The new gangway will provide more efficient and safer embarkation/disembarkation for passengers of larger cruise vessels.

There are multiple projects being undertaken on the Port of Broome main asset that will ensure the future capability of the wharf structure, whilst improving safety and efficiency. These projects include:

- upgrading the piles and fender system;
- installation of an underdeck trolley system for the 2006 wharf extension;
- a new state of the art firefighting system being constructed to improve fire-fighting capability; and
- installation of a new dinghy davit to make access safer for small boats including the pearling and fishing industry.

KPA's employees and executive team have worked hard throughout the year to achieve improved trade results, reduce costs and undertake important projects to improve the Port of Broome's offerings to customers.

The recreational fishing walkway has been reopened, with the first 180m being restored during the year. Aside from these projects KPA has spent $2.5 million on maintenance throughout the year.

KPA's Port of Broome Community Consultation Committee meets three times a year to liaise on port operations, trade development, environmental management and community engagement matters. KPA also conducts Port Logistics Group meetings to update Port users on relevant developments and activities. KPA is awaiting the passage of the Port Authorities Act Legislation Amendment Bill 2017 to enable the transfer of responsibility from the Department of Transport to KPA for the Ports of Derby, Yampi Sound and Wyndham. The operating models for each of these ports will be developed to address their particular needs.

KPA has established a small office in Perth, which accommodates the Chief Financial Officer and an accountant. The office enables improved interface with our stakeholders, particularly Treasury and other government departments, and provides a workplace when Broome based staff host meetings in Perth.

A Letter of Intent has been entered into with Kimberley Marine Support Base Pty Ltd (**KMSB**). KMSB is developing a business case for a $100 million investment in a multi-user facility at the Port of Broome. If the business case proves viable and is approved by KPA's Board and State Government, then the facility will be able to service small to medium sized vessels, facilitate heavy lifts and potentially increase productivity for various industries. The project could create up to 250 construction and 450 operational employment opportunities. It aligns with KPA's Port Master Plan for the Port of Broome.

02.
AGENCY OVERVIEW

2.1 Agency Performance

The following information provides a measurement of agency performance against the Kimberley Ports Authority's 2017/18 Statement of Corporate Intent.

2.1.1 Financial Targets

Financial Targets 2017/18	Target $000's / %	Actual $000's / %	Variation $000's / %
Gross revenue	17,669	19,167	1,498
Total services costs	19,025	19,206	181
Net Tax Equivalent paid to Treasury	0	0	0
Profit/Loss after tax	(1,356)	95	1,451
Expected Dividend to be paid to Treasury	0	71	71
Net increase/(decrease) in cash (from Statement of Cash Flows)	(5,408)	(555)	4,853
Rate of Return	(1.4%)	1.0%	2.4%
Capital Expenditure	7,814	4,232	(3,582)
Total Assets	62,266	62,624	358

Table 1 *Financial Targets*

Variations in revenue from budget for FY2017/18 were in the main due to the commissioning of oil and gas projects in the Browse Basin from July 2017 to November 2017. This activity also lead to increased importation of petroleum which was not included in the budget. The live cattle export season was only marginally below budgeted revenue and cruise ships slightly above budget.

KPA was able to keep expenses marginally close to budget, despite a $1.5 million increase in revenue. In particular, KPA was able to keep both consulting and legal fees significantly under budget. The Port Authority returned a positive earnings before interest, tax, depreciation andamortization (**EBITDA**) of $3.1 million and a profit of $95,000 after tax.

Passengers disembarking MV Artania

2.1.2 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 managers provide presentations and respond to customer enquiries. The CEO 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. A customer feedback form is also available on the KPA website.

A customer survey was recently undertaken in June 2018 resulting in:

- 80% of customers rating the quality of service, responsiveness and reliability as good or excellent;
- 64% believed the port provides all services required;
- 86% believe there is room to improve the quality of services;
- 70% rated the provision of facilities as good or fair;
- 62% expressed a need for improvements to facilities;
- overall administration rated well between 60% - 100% on a range of response times, and
- 61% rated the quality of communication from KPA as good or very good.

Through projects such as the Wharf Extension of Life the KPA is working towards continuous improvement of current port facilities including pile repairs; design and installation of a new fire-fighting system; and fabrication and installation of a wharf underdeck access system for maintenance works.

Other projects under consideration by KPA to enhance access to port facilities and aligned with the Port Master Plan (*June 2017*) include the Channel Optimisation Project, an above deck gangway system and a proposed private investment for a multi-user facility.

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 that is updated every two years to ensure ongoing relevance to workplace dynamics and legislation. The next update is scheduled for mid-2019 and at that time employees will be provided training in aspects of the policy, and in particular recognising unlawful discrimination. KPA has an Equal Opportunity Management Plan which has been submitted to the Office of Equal Employment Opportunity.

2.3.2 Human Resources

KPA had a workforce of 81 including full-time, part-time and casual employees during 2017/18. During the reporting period a dedicated Operations manager was employed, one parental leave employee returned to work part-time, and two employees commenced parental leave, hence a temporary contract employee was engaged.

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.

2.3 Governance (continued)

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 commenced a Diploma in Leadership and Management, and another enrolled in a Property Management Registration course.

Employees are engaged in training in areas such as safety management and gaining required workplace certifications. Four Operations employees completed their Open Class Crane Ticket (250T Crane), and another completed their C1 Crane Ticket (100T Crane).

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 for record keeping. Record Keeping Awareness training was delivered to two existing employees and five of the six new/temporary office personnel. KPA has a Recordkeeping Policy and Procedures 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 2018 to maintain its currency. KPA's information. 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 were no FoI applications made under the *Freedom of Information Act 1992* during the financial year 2017/18.

2.3.5 Electoral Act 1907 – Section 175ZE

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

Expenditure Agency	Class	Amount
Acorn Design	Media Advertising Organisation	$7,985.87
Beilby Corporation Pty Ltd	Media Advertising Organisation	$7,368.00
GoGo On Hold Pty Ltd	Media Advertising Organisation	$752.72
Hunter Communications	Media Advertising Organisation	$7,205.00
Mills Wilson Tudorview	Media Advertising Organisation	$18,075.00
Minq Design Studio	Media Advertising Organisation	$1,297.50
West Australian Newspapers Ltd	Media Advertising Organisation	$8,876.80
Total		**$51,560.89**

***Table 2** Advertising 2017/18*

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:

- concluding the Due Diligence for the Port of Derby;
- assessing the risks associated with the Channel Optimisation Project;
- assessing the risks associated with the proposal by Kimberley Marine Support Base Pty Ltd for the construction of a new facility at the Port of Broome;
- preparing risk assessments for a range of smaller agreements to support maintenance and development of the Port; and
- with a view to reducing its exposure to HR related risks, training was conducted with managers and supervisors on how to have difficult conversations with employees.

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 maintain their qualifications. KPA also receives newsletters and circulars to stay informed of significant changes to key legislation. A new software system, close to completion, will 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 an employee's dismissal.

***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 KPA Board and each staff member is required to read and acknowledge receipt of the relevant document and agree to abide by its terms. Training is also provided on these policy obligations.

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 were provided training on important sections of the 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 KPA, 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 2017/18.

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, continuously improve our environmental performance and minimise environmental impacts across our operations, both land and marine.

There were no significant environmental incidents during the reporting period.

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, and Nyamba Buru Yawuru to ensure lines of communication are maintained.

Seagrass Monitoring adjacent the slipway

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 involves 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. KPA also continued its involvement in the Roebuck Bay Working Group Committee.

KPA submitted an Environmental Impact Assessment for the Channel Optimisation Project (**COP**) in February 2018 to the Western Australian Environmental Protection Authority (**EPA**). KPA worked closely with the EPA and local stakeholders to ensure all environmental aspects were properly identified and controlled. On 9 May 2018, the EPA advised KPA that the project would not require further assessment and could proceed under the management systems proposed in the submission documents.

KPA also referred the COP to the Federal Department of Environment and Energy (**DoEE**) for assessment. On 13 June 2018 KPA was advised that the project was not a controlled action and therefore could proceed, and the Sea Dumping Permit has since been issued.

