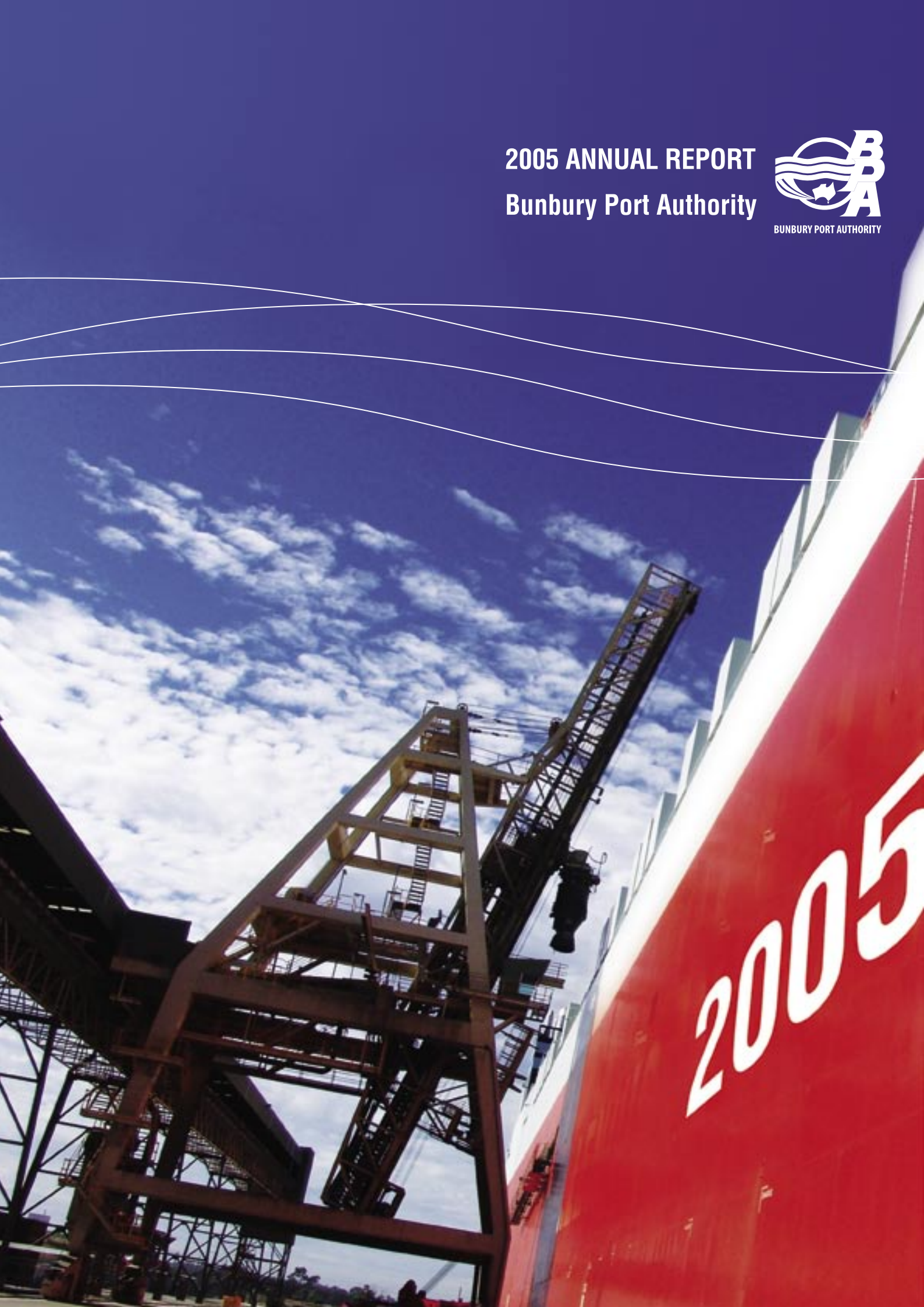


2005 ANNUAL REPORT

Bunbury Port Authority



BUNBURY PORT AUTHORITY





ANNUAL REPORT 2005

To the Hon Alannah MacTiernan MLA
Minister for Planning and Infrastructure

In accordance with section 68 and clauses 34 and 35 of Schedule 5 of the Port Authorities Act 1999, I hereby submit for your information and presentation to Parliament, the Annual Report of the Bunbury Port Authority for the year ended 30 June 2005.

Jim Brosnan
Chairman
Board of Directors





CONTENTS



Chairman's Report	2
Chief Executive Officer's Review of Operations	6
Sustainability Report	10
Statement of Corporate Governance Practices	13
Compliance Statement	18
Corporate Structure	21
Trade Performance	22
Trade Statistics	23
Strategic Performance Indicator Results	24
5 Year Financial Performance Summary	27
Directors' Report	28
Statement of Financial Position	34
Statement of Financial Performance	35
Statement of Cash Flows	36
Notes to the Financial Statements	36
Directors' Declaration	55
Independent Audit Report	55
Corporate Directory Information	57



CHAIRMAN'S REPORT ○ ○ ○ ○

During the year cargo handled was



OVERVIEW

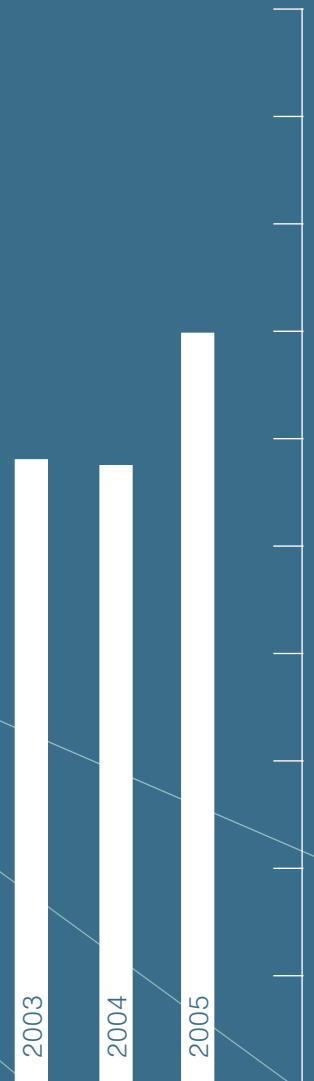
On behalf of the Board of the Bunbury Port Authority I am pleased to report a profit after tax of \$2.873 million for the twelve month period ending 30 June, 2005. This represents a slight decrease of 3.1% compared to the previous year.

During the year cargo handled was a record 12.267 million tonnes, which is an increase of 4.6% compared to the same period last year. Factors that contributed to this were the commencement of exports by Hansol (woodchips) and TiWest (mineral sands), which more than offset decreases elsewhere such as silica sands and the impact of increased international shipping costs.

It is particularly pleasing to report that in June 2005 the BPA achieved the requirements for a GOLD Certificate of Achievement under the Department of Consumer and Employment Protection's Worksafe Plan assessment process, which rates occupational safety and health management systems.

There has been a strong drive over the last 12 months to improve the rapport with the community by improving the level of communications together with consultation and ensuring that issues of concern are addressed.

A great deal of effort has gone into developing a long term strategy for the port, including commencing the development of a Structure Plan and commissioning a number of studies, the results of which, will enable the planning process to move forward. There have been significant challenges and controversial issues during the previous 12 months. Griffin are looking to commence coal exports from the port of Bunbury and this unfortunately has lead to legal action being taken by another of our port users with respect to concerns relating to the use of Berth 8 for coal exports. There has also been the issue of the proposal by WAPRES to establish a woodchip mill at the port. Unfortunately neither of these issues has yet been resolved.



a record 12.267 million tonnes, which is an increase of 4.6% compared to the same period last year.

During the year we unfortunately lost the services of two individuals who had been associated with the port for a very long time. Dom Figliomeni, who had been CEO for 12 years, resigned in February to take on a new challenge as CEO of Port Kembla. Dom was always untiring in his commitment, not only to the port but also to the South West region and had a significant impact in terms of the growth of the port and the exciting future which we are facing. Dom has been replaced as CEO by Gary Crockford who joined the port in May of this year. Gary has a background in the mining industry and also has had a long term involvement with the South West of WA. He has also had a number years involvement with the port as a port user through his involvement with Cable Sands. I would like to express my appreciation for the work done by John Barratt as acting CEO, who took on this role on top of his normal duties as Chief Financial Officer. During the period prior to Gary's appointment, invaluable support to John and myself was also provided by Kevin Strapp (Department of Premier & Cabinet) and John Morris of DPI.

We also lost the services of Hugh Evans who entered well earned retirement after 12 years service with the Bunbury Port Authority, 7 years as Harbour Master, and a total of 16 years as a pilot in Bunbury. Our new Harbour Master is Helen Cole (Australia's first female Harbour Master) who has settled in very well and quickly earned the respect of our port users.

In last year's report a new initiative was noted with respect to the Board whereby several portfolios were established to enable the Board to assist with the future performance of the Authority as well as allowing Directors to gain greater understanding of port operations and port issues. This has worked well and I would like to thank my fellow Board Members for their contribution. I would like to mention in particular Gary Brennan who made a very significant contribution in terms of Infrastructure and Land Use Planning and who unfortunately did not seek reappointment to the Board at the end of June this year.

COMMUNITY RELATIONS AND SUSTAINABLE DEVELOPMENT

The Bunbury Port Authority takes very seriously its responsibility to work closely with the local community to ensure that they are not impacted unreasonably by any activities or development within the port. Similarly we must ensure that all development meets the principles of sustainability.

