



**ANNUAL REPORT 2015 / 2016**



# Mid West Ports

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## Board Directors

**IAN KING**  
Chairman

**NOEL ASHCROFT AM**  
Deputy Chairman

**STEVE CHAMARETTE**

**KIM HALBERT**

**BART BOELEN** (To 31/12/15)

**DR SUE VAN LEEUWEN** (From 1/1/16)

## Executive Officers

**PETER KLEIN**  
Chief Executive Officer

**DAVID GELDART**  
General Manager - Corporate Services

**LINDSAY MORRISON**  
General Manager - Landside Operations

**CAPTAIN MARTIN NORTH**  
Harbour Master/Marine Manager

**BEN MYNOTT**  
HSEQ Manager



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**IAN KING**  
Chairman

## From the Chairman

Mid West Ports Authority (the Authority) handled 16.17 million tonnes of product during 2015/16, its third highest trade volume on record. Exports were led by 12.13 million tonnes of iron ore and 1.97 million tonnes of grain. Overall trade was 1% above budget. This trade performance contributed to revenue generation of \$93.5M and a profit before tax result of \$28.8M.

The Authority's management system continues to mature and was recertified by third party auditors Bureau Veritas, as being compliant with AS/NZS 4801 (safety), ISO 14001 (environmental) and ISO 9001 (quality). The efforts of the Authority's executive team and staff in continuing to promote a safety first culture and structuring work practices to deliver this outcome is to be commended.

Strategically, the biggest challenge addressed during 2015/16 was the State Government initiated review of the Authority's port charges and in particular the port enhancement charge. This charge was implemented in 2004 to establish a reliable revenue stream to service debts incurred under the port enhancement project which was delivered during 2002/03 and resulted in a deeper, more efficient port. This project is widely acknowledged as a major enabler for opening the Mid West iron ore province and for creating a flexible, more efficient export pathway for the grain sector.

Under this review PWC was contracted and initially found that;

- The Authority's pricing arrangements conformed with State Government policy and agreements;
- The pricing arrangements were aligned to achieve the required rate of return set by the Minister for Transport; and

- The Authority's operating expenditure is broadly in line with those at comparator Australian ports.

Ultimately, Government decided to provide the Authority with an equity injection to enable the remaining port enhancement project debt to be fully repaid and facilitate the removal of the port enhancement charge, effective 1 July 2016.

This adjustment also triggered a comprehensive restructure of the Authority's remaining standard port charges guided by the principles that no port customer to be worse off compared to what they would have paid had the PEP charge remained and that the impact on the state's finances is to be minimised.

This review process required maximum commitment from the executive team and on behalf of the Authority's Board I acknowledge and congratulate the team on the skill and diligence demonstrated throughout this significant process.

During 2015/16 the Authority also continued to monitor the progress of legislation to give effect to the transfer of responsibility for Shipping and Pilotage Act ports from the Department of Transport to port authorities. The Authority has made preliminary plans for the transfer of relevant marine functions relating to the operation of ports at Useless Loop and Cape Cuvier and expect that a more significant body of work will be required in 2016/17 following the passage of the Tranche 2 amendments to the Port Authorities Act.

The Authority's committees have played an important and effective role in port governance during 2015/16. Three board committees focussing on finance and audit, risk and governance were in active and effective operation.

I thank the Minister for Transport for his support and guidance during 2015/16 and acknowledge the positive contributions made by staff from the Departments of Transport and Treasury in respect to our 2015/16 workload.

Also I thank the Authority's CEO, his executive team and also our major contractors for their skilful

management and commitment to providing port services of the highest possible standard. Although at times challenging I believe we are fortunate to be able to now reflect on a successful and rewarding year.

I acknowledge the contribution made by Bart Boelen whose term as Director was completed, after 6 years of service on 31 December 2015 and

Steve Chamarette whose term, after 5½ years of service completed on 30 June 2016. Dr Sue van Leeuwen and Stephen Pollard have since been appointed to the Board. I thank my fellow Directors for their support and for the thoughtful and proficient way they have executed their responsibilities over the last 12 months.



**PETER KLEIN**  
Chief Executive Officer

## Chief Executive Officer Report

The provision of a safe workplace is a shared responsibility and is best achieved by all participants in the port's operation making a commitment to their safety and to the safety of their colleagues. For this reason, the Authority's safety management system applies to all participants within the port and its common user areas including staff, contractors, service providers, lessees and visitors.

During 2015/16 the Authority's staff reported no first aid or medical treatment injuries however, two lost time injuries were reported corresponding to a LTIFR of 12.82. The Authority's principal contractors reported two first aid injuries, no medical treatment injuries and one lost time injury. The Authority's target to reduce the LTIFR by 10% was not achieved.

The Authority's environmental licence, issued by the Department of Environment Regulation (DER) specifies a range of performance, sampling and reporting obligations and in particular sets stringent standards in respect to air sampling and quality. DER's 2015/16 annual audit of the Authority's compliance with Environmental Licence conditions found no non-conformances and no exceedances of dust limits set under the licence.

A lower iron ore price placed substantial pressure on the Authority's two major iron ore exporters. In particular, the release of information relating to the sustainability of Karara Mining's mine and magnetite processing operations created a period of substantial uncertainty for the Authority's staff and contractors. Karara's subsequent cost saving efforts culminated in an announcement that it had secured a further US\$200M loan facility to provide additional working capital support. This loan matures in March 2019 but provides some medium term certainty about the continuity of this operation.

Trade uncertainty created by the low iron ore price in conjunction with planning for port operations post removal of the port enhancement charge also triggered a wide ranging review of the Authority's cost structures. This internal review temporarily added to staff uncertainty but the substantial savings identified by working groups in conjunction with some organisational restructuring has consolidated the 2015/16 performance but more importantly has established a more sustainable future port operation.

Assets covered by the Authority's whole-of-life asset management plans continue to be expanded. These plans

will ultimately deliver a comprehensive maintenance and recapitalisation strategy for all of the Authority's major assets to consolidate the service levels provided by these assets and ensure a smooth budgeting and capital approvals process. Tools for the routine monitoring of asset conditions are being introduced and in future the system will be integrated into the Authority's financial and commercial reporting and operational functions.

A major capital upgrade of Berth 4 assets has been approved. The works involve the replacement of the CV03 & 04 galleries, the Berth 4 ship-loader's electrical control system and an upgrade to the Berth 4 concrete structures. Tenders have been awarded for two of the three project components and local contractors and sub-contractors have been able to secure the majority of this work. The Authority has established an effective project management structure and looks forward to completing the works during a six week shut-down later this year.

The Authority is also in the process of implementing new enterprise resource planning software combining a record keeping system

provided by Objective Corporation with IFS's operating modules. Phase 1 implementation covering finance, procurement, projects, landlord and leasing, commercial, HR and payroll functions has achieved go-live and close out of issues is nearing completion. The launch of Phase 2 covering landside and marine operations and HSEQ will be launched in the new year.

New business opportunities are being actively pursued by the Authority and are focussed on a range of mining and agricultural commodities. Conditions in markets, across both sectors are challenging and this is impacting on the rate of business development progress.

The Authority continues to benefit from strong community acceptance of its operation. A total of 12 engagements with the community on port related matters were recorded in the Authority's incident management system during 2015/16. A total of 10 of these related to matters arising within the Fishing Boat Harbour precinct including minor theft, vessel damage, safety concerns, congestion, dust and abandoned goods. The remaining two engagements related to port pricing and live cattle exports. A revised consultation committee has been established and met during

2015/16 in compliance with section 13(2) of the Port Authorities Act 1999.

I would like to acknowledge the effective cooperation between the City of Greater Geraldton, Mid West Development Commission, Department of Transport and the Authority in developing and funding a project to address Beresford Beach erosion. Approval for this \$23.1M project is the culmination of multiple coastal engineering investigations and significant discussion between the parties. Delivery of this project will stabilise the target beaches and provide significant community benefit.

The Authority will provide \$4M towards project delivery.

It has been an enormously challenging year for everyone associated with the Authority as it transitions its strategy from growth to consolidation. I thank our senior management team, staff and major contractors for their determined and cooperative efforts in dealing with the challenges we have faced. Your efforts are greatly appreciated.

Finally, I would also like to thank the Authority's Chairman Ian King and Directors for the guidance and support provided to me and to the executive team during 2015/16.



## 2015/16 Highlights

- Independent review of the Authority's port charges is completed, paving the way for comprehensive change to charges architecture;
- Port enhancement debt is relieved followings State Government equity injection;
- Port enhancement charge is removed and other standard charges are re-set;
- The Authority's management system is re-certified by Bureau Veritas as complying with ISO 9001, AS4801 and ISO 14001;
- The Office of the National Rail Safety Regulator, following their formal 2016 audit, reconfirmed the Authority's Rail Infrastructure Manager and Limited Above Rail Operator accreditation;
- The third highest annual trade of 16.17 million tonnes was handled through the port in 2015/16. Trade was 1% above budget;
- Total income of \$93.52M was 3.5% above budget.
- Expenditure constraints applied during the year resulted in total annual operational expenditure being 18% below budget, efforts that were a major contributor to a profit before tax result of \$28.8M;
- Assistance was provided to Karara

Mining to contribute to their cost savings effort and to support the continuation of this important operation;

- Project Recovery is launched in February 2016 to find sustainable savings to deliver improved annual profits for 2016/17 and beyond. Total savings of \$7.2M achieved;
- For the 12 months to 30 June 2016 no Authority employee received a first aid or medical treatment injury however, there were two lost time injuries;
- The Department of Environment Regulation's audit of performance against environmental licence conditions found no non-conformances with conditions;
- The new software project achieved Phase 1 go-live during October 2015 and delivers immediate efficiency improvements for finance, procurement, HR and commercial activities;
- Major tenders for the Shiploader 4 Electrical Replacement and CV03/04 Gallery Replacement Projects were awarded to local company GCo Electrical and Perth based Marine and Civil respectively;

- Shipping movements managed under a surge threshold system - a record low 30 mooring lines broke during 2015/16; and
- Ongoing progress towards developing a whole of life asset management plan in accordance with Treasury's SAMP guidelines was achieved.

## Overview

Geraldton Port is the gateway for Western Australia's diverse Mid West region.

The port has been the subject of strategic state and private sector investment resulting in significant infrastructure enhancements since 2000. This includes the Port Enhancement and Southern Transport Corridor projects in 2002/03 which resulted in a deeper, more versatile and efficient port operation and the 2007/08 Berth 5 Iron Ore Expansion Project. This project delivered a dedicated iron ore shiploading facility which handled 3.57 million tonnes of iron ore in 2015/16, down from the record 6.61 million tonnes in 2012/13. A total of 43 million tonnes of iron ore has been handled over the Berth 5 shiploading facility since its 2008 commissioning.







Geraldton Port currently supports seven commercial berths and an approach channel with the following features;

Berth Box	Berth Height Over Lat	Design Depth > Lat	Declared Depth > Lat	Sounding Date
Berth 1 - 47 m x 45 m	3.75	9.8 m	<b>8.5 m</b>	Dec-15
Berth 2 - 218 m x 45 m	3.75	9.8 m	<b>9.1 m</b>	Dec-15
Berth 3 - 235 m x 40 m	3.58	13.4 m	<b>12.4 m</b>	Dec-15
Berth 4 - 245 m x 40 m	3.08	13.4 m	<b>12.8 m</b>	Dec-15
Berth 5 - 250 m x 40 m	3.51	13.4 m	<b>13.0 m</b>	Dec-15
Berth 6 (limit 10 m from North end) 195 m x 53 m	3.51	12.4 m	<b>12.2 m</b>	Dec-15
Berth 7 - 300 m x 40 m	3.51	13.4 m	<b>13.1 m</b>	Dec-15

Channel Box	Design Depth	Declared Depth > Lat	Sounding Date
Harbour Basin	12.4 m	<b>12.4 m</b>	Dec-15
Inside W'n B'water Beacon 20 to 22	12.8 m 300 x 200 m	<b>12.6 m</b>	Dec-15
Beacon 20	13.1 m 225 x 200 m	<b>13.1 m 225 x 165 m</b>	Dec-15
Beacon 16 to 20	13.5 m 1020 x 180 to 230 m @ Bn16	<b>13.2 m 1020 x &gt; 175 @ Bn 18</b>	Dec-15
Beacon 4 to 14	14.0 m 3050 x 180 m	<b>13.8 m 3050 x 180 m</b>	Dec-15
Beacon 2	14.5 m 180 m wide	<b>14.1 m 189 m wide</b>	Dec-15
North Channel	9.1 m on leads Allow 7 m + 50% Tide	<b>9.1 m in channel</b>	Dec-15

Notes: Moving ships Static UKC = 12.3m - 0.6 m + tide. Alongside = Berth depth - 0.3 m





The Berth 4 and 5 shiploaders are owned by the Authority and operated under contract by Maicon Engineering in partnership with WA Mercantile. The Berth 4 shiploader has a design capacity of approximately 1,800 tonnes per hour and the Berth 5 shiploader a loading capacity of 5,000 tonnes per hour of iron ore.

The Authority also owns and manages the existing bottom dump iron ore train unloading infrastructure. This infrastructure was upgraded to create a faster more efficient linkage between the train unloader and Mount Gibson's Berth 5 storage facility. When delivering product to this facility the upgraded train unloader has a design capacity of 3,000 tonnes per hour. However, when delivering to the existing storage facilities at Berth 4 the discharge rate is 1,800 tonnes per hour.

During 2015/16 Karara Mining further consolidated the operation of their new port infrastructure which incorporates a new rail (4th track) into the port, a dual wagon rotary unloader, 275,000 tonne storage

facility, new berth (Berth 7) and shiploader and associated materials handling infrastructure. During 2015/16 Karara Mining exported a total of 8.557 million tonnes using their Berth 7 infrastructure.