2.5 Organisational Structure

Minister	Hon Rita Saffioti MLA Minister Transport
Board Members	Laurie Shervington (Chairman)
	David Mofflin (Deputy Chair)
	Martin Peirson-Jones
	Anna Dartnell
	Elisa Fear
	Douglas Aberle
	Rochelle Smith
	Susan McCarrey
Chief Executive Officer	Kevin Schellack
Harbourmaster	Captain Lindsay Copeman, was also the Operations Manager until December 2017
Chief Financial Officer	Charles Kleiman BBus (Accounting) CPA
Finance Manager	Natalie Beckett BComm (Accounting) CPA (returned to work from February 2018)
Acting Finance Manager	Carlee Ryan BComm (Acc/Hrm) CPA (until February 2018)
Commercial Manager and General Counsel	Sean Mulhall BA LLB
Engineer	Scott Baker BE (Hons) MIEAust
Operations Manager	Luke Westlake
HSE Manager	Veronica Mair BEc (Hons) MScTech (OHS) MEnvMgt, (commenced parental leave from 1 March 2018)
Acting HSE Manager	Benn Prowse Bachelor Science (Hons), Masters in HSE Management (employed from March 2018)
Administration Manager	Rosemary Braybrook BBus (Public Relations)
Postal Address	PO Box 46 Broome, Western Australia 6725
Office Address	280 Port Drive Broome, Western Australia 6725
Telephone	08 9194 3100
Facsimile	Administration 08 9192 1778 Operations 08 9194 3188
Email	info@kimberleyports.wa.gov.au
Website	www.kimberleyports.wa.gov.au

Table 4 Organisational Structure

2.5.1 Organisational Chart

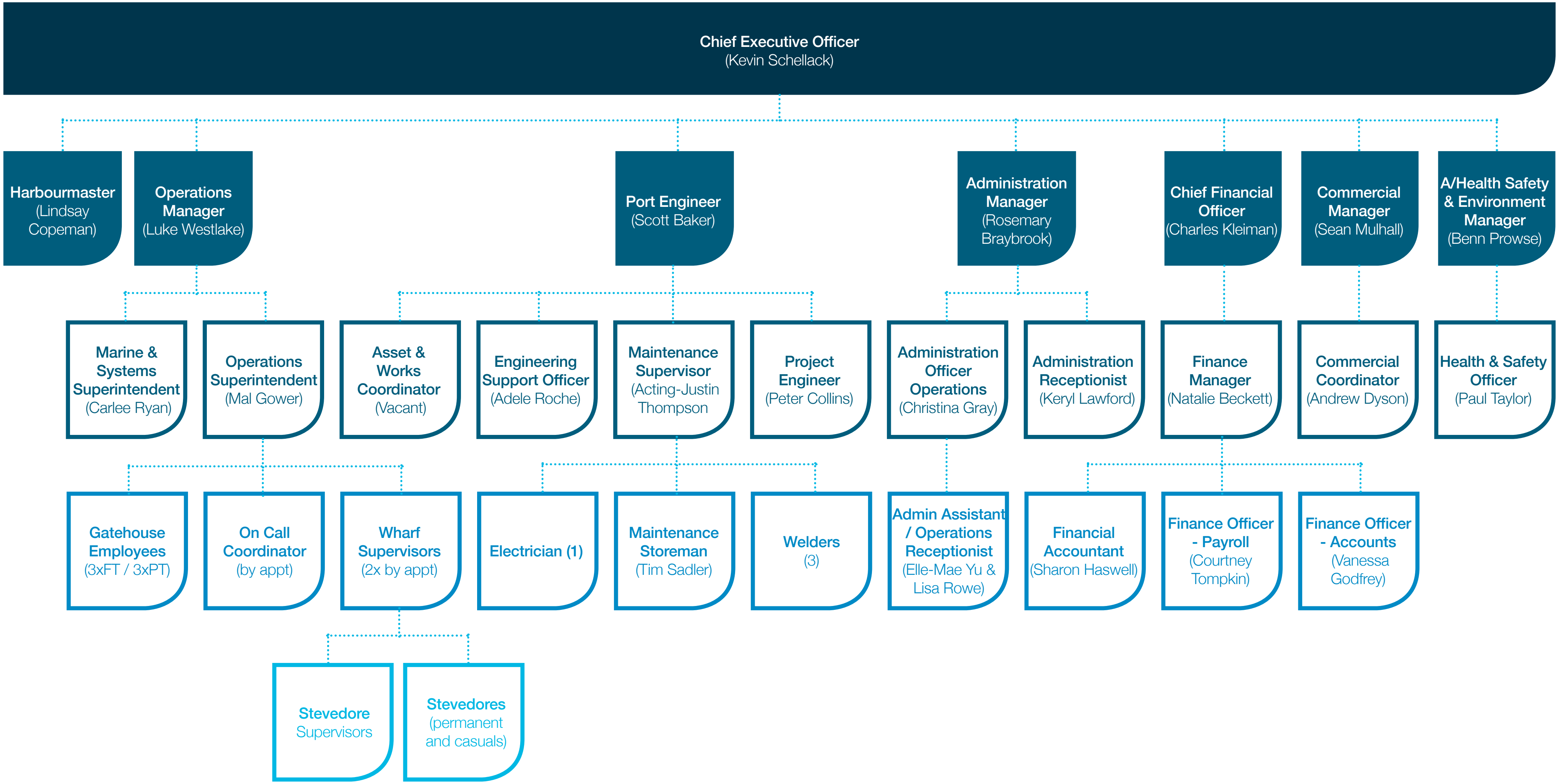


Figure 1 *Organisational Chart*

03. OPERATIONAL PERFORMANCE

Fender work platforms

3.1 Occupational Health and Safety

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.

During the reporting period KPA received two significant safety awards from the Western Australian Department of Mines, Industry, Regulation and Safety. The first award was a 'Gold Certificate of Achievement' in recognition of its excellent management of safety and health in the workplace and contribution to the reduction of injury and disease.

The second award was a 2017 Work Safety Award in the category 'Best Solution to a Specific Workplace Safety and Health Issue'. KPA developed a unique solution to reduce the risk of working over the edge of the wharf, through consultation with the workforce and the drive to reduce risk. The 'counter levered' work box attaches to the side of the wharf and eliminates the need to use lower levels of control for managing the risk of falling.

KPA maintained its excellent safety performance during the reporting period. A Lost Time Injury Frequency Rate of 0.00 was achieved as well surpassing 586 days significant injury free.

The Health Safety and Environment (HSE) Committee meets regularly and provides a forum for elected Health and Safety Representatives to table safety issues. The committee meeting also provides an excellent forum for new initiatives to be tabled for comment and consultation.

In 2017/18 the HSE Committee identified a number of Improvement Plans centred on critical risks, namely;

- Working at Height;
- Lifting Operations, and
- Hazardous Energy Control.

3.1 Occupational Health and Safety (continued)

Significant capital expenditure is being undertaken to address safety critical elements on the wharf. Projects being implemented are:

- Fire suppression system installation;
- Dinghy davit arm installation, and
- Underdeck trolleys (detailed design and contract awarded).

In addition, the Channel Optimisation Project will improve the safe arrival and departure of vessels, with the removal of navigational hazards.

Employees completed a range of internal and external safety training courses in 2017/18 including:

- Emergency training;
- Working at Heights;
- OHS Supervisor;
- OHS Manager;
- Alcohol and Other Drug information session;
- Manual Handling;
- OHS Policy Training;
- Chemicals SOP information session;
- Accident Investigation, and
- New stevedore inductions.

Flu vaccinations and skin cancer checks were made available to all employees as part of KPA's health and wellbeing program. KPA maintained an Employee Assistance Program during the reporting period. As part of KPA's Fitness for Work Policy alcohol and other drug testing was undertaken throughout the reporting period on employees and contractors.

3.1.1 Commitment to Occupational Health and Safety

KPA is committed to preventing injury and disease in the workplace and to ensuring that occupational health and safety (**OHS**) considerations are integrated into all areas of its operation. KPA has an OHS management system (**OHSMS**) 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.

Stevedores unloading drill casings

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 2017/18 there were 10 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.

OHS 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.

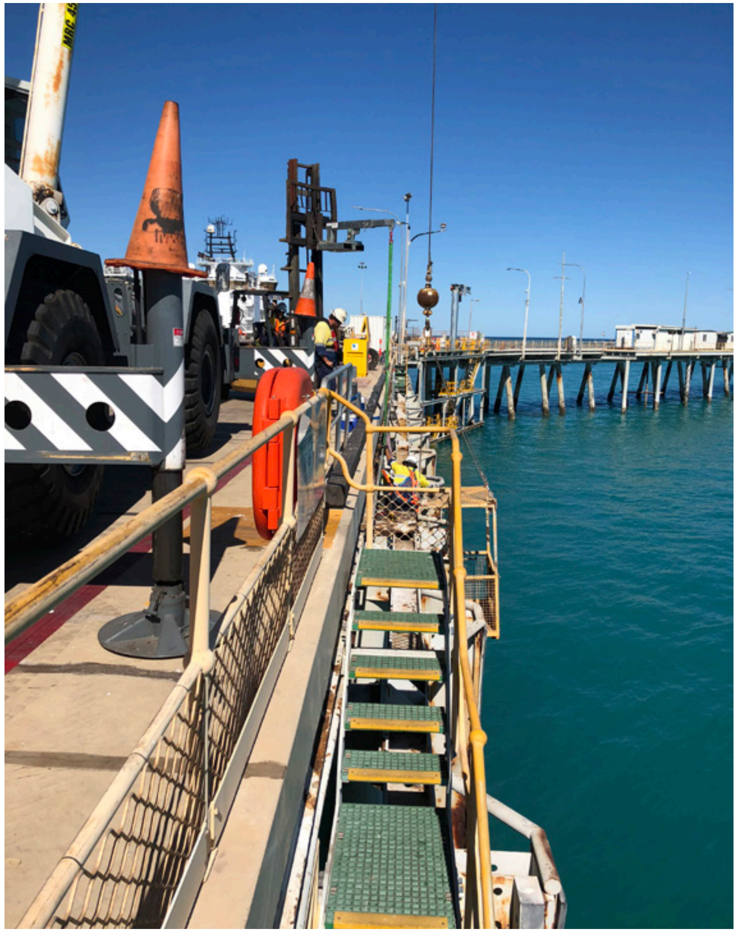
3.1.3 Injury Management and Workers Compensation

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

During the reporting period elements of the OHSMS were audited by independent consultant. The OHS elements included Incident Reporting and Emergency Response. There were no major findings from this part of the audit.