During the year consultation forums were held to advise community of improved environmental monitoring, to listen to their concerns and to seek their input with respect to the Structure Plan, which will provide the basis for future port development.

A contract has been awarded to SVT Engineering Consultants for the development of a cumulative noise model. The noise model when completed will provide information to the BPA on a port user's ability to comply with noise limits imposed under the EPA regulations. This information will assist the BPA and port users to better understand the impact of cumulative noise emitted from the various port operations and develop options to assist in mitigating the major sources of noise.

The port continues to support Landcorp in terms of the project to redevelop the Outer Harbour, which they are managing on behalf of the State Government. Discussions are proceeding on a tentative basis with the Outer Harbour port users but will be accelerated once the time frame of the project has been confirmed.

INVESTMENT IN INFRASTRUCTURE / LAND USE PLANNING

To ensure the port develops in a manner which maximizes the use of resources, particularly land, it is necessary to have a long term strategy for the future. For this reason a number of studies have been commissioned to examine alternative development options and a Structure Plan for the port as a whole is in preparation.

The Urban Design Centre was appointed to develop the Port Land Use Structure Plan to provide greater certainty for future land development within the port precinct.

Maunsell completed a prefeasibility study into the relocation of the rail, road and Preston River to accommodate an extension of the Inner Harbour. Agreement was reached with SWDC to purchase land in Glen Iris adjoining the port over three years. This land will be needed to accommodate a diversion of the Preston River.

The contract for the investigation into the harbour and channel deepening was awarded to SKM. The results of the investigations will be completed early in the new financial year. Decisions will then be made by the Board as to the best option for the future development of the Inner Harbour and the construction of new berths. Following tenders, a contract has also been awarded to SKM for the preparation of a referral document to seek the level of assessment required by the EPA for the development of the Inner Harbour.

In order to accommodate expansion plans by the Alumina producers, Worsley commenced construction of Berth 6, which will mean that Worsley and Alcoa will then each have a dedicated berth. This is scheduled for completion by the end of 2005.



BUSINESS DEVELOPMENT

Two new companies have commenced exporting from the Bunbury port during the last 12 months. TiWest began operations at the port following upgrading of shed 8-3 and construction of shed 8-5 at a total cost of \$3.7m. Hansol constructed a woodchip mill at the port and commenced exporting woodchip in August of 2004.

WAPRES are also seeking to establish a woodchip mill facility in the port but the City of Bunbury has opposed this proposal and the issue is yet to be resolved.

Developing a container import / export service is still very much on the agenda but the most exciting project at present is the potential export of coal from Bunbury. Extensive discussions have been held with Griffin Coal with respect to establishing an export trade through the port for Collie coal. It is a project of major significance for the South West region. The Bunbury Port Authority, in conjunction with the City of Bunbury and Griffin Coal, arranged for a delegation (including community representatives) to visit a major coal handling facility on the east coast. Two hundred tonnes of coal were also passed through the materials handling / loading facilities to identify any problems which might arise such as dust generation or cross contamination of other products using the facility. Coal had been transported to the port and stockpiled in preparation for a trial shipment proposed for April / May 2005 but due to circumstances which arose unexpectedly this material was transported to Kwinana for use by Western Power. It is still expected, however, that an initial trial will take place before the end of 2005.

Another user of Berth 8, Hansol, has raised concerns with respect to the potential risk of cross contamination of their woodchips with coal dust. Hansol unsuccessfully sought a Supreme Court injunction to stop coal exports over Berth 8. Hansol has appealed the decision and it is to be heard in the Appeal Court in September 2005.

The Bunbury Port Authority is confident that there is no reason why both coal and woodchip cannot be exported from the port in future to the satisfaction of all its customers.

OUTLOOK

In July 2005 at the start of a new financial year the port is poised to move forward into an exciting period of development. It is important, however, that we do not move forward rashly and that we ensure careful planning is undertaken to underpin the long term sustainability of the port.

We must also always work closely and in consultation with our partners and stakeholders. This includes not only the port users and State Government but also the City of Bunbury as well as the community, both local and regional.

Periods of growth are usually challenging periods, it means that berth usage rates will increase and more work will be required in terms of the scheduling of ships to minimise inconvenience. There is also some potential for inconvenience related to construction and dredging work. I am certain, however, that with a spirit of cooperation, such inconveniences will prove to be minor.



...the port is poised to move forward into an exciting period..

ACKNOWLEDGEMENT

In conclusion I would like to acknowledge the Board of Directors for the support given to me as Chair as well as management and employees of the Authority for their valuable contribution in the past twelve months. I would also like to acknowledge the work of Deputy Chair Gary Brennan, whose term expired in June 2004 and who did not seek reappointment.

Finally I would like to acknowledge all of the service providers and customers of the Port, for without their support and cooperation, the Authority would not have achieved such high performance levels during the past 12 months.

Jim Brosnan
Chairman
Bunbury Port Authority



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



PERFORMANCE SUMMARY

The port achieved an all time record cargo movement of 12.3 million tonnes for the year and continued advancement of port sustainability.

Key events during the year included:

- Record cargo supported by growth in woodchip export and caustic soda import;
- Commencement of Hansol PI woodchip exports;
- TiWest commencing mineral sands export from the Port;
- No Lost time injuries for BPA employees;
- Commencement of a Port Land Use Structure Plan;
- Construction underway for a second Alumina berth.

Port trade during 2004/05 increased 4.6% over the previous 12 months and totalled 12.3 million tonnes just below the budget estimate of 12.5 million tonnes.

Growth in woodchip export has been evident in both Hansol PI and WAPRES operations with woodchip overtaking mineral sands as the second largest cargo in the Port, growing by 65% over the previous year to a record 1.2 million tonnes.

The growth in trade generated revenue of \$17.7 million, exceeding budget by 7.0% and a resultant profit (before tax) of \$4.351 million after significant expenditure for feasibility studies for the channel deepening and inner harbour development.

The Bunbury Port Authority further reduced its debt to equity ratio from 17.5% to 16.9% and remains well positioned to undertake expansion opportunities as they identify themselves in a strong resource sector export period.



The port achieved an all time record cargo movement of 12.3 million tonnes for the year and continued

PORT DEVELOPMENT

Sustainable development of the port is a key focus of the Bunbury Port Authority. Two major developments are on the horizon. The redevelopment of the Outer Harbour as a residential and tourist precinct whilst retaining a cruise ship capability and development of the Inner Harbour to accommodate displaced trade from the Outer Harbour and new exports and imports, notably that of coal.

To provide direction to the plans which will shape the Port and its interaction with the community over the next 30 years a "Port Structure Plan" is being developed under the guidance of the Urban Design Centre. Community input to the plan is being achieved through public meetings and the Port's Community Liaison Committee. The plan has produced concepts for various port perimeter buffers allowing enhanced public use of the space and various port "zones" where environmental considerations will determine the Port use for the area.

Reduction of adverse impact on the community has continued during the year with several initiatives introduced into Port operations. A significant investment in road and berth sweeping has been made to reduce fugitive dust from the Port. Synthetic Rutile loading has been relocated from the Outer Harbour to the Inner Harbour to take advantage of the Cascade Chute technology at Berth 8 which reduced dust emissions during loading.

The static dust monitoring program around the city ran for a year and is indicating dust loadings typical of urban environments. This work will be bolstered further by Tapered Element Oscillating Microbalance (TEOM) continuous monitoring in the coming year. The TEOM will monitor and measure the ambient particulate mass concentration of PM-10 and TSP (total suspended particulate matter) in real time.

To identify opportunities for noise reduction and assist in planning for further Port development a "Cumulative Noise Model" was commenced during the year. Once completed, operating scenarios and noise mitigation methods can be modelled to test the effectiveness in changes to noise levels within the surrounding community.

The Authority will be appointing an Environmental Health & Safety Officer in the new financial year to strengthen its credentials in these important areas.

The Port Access Road and service corridor have been included in the State Governments forward budget estimates and planning is being co-ordinated with the Department of Main Roads. Once completed the Access Road will reduce the interaction of heavy haulage and general traffic around the Port.

The Authority will continue to pursue opportunities when they arise with a view to establishing a regular container service through the Port of Bunbury. There are significant economic benefits to the South West region that can flow from a Bunbury based container service, especially in relation to land transport costs to and from Fremantle for regional importers and exporters.

PORT OPERATIONS

A record cargo year was achieved on a similar cargo mix as last year.

Growth in woodchip exports was particularly strong as the Hansol export operation commenced and coupled with TiWest mineral sands shipments, offset reductions in exports from other mineral sands companies and underwrote the performance.

Potential for coal export remains positive despite a number of delays that occurred during the year. Trial export shipments of coal should occur in the first half of the next financial year and if successful can underpin significant Port development.

The Worsley shiploader and Berth 6 construction is well underway and once completed will reduce congestion of the single Berth 4 Alumina terminal and accommodate further growth in Alumina export through the Port. Completion of the Worsley facility at Berth 6 is due in November 2005

At year end, studies into deepening of the harbour and approach channel are nearing completion. The ability to fully load Panamax class vessels, which are currently restricted on draft or potentially accommodate Capesize vessels, would provide freight savings to our customers and improve berth utilization with less ship movements.

Port security continues to function in accordance with the Authority's approved Security Plan. The Authority is progressing with the implementation of the Maritime Security Identification Card over the next 12 months.