In addition to the traditional trade in grain, mineral sand, livestock, fertiliser and fuels, the port has welcomed and accommodated cruise ships, oil rig tenders and other support vessels. The Geraldton Port also supports Geraldton's marine industries, providing berthing and land facilities, maintenance, waste disposal and security to the local fishing, fish processing and boat building industries operating from the Fishing Boat Harbour.

## Corporate Governance

### Legislation

The Authority delivered its functions and services in accordance with the Port Authorities Act (1999). The Act provides the Authority's Board with the powers necessary to perform its functions which include the responsibility to;

- facilitate trade, plan for the port's

future growth and undertake or arrange the use of the port facilities for the State's economic benefit;

- control business and other activities relating to the port's operations, including port security;
- ensure the port's safe and efficient operation; and
- protect and minimise the impact of port operations on the environment.

In delivering its function the Authority is required to perform in accordance with its strategic development plan and statement of corporate intent, in compliance with its capital expenditure limits and in a manner that will achieve the financial outcomes as approved by Government.

In delivering its functions the Authority must act in accordance with prudent commercial principles and endeavour to make a profit.

The Act confers exclusive control of the port to the Authority, subject to any direction by the Minister for Transport.



## Role of the Board

The Board of the Authority is its governing body and has all the powers it needs to perform its functions as outlined in the Port Authorities Act (1999) which include;

Its role includes to determine the policies and to control the affairs of the Authority. The directors develop the Authority's rolling five year strategic development plan and annual statement of corporate intent and are required to submit the annual and half yearly reports to the Minister for Transport.

Transactions involving any business arrangements generally require approval by the Minister for Transport and where the contract liability exceeds a prescribed amount the Minister must also seek the Treasurer's concurrence.

## Board Composition

The Authority is governed by a Board comprising a Chairman, Deputy Chairman and three Directors, all appointed by the Minister.

In appointing these Directors, the

Minister is guided by relevant guidelines published, approved, endorsed or administered by the Minister for Public Sector Management. A member of staff is not eligible to be appointed as a Director.

Each Director holds office for a period not exceeding three years and is eligible for reappointment. Periods of appointment are generally fixed in a way that results in approximately one third of Directors retiring each year.

Directors are paid out of the funds of the Authority such remuneration as determined by the Minister.

## Conflicts of Interests

A Director who has a notifiable interest in a matter involving the Authority, must as soon as possible after the relevant facts have come to the Director's knowledge, disclose the nature of the interest.

At the beginning of each Board meeting Directors are given the opportunity to update their previous disclosures and any changes are recorded in the minutes of the relevant board meeting.

## Reporting

The Authority is required to keep the Minister reasonably informed of the operations and its financial performance. It achieves this through formal and informal channels such as its obligation to submit a consolidated half yearly report to the Minister within two months from the end of the reporting period or such other time as agreed by the Minister. Copies of this report must also be provided to the Treasurer.

The Authority is also required to prepare an annual report on its operations and this must contain such information as is required to be included in the report to enable an informed assessment to be made of the Authority's performance. It must also include in this report commentary on any significant issue relating to its performance.

## Financial Administration

The Authority must comply with sections 81 & 82 of the Financial Management Act 2006 as if it were a statutory authority with the Board being the accountable authority.





The annual financial report must be audited by the Auditor General who must form an opinion about the report's compliance with accounting standards and about whether it represents a true and fair view of the financial position of the organisation.



### Codes of Conduct

The Authority places the highest emphasis on ethical behaviour in the workplace. As such, the Board has developed a Code of Conduct that applies to all Board members and employees.

The Code of Conduct complies with Public Sector Standards and is designed to assist Directors and employees to fully understand their rights, responsibilities and obligations in their respective roles.

The Code of Conduct is incorporated into the Authority's comprehensive induction program delivered to all new staff on commencement and is displayed on noticeboards throughout the worksite. The Code of Conduct is supported by a suite of human resource procedures designed to ensure that the actions and decisions we make are made in a transparent, impartial and unbiased way.

The Code of Conduct is reviewed by the Board biennially and a compliance report is submitted to the Minister annually in accordance with section 21 and 23 of the Port Authorities Act (1999).

### Record Keeping

The Authority is required to comply with the terms of the State Records Act 2000 and maintains a Record Keeping Plan in accordance with the requirements outlined in section 16 of this Act.

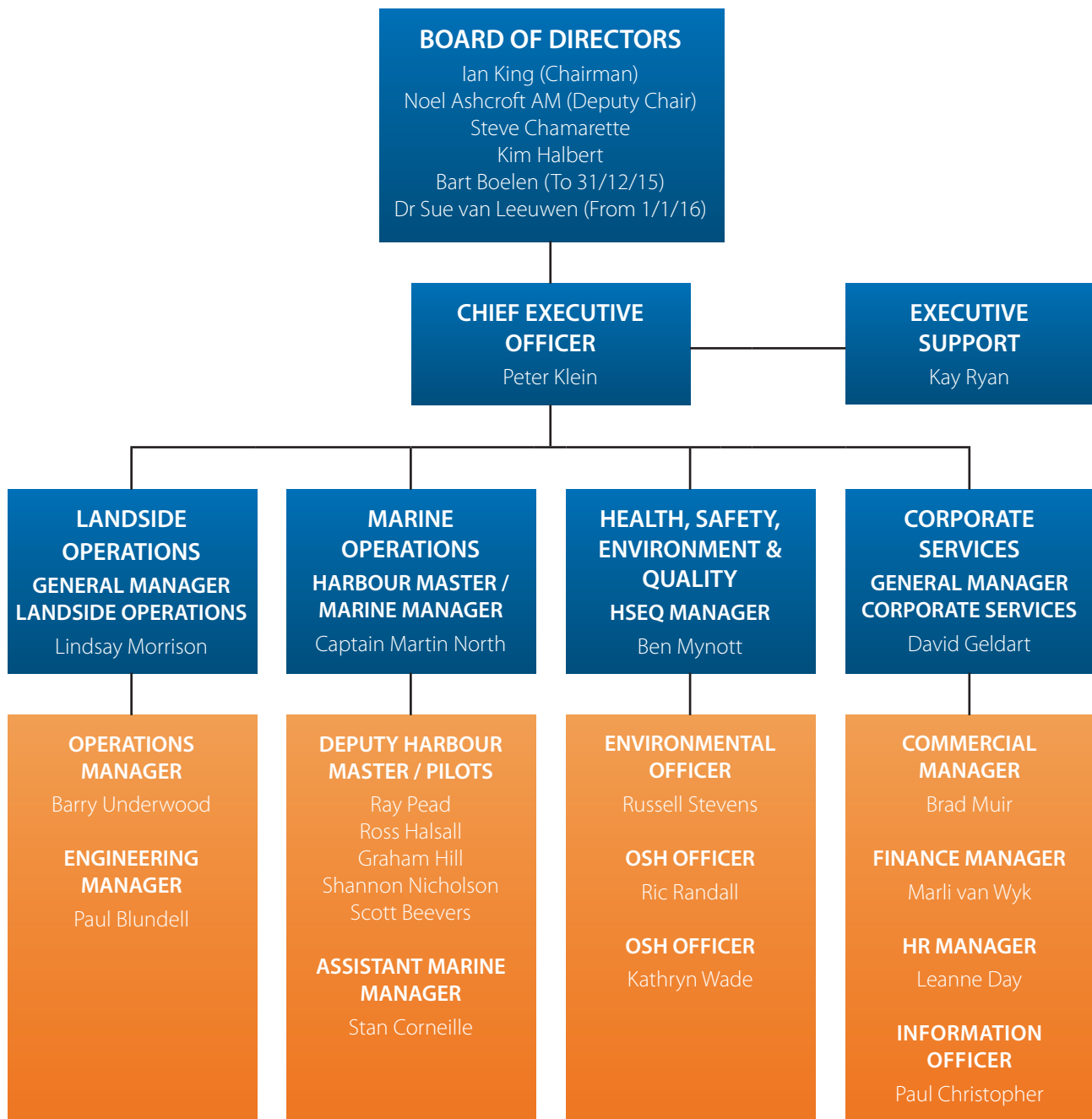
The Record Keeping Plan is lodged with the State Records Office and is reviewed at least every three years.

In 2015/16, the Authority consolidated its use of new record keeping software developed and supplied by Objective Corporation. This software was selected after an open tender process and its successful implementation has delivered efficiency improvements and a record keeping system fully compliant with the Authority's obligations under the State Records Act.

The Authority's induction program outlines employees' responsibilities in complying with the organisations documented Record Keeping Plan.



## Organisational Structure



## Purpose & Strategy

### Purpose

At Geraldton the Authority supports an inter-modal facility that serves the region's demand for connectivity to national and international markets. An expanded role is also under consideration with the provision of harbour master and marine safety services at the privately operated ports of Cape Cuvier and Useless Loop.

In serving this demand the Authority plays an essential service for the Mid West and State economies. Its operation is guided by the following purpose;

**To create social and economic opportunity by sustainably linking regional industry with national and international markets.**

### 3.2 Vision

The Authority's vision is derived from its key performance objectives, which are to;

1. Define and sustainably achieve the State Government's governance, trade facilitation and financial expectations;
2. Risk management principles are applied to all commercial transactions and port operations & services;
3. Define and consistently meet port user service expectations;
4. Protect and optimise life cycle management of port infrastructure;
5. Identify and provide third party infrastructure investment opportunities;
6. Create organisational resilience to commodity price shocks; and

7. Efficiently incorporate the provision of services to the ports of Cape Cuvier and Useless Loop.

This strategic plan defines a pathway to ensure the organisation continues to meet these future challenges.

Specifically, the vision of the organisation is to deliver its core objectives by:

**Providing innovative, efficient and timely infrastructure & port service solutions within a seamless 24 hour operation at multiple port locations.**

### Strategic Focus and Goals

The strategic focus for the Authority during 2015/16 has been to;

- Establish the Authority in accordance with the State Government's objectives for the ports governance review;
- Actively manage port asset to optimise trade and economic development opportunities;
- Effectively manage people and stakeholder relationships; and
- Manage operating and business risk.

The strategic goals for 2015/16 were to;

1. Increase trade through the Authority's facilities;
2. Meet and maintain the State Government's target for return on assets;
3. Continuously improve the port's business processes and systems;
4. To create employer of choice status; and
5. Facilitate the transfer of Cape Cuvier & Useless Loop responsibilities.

Legislation to deliver Goal 5, facilitating the transfer of marine safety responsibilities for Cape Cuvier and Useless Loop from the Department of Transport to the Authority has not yet completed its passage through Parliament.

As a consequence, during 2015/16 it was not possible for either the Department of State Development or the Authority to actively progress initiatives to achieve this goal. This matter remains an outstanding action that will be actively progressed once the legislation is passed.





## Organisational Performance 2015/16

Goals	Success Measures	Indicators	2015/16 Performance
<b>To increase trade throughput in compliance with the State Government's objectives</b>	Reliable port infrastructure. Trade growth. Berth availability.	Measured reduction in plant breakdowns and breakdown duration. New trade/customers. Surge delays reduced.	<b>Berth 5</b> – Plant breakdowns > 1 hr reduced 75% from 4 to 1 breakdown events. Average breakdown duration was 93 minutes. <b>Berth 4</b> – Plant breakdowns > 1 hr reduced 17% from 12 to 10 breakdown events. Average breakdown duration was 123 minutes. Overall trade down 768,775 tonnes or 4.5%. Surge delays 2.8% lower – average Berth 4, 5 & 6 availability 90.2%.
<b>To meet and maintain the State Government's target for return on assets</b>	Financial targets met.	Achievement of Return on Asset (ROA) target of 8%.	ROA of 15.91% achieved (based on a \$226.4M deprival value of port assets and an adjusted EBIT of \$36.016M).
<b>To continuously improve the port's business processes and systems</b>	Management systems.	Certification of the Authority's integrated management system; • AS/NZS 4801 • ISO 14001 & • ISO 9001	External system audit in May 2016 by Bureau Veritas validates continuing certification – 8 minor non-conformances and 2 industry best practices were noted.
<b>Create employer of choice status</b>	Staff satisfaction and retention.	Staff retention index. Compliance training > 80%.	Retention of 92.63% achieved. > 80% completed for all high risk plant & equipment but < 80% for business continuity and induction for BHF site (due to procedural change requiring re-induction after 3 years).





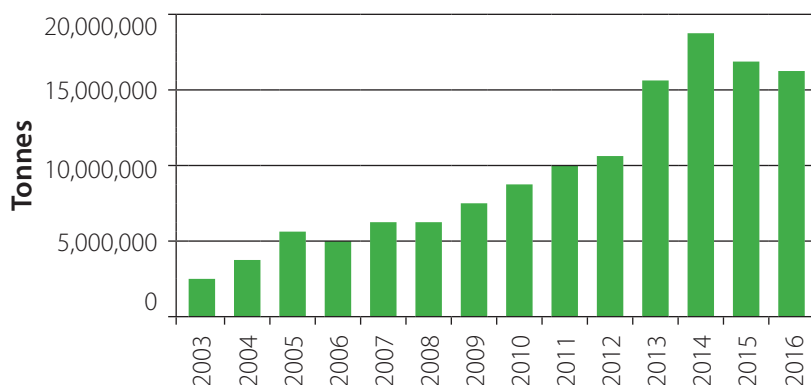
## Report on Activities

### Trade

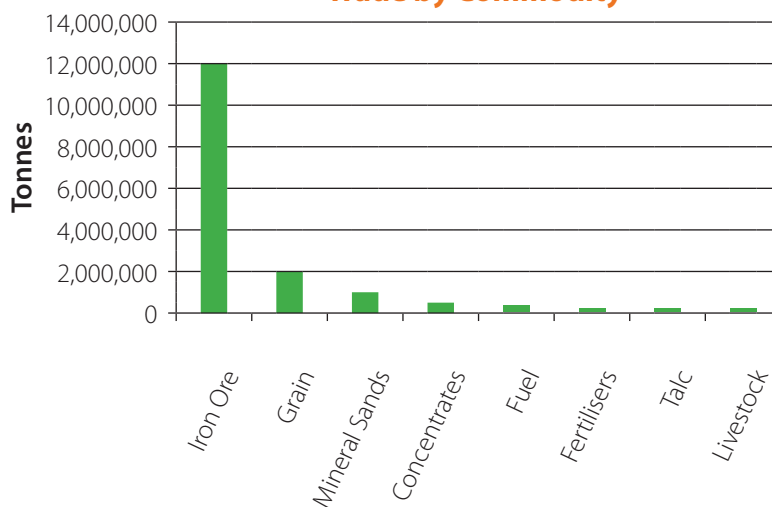
The third highest trade throughput ever recorded by Geraldton Port was achieved during 2015/16. The recorded trade of 16.17 million tonnes was however 4.5% lower than the total trade handled in 2014/15 and a reduction of 12.6% from the all-time record of 18.5 million tonnes recorded in 2013/14. The decline in trade was primarily driven by a reduction in iron ore although mineral sands and concentrate trade was also lower.