Berth 3 maintenance works

3.1 Occupational Health and Safety (continued)

3.1.5 Occupational Health and Safety Performance Indicators

Measure	Actual Results 2015-16	Actual Results 2016-17	Actual Results 2017-18	Target	Comment on Result
Number of fatalities	0	0	0	0	Target met
Lost time injury and/or disease incident rate*	1.41%	3.42%	0.00%	0 or 10% reduction over the previous three years	Target met
Lost time injury and/or disease severity rate	0	0	0	0	Target met
Percentage of injured workers returned to work within: i) 13 weeks ii) 26 weeks	i) 100%	i) 50% ii) 100%	i) 100% ii) 100%	≥80% return to work within 26 weeks	Target met. No injured workers
Percentage of managers and supervisors trained in OSH and injury management responsibilities	90%	90%	83%	≥80%	Target met

Table 5 *Annual Safety Performance for KPA Employees*

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

3.2 Operational Performance

3.2.1 Vessel Visits

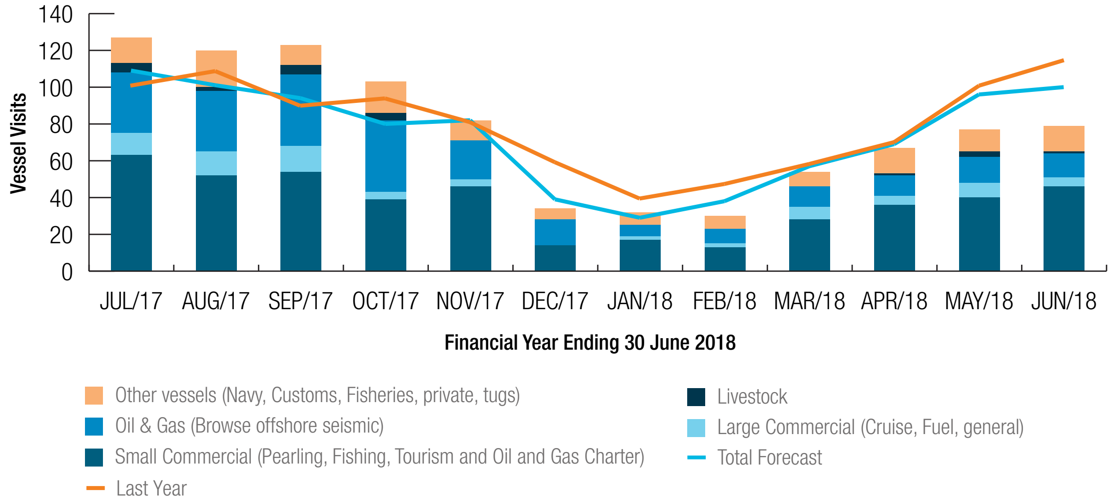
Oil and gas support vessel visits totalled 341 which was 2.7% higher than 2016/17 and higher than forecast due to the commissioning phases for INPEX and Shell projects at the end of 2017.

Comparison with 2016/17 shipping:

- Oil and gas **up 2.7%**;
- Large Commercial **up 4.1%**;
- Cruise **down 7.4%**;
- Livestock **up 15.8%**;
- Government, Navy, Customs, Fisheries, and private **up 1.4%**; and
- Small Commercial **down 7.8%**.

In the year ahead it is anticipated that the number of visits for oil and gas support vessels will significantly reduce with projects moving into production. Ongoing demand for servicing drilling activities within the Browse area is expected to continue. Cruise vessel visits are expected to increase by 6%.

Figure 2 Total monthly vessel visits by vessel type



Sun Princess *alongside Port of Broome*

3.2 Operational Performance (continued)

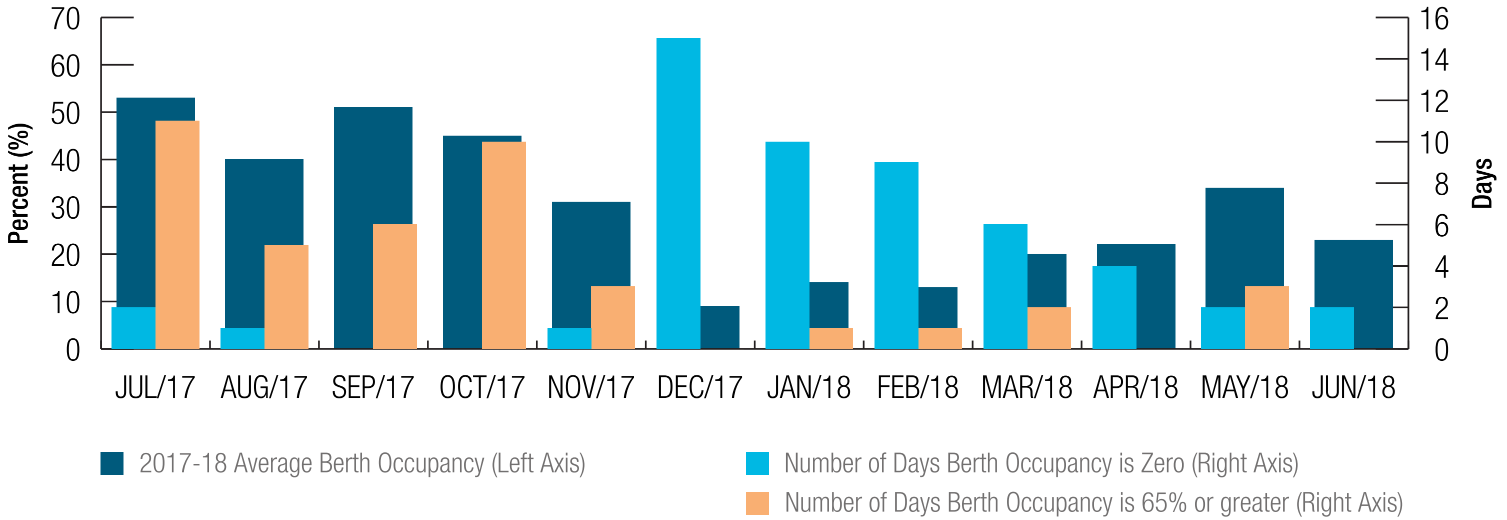
Vessel distribution 2017/18	
Small Commercial (pearling, fishing, tourism and oil and gas charter)	448
Large Commercial (cruise, fuel, general)	76
Oil and Gas (Browse offshore, seismic)	242
Livestock	21
Other vessels (Navy, Customs, Fisheries, private, tugs)	141
Total	**928**

***Table 6** Vessel Distribution*

3.2.2 Berth Occupancy

Figure 3 shows the monthly average berth occupancy (berths 3 - 6) for the period 2017/18. Berth occupancy averaged 29.6% compared to 28.8% during 2016/17. The highest monthly average was 53% during July 2017 while the lowest was recorded in December 2017 at 9%.

Figure 3 Monthly Berth Occupancy



3.2.3 Vessel Turnaround Times (Oil and Gas)

Figure 4 shows that monthly average vessel turnaround time for oil and gas supply vessels was 22.94 hours. Turnarounds have been tracking above the target KPI due to increased berth availability and customers choosing to remain alongside with no urgency to depart. During February the average turnaround time spiked as a result of vessels remaining alongside for several days for mobilisation and demobilisation activities.

3.2.4 Crane Rates

Figure 5 shows that the monthly average crane lifting rates, for oil and gas supply vessels, was 11.35 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.

Figure 4 Oil and Gas Vessel Turnaround Time

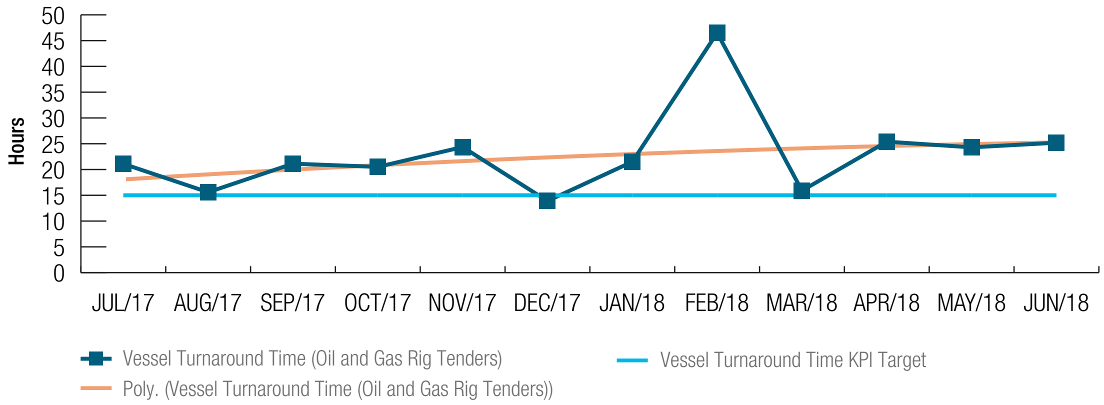
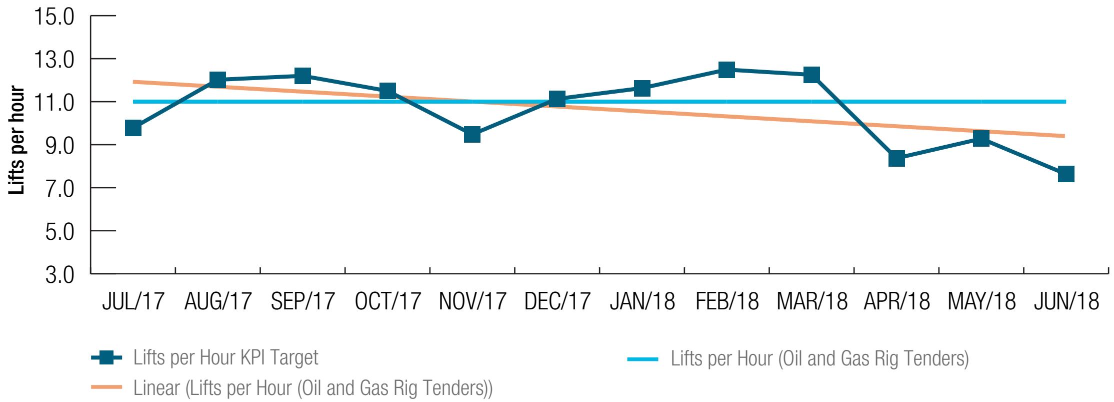


Figure 5 Lifts per hour



3.3 Trade Statistics

3.3.1 Total Trade

Figure 6 shows the total trade throughput in tonnes since 2013/14 showing a five year average throughput of 437,782 tonnes.