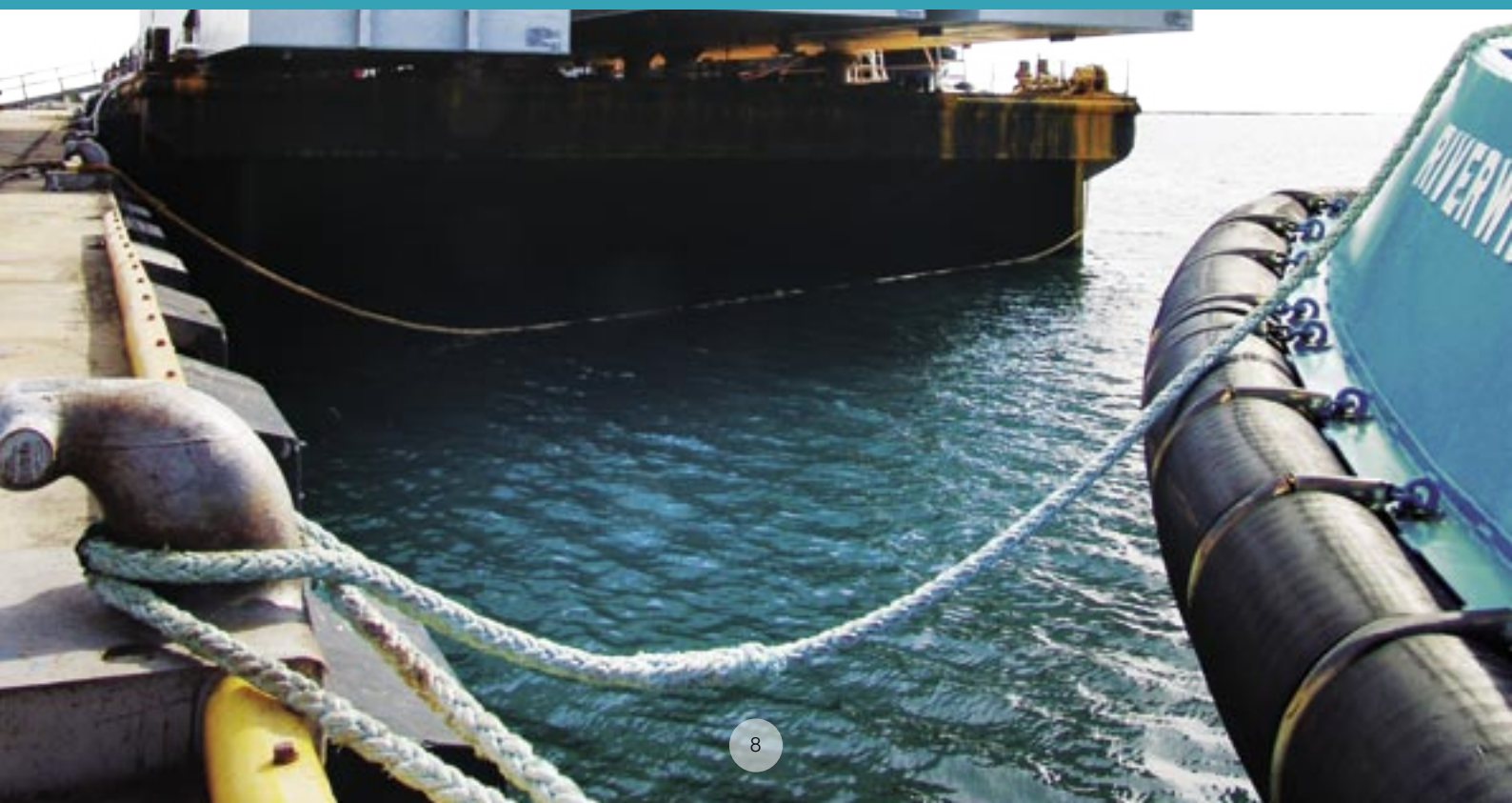
Additional internal security fencing has been established at both the Inner and Outer Harbours. During the year two reports were made to DoTaRS under the Marine Transport Security Act over fishing activity at Berth 8.

The Authority is planning to conduct a security exercise in October 2005 which will involve all key stakeholders who are involved in the Port.

Safety performance was strong with no lost time incidents reported for the year. The Bunbury Port Authority and its employees achieved Gold Accreditation in the State Workplace Safety System. Capital and operating improvements will continue to ensure the Port functions in a safe manner.



A record cargo year was achieved on a similar cargo mix as last year...



FINANCIAL PERFORMANCE

The financial performance of the Port for the year resulted in a profit before tax of \$4.351 million which was 14.0% below budget. The lower profit performance was mainly attributed to significant expenditure of \$0.929 million for the geotechnical investigations and feasibility study work required to accurately determine the volumes and cost estimates for the proposed future Inner Harbour development and channel deepening. Total revenue of \$17.718 million which was underpinned by the increase in trade was up by 7.2% compared to budget, while operating costs were up significantly by 16.6% compared to budget to a total of \$13.367 million.

The main increases in revenue occurred in areas such as sundry revenue which increased due to a large insurance claim for Berth 3, interest received on cash invested on the short term money market and lease rentals due to new leases commencing during the year.

Operating costs rose due to the feasibility investigation work, due to storm damage repairs to Berth 3, offsetting the insurance revenue, legal fees, termination and superannuation payments for staff who either resigned or retired during the year and an increase in land tax. There was also a general increase in port maintenance costs for the year reflecting labour and materials costs.

While the profit performance was below expectations the Authority's balance sheet continues to improve with total equity increasing to \$80.3 million and a further reduction in borrowings of \$0.482 million to \$13.616 million. The reduction in debt is supported by the improved interest coverage of 7.1 times and high working capital ratio.

Port infrastructure charges were increased marginally during the year by 2.5% to assist with the increased security requirements of the port and is testament to the Authority's commitment to customers to provide competitive trade movements through the port.

The ports customer base expanded during the year with two significant new exporters. Hansol started woodchip exports in August 2004 and Tiwest commenced export of mineral sands products and import of petroleum coke in September 2004.

The Bunbury Port Authority will continue to pursue new trade opportunities to increase the diversification of its trade base which is vital to the long term future of the port.

Capital works projects that were undertaken or completed during the year included:

- Construction of a bulk storage shed and significant modification to existing storage facilities to accommodate Tiwest exports and imports.
- Conveyor walkways for provision of safe maintenance access.
- Purchase of freehold land in Glen Iris for the future Preston River diversion.

The timing of the next stage of the Inner Harbour development will be dependant on customer demand projections and the outcomes of the feasibility studies which will be completed in the first half of the new financial year.

ACKNOWLEDGEMENT

The contribution that Mr Dom Figliomeni made to the Bunbury Port Authority over 12 years cannot go unrecognized. His dedication, hard work and drive has realised growth in trade and activity through the Port which has led to the strong and competitive financial position that the Authority currently has.

The Authority wishes Dom every success in his new position as Chief Executive Officer at Port Kembla Port Corporation.

Directors of the Bunbury Port Authority provided strong support and strategic direction during the year which will guide the Port's future.

Mr Gary Brennan resigned from the Board after five years and his work on various sub-committees, including Land Use Planning and Chair of the Internal Audit committee will be missed.

Employees continue to show their commitment to the operation of the Port and its users for which I thank them.

The Ports functioning is also enriched by the various community and customer committees and their endeavours are recognized in the performance of the Port.



Gary Crockford
Chief Executive Officer



SUSTAINABILITY REPORT

SOCIAL

The Authority places considerable importance on the continuous improvement in the safety and training of its workforce. A number of strategies are used to enhance its social responsibility including;

- provide training and professional development for our employees;
- review our work practices and procedures on a regular basis to minimize the risk of injury to our employees, contractors and other persons using the Port;
- make the Port a safe working environment; and
- ensure fairness and equity in the workplace to all employees.

Safety Committee meetings are held on a regular basis with service providers and key operational personnel to discuss work practices and procedures. Where potential risks to the workforce are identified appropriate actions are implemented to eliminate or minimize the risks.

The Committee considers a variety of issues pertaining to Port operations, which are both of a marine and land based nature.

Evidence of the Authority's commitment to safety in the workforce was the awarding in June 2004 of the Gold Accreditation to the Authority through Work Safe for its Occupational Health and Safety plan.

During the year, management is pleased to report that there was no time lost due to injury of Port Authority employees and no major incidents occurred in the Port.

The Authority's workers' compensation performance for the year compared to the previous four years is illustrated below:

Factors	2005	2004	2003	2002	2001
No. of Lost Time Injuries	0	0	0	0	0
Frequency Rate (a)	0	0	0	0	0
Estimated Cost of Claims Incurred per \$100 wage roll (b)	0.0000	0.0000	0.0000	0.0000	0.0829
Contribution (Premium) Rate (c)	1.91%	1.97%	2.52%	2.60%	2.39%
Rehabilitation Success Rate (d)	-	-	-	-	-



Notes:

- (a) The lost time injury frequency rate is the number of lost time injuries/diseases where one day or more was lost multiplied by 1,000,000, divided by the total hours worked.
- (b) Estimated cost of claims incurred per \$100 wages is the actuarially estimated cost of claims incurred in the renewal period, adjusted to their present day value, multiplied by 100, divided by total wages.
- (c) Contribution premium rate is the total premium paid, multiplied by 100 and divided by total wages.
- (d) Rehabilitation success rate is the number of rehabilitated employees, multiplied by 100 and divided by the number of eligible employees.