Trade was again driven predominately by iron ore which represented 75% of total exports. Other strong contributors to the overall trade result include grain (10%), mineral sands (6%) and concentrates (3.5%).

**Total Annual Trade**



**Trade by Commodity**



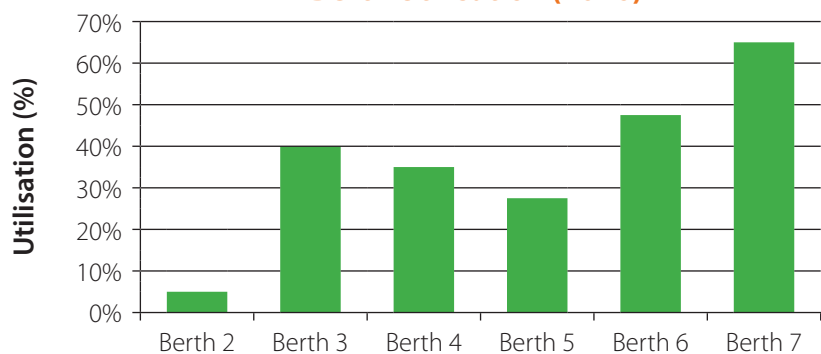


The continued high export levels for iron ore, concentrates and grain have resulted in exports of these three key products comprising 94.5% of total trade. Imports comprised predominately fuel (1.6%) and mineral sands (2.5%).

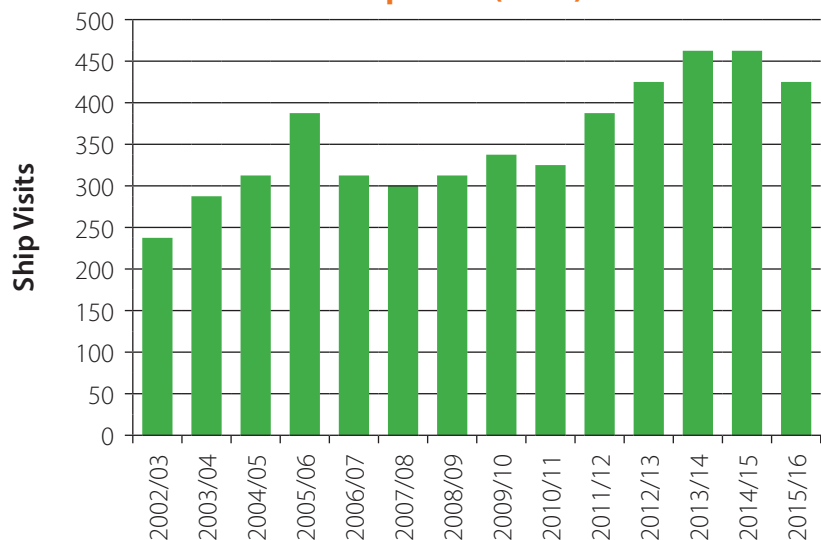
A strong trade performance has resulted in berth utilisation at acceptable levels. Some latent capacity is indicated by the 2016 berth utilisation results although new business opportunities are becoming constrained principally by access to storage areas. The Authority's ongoing focus on productivity improvements will result in incremental benefits to all port stakeholders.

A total of 425 ships visited Geraldton during 2016 and comprised 409 cargo ships, 2 rig tenders and 14 cruise vessels. The total number of ships was slightly down on that of 2015 and resulted in a total of 931 pilotage assisted ship movements.

**Berth Utilisation (2016)**



**Total Ship Visits (2016)**





## Commercial Services

2015/16 saw a volatile iron ore market with price uncertainty and a difficult global economic outlook directly affecting the Mid West economy and outlook. Despite this, the Authority's two iron ore customers continued to perform as planned. Mount Gibson Iron continued mining from its Extension Hill mine topped up by additional tonnes from a stockpile near its exhausted Talling Peak mine. The Authority's other iron ore customer, Karara Mining Ltd, delivered approximately 900,000 tonnes less in 2016 than the previous year as they consolidated their mid-west magnetite operation. A further positive note in the uncertain times was the ongoing financial support of Karara by its majority owner, Ansteel, who provided a US\$200M loan to Karara while the Karara management team continued its efforts to improve the sustainability of its operation.

Although other customers represent a relatively small portion of the overall business, their contribution is highly valued and represents a significant slice of the overall ship visits and use of port facilities. These customers include Co-operative Bulk Handling

(CBH), GMA Garnet, Imerys Talc, Iluka Resources, MMG Golden Grove, Independence Group, Sandfire Resources, BP Australia, CSBP, Macfertil Australia and Summit Fertilisers.

Business development continued to be a focus throughout 2015/16 with the Authority entering into three MOU's with prospective customers, two potential potash producers and a company seeking to develop an iron ore project. The Authority continues to hold capacity and land for Asia Iron/Extension Hill Pty Ltd who is seeking to develop a magnetite mine 280 km south east of Geraldton Port.

In addition to these potential new customers the Authority continued to promote the Port to livestock exporters and as a port of call for cruise ships.

## Human Resources

Last financial year saw a total of seven resignations corresponding to a turn-over rate of 7.4%.

The Authority has traditionally enjoyed a low turnover rate so this year's rate is somewhat disappointing given the current market volatility and diminished

employment opportunities in the Geraldton region.

Trade uncertainty, particularly in the mid-part of 2016 around the viability of Karara Mining created challenges to maintaining a productive and engaged workforce. The Authority actively sought opportunities to keep staff informed of developments and their potential impacts on the working environment as they emerged.

The Authority is strategically implementing its current Workforce Development Plan which aims to deliver strategies to build stronger workforce resilience.

As part of the commitment to being an employer of choice, the Authority offers its staff free medical checks, flu vaccinations and lung checks as well as reduced memberships with local gymnasiums as a way of supporting a healthy workforce. Support through the Authority's employee assistance program is also offered to all staff.

The Authority is committed to its Reconciliation Action Plan and to the role it plays in facilitating the inclusion of Indigenous Australians.



As part of our ongoing efficiency measures, the Authority recently launched ELMO Talent Management - a comprehensive online induction program for its employees and major contractors. This has proved cost efficient and invaluable in controlling the quality of information and the Authority's compliance obligations with legislated requirements.

### Landside Operations

The Engineering and Operations teams have delivered a large number of projects and have demonstrated their significant combined knowledge, skills and experience. It is this aspect of our collective team's resources that have been channelled to resolve a number of complex problems. Many of the

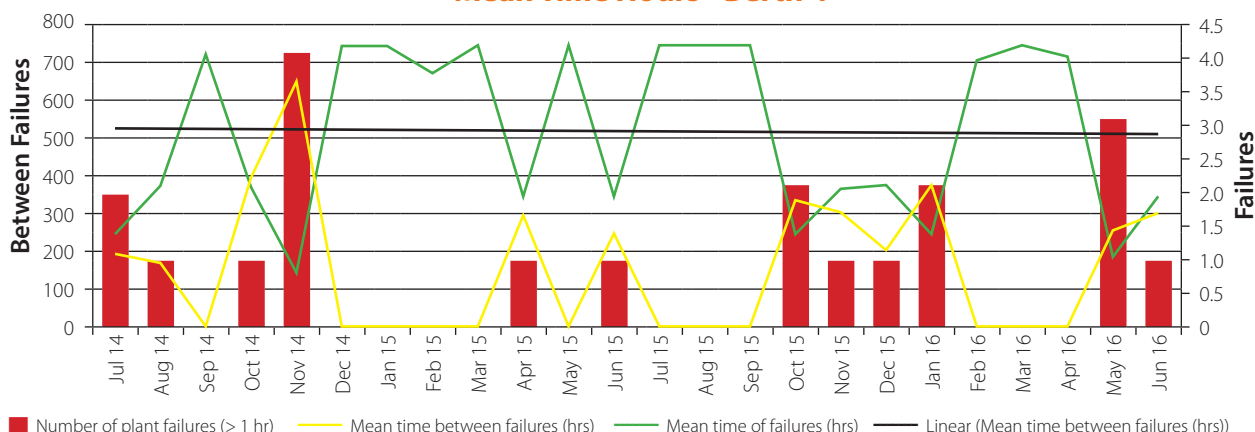
solutions derived from the teams have addressed these issues and have resulted in solutions that are not available "off the shelf".

The performance targets set for the Authority's bulk handling facilities (BHF) at Berths 4 and 5 have been exceeded. The facility is operating and achieving a level of reliability that meets industry best practice standards and this has been achieved due to the diligence and disciplined application of processes and maintenance systems by the Landside Operations teams. Support for this claim is provided by there being no formal customer complaints regarding our operational performance over the reporting period.

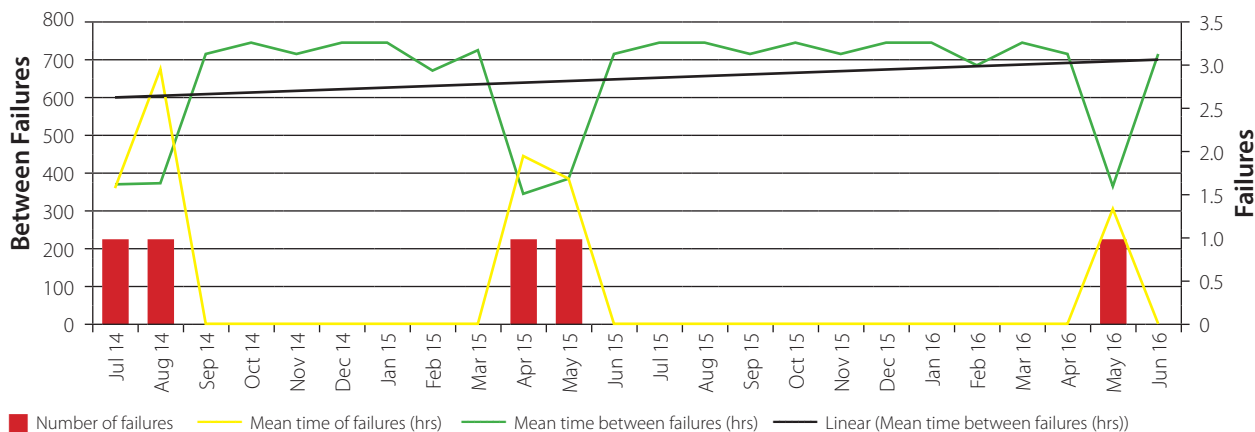
The 2015/2016 reliability figures for Berth 4, Berth 5 and the train unloader remain at exceptionally high levels.

- Berth 4 shiploading infrastructure averaged 99.62% reliability for the loading of 55 ships during the year.
- Berth 5 shiploading infrastructure averaged 99.89% reliability for the loading of 60 ships during the year.
- The train unloader averaged 99.93% reliability for the discharge of 830 trains during the year.
- There were a total of 8,468 BHF work orders closed out utilising 47,307 man hours.
- There were a total of 2,698 general maintenance work orders closed out utilising 30,569 man hours.

### Mean Time Hours - Berth 4



### Mean Time Hours - Berth 5



## Asset Management

The Strategic Asset Management Plan (SAMP), developed in compliance with WA Government guidelines, has been further enhanced and optimises the management of the Authority's major assets from both a maintenance and replacement perspective. The management template has enabled the team to expand the number of assets covered by the plan and this will continue to be rolled out over the next few years.

Asset management objectives have been developed and documented and relevant job descriptions are being amended to more clearly define asset management system responsibilities. Collaboration within the organisation's engineering, maintenance and operations teams in respect to the asset management system is leading the Authority's progress towards the full integration of this system.

Asset management outputs have been used as a basis for budget and workload planning within work groups and this will become more widespread as the asset management database dealing with levels of service, future demand, operational and maintenance costs is expanded.

Introductory training has been provided to promote asset management awareness amongst staff.

The Authority's asset management framework has involved the following;

- Design and implementation of a Document Management System;
- IFS Software System configuration;
- Design and implementation of a routine asset condition assessment system (inspection tools & database);
- Fixed asset register update; and
- Development of a financial asset management planning template.

The Authority's Asset Management Health Check score has improved from 2/5 to 2.3/5 largely as a result of addressing identified improvement plan opportunities. Completion of further improvement plan items will be progressed once the port's updated ERP system is fully implemented.

## Port Development Guidelines

The Authority's engineering team has drafted and released a comprehensive guide relating to construction and major maintenance activities within the port precinct. The guide is a resource for internal project managers as well as all lessees, licensees and contractors and defines the standard of works required and all of the Authority's induction, permit and interface requirements.

## Major Capital Works

The CV03/04 galleries and the Berth 4 shiploader electrical system were installed during the 1960's and accommodated the initial export of iron ore from Western Mining Corporation's Koolanooka mine site. More recently the Berth 4 shiploader has been handling mineral sand, garnet, talc and metal concentrates.