The 2017/18 year throughput of 334,230 tonnes represents a 10.2% increase in throughput from 2016/17. This is related to increases in fuel and oil, and livestock exports in 2017/18.

Figure 6 Total Trade

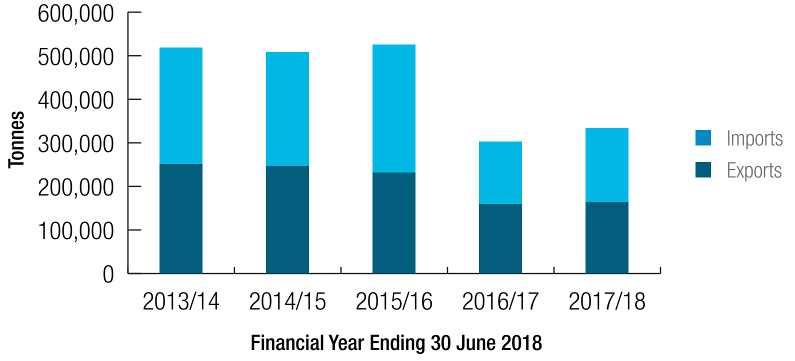
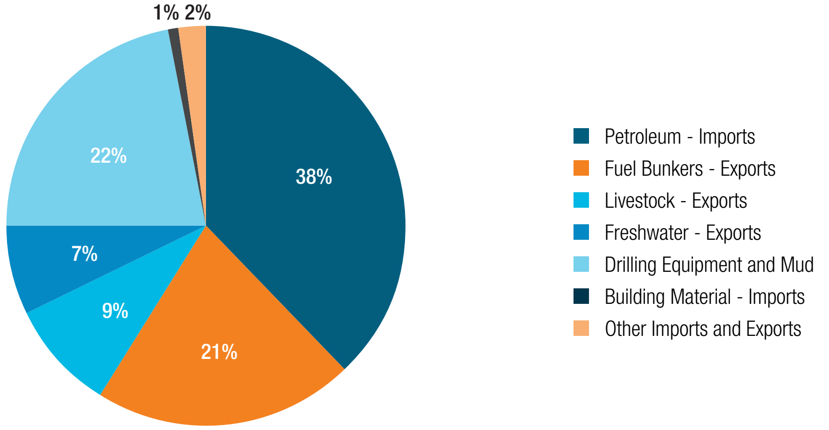


Figure 7 Throughput by Commodity



3.3.2 Import Trade

Figure 8 provides a breakdown of import trade which increased by 2.8% from the previous year.

3.3.3 Export Trade

Figure 9 provides a breakdown of export trade which shows an increase from the previous year by 18.4%. Fuel delivered increased by 72% and livestock increased by 29.8% from the previous year.

Figure 8 Imports for past five years

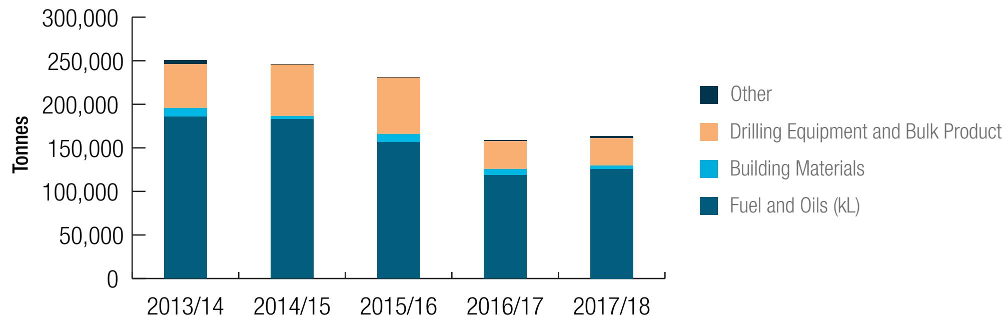
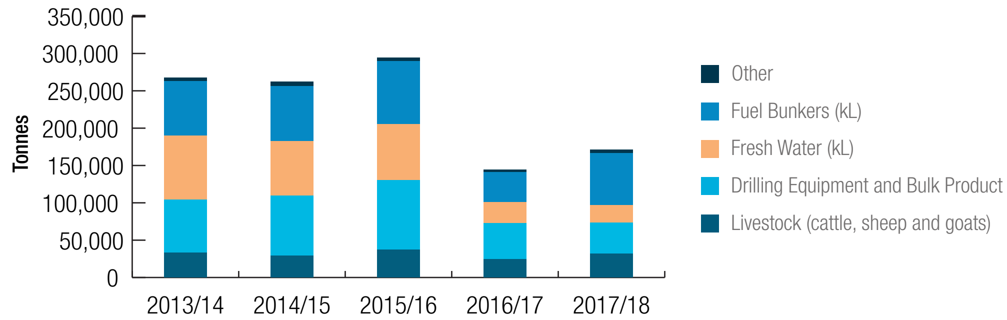


Figure 9 Exports for past five years



Sealift II drilling for core samples

3.4 Infrastructure Improvement and Maintenance

3.4.1 Wharf Extension of Life Project

The Wharf Extension of Life (**WEOL)** project continued through 2017/18. Pile repairs and pile protective coating has commenced with approximately 87 piles undergoing a campaign of blasting, assessment, repairs and painting. This work is estimated to be completed in 2018/19. Further WEOL project works include the completed design and site installation commencement for a new wharf fire-fighting system and the completed design and fabrication for a new wharf underdeck access system which awaits installation.

3.4.2 Channel Optimisation Project

The Channel Optimisation Project consists of widening and deepening the Port access channel and turning basin to allow larger vessels all tide access to the wharf.

In 2017/18 all the preliminary investigation work and studies have been completed including geotechnical investigation, collection of metocean data, geophysical survey and magnetometer survey.

Environmental approvals have been progressed with approvals received from the Environmental Protection Authority and the DoEE.

The Request for Proposals documentation for the dredging works has been released to the market with dredging expected to occur in Q4 2018, depending on dredge availability.

The local community and industry groups have been consulted with throughout the process.

3.4.3 Infrastructure Projects

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

- a major outer berth fender refurbishment project continued with a total of thirteen of 26 bays completed in 2017/18, and
- the multi-level dinghy landing has been replaced including the installation of a new jib crane for emergency overboard rescues.

04.

DIRECTORS' REPORT

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 2018 are:

4.3.1 Mr Laurie Shervington LLB – Chairman

LLB, FAICD, FCL, LLM (Applied Law) (Honorary)

Laurie was appointed on 24 March 2011. He has been a practicing lawyer for 50 years and has listed public company and private company experience as a director. His current term expires 31 December 2018.

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. Most recently he was 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. He has, in the past, been a non-executive director of Engineering Education Australia, and a 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

Martin 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 2019.

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 Citibank London and Macquarie Bank's Project and Structured Finance Division, providing advice in relation to infrastructure assets in Western Australia. Elisa also has 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, Financial Toolbox Inc and is a member of the Council of Curtin University.

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. She draws on a strong foundation of transport industry experience and a commitment to understanding the voice of the customer.

In addition to her role on the board of KPA, Anna is a Non-Executive Director with Brightwater Care Group. She also serves on the Board of Spare Parts Puppet Theatre (and is immediate past Chair of the Board) and 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 2018.

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, and his term expired on 31 December 2017.

4.3.7 Ms Susan McCarrey

MEd, LLB, BEd (Hons), GAICD, FIPAA (WA)

Sue has many years' experience in senior Government positions in the Western Australian Government. This included over five years as the Deputy Director General of Transport responsible for strategic transport policy, transport planning and overseeing the investment program. In this role, Sue led a review into the State's port governance and the Western Australian Regional Freight Transport Plan. With this experience and a Law Degree, Sue brings a strong focus on governance, particularly in relation to the WA ports' legislative framework, risk management and safety.

Sue is currently the National Rail Safety Regulator and is a Director of the Australasian Centre for Rail Innovation.

Sue was appointed to the KPA Board on 1 February 2018, with her term expiring 30 June 2020.

4.3 Directors' Details (Continued)

4.3.8 Ms Rochelle Smith

Rochelle is an environmental scientist who has worked in the oil and gas industry for over 20 years. Rochelle has worked with multinational oil and gas companies, as well as with the Western Australian and Commonwealth governments. Rochelle has a Bachelor of Science with Honours in Biological Sciences and a Masters in Environmental Science.

Rochelle was appointed to the KPA Board on 1 February 2018, with her current term expiring 31 December 2019.