These results indicate that the Authority's workforce has again achieved an excellent safety outcome for the year with no lost time injuries and a further reduction in the contribution rate for workers compensation.

It is also a requirement that all incidences in the Port, regardless of the circumstance or whether it is in an incident relating to a contractor or service provider that they are reported and recorded in the Authority's data base.

COMMUNITY SERVICE OBLIGATIONS

During the year the Authority contributed to a number of community based service providers by charging only peppercorn rental on their lease areas. The monetary contributions to these community services were:

Description of Lease	Area m2	Peppercorn Rent Charged	Commercial Rent	CSO Value
Naval Cadets Club Room Site	1,700	\$50.00	\$4,284.00	\$4,234.00
Bunbury Lifeboat Foundation	250	\$10.00	\$630.00	\$620.00
Department of Waters & Rivers (DoE) (Nursery Site)	6,600	\$1,100.00	\$16,632.00	\$15,532.00
Western Tourist Radio	1,000	\$ 454.55	\$2,520.00	\$2,065.45
Total Monetary Contributions to CSO's				\$22,451.45

COMMUNITY AND ENVIRONMENT

The Port Community Advisory Committee (PCAC) has continued throughout the year to explore Port issues and developments which may have an impact on the community. Members reviewed Committee terms of reference with the assistance of Dr Neil Drew from the University of Western Australia.

The Community Issues Register has proven to be a well accepted conduit for matters of concern relating to activities within the port to be formally recorded and investigated.

For the 12 month period ending 30 June 2005, the Authority recorded a total of 81 contacts from members of the community relating to issues associated with port activities. A summary of these contacts is as follows:

2 related to dust from operations at the Outer Harbour;
79 related to Inner Harbour Operations as follows;
25 for dust
54 due to noise

While this was an increase on the previous year, community members were in general more aware of the need to formally record issues and this has been encouraged by the Authority.

The majority of contacts relating to dust were observations of activities within Port boundaries that did not directly affect the surrounding community.

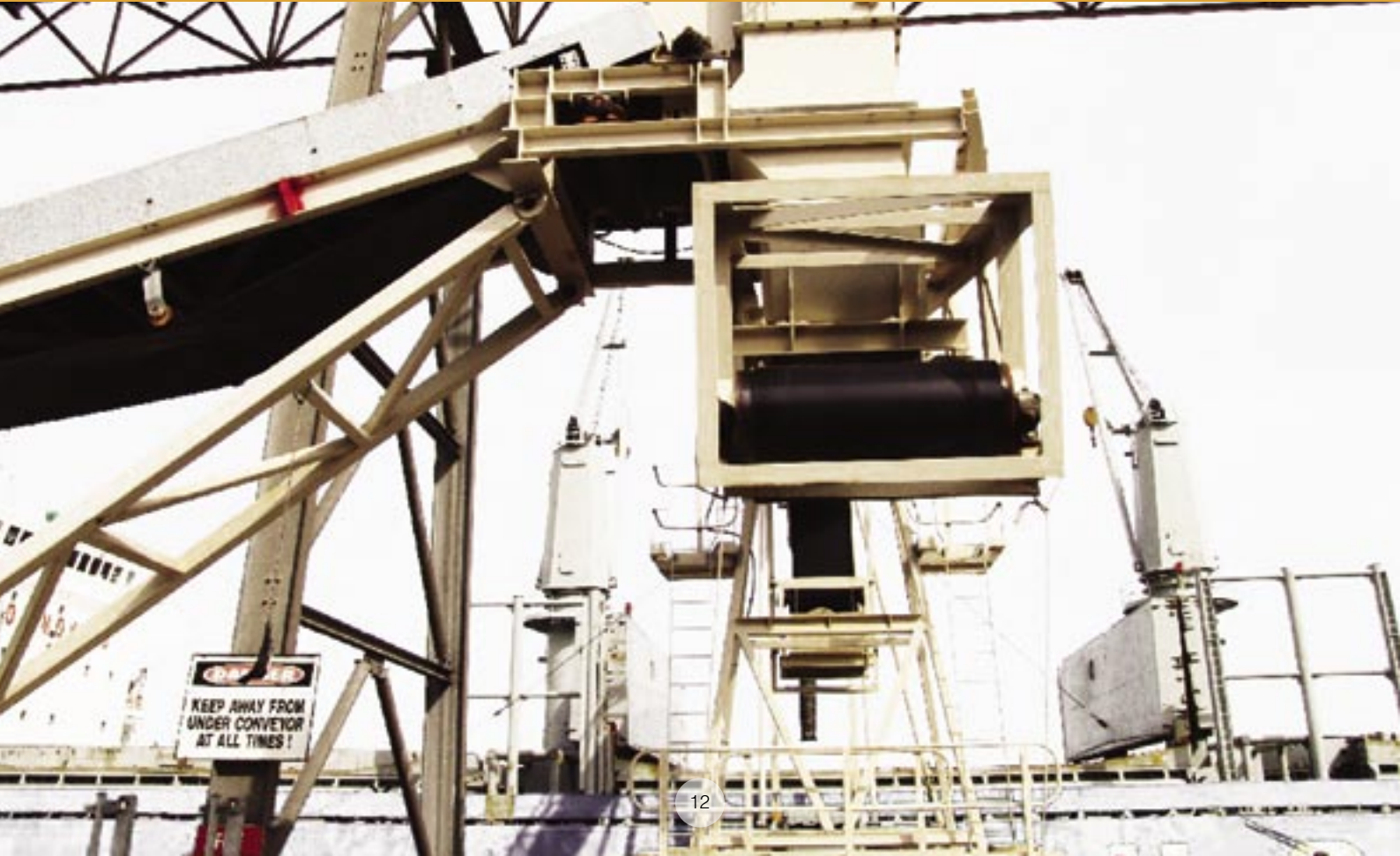
In all instances, these observations were investigated by the Port and the lease holder from where the dust was observed to be generated. When required, remedial action was taken to mitigate emissions.

Dust issues at the Outer Harbour have been reduced significantly due to the transfer of synthetic rutile (SR) loading to Berth 8 at the Inner Harbour.

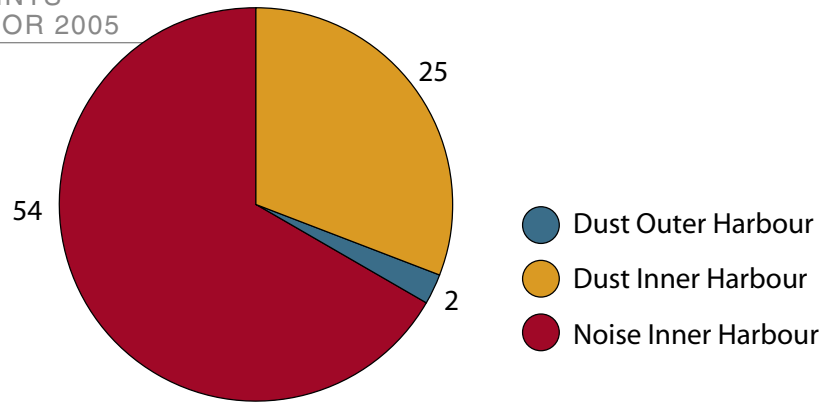
In addition, use of Cleveland Cascade Chutes by the Authority at Berth 8 and Alcoa at Berth 4 has resulted in major reductions in dust generated while loading alumina and other mineral products.

The new Worsley loading facility at Berth 6 to be completed by the end of 2005 will also incorporate a Cleveland Cascade Chute as part of its state of the art ship loader.

The majority of contacts relating to dust were observations of activities within Port boundaries that did not directly affect the surrounding community.



COMMUNITY COMPLAINTS
REGISTER RESULTS FOR 2005



The Authority has continued to establish baseline data for airborne dust levels within the Bunbury area using depositional (dust fall) dust samplers placed around the perimeter of the port in locations approved by the Department of Environment and City of Bunbury.

Sampling to date has indicated that the port contributes very little above control site levels to the general dust load with sea salt (NaCl) being a significant component. The depositional sampling will continue during 2005-06.

In addition, real time dust monitoring will be established in the near future using TEOM (Tapered Element Oscillating Microbalance) samplers. Locations for the samplers have been agreed with the Department of Environment and final approval is being sought from the City of Bunbury to locate 2 samplers on City owned land.

Early in the year, the predominant noise sources from the Inner Harbour were associated with scrap metal loading, the woodchip train and woodchip dozer operations.

Rubber matting was introduced to cut down noise levels when scrap metal skips were downloaded on the deck of the Berth.

While noise mitigation measures introduced last year for dozer operations have been successful in reducing operational noise, management of the woodchip stockpile continues to be a priority to minimize noise emissions.

Early in 2005, the woodchip train was replaced by trucks to haul chips into the port stockpile.

Contacts regarding noise from reversing beepers on mobile plant made up the balance of noise issues raised by the community.

The Authority is working with lease holders and other parties operating mobile plant in the Port to reduce beeper noise by either replacing them with flashing lights where safe to do so or replacing conventional beepers with "white noise" units to limit sound carry over.

As part of the overall noise management of the port activities, a noise buffer wall was considered during the year for the Inner Harbour boundary adjacent to Koombana Drive. While initial noise modeling studies have indicated that the noise wall may have limited effect, further investigation will continue into the feasibility of a noise wall.