After considerable years of service, the galleries and electrical system were assessed as having reached the end of their productive life and a refurbishment project was developed by the Authority and ultimately approved by Government.

Project approval initiated tender processes that resulted in Marine and Civil being contracted to deliver the CV04/04 gallery replacement works and local company GCo Electrical the Shiploader 04 electrical replacement project.

A six week shutdown is scheduled from 17 October 2016 to 27 November 2016 to enable the completion of site works.

As at 30 June 2016 a total of \$2.458M had been spent on the gallery replacement project and \$3.311M on the shiploader 04 electrical replacement.

## Fire Fighting

Water pressure concerns have resulted in the initiation of a project to develop a fire fighting system Master Plan to provide a blueprint for the implementation of appropriate fire fighting capabilities within the Port. This outcome will be a risk based plan that delivers the required water pressure in association with equipment requirements including the supply of hydrants, hose reels, sprinklers, detectors, risers, water storage, and booster points throughout the port.

The works will be delivered in the form of staged capital works.

## BF100 conveyor side drive chain issues

The failure of a belt feeder drive chain within the bulk handling facility challenged the maintenance team's ingenuity and persistence. The team was able to develop a change-out plan that enabled the chain to be replaced in-situ, something that has not been done before. Task execution was achieved a full 24 hours earlier than estimated. A terrific demonstration of teamwork.

## Rock Seawall and Road Remedial works

Various works were undertaken during the year on a number of surrounding seawalls and in particular the seawall behind Berth 4 was upgraded. A bulk purchase of armour rock was opportunistically made and has provided much needed critical spares.

## Marine Operations

The operating objectives for the Authority's marine team continue to be framed by the following unique ship handling challenges;

1. an exposed, open ocean pilot boarding ground;
2. a channel, harbour and berth pockets dredged from a rock seabed;
3. one high-tide every 24 hours; and
4. the frequent occurrence of harbour surge requiring active management to ensure the safety of personnel and infrastructure.

These challenges are continually balanced against the economic incentive for efficient loading rates, minimal delays, maximised consignment size and more recently for larger ships. Balancing safety and operational performance requires the highest possible standard of management.

### Total Marine Traffic

Shipping traffic fell about 8% to 425 vessel calls from a peak of 459 vessels in 2014/15. These 425 vessels created 1,012 pilotage assisted ship movements. About 10% of vessels had more than the standard two

pilotage assisted movements. These additional movements relate either to internal harbour movements for cargo operations or to vacate the harbour due to surge.

### Ship sizes

Dead weight tonnage (DWT) of vessels calling to Geraldton Port has increased over the last seven years from 42,187 DWT to 56,453 DWT. In conjunction with Karara Mining, an initiative to gradually increase the size of ships handled within the harbour has been completed. A total of 168 ships with a LOA greater than 225m and 14 post Panamax ships greater than 230m LOA have been handled. A trial of ships up to 250m x 42m has been prepared for delivery.

### Parted Lines

A total of 30 mooring lines were broken during 2015/16, a record low number of broken lines since 2005/06 when the collection of data commenced.

In 2015/16, 4% of visiting ships broke a mooring line and of those ships an average of 1.6 lines were broken. This represents an improvement compared with 2014/15 when 6% of visiting vessels broke a mooring line

and averaging 1.8 lines/vessel.

The trends in total broken mooring lines and ships breaking lines are all indicating that the port's mitigation strategies are having a positive safety impact on port's marine operations.

### Harbour Surge

The port's surge threshold system is the key mitigation strategy and requires the port's closure during periods of increased surge activity. Usually, as the surge thresholds are being approached the ships' alongside movement has resulted in loading operations being suspended by the ships' master.

Berth 2 was closed as a result of surge conditions for an average of 279 hours/month during 2015/16. This corresponds to the berth being available 62% of the time. However, during May and June 2016 the berth was available for just 16% and 33% of total time respectively.

Berths 4, 5 & 6 lost an average of 71 hours/month and achieved an overall availability of 90% for 2015/16.

Berth 3, the port's best positioned berth relative to surge incursion lost 53 hours/month and achieved an availability of 93%.





### Cruise shipping

Since 2012 there have been 61 scheduled cruise vessel visits to Geraldton. Of these 14 have cancelled their visit on the day of their arrival due to surge and swell and a

further four have terminated their visit after traversing the channel and physically arriving at the port.

In 2015/16 nine different cruise vessels successfully completed 12 visits to Geraldton. The vessels Dawn

Princess made three separate visits and Radiance of the Seas made two. All cruise ship visits are listed in the following table;

2015/16	Ship Name	Crew On-board	Actual Passengers*	Shore Visits (Includes crew)
24 July 2015	Dawn Princess	924	1,800	1,406
21 August 2015	Dawn Princess	924	1,900	1,532
20 September 2015	Sea Princess (cancelled call)	910	0	0
26 September 2015	Legend of the Seas (cancelled call)	726	0	0
28 September 2015	Legend of the Seas	726	1,832	1,100
30 October 2015	Sea Princess	910	1,899	1,504
5 November 2015	Diamond Princess	1,100	2,500	2,586
6 November 2015	Volendam (cancelled call)	615	0	0
8 November 2015	Sun Princess	924	0	0
18 November 2015	Radiance of the Seas	850	2,100	1,672
28 November 2015	Superstar Virgo	1,224	853	1,478
9 January 2016	Astor	300	550	539
13 March 2016	Radiance of the Seas	850	2,100	1,810
15 April 2016	Pacific Eden	580	1,400	1,047
2 May 2016	Sun Princess	924	1,700	1458
25 May 2016	Pacific Eden (terminated call)	580	0	0
19 June 2016	Dawn Princess	924	1,800	1,740
26 June 2016	Pacific Eden (terminated call)	580	0	0
		14,571	20,434	17,872

\* Estimates according to the Shore Excursion Company

During these visits a total of 17,872 passengers and crew came ashore. According to a report compiled for Tourism WA by ACIL Allen Consulting, the total economic activity created by these visits to Geraldton was \$4.11M. Of this amount \$2.73M was the direct spending undertaken by passengers, crew and the cruise ships in Geraldton, including on shore excursions.

The Authority has continued to fund a Cruise Ship Officer jointly with the City of Greater Geraldton and contributed a total of \$59,222 (ex GST) to support this role during 2015/16. The officer, Joanne Brown is an active participant on the WA Cruise Committee and has done an excellent job in organising and training the Meet and Greet Volunteers, developing key

attractions and in maintaining an active engagement with cruise sector executives.

A further 13 cruise ship visits are scheduled for 2016/17 meaning that the valuable economic activity generated by this sector will continue to benefit the local and state economies.



### Shore Tension

The Authority has recently completed a trial of Shore Tension units to assess their performance in mitigating the effects of harbour surge and on improving the safety of moored vessels and of cargo operations. The trial was conducted under the guidance of Dr Tim Gourlay from Curtin University's Centre for Marine Science and Technology.

The units are a Dutch invention and when deployed maintain a constant mooring line tension which is designed to dampen the movement of moored vessels to enable vessels to remain safely

moored in conditions that would be otherwise unsafe.

Vessels managed by Carnival Cruise Line frequently call to Geraldton and representatives of this company have conducted a series of local discussions on the potential of these units to enable the Authority to provide a safe all weather berthing solution for visiting cruise vessels.

Further analysis of the recorded data is underway to extend the preliminary scientific findings to an assessment of the equipment's potential application in Geraldton Harbour's unique conditions.



### Health, Safety, Environment & Quality

#### Our Commitment

The Authority is committed to continually improving the health and safety of the workplace and in minimising the impact of our operations on the environment.

Health, Safety, Environment and Quality (HSEQ) feature prominently on the executive management's weekly meeting agenda. The Board conducts a quarterly Risk Committee that focuses on the Authority's identified significant risks. Management participate in the monthly HSE Committee meeting and formal management reviews occur quarterly to monitor performance and review significant risks. Health, Safety and Environment are key discussion items on all staff meeting and toolbox talk agendas.

#### Occupational Health & Safety Management Systems

The Authority maintains its integrated management system to the following standards;

- AS/NZS 4801 Occupational Health and Safety Management Systems,



- ISO 14001 Environmental Management Systems, and
- ISO 9001 Quality Management Systems.



Bureau Veritas was appointed to undertake the 2015/16 annual external surveillance audit, replacing the previous external auditor BSI for the first time. Bureau Veritas found no major non-conformances however, it did identify eight minor non-conformances. An action plan was immediately developed and accepted by Bureau Veritas and since its implementation six of the eight minor non-conformances have been closed out. The remaining two are over 50% completed as at 30 June 2016.

Bureau Veritas also noted the following which demonstrate the effectiveness of the management system in place;

- The Authority's documentation demonstrated overall conformance with the requirements of the audit standard and provided a structure to support implementation and maintenance of the HSEQ management system;
- The Authority has demonstrated a commitment to the maintenance of its HSEQ Management System;
- The Authority has demonstrated the establishment and tracking of appropriate key performance objectives and targets;
- The internal audit programme has been implemented and demonstrates effectiveness as a tool for maintaining and

improving the management system; and

- The Authority shall be granted the certification for the three standards and should be able to demonstrate the evidences of the efficacy of the HSE Management System implemented.

#### **Rail Safety Management System**

The Authority continues to manage its rail terminal and rail terminal operations in accordance with its accredited Rail Safety Management System.

The operations and Rail Safety Management System are subject to formal annual audit / review as well as inspection and audit by members of the Office of the National Rail Safety Regulator (ONRSR). The port is an accredited Rail Infrastructure Manager and 'limited' above rail operator. The port rail terminal accommodates multiple train operators and a variety of port and customer rail interface facilities. The port Rail Terminal operations have been delivered in accordance with the terms of the ONRSR accreditation.





## Statistics

Measure	MWPA Results 2011/12	MWPA Results 2012/13	MWPA Results 2013/14	MWPA Results 2014/15	MWPA Results 2015/16	State Government Target	Comment 2015/16 Year
Number of fatalities	0	0	0	0	0	0	Achieved
Lost time injury or disease incidence rate No. of LTI/D / full time equivalent employees x 100	0	5.26	0	6.39	12.82	0 or 10% reduction	Not Achieved
Lost time injury severity rate No. of severe injuries (60 days or more lost) / No. of LTI/D x 100	0	0	0	0	0	0 or 10% reduction	Achieved
Percentage of injured workers returned to work within 13 weeks	N/A	100%	100%	100%	100%	Actual result to be stated	Achieved
Percentage of injured workers returned to work within 26 weeks	N/A	100%	100%	100%	100%	Actual Greater than or equal to 80%	Achieved
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	97%	86%	92%	85%	86%	Greater than or equal to 80%	Achieved

## Consultation and Communication

Occupational health and safety representatives have been appointed for each work area and participate in the monthly Health, Safety & Environment Committee meeting as well as their own area toolbox and staff meetings. A sub-committee was established in 2013 to capture the safety and environmental issues relating to our primary contractors, this forum allows open communication from our contractor's to the main Health & Safety Committee.

Committee meetings are well attended by both employee representatives and management. Items commonly discussed include a review of all incidents, hazards reported, training compliance, amended procedures and other general matters relating to health, safety or the environment. Minutes of Committee meetings are distributed to employees by email, displayed on noticeboards and are available on the intranet.

A Geraldton Port Operations, Safety and Environment Working Group was established in 2010 and continues to meet on a quarterly basis. This group consists of port users and the Authority's management representatives and provides an information sharing forum.

### Commitment to Injury Management

The Authority is committed to injury management and early return to work in accordance with the Workers' Compensation and Injury Management Act 1981. The Authority believes that successful injury management relies on the active participation and cooperation of all parties including the injured worker, treating medical practitioners, insurance provider and the Authority as employer.

### Training

During the past 12 months the Authority has procured a software package (ELMO) which will form the platform moving forward to deliver much of our training requirements,

as well as delivering the ability to conduct online inductions. Currently a contractor induction has been set up within the system to replace the face to face half day induction which was delivered by internal staff. This has freed up staff time and allows contractors commuting from Perth or other areas to under-take the inductions in their own time, prior to arriving at site.

Our dedicated Workforce Development Officer continues to work with HSEQ staff to progress the benefits of this new systems and progressively roll out the on-line inductions to staff and contractors as required.

### Environmental Management

The Authority is committed to achieving best practice in environmental management.

The Authority has developed and continues to implement the Environmental Policy and the Environmental Management Plan. A range of KPI's have been developed and are calculated

monthly, bi-monthly or annually and communicated through HSEQ monthly reports and key HSEQ meetings. Operational procedures are continually audited and revised to ensure they remain best practice and capture how we manage impacts. A list of environmental aspects have been identified and they are continually reviewed to ensure as many controls are in place as possible to mitigate any effects.

The Authority has in place a range of environmental monitoring programs which aim to provide a measure and evaluation of the Authority's environmental performance, identify areas of operation requiring review as well as to ensure our commitment to continual improvement is upheld. Monitoring programs in place include air quality monitoring, stormwater quality monitoring, harbour sediment

monitoring and several marine water quality monitoring programs.

The Authority's metal concentrates loading operations continue to be carefully managed and monitored to ensure compliance with air quality emission limits and targets as set out in the Authority's Environmental Licence. Management practices are assessed through the collection and analysis of air, sediment and water samples.

#### **Key HSEQ Achievements during 2015/16**

The Authority has a commitment to continual improvement. During 2015/16 developments within the following areas have benefited the organisation:

Quarterly Risk Committee meetings convened by the Authority's Board reviews and addresses identified

significant risks. At each meeting the committee assesses the adequacy of existing mitigation measures and assesses if further practical measures exist to further mitigate the risk.

A new passive dust monitoring program was developed to investigate the composition of dust deposits within the port area to identify future dust mitigation priorities.

The Occupational Hygiene and Surface Ventilation Plan was revised and subsequently accepted by the Department of Mines.