4.3.9 Retirements, Appointments and Continuation in Office of Directors

Chair Laurie Shervington and Director Anna Dartnell had their terms extended to 31 December 2018, and Director Martin Peirson-Jones had his term extended to 30 June 2019.

KPA welcomed two new Directors, who were appointed during the reporting period, being Susan McCarrey and Rochelle Smith with their terms expiring 31 December 2020 and 31 December 2019 respectively.

Directors Douglas Aberle and Elisa Fear retired from the KPA Board during the reporting period and KPA wishes to recognise and thank them for their strategic input while serving as Directors.

4.4 Directors Meetings

During the financial year 2017/18 the Directors held six Board meetings.

Members Name	Six Ordinary Board meetings	Four Special Board meetings
Laurie Shervington (Chairman)	6	3
David Mofflin (Deputy Chairman)	6	3
Martin Peirson-Jones	6	2
Elisa Fear	6	4
Anna Dartnell	6	4
Doug Aberle*	3	3
Sue McCarrey*	3	1
Rochelle Smith*	3	1

**Members only eligible to attend three meetings due to commencement/expiry of appointment.*

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.

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

Members Name	Audit, Human Resources & Remuneration	Governance	Risk
Laurie Shervington	2	2	2
David Mofflin	na	2	2
Martin Peirson-Jones	3	na	2
Elisa Fear	4	2	na
Anna Dartnell	4	2	na
Doug Aberle	2	na	1
Sue McCarrey	2	na	1
Rochelle Smith	na	1	1
Total number of meetings held	4	2	2

Table 8 *Board sub-Committee Meetings Attendance*

4.5 Planned Achievements

Outcomes arising from the 2017/18 objectives within the Statement of Corporate Intent are configured in the tabulation below.

Objective: Identify and facilitate new trade and revenue sources.

Strategic Measures	Targets	Management Outcomes
• Revenue growth over five years (based on 2016 / 17 revenue).	• Between 10% to 30% growth.	• A 6.2% revenue growth was achieved from 2016/17 to 2017/18.
• Achieve Government return on assets.	• Up to 10% return.	• A 1.0% Return on Assets was achieved.
• Service supplier to Browse.	• Demand growth.	• Port of Broome supported some commissioning activities associated with INPEX's Ichthys LNG Project and Shell's Prelude facility. This support work will decrease during 2018 as commissioning activities cease.
• Develop a stable revenue base.		• KPA increased offshore oil and gas support work throughout the year, however Port of Broome is still exposed to seasonal shipping fluctuations. Once onshore resource projects commence KPA will have a more stable revenue base.
• Maximise market share of attractive industries.	• Stem loss of trade to other States and regions.	• KPA has engaged regularly with industry and customer representatives to ensure that it has an understanding of how the Port of Broome can best service their requirements.
		• Consultants GHD were retained to prepare a capability statement for oil and gas customers setting out the cost savings associated with using Broome, compared to other Ports.
		• KPA is procuring a new passenger access platform to improve the transfer of passengers from large cruise ships onto the wharf.
		• KPA secured funding and sought proposals to carry out works to the Port of Broome channel. The works will extend the period of time that large vessels can access the wharf.
• Fully support the maritime requirement of industry based in the Kimberley.	• Diversify and increase trade across the Kimberley.	• Trade and development in the Kimberley has been subdued. KPA regularly meets with potential project developers including Sheffield Resources Ltd, Buru Energy Limited and Seafarms Group Ltd.

Objective:	Meet statutory obligations including endeavouring to operate profitably and fund port growth.

Strategic Measures	Targets	Management Outcomes
• Fund required capital works.	• Capital to invest in required infrastructure, 100% approved CAPEX.	• KPA was able to fund all approved Capital works from cash reserves.
• Fund operations in a fluctuating trade environment.	• Certainty of funding for day to day operations.	• KPA was able to fund all approved operations from cash reserves.
• Fully fund Kimberley Ports amalgamation.	• 100% approved OPEX.	• The Department of Transport has been informed of KPA's expected costs of managing additional ports. KPA has been assured that before a port is vested in KPA the proposed vesting will be assessed by the Expenditure Review Committee to ensure that KPA is able to meet the associated cost burden.

Objective:	Maintain assets and plan for infrastructure that will meet trade demand.

Strategic Measures	Targets	Management Outcomes
• Demand analysis for Derby and Yampi Sound be developed.	• Finalised before July 2018.	• Delayed until Kimberley Ports are amalgamated under KPA auspices to enable enhanced information sharing and planning.
• Capture and optimise trade opportunities to: – optimise profitability, – facilitate trade, and – deliver stakeholder benefit.	• Fund the timely delivery of infrastructure to support or attract port business.	• Funding obtained and works progressed to deliver a new widened / deepened Port access channel, fire-fighting system, underdeck access, dinghy landing and cruise ship gangway.

4.5 Planned Achievements (continued)

Objective:	Optimise the operating model and capability to respond to the imminent downturn in port revenue and also potential increases in demand which can develop on short notice

Strategic Measures	Targets	Management Outcomes
• Phase one of restructure implemented.	• Finalised by H1*.	• Overall expenditure remained close to budget, despite a $1.5 million increase in revenue. A small office was established in Perth and office consolidation planning underway for Broome.
• Completion of KPA ports transition plan.	• Finalised during H1.	• Transition planning has been delayed due to the uncertainty of the Ports Legislation Amendment Bill 2017 passage through Parliament. KPA is active in providing strategic input and comment on future tenure arrangements at the amalgamation ports.
• Develop long term Strategic Asset Plan for Port of Broome.	• Finalised during H1.	• A Port of Broome Strategic Asset Plan has been developed and is reviewed annually to accommodate any trade demand developments.
• Develop long term Strategic Asset Plan for Ports of Derby, Wyndham and Yampi Sound.	• Finalised during H1.	• Delayed until Kimberley Ports are amalgamated under KPA auspices to enable enhanced information sharing and planning.
• Optimise KPA's functions over the network of Kimberley ports.		• Delayed until the Ports Legislation Amendment Bill 2017 is passed through Parliament.

**Horizon 1 means within next 12 months*

***Table 9** Strategic Planning Objectives*

4.6 Operating Results

KPA's economic objectives were to employ sound financial management and to enhance trade. KPA aimed to achieve its set rate of return on assets, while providing the most cost-effective service to port users, however the rate of return for the period was 0.9 percent. 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 savings requirements as set by government.

The final result for 2017/18 was a loss of $39,000 against a budgeted loss before tax of $1.356 million.

4.6.1 Shipping Revenue

Shipping activity and revenue was higher than anticipated for the year and figure 10 shows revenue realised from each shipping industry, with the oil and gas sector remaining as the major revenue generator.

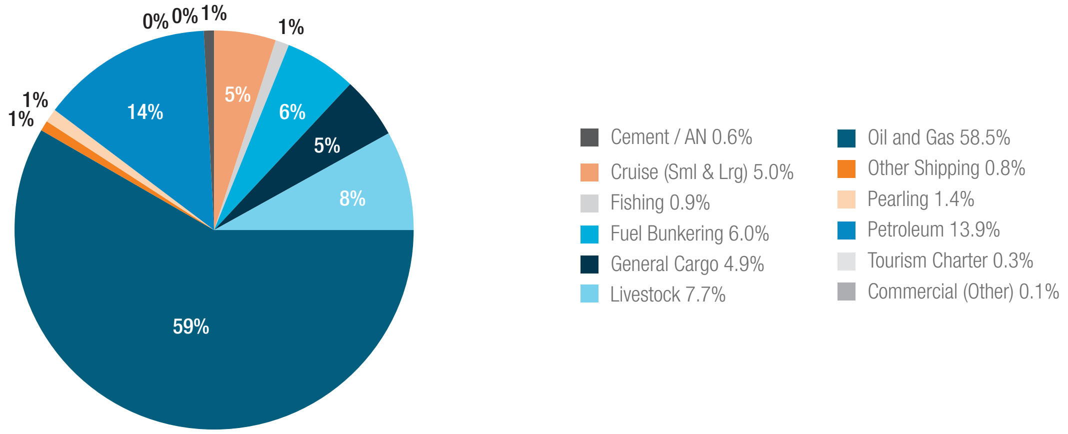
4.6.2 Non-shipping Revenue

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

4.6.3 Expenditure

Total expenditure was $181,000 above the 2017/18 budget. Overall expenditure was contained, notwithstanding, trade revenue increased against the 2017/18 budget.

Figure 10 Shipping Revenue by Industry



4.6 Operating Results (continued)

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 2018 is $40,000.

4.7 Dividends

An Interim Dividend of $393,750 was paid during the year for the 2017/18 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 potential impact on profits.