A preliminary Cumulative Noise Model for the Port will be completed early in the 2005-06 year to more precisely identify the level of noise generated by Port operations. This model will better allow the Port to manage noise emissions where practicable to do so. It will also assist in noise control planning for future expansions to Port.

The Fourth Biennial Surveillance Survey of the Bunbury Harbour by Consultants SKM for water nutrients and marine pest species was completed during the year and the reports given to the Authority in February 2005.

Water quality in the harbour was found to be acceptable with indicator nutrients, chlorophyll and phytoplankton within guidelines.

The Marine Pests Survey found that no new introduced species were observed during the survey and that *"it can be concluded that although the Port of Bunbury has previously been the site of several invasions of marine pest species, there have apparently been no new invasions, particularly not of any key pest species"*.

Also, *"of the introduced marine pest species present in the Port no species appear to be increasing to pest proportions and the only key species, Sabella spallanzanii (European Fan Worm), has shown a distinct decline in abundance"*.



STATEMENT OF CORPORATE GOVERNANCE PRACTICES 2005

THE ORGANIZATION

The Bunbury Port Authority (the Authority) is a body corporate with perpetual succession and a common seal. Subject to the provisions of its enabling legislation, the Port Authorities Act 1999, the Authority is capable of suing and being sued and may acquire, hold and dispose of real and personal property.

The board of directors, as the governing body of the Authority, has adopted the following set of corporate governance principles as the framework by which the board carries out its duties and obligations on behalf of the government shareholder. These principles generally reflect the requirements, where applicable, of the Federal Government's Corporate Law Economic Reform Program Issue Paper No. 9 (CLERP 9) "Corporate Disclosure – Strengthening the Financial Reporting Framework".

THE BOARD OF DIRECTORS

ROLE OF THE BOARD

The board is responsible for setting the strategic direction and establishing the corporate policies and procedures of the Bunbury Port Authority. The board is responsible for overseeing the financial performance and monitoring the business activities of the Authority on behalf of the government as the sole shareholder by whom the directors are appointed and to whom they are accountable. The board also addresses issues relating to internal controls and procedures in relation to risk management both financial and operational.

Responsibility for day to day activities resides with the Chief Executive Officer who is accountable to the board for the efficient performance of the duties.

The board is empowered by legislation to determine its own procedures, and has established:

- Standing Orders to encourage maximum participation by directors at meetings of the board.
- A Corporate Governance induction manual covering the roles and responsibilities of the board of directors for the benefit of new members. The document emphasises the ethical, commercial and legal requirements of directors.
- A Corporate Governance Committee to ensure board efficiency, quality in outcomes and continuous improvement in board performance.
- Consistent with the powers of delegation contained in the enabling legislation, the board has defined appropriate levels of delegation to effectively manage the Authority's business with clear lines of accountability.
- An Audit Committee which oversees the internal audit program.

In addition directors have responsibility for distinct portfolios including government, business development, infrastructure, land use/Outer Harbour and community and environment. The intention of the portfolios is to provide an opportunity for directors to enhance their understanding of the long term planning and strategic development issues of the Bunbury Port in a manner which allows high level participation in strategy and policy setting and where appropriate community liaison.

These portfolios are assigned to the following directors:

- Government – Jim Brosnan
- Business Development – David Smith
- Infrastructure, Land Use/Outer Harbour – Neema Premji and Gary Brennan
- Community and Environment – Rosanne Pimm.

To ensure continuous improvement in the performance of the board, a number of directors attended a workshop on the Strategic Role of the Director convened by the Australian Institute of Company Directors.

COMPOSITION OF THE BOARD

The Authority has five non-executive directors including the Chairman. The Director's Report in the annual report contains details of each director's qualifications, skills and experience. The board generally meets four weekly and as required during the year when special meetings may be called.

APPOINTMENT AND RETIREMENT OF DIRECTORS

Directors are appointed by the Minister for Planning and Infrastructure in accordance with Section 7 (1) of the Port Authorities Act 1999. Retirement age for directors is 72, although annual extensions are available with Ministerial approval. Directors are appointed for periods of up to three years and are eligible for reappointment. The Minister may at any time remove a director from office and is not required to give any reason for doing so. The Minister appoints a director as Chairman and another as Deputy Chairman.

The Bunbury Port Authority (the Authority) is a body corporate with perpetual succession and a common seal.

INDEPENDENT PROFESSIONAL ADVICE

The Authority will permit any director to seek external professional advice as considered necessary in the performance of their responsibility as a director at the Authority's expense, with the approval of the Chairman.

CONFLICT OF INTEREST

In the event that a potential conflict of interest may arise, involved directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other board members or to make improper use of information or their position.

DIRECTORS FEES

Fees for directors are determined by the Minister in accordance with Section 10 of the Port Authorities Act 1999. Details of fees and other benefits paid to directors during the reporting period are provided in the Directors Report.

ETHICAL STANDARDS

The board recognises that the Authority's corporate governance, safety, occupational health, environmental and ethical standards must reflect best Australian and international practices. The board therefore keeps these practices under review on an annual basis. All directors and employees are required to meet high standards of ethical business practice and must abide by a code of conduct which is part of the Port Authority's policy Code of Conduct and Ethical Behaviour. These policies comply with the requirements of the Commissioner for Public Sector Standards.

REMUNERATION COMMITTEE

The Remuneration Committee of the board consists of all directors. The remuneration committee evaluates the performance and reviews and sets the remuneration of the Chief Executive Officer subject to the provisions of the Salaries and Allowances Act 1975 and the approval of the Minister. A comprehensive annual review includes performance evaluation based on key targets linked to the Statement of Corporate Intent as well as having regard to comparative remuneration and independent advice as may be required from time to time.

CORPORATE GOVERNANCE COMMITTEE

Due to a number of urgent issues arising during the year the Corporate Governance Committee did not meet. The role of the committee when it does meet is to ensure board efficiency, quality in outcomes and continuous improvement in board performance and in the decision making process. The committee consists of the Chairman and one Director with the Chief Executive Officer being an ex officio member.



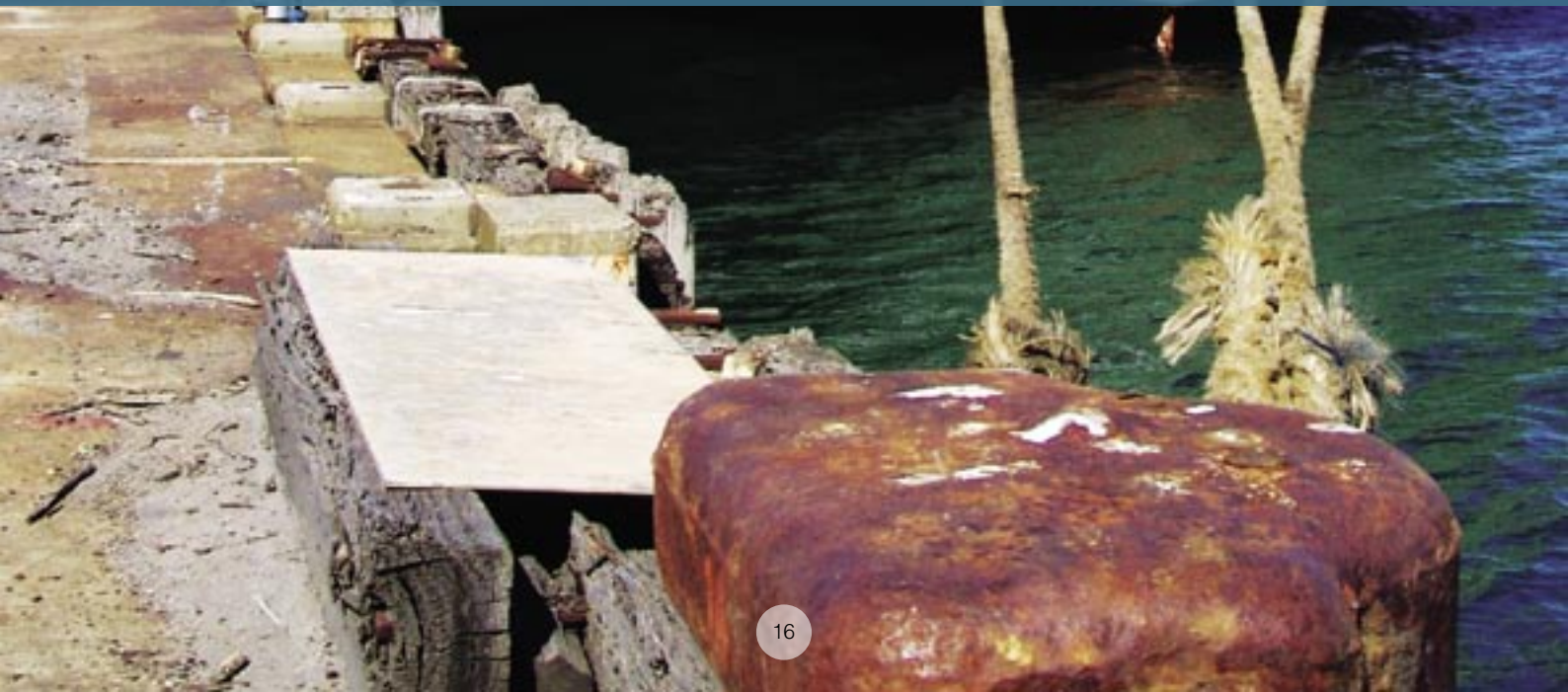
AUDIT COMMITTEE

The Audit Committee consists of Directors' Gary Brennan (Chair) and Neema Premji with the Chief Executive Officer and the Finance and Administration Manager being ex officio members. The Authority's Internal Auditors AMD Chartered Accountants attend each meeting to discuss the audit findings and recommendations.