The Department of Environment Regulation audited the Port against its Environmental Licence, held under the Environmental Protection Act and found no non-conformances with conditions.



## Community

The Authority has a significant role to play in supporting regional and state economies and in providing this role it interfaces with community stakeholders at a number of levels and in turn relies on continuing community goodwill and tolerance for the sustainability of its operation.

The Authority's objective is to convert this community stakeholder interface into a positive experience and this is to be assisted by the Authority being an active participant in community activities.

Each year the Authority will allocate funds towards sponsoring cultural, environmental and

educational initiatives that have a flow-on benefit to the general community and to the Authority. Opportunities to contribute to cause based community fund-raising events which are actively supported by staff are also explored.

*During 2015/16 the Authority supported the following community activities;*

Event	Sponsorship Amount
Mid West Economic Summit sponsorship	\$10,037
HMAS Sydney Memorial donation	\$50
2015 MACA Ride to Conquer Cancer donation	\$500
Geraldton Yacht Club's Dragon Boat Race sponsorship	\$455
Police Citizen Youth Centre sponsorship	\$327
The Mission to Seafarers donation	\$520
<b>Total</b>	<b>\$11,889</b>

## Sand by-passing

Under its Memorandum of Understanding with the City of Greater Geraldton, the Authority monitors selected beach profiles and

contributes to the maintenance of these beaches by transferring sand on an annual basis from Pages Beach to the Chapman Rd Beaches immediately north of the Marina. In addition, the Authority has agreed

to supply an additional 2,500m<sup>3</sup> to Marina Bay and is further committed to supplying sand for storm damage repairs in cooperation with the City of Greater Geraldton.

*During 2015/16 the following beaches were replenished with sand provided by the Authority;*

Beach	Sand Volume By-passed	Obligation
Marina Bay	2,482 m <sup>3</sup>	MOU Commitment
Beresford Beaches	11,161 m <sup>3</sup>	MOU Commitment
St Georges Beach	4,798 m <sup>3</sup>	Supplementary MOU Commitment
St Georges Beach South	1,222 m <sup>3</sup>	Supplementary MOU Commitment





The total volume of sand handled under this program during 2015/16 was 19,663 m<sup>3</sup>, including 13,643 m<sup>3</sup> in satisfaction of the Authority's MOU commitments to the City of Greater Geraldton.

Delivering the 6,020 m<sup>3</sup> of sand to the St Georges Beach locations was a project jointly funded by the Authority and the City of Greater Geraldton. This project was undertaken to repair storm damage to this beach.

The cost incurred by the Authority in delivering this program during 2015/16 totalled \$159,085.

### Consultation

The Authority has established a consultation committee to promote and facilitate communication, information sharing and consultation between the Authority and members of the public who may be affected by port operations. Representatives of the City of Greater Geraldton participate on the Committee.

Minutes of committee meetings are made available on the Authority's website.

### Community Forums

In addition, the Authority also maintains an active involvement

in the following local community forums;

- Mid West Chamber of Commerce and Industry;
- Cross agency Strategic Infrastructure Group convened by the Mid West Development Commission;
- Chamber of Minerals and Energy;
- Australia China Business Council (Geraldton committee);
- Australian Institute of Company Directors (Geraldton committee); &
- Progress Mid West's Marine Clusters initiative.

## RECORD INFORMATION

### 2015/2016

LARGEST VESSEL	LARGEST SINGLE CARGO	LARGEST VESSEL	LARGEST TOTAL CARGO
Bulk Philippines	KM Nagoya	Bulk Philippines	Double Paradise
95,740 DWT	74,448 Tonnes Iron Ore	95,740 DWT	75,349 Tonnes Iron Ore
August 2015	July 2015	August 2015	June 2015

### HISTORY

## LARGEST SINGLE CARGOES

MV Double Paradise	Iron Ore	75,349 Tonnes	June 2015
MV Carol	Wheat	65,954 Tonnes	June 2006
MV Alba	Canola	57,748 Tonnes	February 2006
MV Belle Masuka	Lupins	57,500 Tonnes	April 2012
MV Sunny Globe	Barley	39,672 Tonnes	May 2007
MV First Trader	Ilmenite	35,425 Tonnes	July 2008
MV North Princess	Talc	31,856 Tonnes	April 2006
MV Mikom Accord	Petroleum	29,103 Tonnes	March 2001



## MID WEST PORTS AUTHORITY

### Comparative Trade Statistics (Tonnes)

Period Ending 30 June 2016

IMPORTS	2011/12	2012/13	2013/14	2014/15	2015/16
Fert DAP/Other	19,782	29,150	20,348	35,744	41,396
Fert MAP	11,659	4,968	0	9,574	19,431
Coal	10,505	0	0	0	0
Urea	34,521	37,166	55,437	49,702	38,656
Petroleum Products	281,876	328,021	301,669	283,133	260,563
Mineral Sands	727,583	119,416	387,094	261,367	397,114
Soda Ash	14,133	7,016	6,951	0	0
General	107,938	106,594	0	822	1,320
<b>Total Imports</b>	<b>1,207,997</b>	<b>632,331</b>	<b>771,499</b>	<b>640,342</b>	<b>758,480</b>

EXPORTS	2011/12	2012/13	2013/14	2014/15	2015/16
Wheat	2,185,340	2,135,875	1,702,403	1,372,371	1,612,123
Barley	77,582	45,275	36,427	38,131	59,860
Lupins	244,662	297,060	213,442	140,660	126,931
Canola	147,854	140,297	128,550	194,667	171,209
Copper Cons/Ore	193,933	362,249	343,900	380,248	316,765
Zinc Cons/Ore/HPM	176,311	169,921	145,182	210,040	251,591
Nickel Cons	0	65,919	33,290	0	0
Mineral Sands	595,339	474,489	370,417	452,363	303,847
Bulk/Bagged Mineral Sands	214,796	297,373	281,376	311,572	320,526
Talc	119,364	78,071	90,814	85,617	90,057
Iron Ore	5,261,289	10,741,662	14,367,014	13,103,932	12,129,659
Soda Ash	0	0	0	0	18,319
Stockfeed	255	1,502	1,865	740	1,983
Livestock	1,361	2,758	9,715	3,704	9,056
General	1,397	62	0	0	0
<b>Total exports</b>	<b>9,219,483</b>	<b>14,812,513</b>	<b>17,724,395</b>	<b>16,294,045</b>	<b>15,411,926</b>

Bunkers - Oil	10,743	2,113	1,308	6,038	1,244
<b>Total Trade</b>	<b>10,438,223</b>	<b>15,446,957</b>	<b>18,497,202</b>	<b>16,940,425</b>	<b>16,171,650</b>

SHIPPING	2011/12	2012/13	2013/14	2014/15	2015/16
Gross Reg Tonnage	10,412,792	12,661,941	14,429,387	14,278,723	14,898,910
Deadweight Tonnage	16,557,997	19,780,796	25,726,293	24,586,548	24,552,334
No of Vessels	384	428	458	459	425
Average DWT	43,120	46,217	56,171	53,565	57,770

## Origin and Destination of Cargo

2015/2016

PORTS	Grains	Mineral Sands	Fuels	Fertiliser	Iron Ore	Talc	Copper & Zinc	Cattle	General	Bunkers	Tonnes
Australia (Other)	22,330	339,050	0	8,675	0	0	4,510	0	0	1,244	375,809
Australia (WA)	467,592	178,668	159,046	84,750	0	0	117,442	0	0	0	1,007,498
Belgium	0	37,511	0	0	0	37,291	11,995	0	0	0	86,797
China	67,669	104,094	0	0	11,871,525	0	289,067	0	0	0	12,332,355
India	0	0	0	0	69,997	0	0	0	0	0	69,997
Indonesia	417,777	32,702	0	0	0	0	11,424	2,729	0	0	464,632
Italy	0	12,099	0	0	0	0	0	0	0	0	12,099
Japan	144,888	0	0	0	60,345	25,206	22,005	0	1,320	0	253,764
Kuwait	114,300	0	0	0	0	0	0	0	0	0	114,300
Malaysia	94,180	28,819	0	0	0	10,550	10,800	2,089	0	0	146,438
Mozambique	31,800	0	0	0	0	0	0	0	0	0	31,800
Netherlands	10,878	55,209	0	0	0	17,010	0	0	0	0	83,097
Philippines	0	4,600	0	0	0	0	10,998	0	0	0	15,598
Saudi Arabia	0	29,514	0	0	0	0	0	0	0	0	29,514
Singapore	63,498	5,000	101,517	0	127,792	0	0	0	0	0	297,807
South Africa	51,368	61,674	0	0	0	0	0	0	0	0	113,042
South Korea	70,073	5,506	0	0	0	0	39,552	0	0	0	115,131
Spain	0	34,006	0	0	0	0	0	0	0	0	34,006
Sri Lanka	27,500	0	0	6,059	0	0	0	0	0	0	33,559
Taiwan	0	0	0	0	0	0	34,006	0	0	0	34,006
Thailand	61,220	0	0	0	0	0	16,557	0	0	0	77,777
UAE	0	49,810	0	0	0	0	0	0	0	0	49,810
USA	0	61,544	0	0	0	0	0	0	0	0	61,544
Vietnam	161,800	0	0	0	0	0	0	6,220	0	0	168,020
Yemen	163,250	0	0	0	0	0	0	0	0	0	163,250
<b>Total</b>	<b>1,970,123</b>	<b>1,039,806</b>	<b>260,563</b>	<b>99,484</b>	<b>12,129,659</b>	<b>90,057</b>	<b>568,356</b>	<b>11,038</b>	<b>1,320</b>	<b>1,244</b>	<b>16,171,650</b>







## ANNUAL FINANCIAL REPORT

30 June 2016



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## Contents of Directors' Report

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## Directors' Report

The Board of Directors of the Mid West Ports Authority ("the Authority") has pleasure in submitting its report for the financial year ended 30 June 2016.

### 1. Directors

The directors of the Authority at any time during or since the end of the financial year are:

#### **CHAIRMAN** **Ian King**

##### **Occupation**

Company Director and  
Systems Auditor

##### **Appointments**

Appointed Non-Executive  
Director, Chairman 2002/03

##### **Background / Qualifications**

- Former National Manager Oil & Gas Supply Chain Logistics
- Company Director for more than 25 years
- Diploma in Accounting
- Diploma in Transport Management
- Graduate, Australian Institute of Company Directors
- Past State & National Chairman of the Chartered Institute of Logistics & Transport
- Past State Chairman, Transport Forum WA
- Chairman Ports WA (May 2009 - May 2011)



#### **DEPUTY CHAIRMAN** **Noel Ashcroft, AM**

##### **Occupation**

Company Director and  
Business Consultant

##### **Appointments**

Appointed Non-Executive  
Director July 2012

##### **Background / Qualifications**

- BSc (Forestry) Australian National University; MSc (Forestry & Land Management) Oxford University
- Former Chief Executive, Government Relations & Market Development for a large diversified conglomerate (2008 - 2011)
- Former Agent General for Western Australia (2005 - 2008)
- Former Deputy Director General, Investment Services Dept of Industry & Resources (2003 - 2005)
- Former Executive Director, Office of Major Projects, Dept of Resources Development (2001 - 2003)
- Graduate, Australian Institute of Company Directors
- Company Directorships
- Past Chair and Member of various government & industry boards and committees
- Member of the Order of Australia 2012
- Justice of the Peace Western Australia





## Directors' Report

### 1. Directors cont'd

#### **DIRECTOR** **Bart Boelen**

##### **Occupation**

Company Director  
– Project Director

##### **Appointments**

Appointed Non-Executive  
Director October 2009

Resigned 31 December 2015

##### **Background / Qualifications**

- Managing Director B<sup>2</sup> Consulting
- Chief Executive One Fell Swoop (WA)
- Former Chief Operating Officer of MacroPlan Australia
- Former State Manager Clifton Coney Group
- Former Manager Major Projects Dept. of Housing & Works
- Certified Practising Project Director
- Graduate, Australian Institute of Company Directors
- Postgraduate qualification in Strategic Procurement
- Justice of the Peace in Western Australia



#### **DIRECTOR** **Steve Chamarette**

##### **Occupation**

Farmer and  
Company Director

##### **Appointments**

Appointed Non-Executive  
Director February 2010

##### **Background / Qualifications**

- BEcons University of Western Australia
- MSc (Mgt) Naval Post Graduate School, Monterey, California, USA
- Graduate, Royal Australian Naval Staff College, Balmoral, NSW
- Graduate Officer Cadet School, Portsea, Victoria
- Diploma and Advanced Diploma, Australian Institute of Company Directors
- Fellow, Australian Institute of Company Directors
- Business Consultant
- Held various Senior Management and Director appointments in Commonwealth and State Government Departments
- Career soldier, Vietnam Veteran, retired as a Lieutenant Colonel having held appointments in Logistics, Training and Personnel







## 1. Directors cont'd

### **DIRECTOR** **Kim Halbert**

#### **Occupation**

Farmer

#### **Appointments**

Appointed Non- Executive  
Director July 2014

#### **Background / Qualifications**

- Bcom (Dist) Curtin. Double major in Economics and Finance
- Deputy Chair, Grains Research and Development Corp
- Board Member Wheat Exports Australia (2008 - 2012)
- Former Board Member Grain Licensing Authority of WA
- Director Geraldton Port Authority (1997 - 2006)
- Graduate, Australian Institute of Company Directors
- Managing Director of Arawa Farms Pty Ltd



### **DIRECTOR** **Dr Sue van Leeuwen**

#### **Occupation**

Company Director  
and Consultant

#### **Appointments**

Appointed Non- Executive  
Director January 2016

#### **Background / Qualifications**

- DBA, MBA (Curtin)
- Owner: Amity Leadership and Consulting
- Deputy Chair: Community Leadership Australia
- Board Member: Kormilda College, Northern Territory
- Former CEO: Leadership WA
- Former Associate Professor, Assistant Dean and Assistant Provost: UNDA
- Former CEO: Swanleigh
- Former Board Member in a number of Community and Education Organisations
- Former Panel Member: Perth Freight Link, Social Enterprise Fund, Governance Review of Metropolitan Local Government, Social Innovation Grants
- Company Directors Diploma, Australian Institute of Company Directors
- Mastering the Boardroom Program, Australian Institute of Company Directors
- Fellow, Australian Institute of Company Directors
- Fellow Leadership WA





## Directors' Report

### 2. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Authority during the financial year are:

	Board Meetings	Governance Committee	Finance & Audit Committee	Risk Committee
<b>Number of meetings held</b>	10	3	4	4

#### Number of Meetings Attended by:

	Board Meetings Eligible to Attend	Board Meetings Attended	Governance Committee Meetings Attended	Finance & Audit Committee Meetings Attended	Risk Committee Meetings Attended
<b>I King</b>	10	10	3	4	4
<b>N Ashcroft AM</b>	10	9	3	3	4
<b>S Chamarette</b>	10	10	3	4	4
<b>K Halbert</b>	10	9	3	4	3
<b>Dr S van Leeuwen</b> Appointed 1 January 2016	5	5	2	2	2
<b>B Boelen</b> Resigned 31 December 2015	5	4	1	2	1

### 3. Principal activities

The principal activities of the Authority during the course of the financial year were:

- Trade Facilitation;
- Managing and administering the Commercial Shipping Harbour;
- Administering the Fishing Boat Harbour;
- Managing the Assets of the Port; and
- Managing the Environment of the Port.