4.11 Remuneration Report

The following tabulations are provided in accordance with Schedule 5, Clause 13(c)(ii) 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:

Directors Remuneration 2017/18

Position	Name	Type of Remuneration	Period of Membership	Gross/Actual remuneration
Member	Aberle, D	Annual	7 months	$19,490
Member	Dartnell, A	Annual	12 months	$33,412
Member	Fear, E	Annual	12 months	$36,195
Member	McCarrey, S	Annual	5 months	$ -
Deputy	Mofflin, D	Annual	12 months	$37,458
Member	Peirson-Jones, M	Annual	12 months	$33,412
Chair	Shervington, L	Annual	12 months	$66,820
Member	Smith, R	Annual	5 months	$ -
Total				**$226,787**

Table 10 Directors Remuneration 2017/18

Directors Remuneration 2016/17

Position	Name	Type of Remuneration	Period of Membership	Gross/Actual remuneration
Member	Aberle, D	Annual	12 months	$33,412
Member	Dartnell, A	Annual	12 months	$33,412
Member	Fear, E	Annual	12 months	$36,195
Deputy	Mofflin, D	Annual	12 months	$36,530
Member	Peirson-Jones, M	Annual	12 months	$33,412
Chair	Shervington, L	Annual	12 months	$66,820
Total				**$239,781**

Table 11 Directors Remuneration 2016/17

4.11 Remuneration Report (continued)

Executive Remuneration 2017/18

Name	Salary	Other	Superannuation	Total
Schellack, K	$350,097	-	$32,925	$383,022
Mulhall, S	$283,912	-	$26,782	$310,694
Copeman, L	$261,381	-	$24,831	$286,212
Total	**$895,391**	**-**	**$84,538**	**$979,929**

Table 12 Executive Remuneration 2017/18

Executive Remuneration 2016/17

Name	Salary	Other	Superannuation	Total
Schellack, K	$346,837	-	$32,950	$379,786
Mulhall, S	$283,429	-	$26,926	$310,355
Kleiman, C	$252,181	-	$23,957	$276,138
Total	**$882,447**	**-**	**$83,832**	**$966,280**

Table 13 Executive Remuneration 2016/17

4.12 Rounding Off

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

L. Shervington	**D. Mofflin**
Chairman	Deputy Chairman
31 August 2018	31 August 2018

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Revenue	4	19,167	17,971
Expenditure			
Port operation expenses	5	(6,454)	(5,852)
Depreciation and amortisation expense	6	(2,387)	(2,165)
General administration expenses	7	(4,669)	(4,960)
Asset maintenance		(2,630)	(2,694)
Environmental expenses		(41)	(118)
Port utilities		(823)	(893)
Safety & security		(579)	(655)
Finance costs	8	(791)	(854)
Other expenses	9	(832)	(1,885)
(Loss) before income tax		**(39)**	**(2,105)**
Income tax benefit (expense)	10	134	(875)
Profit / (Loss) for the year		**95**	**(2,980)**

	Notes	2018 $'000	2017 $'000
Other comprehensive income		-	-
Total other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		**95**	**(2,980)**

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

STATEMENT OF FINANCIAL POSITION As at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	12	12,584	13,139
Current tax asset	10	726	759
Trade and other receivables	13	2,079	2,904
Total Current Assets		**15,389**	**16,802**
Non-Current Assets			
Property, plant and equipment	14	47,080	45,309
Intangible assets	15	155	80
Total Non-Current Assets		**47,235**	**45,389**
TOTAL ASSETS		**62,624**	**62,191**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	1,759	1,512
Interest bearing borrowings	17	1,266	1,199
Provisions	18	2,085	1,737
Other current liabilities	19	559	534
Total Current Liabilities		**5,669**	**4,982**

	Notes	2018 $'000	2017 $'000
Non-Current Liabilities			
Interest bearing borrowings	17	11,697	12,963
Provisions	18	37	101
Total Non-Current Liabilities		**11,734**	**13,064**
TOTAL LIABILITIES		**17,403**	**18,046**
NET ASSETS		**45,221**	**44,145**
EQUITY			
Contributed equity	20	42,661	41,286
Retained earnings	20	2,560	2,859
TOTAL EQUITY		**45,221**	**44,145**

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

STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2018

	Notes	Contributed Equity $'000	Retained earnings $'000	Total equity $'000
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**
Balance at 1 July 2017		41,286	2,859	44,145
Total comprehensive income for the year		-	95	95
Transactions with owners in their capacity as owners:				
Contributed equity	20	1,375	-	1,375
Dividends paid	11	-	(394)	(394)
Balance at 30 June 2018		**42,661**	**2,560**	**45,221**

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

STATEMENT OF CASH FLOWS For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		19,865	17,266
Receipts from State and Commonwealth		-	60
Interest received		223	348
Cash paid to suppliers and employees		(15,360)	(18,382)
Interest paid		(797)	(859)
Income taxes paid		167	(214)
Net cash provided by / (used in) operating activities	21	**4,098**	**(1,781)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	42
Acquisition of property, plant and equipment		(4,435)	(5,215)
Net cash (used in) investing activities		**(4,435)**	**(5,173)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,199)	(1,028)
Net cash (used in) financing activities		**(1,199)**	**(1,028)**

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM STATE GOVERNMENT			
Capital appropriation		375	-
Royalties for Regions Fund		1,000	-
Dividends paid		(394)	(2,561)
Net cash provided by (paid to) State Government		**981**	**(2,561)**
Net (decrease) in cash and cash equivalents		**(555)**	**(10,543)**
Cash and cash equivalents at the beginning of the period		13,139	23,682
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	**12,584**	**13,139**

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

NOTES TO THE FINANCIAL STATEMENTS
CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

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 31 August 2018 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard was 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9, and AASB 2014-1 Amendments to Australian Accounting Standards. Preliminary assessment identified that there is no financial impact requiring further or additional disclosure through this annual report arising from the changes brought about the AASB standards. KPA will continue to assess the financial impact of the new standards should new information previously not considered in the preliminary assessment becomes available.

AASB 15 Revenue from Contracts with Customers

This Standard establishes the principles that the agency shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7. Preliminary assessment identified that there is no financial impact requiring further or additional disclosure through this annual report arising from the changes brought about the AASB standard. KPA will continue to assess the financial impact of the new standards should new information previously not considered in the preliminary assessment become available.

AASB 16 Leases

This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The mandatory application date of this Standard is currently 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

1. recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
2. depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
3. inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
4. application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
5. additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

AASB 2010-7

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

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

AASB 2014-1

Amendments to Australian Accounting Standards

Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. [These changes have no impact as Appendix E has been superseded and the Authority was not permitted to early adopt AASB 9].

AASB 2014-5

Amendments to Australian Accounting Standards arising from AASB 15

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015 8 to 1 January 2018. [The Authority has not yet determined the application or the potential impact of the Standard.]

AASB 2014-7

Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). [The Authority has not yet determined the application or the potential impact of the Standard.]

AASB 2015-8

Amendments to Australian Accounting Standards – Effective Date of AASB 15

This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.

AASB 2016-3

Amendments to Australian Accounting Standards – Clarifications to AASB 15

This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. [The Authority has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019].

AASB 2016-7

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not for Profit Entities

This Standard defers, for not for profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.

AASB 2016-8

Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit Entities

This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.

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

	2018 $'000	2017 $'000
Revenue consists of the following items:		
Rendering of services		
Charges on cargo	6,464	6,015
Charges on ships	9,701	8,871
Shipping services	417	408
Interest revenue (a)	227	307
Rentals and leases	2,194	2,172
Government Grants & Subsidies	-	60
Other	164	138
Total revenue	**19,167**	**17,971**

(a) Interest revenue is interest received from bank accounts

NOTE 5 – PORT OPERATION EXPENSES

	2018 $'000	2017 $'000
Shipping activity	2,057	1,840
Indirect salaries and wages - operations	3,518	3,352
Plant and equipment	653	455
Other	226	205
Total port operations expense	**6,454**	**5,852**

NOTE 6 – DEPRECIATION AND AMORTISATION EXPENSE

	2018 $'000	2017 $'000
Depreciation		
Improvements	65	58
Buildings	122	134
Infrastructure	137	121
Harbour Facilities	1,611	1,430
Access Channel	11	10
Electronic	105	109
Plant and Equipment	184	178
Furniture and Fittings	6	6
Motor Vehicles	49	19
Low Value Pool	46	43
Total depreciation	**2,336**	**2,108**
Amortisation		
Intangible Assets	51	57
Total amortisation	**51**	**57**
Total depreciation and amortisation	**2,387**	**2,165**

NOTE 7 – GENERAL ADMINISTRATION EXPENSES

	2018 $'000	2017 $'000
Administration employee expenses	3,287	3,028
Other administration expenses	1,382	1,932
Total general administration expense	**4,669**	**4,960**

NOTE 8 – FINANCE COSTS

	2018 $'000	2017 $'000
Finance charges	79	80
Interest expense	712	774
Finance costs expensed	**791**	**854**

NOTE 9 – OTHER EXPENSES

	2018 $'000	2017 $'000
Employee on-costs (a)	513	793
Net loss on disposal of assets (b)	203	994
Other	116	98
	832	**1,885**

(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 for 2017.