The Audit Committee performs the following functions:

- Ensures compliance with statutory responsibilities relating to accounting policies and disclosures.
- Appoints, liaises with, assesses the quality and reviews the scope of work and reports of the external and internal auditors;
- Assesses the adequacy of accounting, financial and operating procedures and controls;
- Reviews proposed financial information and recommends its approval or otherwise to the board;
- Monitors the identification, management and control of risk.

The Committee is a direct link for the internal and external auditors to provide their views to the board, independently of management influence as necessary. During the year the Audit Committee held two meetings and there were no significant findings reported as a result of the audits.



The areas reviewed during the year included a financial systems review which is an annual compliance audit prior to year end, a review of the Authority's information systems controls, security and disaster recovery, a review of project development and contract management, a review of property management procedures and a review of the budgeting process including corporate planning and preparation of the Statement of Corporate Intent, Strategic Development Plan and performance indicators

The report on the financial systems which included revenue, expenditure, fixed assets, payroll, stores, loans, general ledger and monthly accounts and was carried out near the end of the financial year in accordance with the audit program, found that there were no recommendations or suggestions for improvements.

The recommendations raised by the internal auditors on the other areas that were reviewed have been implemented where considered necessary to improve internal procedures and controls.

INTERNAL CONTROLS AND RISK MANAGEMENT

Procedures have been established at the executive and board level that are designed to safeguard the assets and interests of the Authority and to ensure the integrity of financial reporting and project management.

These include accounting, financial reporting and internal control policies and procedures.

The Authority has in place the following arrangements to monitor;

- Approval and review by the board of the annual budget which includes the Statement of Corporate Intent and the five year Strategic Development Plan. These are to be agreed between the Minister and the board with the concurrence of the Treasurer;
- Authorisation of major capital and contractual commitments by the board;
- Guidelines, limits and controls on all financial risks and exposures;
- A comprehensive annual insurance program operated with the assistance of professional outside advisors;
- Compliance with equal opportunity covering affirmative action, sexual harassment, discrimination and the environment;
- A regulatory compliance program to cover Corporations Act requirements.

The board reviews actual financial results against budget on a monthly basis. The Authority prepares six monthly financial statements and performance reports which are submitted to the Minister.

The Authority considers risk management to be an important ongoing management process within the Authority and is discussed at regular senior management meetings where operational and business risks are assessed and appropriate action implemented.

The Authority's risk management procedures were further enhanced during the year with the development by the Internal Audit Committee of a risk assessment profile for assessing risk for new projects that are being considered by the board. The risk profile framework that was approved by the board was then provided to RiskCover who then applied the framework to their RiskBase 2000 database system. As a result the Authority has a risk management database that has been customised to suit the needs of the Authority when assessing risks for major projects.

EXPENDITURE GUIDELINES

The Authority has clearly defined expenditure guidelines for the purpose of controlling operating and capital expenditure outlays. A major focus in controlling expenditure includes monthly reports against budget for the major business units which include finance and administration, management services, port operations and pilotage. In addition there are formally approved levels of delegated financial authority endorsed by the board.

The Authority is required to obtain the approval of the Minister for individual capital works expenditure projects that exceeds one million dollars. The board also reviews capital expenditure and cash flows on a quarterly basis.

FINANCIAL ADMINISTRATION AND AUDIT ACT 1985

Section 91 of the Port Authorities act 1999 gives effect to Schedule 5 of the Act, which contains provisions substantially based upon Corporations Law in relation to financial administration and audit. As a result the provisions of the Financial Administration and Audit Act 1985 are limited to the application of the audit process only.

ADVERTISING & SPONSORSHIP (ELECTORAL ACT S175ZE)

Section 175ZE of the Electoral Act requires the Bunbury Port Authority to provide details in its report of all expenditure incurred during the year in relation to services provided by advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Expenditure where applicable was incurred during the year as follows:

Advertising agencies:-

Marketforce Advertising Limited	\$2,863
South West Printing & Publishing Co.	\$1,642
Informa Australia Pty Ltd	\$350
Impact Communications	\$1,050
Beilby Corporation	\$4,704
Promotions International Pty Ltd	\$1,500

Market research organisations:-

The Chartered Institute of Transport	\$295
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Polling organisations:-

nil

Direct mail organisations:-

nil

Media advertising organisations:-

Main Event Media Pty Ltd	\$3,371
Rural Press regional Media	\$450

Total expenditure **\$16,225**

COMPLIANCE STATEMENT

For the year ended 30 June 2005



DISABILITY SERVICES PLAN OUTCOMES

The Authority's Disability Services Plan has remained unchanged during the year.

Although public access to the Authorities port facilities is restricted the Authority does allow a small group of disabled people, which is supervised and organised by volunteers from Morrissey Homestead Day Respite Centre, access to Berth 1 for a fishing day from time to time when there are no operations at the berth. This activity is thoroughly enjoyed by the participants.

The Authority receives the majority of its general public enquiries from the administration building where access for people with disabilities is provided by the following:

- Physical access to the office from the car park.
- Access to services within the office for people with disabilities.
- Provision of facilities in the office for people with disabilities in accordance with Australian Standards.

Information regarding the Authority's publications and services including our annual reports are provided on the Authority's web site at www.byport.com.au.

RECORDKEEPING PLAN

In accordance with section 19 of the State Records Act 2000 the Authority is required to have a Recordkeeping Plan. The Authority is also required to report on its compliance with the Act in its annual report in accordance with section 61 and State Records Commission Standard 2, Principle 6.

The Authority's Recordkeeping Plan number 2004204 was cleared by the State Records Commission in October 2004. The Authority's Plan is being redeveloped as per the requirements of the State Records Act retention and disposal procedures. In addition the Authority has employed an Office Administration trainee who is specialising in records management.

Other information is available via the Authority's web site at www.byport.com.au.

Standard 2, Principle 6 states that the minimum compliance requirements of the Authority's Recordkeeping Plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the Authority's recordkeeping systems is evaluated not less than once every five years.
 - The Authority plans to have its recordkeeping systems reviewed as part of the internal audit program for 2005/06.
2. The Authority conducts a recordkeeping training program.
 - In regard to training all staff members completed a Records Awareness Training course during the year which was delivered online by IRIS, an external training provider. Further specialised recordkeeping training is scheduled for our Office Administration trainee during 2005/2006 as well as further online training for new and existing staff.
3. The efficiency and effectiveness of the recordkeeping training program is reviewed from time to time.
 - It is envisaged that this review will be undertaken in conjunction with the evaluation of the recordkeeping systems during 2005-2006 as part of the internal audit program.
4. The Authority's induction program addresses employees' roles and responsibilities in regard to their compliance with the Authority's recordkeeping plan.
 - The Authority's induction process will be updated so that these requirements are met.

INFORMATION STATEMENT

The Authority is required to publish annual information statements either as stand-alone documents or in its annual reports. The Authority has chosen to incorporate its Freedom of Information data in its Annual Report.

Where possible, information the Authority holds will be made available on an informal basis and at no charge. Publications released during the year were:

- 2004 Annual Report
- Trade Statistics and Port Charges 2003-2004

Other information is available via the Authority's web site at www.byport.com.au.

A formal application for information must be:

- in writing;
- give enough information to enable the requested documents to be identified;
- give an Australian address to which notices can be sent;
- accompanied by a \$30 application fee, unless the information relates to a personal matter which is free of charge. An additional charge may apply for the processing of non-personal information. The fee is reduced by 25 per cent for pensioners and financially disadvantaged persons; and
- addressed to the Authority's Freedom of Information Act Coordinator as follows:
Grahame Coves
FOI Coordinator
Bunbury Port Authority
PO Box 4
BUNBURY WA 6231

Under the Freedom of Information Act 1992 the Authority is required to respond to applications for information within 45 days of receipt, unless an extension of time is granted.

The Authority received one FOI access application during 2004-2005 which was processed in accordance with the Act by the Authority's FOI Coordinator and reported to Government in the Authority's HRMOIR annual report.

PUBLIC INTEREST DISCLOSURE

The Bunbury Port Authority is a "notifying authority" for the purposes of the Corruption and Crimes Commission Act and the Public Interest Disclosure Act

There were no incidents requiring disclosure reports under this legislation during the reporting period ending 30 June 2005.

The Authority has complied with section 23 (1) of the Public Interest Disclosure (PID) Act 2003 by establishing internal procedures relating to the Authority's obligations under the Act. As part of these procedures the Finance & Administration Manager has been appointed as the PID Officer for the Authority. The PID Officer is responsible for receiving disclosures of public interest information relating to matters falling within the realm of responsibility of the Bunbury Port Authority.

By endorsing the PID procedures the Authority recognises the value and importance of staff contributions to enhance the administrative and management practices of the Authority and strongly supports disclosures being made by staff as to corrupt or other improper conduct. In addition the Authority will take all reasonable steps to provide protection to staff, who may make disclosures under the PID Act, from any detrimental action in reprisal for the making of a public interest disclosure.