There were no other significant changes in the nature of the activities of the Authority during the year.

#### Objectives

The Authority's objectives are to link the Mid West to its markets by providing efficient, safe and sustainable port infrastructure and services, wherever provision of these services is required.

In order to meet these objectives the following targets were set for the 2016 financial year and beyond:

- Facilitate trade within and through the Port and plan for future growth and development of the Port;
- Undertake or arrange for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the State through the use of Port and related facilities;
- Control business and other activities in the Port or in connection with the operation of the Port;
- Be responsible for and promote the safe and efficient operation of the Port;
- Be responsible for the maintenance and preservation of vested property and other property held by it; and
- Protect the environment of the Port and minimise the impact of port activities on that environment.

## 4. Dividends

Dividends paid or declared by the Authority since the end of the previous financial year were:

Dividends of \$3,398,652 and \$8,086,198 was paid during 2015/16 as final dividend for the 2014/15 year and as interim dividend for 2015/16 financial year respectively.

## 5. Operating and financial review

### Review of operations

Comments on the operations and the results of those operations are set out below;

	2016	2015
Total trade (tonnes)	16,171,650	16,940,425
	\$'000	\$'000
Revenue from cargo	28,830	29,777
Revenue from ships	23,217	22,903
Revenue from ship services	11	12
Revenue from port enhancement charges	34,474	35,706
Other revenue and income	6,993	8,165
Total revenue and income	93,525	96,563
Less expenditure	64,721	68,950
Operating profit before tax	28,804	27,613
Income tax on operating profit	(8,111)	(8,072)
Operating profit after tax	20,693	19,541

### Commentary on operating results

Operating profit before tax increased this period by 4% due to cost savings initiatives implemented by the Authority to counteract the continued downward trend in revenues, which was once again mainly caused by downturn in iron ore throughput. The downward trend was also visible in the mineral sands, concentrates and petroleum throughput, contrasted by an increase in grain, fertiliser and livestock trade.

### Strategy and future performance

For the major goals that have been defined, strategies/initiatives/projects to achieve these goals and associated outcomes are articulated. Action plans and timelines are developed from the strategic plan to ensure the timely achievement of stated projects.

## 6. Significant changes in the state of affairs

In the opinion of the Directors the only significant changes in the state of affairs of the Authority that occurred during the financial year under review was the settlement of the Port Enhancement Project loans during June 2016.

## Directors' Report

### 7. Events subsequent to reporting date

The Authority has returned surplus capital injection, that was received during the year, to the West Australian Government after the balance sheet date. The value of the returned capital is \$3.078 million (refer note 12).

There has not arisen 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.

### 8. Likely developments

There are no likely developments which are expected to impact on the results of the operations.

### 9. Directors' emoluments

In accordance with Section 13(c)(i) of Schedule 5 of the Port Authorities Act 1999, the nature and amount of each major element of remuneration of each director of the Authority, each of the three named executives who received the highest remuneration and other key management personnel of the Authority are:

- (a) The Minister for Transport determines the level of remuneration for Board members. The nature and amount of the emoluments of each Director are set out below.

Name	Short Term Benefit (1) \$	Post Employment Benefits (2) \$	Long Term Benefits (3) \$	Total \$
I King	71,845	6,825	Nil	78,671
N Ashcroft AM	40,476	3,845	Nil	44,322
S Chamarette	39,717	3,773	Nil	43,490
K Halbert	37,664	3,578	Nil	41,242
B Boelen (retired 31/12/15)	20,468	1,944	Nil	22,412
Dr S van Leeuwen	18,023	1,712	Nil	19,736

#### 1. Short Term Benefits

Cash salary, fees, short term compensated absences  
Non monetary benefits

#### 2. Post Employment Benefits

Superannuation

#### 3. Long Term Benefits

Long Service Leave

### Executive Emoluments

- (b) The Board determines the remuneration and other terms and conditions of the senior executive staff:

Name	Short Term Benefit (1) \$	Post Employment Benefits (2) \$	Long Term Benefits (3) \$	Total \$
Peter Klein	286,415	25,856	6,805	319,076
Martin North	283,691	24,347	6,377	314,415
Ray Pead	266,115	23,514	8,268	297,897



## 10. Environmental regulation

The Authority's operations are subject to regulation under both Commonwealth and State environmental legislation applicable to any Australian commercial entity. Under the Port Authorities Act 1999, the Authority is also required to "protect the environment of the port and minimise the impact of port activities on that environment". Through strategies reflected in the Port's Environmental Management Plan, the Authority maintains a high standard of performance in advancing various environmental initiatives.

The Authority is required to hold an environmental licence under the Environmental Protection Act 1986. The Department of Environment monitors compliance with licence conditions covering bulk materials loading and unloading, abrasive blasting, boat building and maintenance in the Port area.

## 11. Environmental management

The Port has a number of environmental programs developed to meet Ministerial conditions associated with recent major projects including seagrass, water quality, sediment, shoreline and artificial reef monitoring. Annual reports detailing findings and recommendations on these monitoring programs are submitted for review and approval by the Department of Environment. During 2010, the Authority obtained certification to the international standard ISO14001.

## 12. Rounding off

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

This report is made with a resolution of the directors:



**Ian King**  
**CHAIRMAN**  
26th August 2016



**Noel Ashcroft AM**  
**DEPUTY CHAIRMAN**  
26th August 2016

## MID WEST PORTS AUTHORITY

### Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>INCOME</b>			
Revenue	4	92,727	95,360
Other income	5	798	1,203
<b>EXPENDITURE</b>			
Depreciation and amortisation expense	6	(10,678)	(10,655)
Impairment of property, plant and equipment	14	-	(1,348)
Marine expenses		(5,629)	(5,616)
Port operations expenses		(20,517)	(21,265)
General administration		(7,325)	(9,548)
Asset maintenance		(9,792)	(11,239)
Environmental expenses		(204)	(212)
Port utilities		(766)	(954)
Safety and security		(475)	(1,890)
Finance costs	8	(8,426)	(5,184)
Other expenses	9	(909)	(1,039)
<b>Profit before income tax</b>		<b>28,804</b>	<b>27,613</b>
Income tax expense	10	(8,111)	(8,072)
<b>Profit for the period</b>		<b>20,693</b>	<b>19,541</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of defined benefit liability (asset)		(156)	(336)
Income tax		47	101
<b>Total other comprehensive income</b>		<b>(109)</b>	<b>(235)</b>
<b>Total comprehensive income</b>		<b>20,584</b>	<b>19,306</b>

The accompanying notes form part of the financial statement

## MID WEST PORTS AUTHORITY Statement of Financial Position

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	41,491	33,996
Cash restricted for use	12	3,078	-
Trade and other receivables	13	12,076	12,424
Current tax receivable	10	299	-
<b>Total current assets</b>		<b>56,943</b>	<b>46,420</b>
<b>Non-current assets</b>			
Deferred tax assets	10	1,750	2,292
Property, plant and equipment	14	128,086	132,237
<b>Total non-current assets</b>		<b>129,836</b>	<b>134,529</b>
<b>TOTAL ASSETS</b>		<b>186,779</b>	<b>180,949</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	7,855	7,430
Interest bearing borrowings	16	6,872	8,304
Current tax payable	10	-	2,087
Provisions	17	2,832	2,689
Other liabilities	18	77	34
<b>Total current liabilities</b>		<b>17,636</b>	<b>20,544</b>
<b>Non-current liabilities</b>			
Interest bearing borrowings	16	12,724	83,205
Provisions	17	3,970	4,794
<b>Total non-current liabilities</b>		<b>16,694</b>	<b>87,999</b>
<b>TOTAL LIABILITIES</b>		<b>34,330</b>	<b>108,543</b>
<b>NET ASSETS</b>		<b>152,449</b>	<b>72,406</b>
<b>EQUITY</b>			
Contributed equity	19	79,380	8,436
Retained earnings	19	73,069	63,970
<b>TOTAL EQUITY</b>		<b>152,449</b>	<b>72,406</b>

The accompanying notes form part of the financial statement



## MID WEST PORTS AUTHORITY Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		107,401	109,368
Cash paid to suppliers and employees		(59,395)	(64,708)
Cash generated from operations		48,006	44,660
Interest paid		(9,251)	(5,271)
Interest received		1,235	1,361
Income taxes paid		(10,450)	(12,238)
<b>Net cash from operating activities</b>	<b>21</b>	<b>29,540</b>	<b>28,512</b>
<b>Cash flows used in investing activities</b>			
Proceeds from sale of property investment		-	206
Proceeds from sale of property, plant & equipment		15	226
Acquisition of property, plant & equipment	<b>14</b>	(6,530)	(2,730)
<b>Net cash (used in)/from investing activities</b>		<b>(6,515)</b>	<b>(2,298)</b>
<b>Cash flows used in financing activities</b>			
Equity injection		70,944	-
Drawdown of loans		6,780	-
Repayment of borrowings		(78,692)	(7,837)
Dividends paid	<b>11</b>	(11,485)	(25,599)
<b>Net cash used in financing activities</b>		<b>(12,453)</b>	<b>(33,436)</b>
Net increase/(decrease) in cash and cash equivalents		10,572	(7,222)
Cash and cash equivalents at 1 July		33,996	41,218
<b>Cash and cash equivalents at 30 June</b>	<b>12(a)</b>	<b>44,568</b>	<b>33,996</b>

The accompanying notes form part of the financial statement

## MID WEST PORTS AUTHORITY Statement of Changes in Equity

As at 30 June 2016

	Note	Contributed Equity \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance as at 1 July 2014		8,436	70,263	78,699
<b>Total comprehensive income:</b>				
Profit for the period		-	19,541	19,541
Other comprehensive income		-	(235)	(235)
Total comprehensive income		-	19,306	19,306
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	11	-	(25,599)	(25,599)
<b>Balance as at 30 June 2015</b>		<b>8,436</b>	<b>63,970</b>	<b>72,406</b>
Balance as at 1 July 2015		8,436	63,970	72,406
<b>Total comprehensive income for the year:</b>				
Profit for the period		-	20,693	20,693
Equity injection		70,944	-	70,944
Other comprehensive income		-	(109)	(109)
Total comprehensive income		70,944	20,584	91,528
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	11	-	(11,485)	(11,485)
<b>Balance as at 30 June 2016</b>		<b>79,380</b>	<b>73,069</b>	<b>152,449</b>

The accompanying notes form part of the financial statement

## **MID WEST PORTS AUTHORITY**

### **Notes to the financial statements**

**For the year ended 30 June 2016**

#### **1. Basis of preparation**

##### **(a) Statement of compliance**

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

The financial statements were authorised for issue on 26 August 2016 by the Board of Directors of the Authority.

##### **(b) Presentation of the Statement of Comprehensive Income**

The Statement of Comprehensive Income classifies expenses by nature as it 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.

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

Total employee benefits expenses are disclosed in note 7 to the financial statements.

##### **(c) Basis of preparation**

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 and all values are 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 estimate is revised and in any future periods affected.

In particular, 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:

### Defined benefit plans

Various actuarial assumptions are required when determining the Authority's superannuation obligations. These assumptions and the related carrying amounts are discussed in note 17.

### Estimating useful life and residual value of key assets

Various assumptions are required when determining the assets expected useful life, residual value and depreciation rate on capitalized construction projects are discussed in note 2(e)(iii).

### Recoverability of trade and other receivables

Various assumptions are required when determining the Authority's likelihood of collecting outstanding trade receivables, including the Authority's likelihood of success in pursuing uncollected debtors through legal or other means. Additionally judgement has been applied in considering the likelihood of recovery of prepaid expenditure (note 13).

#### (f) New accounting standards not yet effective

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

- i) AASB 9 Financial Instruments - This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2015-1 Amendments to Australian Accounting Standards. The Authority has not yet determined the application or the potential impact of the Standard.
- ii) AASB 15 Revenue from Contracts with Customers - This Standard establishes the principles that the Authority shall apply to report useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Authority has not yet determined the application or the potential impact of the Standard.
- iii) AASB 16 Leases - This standard removes the classification of leases as either operating leases or finance leases - for the lessee - effectively treating all leases as finance leases. The Authority has not yet determined the application or the potential impact of the Standard.
- iv) AASB 2015-1 The balancing items - Issue 7 - Early adoption of amendments to existing accounting standards permitted for IFRS 5 and 7, IAS 19 and 34. The Authority has not yet determined the application or the potential impact of the Standard.
- v) AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 - This amendment does not require any significant change to current practice, but should facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of sub totals, the ordering of notes and the identification of significant accounting policies. The Authority has not yet determined the application or the potential impact of the Standard.
- vi) AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities - This amendment extends the scope of AASB 124 Related Party Disclosures to include not-for-profit public sector entities. The Authority has not yet determined the application or the potential impact of the Standard.



## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 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.

##### (a) Revenue recognition

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

###### (i) Rendering of services

Revenue from services rendered is recognised in profit and loss in respect of the services provided upon delivery of the service to the customer. Other revenue includes the recovery of water and electricity costs from leasehold tenants based on actual consumption.

###### (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 the income statement 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.

##### (b) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings 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 income statement using the effective interest rate method.

##### (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, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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. Trade receivables are generally settled within 30 days except for property rentals, which are governed by individual lease agreements.

The value of the provision for impairment loss is expressed using an analysis of historical data to determine the level of risk and subsequent recovery of debts based on the age of accounts outstanding. Bad debts are written off formally when recognised as being unrecoverable. Trade and other receivables are stated at their cost less impairment losses.

##### **(ii) Lease receivables**

A lease receivable is recognised for leases of property, plant and equipment 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 and recognised directly in the income statement.

#### **(e) Property, plant and equipment**

##### **(i) Recognition and measurement**

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

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 any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

##### **(ii) Subsequent costs**

The cost of replacing part of 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. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 2. Summary of significant accounting policies cont'd

##### (e) Property, plant and equipment cont'd

###### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for each class of depreciable assets are as follows:

Channels and breakwater	40 years
Buildings and improvements	10 to 50 years
Plant and equipment	3 to 30 years
Berths, jetties and infrastructure	10 to 40 years
Leased plant and equipment	20 to 33 years

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

##### (f) Impairment

The carrying value of the assets are reviewed for impairment when the events or changes in circumstances indicate the carrying value may not be recoverable. If a trigger exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of assets is the greater of fair value less the cost to sell and value in use. As the Authority is a not for profit entity, the value in use is the assets depreciated, optimised replacement cost.

##### (g) Leases

Leases in terms of which the Authority assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon 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. 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 the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

##### (h) Financial instruments

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

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

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

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

#### **(i) Payables**

Payables, including trade payable, other 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.

#### **(j) Borrowings**

All borrowings are initially recognised at cost, being 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 related to qualifying assets.

#### **(k) Employee benefits provision**

The liability for annual and long service leave expected to be settled within 12 months after the Statement of Financial Position date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the Statement of Financial Position 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 Statement of Financial Position 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. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the Statement of Financial Position date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### **(l) 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 closed to new members since 1995. 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 accrued for superannuation benefits to the pension scheme for those members who elected not to transfer from that scheme.

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

The Authority's total superannuation liability has been actuarially assessed as at 30 June 2016.



## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 2. Summary of significant accounting policies cont'd

##### (I) Employee superannuation cont'd

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's 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.

From 30 March 2012, existing members of the WSS or GESB and new employees became able to choose their preferred superannuation fund. The Authority makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government Superannuation Guarantee (Administration) Act 1992. Contributions to these accumulation schemes extinguish the Authority's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

##### Defined benefit plan

###### Nature of benefits

The employer-financed benefit is a pension benefit payable on retirement, death or invalidity, or a lump sum benefit on resignation.

###### Description of the regulatory framework

The Scheme operates under the State Superannuation Act 2000 (Western Australia) and the State Superannuation Regulations 2001 (Western Australia).

Although the scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the scheme is not subject to any minimum funding requirements.

As a constitutionally protected scheme, the scheme is not required to pay tax.

###### Description of risks

There are a number of risks to which the Scheme exposes the Authority. The more significant risks relating to the defined benefits are:

**Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

**Pensioner Mortality Risk** - The risk is that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.

**Inflation Risk** - The risk that inflation is higher than anticipated, increasing pension payments, and the associated employer contributions.

**Market Risk** - The risk is that market returns are lower than anticipated, which would increase the cost of providing the defined benefits.

### **Significant events**

There were no plan amendments, curtailments or settlements during the year.

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 Statement of Financial Position 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 actuarial cost method.

### **(m) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

### **(n) 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. If the effect of the time value of money is material, 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.

Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

### **(o) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank, at call deposits and term deposits due between 30 and 90 days. Term deposits due more than 90 days are reclassified as other financial assets.

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

### **(p) Goods and services tax**

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

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

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

### **(q) Contributed equity**

The Authority receives support from the WA Government (see note 19). The amount received is recognised directly as a credit to contributed equity.

## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 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)). Marine expenses include those expenses derived from water based activities, port operations expenses include those expenses related to land based support activities, whilst general administration expenses includes expenditure of an administrative nature.

#### 4. Revenue

Revenue consists of the following items:

	2016 \$'000	2015 \$'000
Rendering of services		
Charges on cargo	28,830	29,777
Charges on ships	23,217	22,903
Shipping services	11	12
Port enhancement charge	34,474	35,706
Interest revenue	1,279	1,358
Rentals and leases	4,916	5,604
Total revenue	92,727	95,360

Interest revenue is derived from a major Australian banking institution utilising a combination of short term investments and cash management facilities.

#### 5. Other income

Other income consists of the following items:

	2016 \$'000	2015 \$'000
Service fee on sale of electricity and water	433	546
Net profit on sale of property investment	-	206
Net profit on sale of property, plant and equipment	14	12
Miscellaneous revenue	351	439
	798	1,203

#### 6. Depreciation and amortisation expense

	2016 \$'000	2015 \$'000
<b>Depreciation</b>		
Channels and breakwaters	2,358	2,340
Buildings and improvements	124	124
Berths, jetties and infrastructure	5,984	6,012
Plant and equipment	2,212	2,179
Total depreciation	10,678	10,655

## 7. Employee benefits expense

	2016 \$'000	2015 \$'000
Wages and salaries (a)	10,740	10,787
Superannuation - defined benefit plans (see note 17)	229	423
Long service leave (b)	266	(36)
Annual leave (b)	995	940
	<b>12,230</b>	<b>12,114</b>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefit tax component

(b) Includes a superannuation contribution component

Employment on-costs such as workers' compensation insurance and payroll tax are included at note 9 'Other expenses'. The employment on-costs liability is included at note 17 'Provisions'

## 8. Finance costs

	2016 \$'000	2015 \$'000
Interest paid	4,409	5,184
Capital premium on early settlement of fixed rate loan	4,017	-
Finance costs	<b>8,426</b>	<b>5,184</b>

## 9. Other expenses

	2016 \$'000	2015 \$'000
Doubtful debts expense	8	20
Employee on-costs (a)	901	795
Community Service Obligation (b)	-	224
	<b>909</b>	<b>1,039</b>

(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 17 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employee on-costs.

(b) Accrued expense to the City of Greater Geraldton for the development of parking, landscaping, beaches, board walks etc. to the benefit of the regional economy and the community of Greater Geraldton.



## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 10. Income tax expense

##### Recognised in the Statement of Comprehensive Income

	2016 \$'000	2015 \$'000
Current tax expense		
Current income tax charge	8,137	9,214
Adjustment for prior periods	(615)	(218)
	<b>7,522</b>	<b>8,996</b>
Deferred tax income		
Origination and reversal of temporary differences	508	(929)
Adjustment for prior periods	81	5
	<b>589</b>	<b>(924)</b>
Total income tax expense	<b>8,111</b>	<b>8,072</b>

##### Numerical reconciliation between tax expense and pre tax net profit

	2016 \$'000	2015 \$'000
Profit for the period	20,693	19,541
Total income tax expense	8,111	8,072
Profit excluding income tax	<b>28,804</b>	<b>27,614</b>
Income tax using the statutory tax rate of 30% (2015: 30%)	8,641	8,284
Non-deductible expenses	4	3
Sundry items	-	-
	<b>8,645</b>	<b>8,287</b>
(Over)/under provision in prior years	(534)	(215)
Income tax expense	<b>8,111</b>	<b>8,072</b>
Recognised in other comprehensive income	(47)	(101)

## Deferred income tax

	2016 Statement of Financial Position \$'000	2015 Statement of Financial Position \$'000	2016 Statement of Comprehensive Income \$'000	2015 Statement of Comprehensive Income \$'000	2016 Mvmt to equity \$'000	2015 Mvmt to equity \$'000
<b>Deferred tax liabilities</b>						
Accelerated depreciation for tax purposes	245	155	90	(344)	-	-
Others	324	172	152	(517)	-	-
Gross deferred tax liabilities	569	327	242	(861)	-	-
<b>Deferred tax assets</b>						
Employee benefits	1,191	1,132	(59)	(566)	(47)	(101)
Prepaid rental	2	6	4	4	-	-
Others	1,126	1,481	356	398	-	-
Gross deferred tax assets	2,319	2,619	300	(164)	(47)	(101)
Set-off of deferred tax liabilities pursuant to set-off provisions	(569)	(327)	(242)	861	-	-
Net deferred tax assets	1,750	2,292	-	-	-	-
Deferred tax (expense) / benefit	-	-	(542)	1,025	(47)	(101)

## Current tax liabilities

The current tax receivable of \$0.299 million (2015: \$2.087 million payable) represents the amount of income taxes receivable/payable in respect of current and prior financial periods.

## 11. Dividends

	2016 \$'000	2015 \$'000
Dividends paid in the financial year	11,485	25,599

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 65% of after tax profits. During 2014/15, Government has changed the Policy, whereby the entity is to pay 75% of its estimated dividends prior to the end of the financial year. In accordance with Australian Accounting Standards, the final dividends relating to the financial results for the year ended 30 June 2016 have not been provided as they are expected to be declared by the Board and approved by Government after balance date.

A final dividend of \$3.4 million (2015: \$16.4 million) in respect of the financial results for the year ended 30 June 2015 and an interim dividend of \$8.1 million (2015: \$9.2 million) for the year ended 30 June 2016 were paid by 30 June 2016.

## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 12. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Bank balances	6,991	5,871
Term deposits which mature in less than 3 months at inception	34,500	28,125
Cash restricted for use	3,078	-
Cash and cash equivalents in the statements of cash flows	44,568	33,996

The Authority has returned surplus capital injection, that was received during the year, to the West Australian Government after the balance sheet date and is thus deemed as cash restricted for use as at 30 June 2016. The value of the returned capital is \$3.078 million.

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

#### 13. Trade and other receivables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Receivables	11,815	12,297
Less: allowance for impairment of receivables	(40)	(40)
	11,775	12,257
Prepayments	301	167
	12,076	12,424
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	40	40
Bad debts written off against provision	(8)	(20)
Doubtful debts expense recognised / (derecognised) in the Statement of Comprehensive Income	8	20
Balance at end of year	40	40

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.

At 30 June, the ageing analysis of trade & other receivables past due, but not impaired is as follows:

	2016 \$'000	2015 \$'000
Not more than 3 months	11,654	11,379
More than 3 months but less than 6 months	34	252
More than 6 months but less than 1 year	7	501
More than 1 year	80	125
	11,775	12,257

The balance for more than one year consists mainly of the amounts due from the Geraldton Yacht Club for relocations.

## 14. Property, plant and equipment

	Channels & Breakwaters \$'000	Land \$'000	Buildings & Improvements \$'000	Plant & Equipment \$'000	Berths, Jetties & Infrastructure \$'000	Work in Progress \$'000	Total \$'000
<b>Cost or deemed cost</b>							
Balance at 1 July 2014	98,210	6,904	3,049	43,289	99,066	3,085	253,603
Additions	-	-	1	1,193	-	1,536	2,730
Transfer from work in progress	-	-	-	81	-	(81)	-
Disposal	-	-	-	(111)	-	-	(111)
Balance at 30 June 2015	98,210	6,904	3,050	44,452	99,066	4,540	256,222
Additions	-	-	-	657	-	5,873	6,530
Transfer from work in progress	-	-	6	2,076	-	(2,083)	-
Disposal	-	-	-	(39)	-	-	(39)
Balance at 30 June 2016	98,210	6,904	3,056	47,146	99,066	8,330	262,712
<b>Accumulated depreciation and impairment</b>							
Balance at 1 July 2014	26,952	-	700	19,882	63,122	1,431	112,087
Depreciation for the year	2,340	-	124	2,179	6,012	-	10,655
Impairment loss	-	-	-	-	1,334	14	1,348
Disposal	-	-	-	(105)	-	-	(105)
Balance at 30 June 2015	29,292	-	824	21,956	70,468	1,445	123,985
Depreciation for the year	2,358	-	124	2,212	5,984	-	10,678
Impairment loss	-	-	-	-	-	-	-
Disposal	-	-	-	(37)	-	-	(37)
Balance at 30 June 2016	31,650	-	948	24,131	76,452	1,445	134,626
<b>Carrying amounts</b>							
At 30 June 2015	68,918	6,904	2,226	22,496	28,598	3,095	132,237
At 30 June 2016	66,560	6,904	2,108	23,015	22,614	6,885	128,086



## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 15. Trade and other payables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade payables	4,365	1,930
Other payables	205	127
GST payable	791	880
Accrued expenses	2,320	3,491
Other accrued interest	173	1,002
	<b>7,854</b>	<b>7,430</b>

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

#### 16. Interest bearing borrowings

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.