NOTE 10 – INCOME TAX

	2018 $'000	2017 $'000
(i) Recognised in profit or loss		
Current tax expense		
Current year	-	-
Prior year adjustment	134	338
	134	**338**
Deferred tax expense		
Current tax expense/benefit	(17)	613
Prior year adjustment	-	(341)
	(17)	**272**
Total income tax benefit/(expense) pre derecognition of deferred tax asset	**117**	**610**
Derecognise current year deferred tax asset	17	(613)
Derecognise prior year deferred tax asset	-	(872)
Total income tax benefit/(expense) post recognition of deferred tax asset	**134**	**(875)**

	2018 $'000	2017 $'000
(ii) Reconciliation between tax expense and profit before tax		
(Loss) for the year	(39)	(2,105)
Total tax benefit / (expense)	134	(875)
Profit / (Loss) after tax	**95**	**(2,980)**
Tax using the statutory tax rate of 30% (2016/17: 30%)	12	631
Non-deductible expenses	(5)	(2)
Sundry items	(24)	(16)
Adjustments for prior period	134	(3)
Income tax benefit/(expense) pre derecognition of deferred tax asset	**117**	**610**
Derecognise current year deferred tax asset	17	(613)
Derecognise prior year deferred tax asset	-	(872)
Income tax benefit/(expense) post derecognition of deferred tax asset	**134**	**(875)**

NOTE 10 – INCOME TAX (continued)

	2018 Statement of Financial Position $'000	2017 Statement of Financial Position $'000	2018 Statement of Comprehensive Income $'000	2017 Statement of Comprehensive Income $'000
(iii) Deferred tax				
Deferred tax liabilities				
Receivables	12	11	1	(12)
FBT Instalment	3	2	1	(3)
Gross Deferred Tax Liabilites	**15**	**13**	**2**	**(15)**
Deferred tax assets				
Accelerated depreciation for accounting purposes	226	186	(40)	65
Payables	12	13	1	50
Prepaid rental	111	104	(7)	(3)
Employee benefits	640	554	(86)	36
Borrowing costs	-	46	46	(2)
Business related costs	61	120	59	73
Carried forward tax losses	413	475	62	(475)
Gross Deferred Tax Assets	**1,463**	**1,498**	**35**	**(256)**

	2018 Statement of Financial Position $'000	2017 Statement of Financial Position $'000	2018 Statement of Comprehensive Income $'000	2017 Statement of Comprehensive Income $'000
Unrecognise current year deferred tax asset	17	(613)	(630)	613
Unrecognise prior year deferred tax asset	(1,465)	(872)	593	872
Gross Deferred Tax Assets	**15**	**13**	**(2)**	**1,229**
Set-off of deferred tax liabilities pursuant to the set-off provisions	(15)	(13)		
Net deferred tax assets	**-**	**-**		
Prior period adjustments			-	-
Deferred tax charge			**-**	**1,214**

NOTE 10 – INCOME TAX (continued)

(iv) Tax liability	2018 $'000	2017 $'000
Current tax liability (asset)	(726)	(759)
Total current tax liability (asset)	**(726)**	**(759)**
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences - other	1,035	1,010
Tax losses on revenue account	413	475
	1,448	**1,485**

The deductible temporary differences and tax losses do not expire under current legislation.

NOTE 11 – DIVIDENDS

	2018 $'000	2017 $'000
	394	2,561
Dividends paid in the financial year	**394**	**2,561**

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 75% (2017: 75%) 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 2018 of $0.394 million was declared and paid by the Board (2017: Nil).

In respect of the financial year results for the year ended 30 June 2017, no interim and final dividend was declared.

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.

NOTE 12 – CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Bank balances	4,967	4,532
Restricted cash and cash equivalents (a)	3,088	4,607
Restricted cash and cash equivalents (b)	529	-
Term deposits	4,000	4,000
Cash and cash equivalents in the Statement of Cash Flows	**12,584**	**13,139**

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

(b) Unspent funds are committed to the channel optimisation 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

	2018 $'000	2017 $'000
Current		
Trade receivables	1,889	2,790
Less: allowance for impairment of receivables	-	-
	1,889	**2,790**
Other receivables:		
Accrued revenue	31	28
Prepayments	159	86
Balance at the end of the year	**2,079**	**2,904**

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	12	7
More than 3 months but less than 6 months	-	-
More than 6 months but less than 1 year	-	-
More than 1 year	-	-
	12	**7**

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	2018 $'000	2017 $'000
Land		
At cost	1,291	1,291
Less: accumulated depreciation	-	-
Less: accumulated impairment losses	-	-
	1,291	**1,291**
Improvements		
At cost	2,210	2,149
Less: accumulated depreciation	(308)	(246)
Less: accumulated impairment losses	-	-
	1,902	**1,903**
Buildings		
At cost	4,012	3,989
Less: accumulated depreciation	(1,391)	(1,284)
Less: accumulated impairment losses	-	-
	2,621	**2,705**
Infrastructure		
At cost	4,281	4,260
Less: accumulated depreciation	(1,630)	(1,552)
Less: accumulated impairment losses	-	-
	2,651	**2,708**

Harbour Facilities		
At cost	41,915	41,978
Less: accumulated depreciation	(10,327)	(8,779)
Less: accumulated impairment losses	-	-
	31,588	**33,199**
Access Channel		
At cost	488	488
Less: accumulated depreciation	(449)	(438)
Less: accumulated impairment losses	-	-
	39	**50**
Electronic Equipment		
At cost	854	727
Less: accumulated depreciation	(584)	(490)
Less: accumulated impairment losses	-	-
	270	**237**
Plant and Equipment		
At cost	4,886	4,680
Less: accumulated depreciation	(2,805)	(2,702)
Less: accumulated impairment losses	-	-
	2,081	**1,978**

Furniture and Fittings		
At cost	103	99
Less: accumulated depreciation	(70)	(64)
Less: accumulated impairment losses	-	-
	33	**35**
Motor Vehicles		
At cost	468	411
Less: accumulated depreciation	(172)	(153)
Less: accumulated impairment losses	-	-
	296	**258**
Low Value Pool		
At cost	404	340
Less: accumulated depreciation	(281)	(235)
Less: accumulated impairment losses	-	-
	123	**105**
Total property, plant and equipment		
At cost	60,912	60,412
Less: accumulated depreciation	(18,017)	(15,943)
Less: accumulated impairment losses	-	-
	42,895	**44,469**
Add: Work in progress (at cost)	4,185	840
	4,185	**840**
Total property, plant and equipment	**47,080**	**45,309**

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amounts:

Land

Carrying amount at 1 July	1,291	1,291
Additions	-	-
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	**1,291**	**1,291**

Improvements

Carrying amount at 1 July	1,903	1,126
Additions	-	-
Transfer from work in progress	64	835
Depreciation for the year	(65)	(58)
Disposals	(2)	-
Accumulated depreciation on disposals	2	-
Impairment losses	-	-
Carrying amount at 30 June	**1,902**	**1,903**

Buildings

Carrying amount at 1 July	2,705	2,838
Additions	-	1
Transfer from work in progress	38	-
Depreciation for the year	(122)	(134)
Disposals	(15)	-
Accumulated depreciation on disposals	15	-
Impairment losses	-	-
Carrying amount at 30 June	**2,621**	**2,705**

Infrastructure

Carrying amount at 1 July	2,708	1,236
Additions	7	7
Transfer from work in progress	175	1,681
Depreciation for the year	(137)	(121)
Disposals	(160)	(131)
Accumulated depreciation on disposals	58	36
Impairment losses	-	-
Carrying amount at 30 June	**2,651**	**2,708**

Harbour Facilities

Carrying amount at 1 July	33,199	18,301
Additions	-	-
Transfer from work in progress	-	17,243
Depreciation for the year	(1,611)	(1,428)
Disposals	(63)	(1,610)
Accumulated depreciation on disposals	63	693
Impairment losses	-	-
Carrying amount at 30 June	**31,588**	**33,199**

Access Channel

Carrying amount at 1 July	50	62
Additions	-	-
Transfer from work in progress	-	-
Depreciation for the year	(11)	(12)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	**39**	**50**

Electronic Equipment		
Carrying amount at 1 July	237	328
Additions	28	18
Transfer from work in progress	110	-
Depreciation for the year	(105)	(109)
Disposals	(11)	(28)
Accumulated depreciation on disposals	11	28
Impairment losses	-	-
Carrying amount at 30 June	**270**	**237**

Plant and Equipment		
Carrying amount at 1 July	1,978	1,975
Additions	56	174
Transfer from work in progress	331	8
Depreciation for the year	(184)	(178)
Disposals	(181)	(26)
Accumulated depreciation on disposals	81	25
Impairment losses	-	-
Carrying amount at 30 June	**2,081**	**1,978**

Furniture & Fittings		
Carrying amount at 1 July	35	35
Additions	1	-
Transfer from work in progress	4	6
Depreciation for the year	(6)	(6)
Disposals	(1)	-
Accumulated depreciation on disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	**33**	**35**

Motor Vehicles		
Carrying amount at 1 July	258	65
Additions	87	226
Depreciation for the year	(49)	(19)
Disposals	(30)	(174)
Accumulated depreciation on disposals	30	160
Impairment losses	-	-
Carrying amount at 30 June	**296**	**258**

Low Value pool		
Carrying amount at 1 July	105	104
Additions	58	44
Transfer from work in progress	6	-
Depreciation for the year	(46)	(43)
Disposals	-	-
Carrying amount at 30 June	**123**	**105**

Work in progress:		
Carrying amount at 1 July	840	15,874
Additions	5,476	6,745
Transfers to expenditure	(1,278)	(2,006)
Transfers to property, plant and equipment	(727)	(19,773)
Transfers to intangibles	(126)	-
Carrying amount at 30 June	**4,185**	**840**
Total property, plant and equipment	**47,080**	**45,309**

NOTE 15 – INTANGIBLE ASSETS

	2018 $'000	2017 $'000
Computer software	450	324
At cost	(295)	(244)
Less: accumulated depreciation	**155**	**80**

Reconciliation of carrying amounts:

	2018 $'000	2017 $'000
Computer software		
Carrying amount at 1 July	80	139
Additions	-	5
Transfer from work in progress	126	4
Depreciation for the year	(51)	(57)
Disposals	-	(45)
Accumulated depreciation on disposals	-	34
Carrying amount at 30 June	**155**	**80**

NOTE 16 – TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current		
Trade payables	1,533	1,202
Accrued expenses	226	310
	1,759	**1,512**

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).