CODE OF CONDUCT

The legislation under which the Authority operates requires the Board to establish minimum standards to apply to staff with regard to merit, equity, probity and ethical standards and to develop a Code of Conduct on the basis of the best practise guidelines of the Commissioner for Public Sector Standards. The legislation requires a report to be submitted to the Commissioner for Public Sector Standards annually regarding the observance by members of the Authority's staff to this Code of Conduct.

The report submitted in compliance showed that there were no reported breaches of the Code of Conduct in the year under review.

HUMAN RESOURCE POLICIES AND PROCEDURES

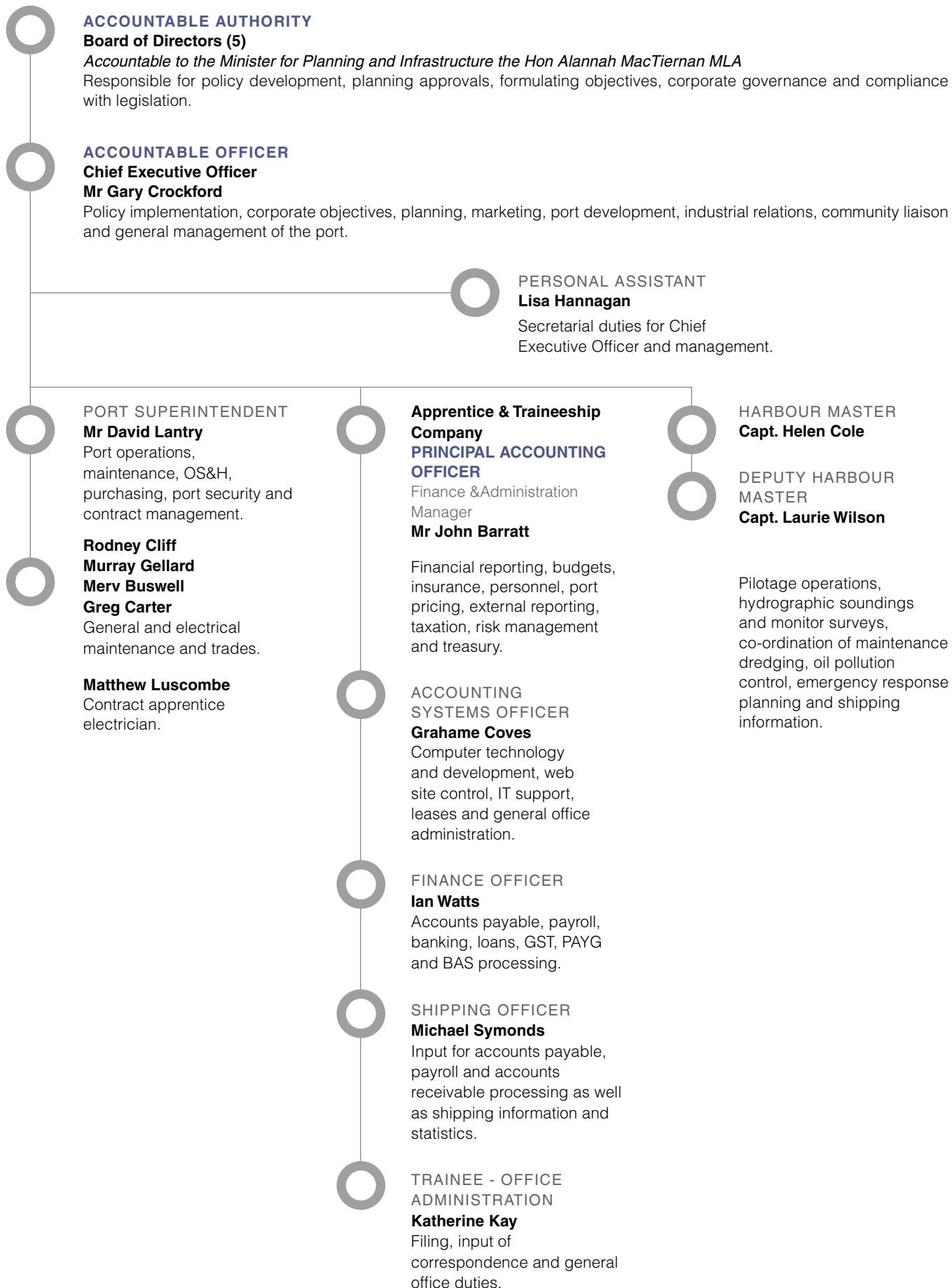
In the administration and management of the Bunbury Port Authority I have complied with the Human Resource Policies and Procedures of the Authority from the date of my appointment as CEO on 23 May 2005. Prior to this it is my understanding that my predecessor and any person acting in his capacity also complied with these policies.

The Authority's policies have been developed using guidelines and processes based on the public sector standards in human resource management.

The Human Resource Policies are in the Authority's reference library which is accessible to all staff. The Authority provides new staff with a copy of the policies as part of the induction process.

During the reporting period there was one full-time vacancy advertised by the Authority which was for the position of Chief Executive Officer. In relation to this position there were no claims resulting from the recruitment, selection and appointment process of the Authority.

Gary Crockford
Chief Executive Officer
Bunbury Port Authority
1 September 2005





TRADE PERFORMANCE 2005



Total trade for the year was a record 12.267 million tonnes, an increase of 4.6% above last years figure.

The main improvements in trade volume occurred in woodchip exports which were up by 0.478 million tonnes or 65%, caustic soda imports which increased by 0.122 million tonnes or 13% and mineral sands exports which rose by 6% to a total of 0.853 million tonnes. The Port's major export trade of alumina remained fairly constant with only a slight increase over last years figure. In 2005 the alumina exports of 8.469 million tonnes represented 69% of total trade.

Total exports for the year were up by 4.3% to 11.064 million tonnes and imports by 7.2% to 1.203 million tonnes compared to the previous year.

The improvement in trade performance translated to an increase of 5% in commercial vessel visits which rose from 311 vessels last year to 325. Commensurate with the higher number of vessels was a similar increase of 7% in total Gross Registered Tons from 8.405 million tonnes to 9.056 million tonnes.

As a result of the record total trade a number of individual milestones were also achieved including:

- Record total exports of 11.064 million tonnes (previously 10.898 mt).
- Record total imports of 1.203 million tonnes (previously 1.149 mt).
- Record exports of alumina of 8.469 million tonnes (previously 8.435 mt).
- Record exports of woodchips of 1.213 million tonnes (previously 1.046 mt).
- Record imports of caustic soda of 1.084 million tonnes (previously 0.997 mt).
- Record exports of spodumene of 0.126 million tonnes (previously 0.122 mt).
- Record imports of petroleum coke of 0.041 million tonnes (previously 0.027 mt).
- Record imports of potash of 0.036 million tonnes (previously 0.026mt).
- Largest export of alumina – 64,265 tonnes on MV “Mulberry Paris” in July 2004.
- Largest export of silica sand – 45,991 tonnes on MV “Fujisuka” in March 2005.
- Largest export of spodumene – 25,215 tonnes on MV “Nena F” in June 2005.
- Largest import of methanol – 5,507 tonnes on MV “Stolt Kikyo” in August 2004.

TRADE FORECAST

The Authority is forecasting total port trade for 2005/2006 of 12.072 million tonnes, which is a reduction of 1.5% compared to the reporting year. This is mainly due to slight reductions anticipated in alumina, silica sand and woodchip exports and caustic imports. An increase is expected in mineral sands while most other trade volumes are expected to remain at similar levels to those achieved in 2004/2005. Commercial vessel numbers are expected to be lower at 307 visits in line with the current trend of larger vessels on average visiting the port and commensurate with the slightly lower trade volumes that are forecast.

While the Authority continues to work with the coal industry to facilitate the export of coal from Bunbury and pursues other potential new trades these tonnages have not been factored in to the trade forecast.