	2016 \$'000	2015 \$'000
<b>Current liabilities</b>		
Direct borrowings WATC	6,857	8,281
Finance lease liabilities	15	23
	<b>6,872</b>	<b>8,304</b>
<b>Non-current liabilities</b>		
Direct borrowings WATC	12,724	83,190
Finance lease liabilities	-	15
	<b>12,724</b>	<b>83,205</b>
<b>Financing arrangements</b>		
The Authority has access to the following lines of credit from the WATC:		
Total facilities available:		
Direct and special borrowings	21,200	107,900
	<b>21,200</b>	<b>107,900</b>
Facilities utilised at reporting date:		
Direct and special borrowings	19,581	91,471
	<b>19,581</b>	<b>91,471</b>
Facilities not utilised at reporting date:		
Direct and special borrowings	1,619	16,429
	<b>1,619</b>	<b>16,429</b>

### Significant terms and conditions

The amounts shown for WA Treasury Corporation (WATC) are the principal amounts expected to be repaid as part of the quarterly repayments during the life of the loans. The Authority has settled all Port Enhancement Project loans during the 2015/16 year, resulting in a significant reduction in loan balances.

All interest bearing borrowings are unsecured.

The fair value of these loans as at 30 June 2016 was \$20.1 million (2015: \$97.3 million).

### 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.

#### 2016

	Fixed interest rate							
	Variable interest rate \$'000	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
<b>Interest bearing borrowings:</b>								
Direct borrowings	-	6,857	3,181	1,600	1,222	1,233	5,488	19,581
Finance lease liabilities	-	15	-	-	-	-	-	15
	-	<b>6,872</b>	<b>3,181</b>	<b>1,600</b>	<b>1,222</b>	<b>1,233</b>	<b>5,488</b>	<b>19,596</b>
<b>Weighted average interest rate:</b>								
Direct borrowings		4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	
Finance lease liabilities		24.6%						

#### 2015

	Fixed interest rate							
	Variable interest rate \$'000	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
<b>Interest bearing borrowings:</b>								
Direct borrowings	65,154	7,460	7,131	3,535	2,044	1,761	4,386	91,471
Finance lease liabilities	-	23	15	-	-	-	-	38
	<b>65,154</b>	<b>7,483</b>	<b>7,146</b>	<b>3,535</b>	<b>2,044</b>	<b>1,761</b>	<b>4,386</b>	<b>91,509</b>
<b>Weighted average interest rate:</b>								
Direct borrowings		5.5%	5.5%	5.7%	5.7%	5.7%	5.7%	
Finance lease liabilities		24.6%	24.6%					

## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 17. Provisions

	2016 \$'000	2015 \$'000
<b>Current</b>		
Sick leave	915	912
Annual leave (a)	1,375	1,288
Long service leave (b)	401	350
Superannuation (c)	141	139
	<b>2,832</b>	<b>2,689</b>
<b>Non-current</b>		
Long service leave (b)	728	607
Superannuation (c)	2,700	2,612
Provision for site remediation costs	542	1,575
	<b>3,970</b>	<b>4,794</b>

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

	2016 \$'000	2015 \$'000
Within 12 months of Statement of Financial Position date	1,375	1,288
More than 12 months after Statement of Financial Position date	-	-
	<b>1,375</b>	<b>1,288</b>

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after Statement of Financial Position date.

Assessments indicate that actual settlement of the liabilities will occur as follows:

	2016 \$'000	2015 \$'000
Within 12 months of Statement of Financial Position date	401	350
More than 12 months after Statement of Financial Position date	728	607
	<b>1,129</b>	<b>957</b>

The settlement of annual and 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. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 9 'Other expenses'.

- (c) Defined benefit superannuation plans

The following is a summary of the most recent financial position of the Pension Scheme related to the Authority calculated in accordance with AASB 119 Employee Benefits.

	2016 \$'000	2015 \$'000
Amounts recognised in the Statement of Financial Position:		
Present value of unfunded obligations	2,841	2,751
	<b>2,841</b>	<b>2,751</b>
Reconciliation of movement in the present value of the unfunded obligations recognised in the Statement of Financial Position:		
Opening balance	2,751	2,415
Defined benefit cost	73	88
Remeasurements	156	335
Benefits paid (including expenses and taxes)	(139)	(87)
	<b>2,841</b>	<b>2,751</b>
<b>Amounts recognised in the Statement of Comprehensive Income:</b>		
Interest cost	73	88
<u>Other comprehensive income</u>		
Actuarial losses/(gains)	156	335
	<b>229</b>	<b>423</b>
<b>Historic summary:</b>		
Defined benefit plan obligation	2,841	2,751
Plan assets	-	-
	<b>2,841</b>	<b>2,751</b>
<b>Principal actuarial assumptions:</b>		
Discount rate	2.26%	2.74%
Expected future salary increases	3.50%	4.00%
Expected future pension increases	2.50%	2.50%

#### Expected contributions

Employer contributions are made to meet the cost of retirement benefit obligations as they fall due. For further details regarding the policy in respect of provision for retirement benefit obligations, refer to note 2(l).

#### Movements in provisions

Reconciliations for the carrying amounts of each class of provision, except for employee benefits are set out below:

	2016 \$'000	2015 \$'000
<b>Retirement benefit obligations</b>		
Carrying amount at 1 July	2,751	2,415
Provisions made during the year	229	423
Amounts utilised in the year	(139)	(87)
Carrying amount at 30 June	<b>2,841</b>	<b>2,751</b>



## MID WEST PORTS AUTHORITY

### Notes to the financial statements

#### For the year ended 30 June 2016

##### Sensitivity Analysis

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

Scenario A and B relate to the discount rate sensitivity. Scenario C and D related to expected pension increase rate sensitivity.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% higher discount rate assumption

Scenario C: 0.5% lower expected pension increase rate assumption

Scenario D: 0.5% higher expected pension increase rate assumption

	Base Case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa pension increase rate	Scenario D +0.5% pa pension increase rate
Discount rate	<b>2.26% pa</b>	1.76% pa	2.76% pa	2.26% pa	2.26% pa
Pensions increase rate	<b>2.50% pa</b>	2.50% pa	2.50% pa	2.00% pa	3.00% pa
Defined benefit obligation (A\$'000s)	<b>2,841</b>	3,039	2,663	2,662	3,037

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other obligations.

##### Funding arrangements

The employer contributes, as required, to meet the benefits paid.

##### Expected contributions

Financial year ending	30 June 2016
Expected employer contributions	141

##### Maturity profile of defined benefit obligation

The weighted average duration of the Authority's defined benefit obligation is 13.5 years.

#### 18. Other liabilities

	2016 \$'000	2015 \$'000
<b>Current</b>		
Prepaid rental income	<b>77</b>	34

## 19. Equity

	Notes	2016 \$'000	2015 \$'000
<b>Contributed equity</b>			
Balance at start of the year as previously reported		8,436	8,436
Capital contributions		70,944	-
Balance at end of year		79,380	8,436
<b>Retained earnings</b>			
Balance at start of year		63,970	70,263
Profit for the period		20,693	19,541
Other comprehensive income		(109)	(235)
Dividends paid	11	(11,485)	(25,599)
Balance at end of year		73,069	63,970

## 20. Non-current assets held for sale

There are currently no non-current assets held for sale.

## 21. Reconciliation of cash flows from operating activities

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Profit for the period		20,693	19,541
Adjustments for:			
Depreciation	6	10,678	10,655
Impairment / (reversal) of assets	14	-	1,348
Impairment of Other Receivables	13	-	2,012
Finance costs	8	8,426	5,184
Reversal of provision		(1,119)	-
Interest revenue		(1,279)	(1,358)
Net profit on sale of property investment	5	-	(206)
Net profit on sale of property, plant and equipment	5	(14)	(12)
Income tax expense	10	8,111	8,072
<b>Operating profit before changes in working capital and provisions</b>		<b>45,496</b>	<b>45,236</b>
Change in trade and other receivables		348	(1,206)
Change in trade and other payables		1,253	187
Change in provisions and employee benefits		910	442
		<b>2,510</b>	<b>(577)</b>
Interest paid		(9,251)	(5,271)
Interest received		1,235	1,361
Income taxes paid		(10,450)	(12,237)
<b>Net cash from operating activities</b>		<b>29,540</b>	<b>28,512</b>

## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

#### 22. Financial instruments

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

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

The Authority uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the executive management under policies approved by the Board. The executive management identifies, evaluates and manages financial risk in close co-operation with the Port's operating units. The Board provides written policies for the Authority's administration of risk management.

##### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates 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, other financial assets and cash and cash equivalents. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities or at variable rates. 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 and the majority of its borrowings are in fixed interest. Cash and cash equivalents and other financial assets are held in variable or fixed rate short term deposits.

##### Sensitivity analysis for variable rate instrument

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 closely monitors its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and alternative financing structures. At the Statement of Financial Position date, if interest rates had moved as illustrated in the following table, with all other variables held constant, the effect would be as follows:

	Carrying Amount \$'000	+0.50% change Profit \$'000	-0.25% change Profit \$'000
<b>Interest rate risk 2016</b>			
<b>Financial Assets</b>			
Bank balances	44,568	223	(111)
<b>Financial Liabilities</b>			
Interest bearing borrowings			
Variable rate	-	-	-
<b>Total Increase / (Decrease)</b>		<b>223</b>	<b>(111)</b>

	Carrying Amount \$'000	+0.50% change Profit \$'000	-0.25% change Profit \$'000
<b>Interest rate risk 2015</b>			
<b>Financial Assets</b>			
Bank balances	33,996	170	(85)
<b>Financial Liabilities</b>			
Interest bearing borrowings			
Variable rate	65,154	(326)	163
<b>Total (Decrease)/Increase</b>		<b>(156)</b>	<b>78</b>

### 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 Statement of Financial Position 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 below. Revenue from two customers of the Authority represents approximately 28% (2015: 27%) of the Authority's total revenue.

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 receivable balances includes frequent monitoring thereby minimising the Authority's exposure to bad debts. For financial assets that are either past due or impaired, refer to note 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. The Authority currently issues credit to approved customers.

### Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as and when 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 appropriate procedures are in place to manage cash flows, including monitoring forecast cash flows to ensure sufficient funds available to meet its commitments.

The table below reflects that contractual maturity of financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the Statement of Financial Position date. The table includes both interest and principal cash flows. An adjustment has been made where material.

## MID WEST PORTS AUTHORITY

### Notes to the financial statements

For the year ended 30 June 2016

Financial liabilities	Carrying Amount \$'000	6 mths or less \$'000	Including interest			
			6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
<b>2016</b>						
Trade and other payables	6,934	6,934	-	-	-	-
Interest bearing borrowings	19,596	4,379	4,026	4,133	6,200	7,132
	<b>26,531</b>	<b>11,314</b>	<b>4,026</b>	<b>4,133</b>	<b>6,200</b>	<b>7,132</b>
<b>2015</b>						
Trade and other payables	7,430	7,430	-	-	-	-
Interest bearing borrowings	91,509	6,558	6,465	11,938	19,133	79,498
	<b>98,939</b>	<b>13,988</b>	<b>6,465</b>	<b>11,938</b>	<b>19,133</b>	<b>79,498</b>

#### (ii) Categories of financial instruments

Set out below are the carrying amounts of the Authority's financial instruments. With the exception of interest bearing borrowings, the directors consider the carrying amounts of the financial instruments represent their net fair values.

	2016 \$'000	2015 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	44,568	33,996
Trade and other receivables	12,076	12,424
<b>Financial liabilities</b>		
Trade and other payables	6,934	7,430
Interest bearing borrowings	19,596	91,509

The fair value of interest bearing liabilities is \$20,090,641 (2015: \$97,348,247)

#### (iii) Fair values

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



## 23. Commitments

### (i) Capital expenditure commitments

	2016 \$'000	2015 \$'000
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	6,772	5,154
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<b>6,772</b>	<b>5,154</b>

### (ii) Lease commitments

	2016 \$'000	2015 \$'000
Lease commitments in relation to leases contracted for at the Statement of Financial Position date but not recognised in the financial statements as liabilities are payable as follows:		
Within 1 year	215	284
Later than 1 year and not later than 5 years	346	587
Later than 5 years	337	366
	<b>898</b>	<b>1,237</b>
Representing:		
Cancellable operating leases	898	1,237
	<b>898</b>	<b>1,237</b>

Operating leases payable are in respect of motor vehicles and office rentals.

### (iii) Operating leases receivable

	2016 \$'000	2015 \$'000
Future minimum rentals receivable for operating leases at reporting date:		
Within 1 year	3,801	3,952
Later than 1 year and not later than 5 years	10,511	8,892
Later than 5 years	14,628	14,199
	<b>28,940</b>	<b>27,043</b>

Operating leases receivable are in respect of property rentals.

## 24. Remuneration of auditor

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

	2016 \$'000	2015 \$'000
Auditing the accounts and financial statements	65	63

## **MID WEST PORTS AUTHORITY**

### **Notes to the financial statements**

**For the year ended 30 June 2016**

#### **25. Related parties**

**I King**

**N Ashcroft AM**

**S Chamarette**

**K Halbert**

**Dr S van Leeuwen**

**B Boelen**

There are no transactions in the year with the directors or other related parties.

#### **26. Contingent liabilities**

There are no known contingent liabilities at the date of preparing this report.

#### **27. Contingent assets**

The authority is in dispute with a customer regarding potential additional income arising from contractual arrangements with the customer.

The outcome of the dispute is yet to be determined and therefore no amount for this matter has been included in this financial report.

#### **28. Events occurring after the balance sheet date**

The Authority has returned surplus capital injection, that was received during the year, to the West Australian Government after the balance sheet date. The value of the returned capital is \$3.078 million (refer note 12).

Except as disclosed above, there has not arisen 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 the Authority, in future financial years.

## Directors' declaration

In the opinion of the directors of Mid West Ports Authority (the "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 2016 and of 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:



**Ian King**  
**CHAIRMAN**  
26th August 2016



**Noel Ashcroft AM**  
**DEPUTY CHAIRMAN**  
26th August 2016



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

#### MID WEST PORTS AUTHORITY

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

#### Opinion

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

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Directors' Responsibility for the Financial Report

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

#### Auditor's Responsibility for the audit of the Financial Report

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

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

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

### **Independence**

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

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

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



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

31 August 2016













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