	2018 $'000	2017 $'000
Current liabilities		
Direct borrowings	1,266	1,199
	1,266	**1,199**
Non-current liabilities		
Direct borrowings	11,697	12,963
	11,697	**12,963**

	2018 $'000	2017 $'000
Financing arrangements		
The Authority has access to the following lines of credit:		
Total facilities available:		
Liquid facility and direct borrowings	13,000	14,200
	13,000	**14,200**
Facilities utilised at the end of the reporting period:		
Liquid facility and direct borrowings	12,963	14,162
	12,963	**14,162**
Total facilities not utilised at the end of the reporting period:		
Liquid facility and direct borrowings	37	38

At reporting date, the Authority has an approved financing facility from Western Australian Treasury Corporation (WATC) for 30 June 2019 of $11.764 million (30 June 2018: $12.963 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%.

NOTE 17 – INTEREST BEARING BORROWING (continued)

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:

	Fixed interest rate						
2018	**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)	1,266	1,337	1,411	1,490	1,574	5,885	12,963
	1,266	**1,337**	**1,411**	**1,490**	**1,574**	**5,885**	**12,963**

Weighted average interest rate:

Direct borrowings 5.39%

	Fixed interest rate						
2017	**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%

NOTE 18 – PROVISIONS

	2018 $'000	2017 $'000
Current		
Annual leave (a)	922	882
Sick leave (b)	176	184
Time in lieu (c)	105	138
Long service leave (d)	872	525
Fringe benefits tax	10	8
	2,085	**1,737**
Non-current		
Long service leave (d)	37	101
	37	**101**

(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:

Within 12 months of the reporting date	501	435
More than 12 months after the reporting date	421	447
	922	**882**

(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:

Within 12 months of the reporting date	70	79
More than 12 months after the reporting date	106	105
	176	**184**

(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:

Within 12 months of the reporting date	105	138
More than 12 months after the reporting date	-	-
	105	**138**

(d) 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	872	525
More than 12 months after the reporting date	37	101
	909	**626**

NOTE 19 – OTHER LIABILITIES

	2018 $'000	2017 $'000
Prepaid lease and licence income	559	534
Total other liabilities	**559**	**534**

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.

	2018 $'000	2017 $'000
Contributed equity		
Balance at start of year	41,286	41,286
Equity contributions in the year	1,375	-
Balance at end of year	**42,661**	**41,286**
Retained earnings		
Balance at start of year	2,859	8,400
Profit (loss) for the year	95	(2,980)
Dividends paid	(394)	(2,561)
Balance at end of year	**2,560**	**2,859**

NOTE 21 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit/(Loss) for the period	95	(2,980)
Adjustments for:		
Depreciation	2,336	2,108
Amortisation of intangible assets	51	57
(Gain) / loss on sale of property, plant and equipment	203	994
Operating profit before changes in working capital and provisions	**2,685**	**179**
Changes in assets and liabilities		
Change in deferred tax provision	-	1,214
Change in trade and other receivables	901	(31)
Change in prepayments	(74)	(6)
Change in accrued income	(3)	41
Change in GST liability	(248)	134
Change in trade and other payables	495	(2,661)
Change in prepaid income	25	13
Change in provisions	284	(111)
Change in income tax	33	(553)
Net cash from / (used in) operating activities	**4,098**	**(1,781)**

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:

		2018 $'000		2017 $'000	
	Note	Carrying Amount	Fair Values	Carrying Amount	Fair Values
Cash & cash equivalents	12	12,584	12,584	13,139	13,139
Trade and other receivables	13	2,079	2,079	2,904	2,904
Trade and other payables	16	(1,759)	(1,759)	(1,512)	(1,512)
Interest bearing borrowings	17	(12,963)	(14,259)	(14,162)	(15,677)
		(59)	**(1,355)**	**369**	**(1,146)**

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 WATC and are at fixed rates with varying maturities.

NOTE 22 – FINANCIAL INSTRUMENTS (continued)

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:

2018	Carrying Amount ($'000)	+0.50% change Profit ($'000)	+0.50% change Equity ($'000)	(0.50%) change Profit ($'000)	(0.50%) change Equity ($'000)
Financial Assets					
Cash and cash equivalents	12,584	63	63	(63)	(63)
Total Increase / (Decrease)	**12,584**	**63**	**63**	**(63)**	**(63)**

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

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.

NOTE 22 – FINANCIAL INSTRUMENTS (continued)

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

2018	Weighted Average Interest Rate	Fixed Interest Rate ($'000)	Floating Interest Rate ($'000)	Non Interest Bearing ($'000)	Total ($'000)
Financial Assets & Liabilities					
Cash & cash equivalents	1.56%	-	12,584	-	**12,584**
Trade and other receivables	-	-	-	2,079	**2,079**
Interest bearing borrowings	5.39%	(12,963)	-	-	**(12,963)**
Trade and other payables	-	-	-	(1,759)	**(1,759)**
Net Financial Assets (Liabilities)		**(12,963)**	**12,584**	**320**	**(59)**

2017	Weighted Average Interest Rate	Fixed Interest Rate ($'000)	Floating Interest Rate ($'000)	Non Interest Bearing ($'000)	Total ($'000)
Financial Assets & Liabilities					
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**

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

2018	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
Financial assets						
Cash and cash equivalents	**12,584**	12,584	-	-	-	-
Trade and other receivables	**2,079**	2,079	-	-	-	-
	14,663	**14,663**	**-**	**-**	**-**	**-**
Financial liabilities						
Trade payables and accruals	**(1,759)**	(1,759)	-	-	-	-
Borrowings	**(16,205)**	(958)	(958)	(1,916)	(7,666)	(4,707)
	(17,964)	**(2,717)**	**(958)**	**(1,916)**	**(7,666)**	**(4,707)**
Net maturity	**(3,301)**	**11,946**	**(958)**	**(1,916)**	**(7,666)**	**(4,707)**

NOTE 22 – FINANCIAL INSTRUMENTS (continued)

2017	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
Financial assets						
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	**(3,589)**	**13,573**	**(958)**	**(1,916)**	**(7,666)**	**(6,623)**

(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	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	12	12,584	13,139
Trade and other receivables	13	2,079	2,904
		14,663	**16,043**
Financial Liabilities			
Trade and other payables	16	(1,759)	(1,512)
Interest-bearing borrowings:			
Fixed rate borrowings	17	(12,963)	(14,162)
		(14,722)	**(15,674)**

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 (continued)

(i) Capital expenditure commitments

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

	2018 $'000	2017 $'000
Within 1 year (a)	2,150	5,092
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	2,150	**5,092**

(a) Majority of the capital commitments are related to channel optimisation project (2018) and the wharf extension of life project (2017).

(ii) Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Non-cancellable operating lease commitments	2018 $'000	2017 $'000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	77	79
Later than 1 year and not later than 5 years	32	109
Later than 5 years	-	-
	109	**188**

(iii) Other expenditure commitments

Other expenditure commitments	2018 $'000	2017 $'000
Remote Area Housing Tenancy Commitments	206	67
	206	**67**

(iv) Operating leases receivable

	2018 $'000	2017 $'000
Operating leases receivable		
Future minimum rentals receivable for operating leases at reporting date:		
Within 1 year	1,948	1,940
Later than 1 year and not later than 5 years	2,791	3,580
Later than 5 years	2,149	2,549
	6,888	**8,069**

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

	2018 $'000	2017 $'000
Remote Area Housing Tenancy Receivables	144	45
	144	**45**

NOTE 24 – REMUNERATION OF AUDITOR

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

	2018 $'000	2017 $'000
Auditing the accounts and financial statements	40	44
	40	**44**

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 has been notified that a non-dependant family member of a WA State Government Minister is a partner-in-charge of a firm that provided services to the Authority for the value of $119,000. The Authority has used the firm in previous years and services were procured on normal commercial terms.

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. Total compensation includes the superannuation expense incurred by the Authority in respect of senior officers.

	2018 $'000	2017 $'000
Senior Officers		
Short-term employee benefits	2,168	2,051
Post-employment benefits	219	191
Other long-term benefits	46	40
Termination benefits	-	-
Total compensation of Senior Officers	**2,433**	**2,282**

Transactions with related parties

The following transactions occurred with related parties:

KPA has two leases in operation with the Department of Fisheries for land known as Lot 505-512 and Pump Station for annual lease revenue of $39,627 (2017: $39,489).

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

NOTE 25 – RELATED PARTIES (continued)

Significant transactions with Government-related entities

In conducting its activities, the Authority is required to transact with the State and the entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- income from State Government (Note 4)
- equity contributions (Note 20)
- superannuation payments to GESB (Notes 5 and 7)
- amounts due to the Treasurer (Note 17)
- insurance payments to the Insurance Commission and RiskCover fund (Note 7)
- remuneration for services provided by the Auditor General (Note 24)

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 2018 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

31 August 2018

D. Mofflin
Deputy Chairman

31 August 2018

INDEPENDENT AUDITOR'S REPORT

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

KIMBERLEY PORTS AUTHORITY

Opinion
I have audited the financial report of Kimberley Ports Authority (the Authority), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In my opinion, the financial report of 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 2018 and of its performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion
I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the 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.

Page 1 of 2

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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 Kimberley Ports Authority for the year ended 30 June 2018 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
7 September 2018

Page 2 of 2

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