STATISTICAL INFORMATION

10 YEAR PERIOD FROM 1996 TO 2005

Cargo - (tonnes)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
IMPORTS:										
Commodity										
Caustic Soda	673,269	573,931	649,485	628,410	715,332	996,928	929,261	960,988	961,581	1,084,133
Mineral Sands	-	10,546	23,363	35,715	68,514	44,292	34,502	88,491	71,799	-
Phosphate Rock	55,842	36,469	71,009	31,704	28,606	35,632	79,900	23,241	-	-
Potash	19,860	17,845	17,084	9,538	20,976	25,953	23,154	20,928	21,634	36,135
Petroleum Coke	14,534	26,668	15,259	14,163	15,186	21,968	23,006	23,520	22,057	40,612
Methanol	12,786	13,861	12,321	11,804	13,002	11,527	17,184	13,478	14,733	15,505
Sugar	-	-	10,380	6,253	10,339	10,105	-	-	10,025	-
Vegetable Oil	7,473	8,773	9,962	8,298	4,204	6,190	4,738	8,056	6,662	3,392
General	-	5,116	1,627	1,108	9,047	4,167	-	1,503	996	1,864
Coal	-	-	-	-	-	3,585	4,426	4,724	3,789	-
Sulphur	-	-	-	-	3,912	-	-	-	-	-
Chemical Fertilizers	-	401	-	12,009	-	-	-	4,019	8,107	20,924
Petroleum Products	-	-	-	-	-	-	-	-	-	-
TOTAL IMPORTS	783,764	693,610	810,490	759,002	889,118	1,160,347	1,116,171	1,148,948	1,121,383	1,202,565
EXPORTS:										
Commodity										
Alumina	5,777,942	5,760,026	5,637,039	5,972,373	6,768,093	7,715,209	8,188,280	8,248,673	8,435,401	8,469,142
Mineral Sands	960,463	895,808	1,143,308	1,117,305	1,173,721	932,630	837,975	1,005,415	806,308	852,912
Silica Sand	-	185,737	373,225	327,450	340,412	383,077	375,619	459,192	348,810	334,532
Spodumene	81,381	99,446	56,806	34,968	61,171	72,769	78,599	106,245	121,683	126,300
Woodchips	918,257	915,175	851,665	759,443	769,918	982,842	809,623	1,045,693	734,705	1,212,621
Aluminium Hydroxide	-	-	-	-	4,900	11,500	-	6,478	-	-
General	-	-	5,414	-	27	8,589	14,906	8,739	9,246	20,047
Silicon Dross	-	-	7,518	8,052	-	6,286	-	4,475	-	-
Timber	-	4,007	-	-	6,831	-	22,986	10,403	130,312	39,129
Kaolin Clay	3,163	2,987	-	2,008	2,034	-	-	1,500	-	-
Vegetable Oils	-	-	-	-	-	-	-	1,038	2,524	504
Chemical Fertilizers	-	4,010	6,015	-	-	-	31,629	-	-	-
Livestock	-	-	1,678	-	-	-	-	-	-	-
Petroleum Products	-	-	662	-	-	-	-	-	-	-
Talc	-	-	-	-	-	-	-	-	9,367	-
Iron Oxide	-	-	-	-	-	-	-	-	8,437	9,174
TOTAL EXPORTS	7,741,206	7,867,196	8,083,330	8,221,599	9,127,107	10,112,902	10,359,617	10,897,851	10,606,793	11,064,361
Fuel Oil (Bunkers)	40	30	225	78	-	189	192	37	425	292
TOTAL TRADE	8,525,010	8,560,836	8,894,045	8,980,679	10,016,225	11,273,438	11,475,980	12,046,836	11,728,601	12,267,218
SHIPPING:										
Gross Registered Tonnage	6,477,889	6,624,655	7,080,644	7,056,453	7,940,667	8,502,511	8,687,750	9,063,323	8,405,277	9,055,627
Number of Vessels:										
Commercial Vessels	274	273	294	275	304	341	313	320	311	325
Other	4	6	8	6	7	4	4	3	2	6

STRATEGIC PERFORMANCE INDICATOR RESULTS 2005

The annual performance of the Authority is measured against the targets and criteria as set in its Statement of Corporate Intent which is tabled in State Parliament each year.

The following performance indicators have been developed and adopted by the Authority to give an indication as to the Authority's performance against the targets that have been set.

		FOUR YEAR PERFORMANCE COMPARISON				
		Target	Actual			
		2005	2005	2004	2003	2002
EFFECTIVENESS INDICATORS						
1	Berth Utilisation (Occupancy) (Includes commercial and naval vessels but excludes dredges & vessels laying up)	24.96%	28.60%	25.80%	23.40%	20.40%
Comment:	This indicator measures the percentage of actual hours of utilisation of all berths compared to total available hours. The higher the percentage the greater the effective or productive use of the berths. Berth occupancy = total vessel hours at berth/total annual hours available expressed as a percentage. The result is higher than the target due mainly to increased occupancy at all Berths except Berths 1 & 2.					
2	Average Ship Turn Around Time (Hours) (Commercial vessels only.)	39	43.1	41.8	37.5	34.3
Comment:	Measures effectiveness of port operations to moor, load and let-go vessels. Generally the lower the figure the better. However the increase in turn around time for the year compared to the target is due mainly to the increase in the average size of the vessel and slightly lower average loading rate for the year as shown by indicator number 8. This has resulted in vessels staying alongside longer on average. The indicator is calculated as the average hours in port per vessel for commercial vessels only.					
3	Average Ship Delay Time (Hours)	0	0	0	0	0
Comment:	There were no delays recorded due to industrial stoppages which caused delays to vessels. This measures the effectiveness of the Authority and private service providers in the Port to manage industrial relations.					

STRATEGIC PERFORMANCE INDICATOR RESULTS 2005

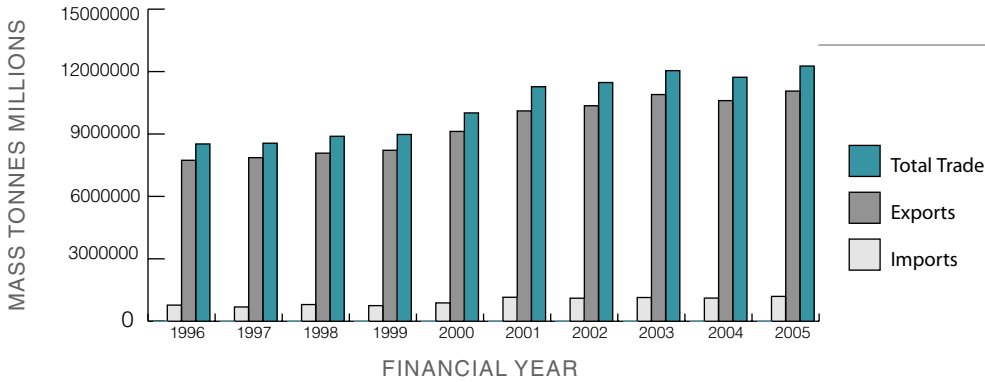
		FOUR YEAR PERFORMANCE COMPARISON				
		Target	Actual			
		2005	2005	2004	2003	2002
FINANCIAL INDICATORS						
4	Gross Cargo Revenue per Cargo Tonne	\$0.39	\$0.37	\$0.33	\$0.35	\$0.33
Comment: Measured in dollars per cargo tonne. The indicator is calculated by dividing the total revenue from cargo related Port Authority charges by the total per unit throughput of the Port. This indicator shows the average level of revenue per cargo tonne and provides information about the movement in port charges to port users. The slight reduction in 2004/2005 compared to target is due mainly to the higher trade volumes in alumina and caustic soda which have lower rates per cargo tonne.						
5	Gross Ship Revenue per Ship	\$20,324	\$20,764	\$21,005	\$20,414	\$19,270
Comment: Measures the gross revenue received from Port Authority vessel charges per trading vessel visiting the Port. The purpose of the indicator is to show the average level of revenue earned by the Authority for each ship entering the port. The result for the year is higher than the target due mainly to the increase in Berth Hire for vessels visiting the port than was forecast and increase in average GRT per vessel.						
6	Aggregated Operating Cost per Cargo Tonne	\$0.92	\$1.01	\$0.97	\$0.87	\$0.84
Comment: This is an efficiency indicator, the lower the indicator the better as it reflects the maximisation of outputs" (revenue tonnes) with minimisation of inputs (operating costs). The aggregated operating cost includes "all financial, maintenance and administration costs (before income tax). The result for the year is above the target due mainly to the significant increase in expenditure for the feasibility studies into the Inner Harbour development and channel and harbour deepening at a cost of \$0.929 million. This expenditure was originally budgeted as capital but was expensed as they could not be directly connected with the acquisition of a specific asset. In addition there were three termination payments and an increase in port operations expenditure for repairs to Berth 3 and an increase in legal fees.						

		FOUR YEAR PERFORMANCE COMPARISON				
		Target	Actual			
		2005	2005	2004	2003	2002
EFFICIENCY INDICATORS						
7	Total Cargo Tonnes Throughput per Berth.	2,079,917	2,044,536	1,954,767	2,007,806	1,912,663
Comment: The indicator is calculated by dividing the total number of berths (6) into the total actual cargo tonnes for the year to arrive at a figure in cargo tonnes per berth. The reduction compared to the target is mainly due to the lower trade figure of 12.267 million tonnes against the estimated trade figure of 12.476 million tonnes. The lower figure is mainly due to a reduction in exports of mineral sands and silica sand.						
8	Cargo Tonnes per Total Vessel Hour. (Average All Berths)	951	856	878	981	1,068
Comment: This indicator is calculated by dividing the total cargo tonnes by the total hours that vessels are in port and is based on commercial vessel hours only. The reduction in tonnes loaded per hour compared to the previous years performance as well as against the target figure of 951 tonnes per hour is due mainly to slower loading rates at Berths 1, 4, 5 and 8. The result was also affected in part by the lower total trade volumes than was forecast.						

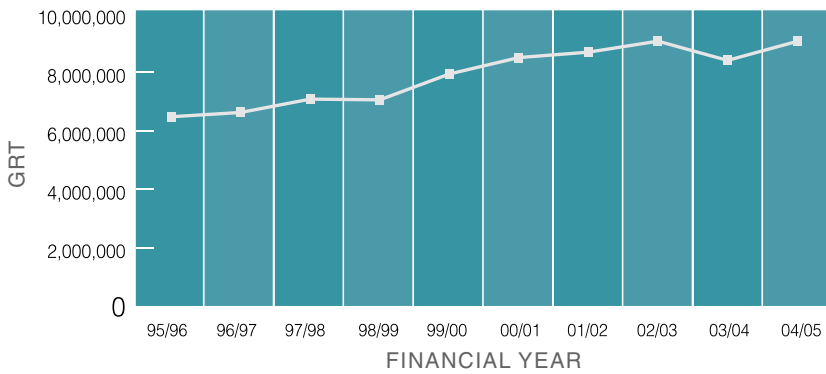
STATISTICAL INFORMATION

10 YEAR PERIOD FROM 1996 TO 2005

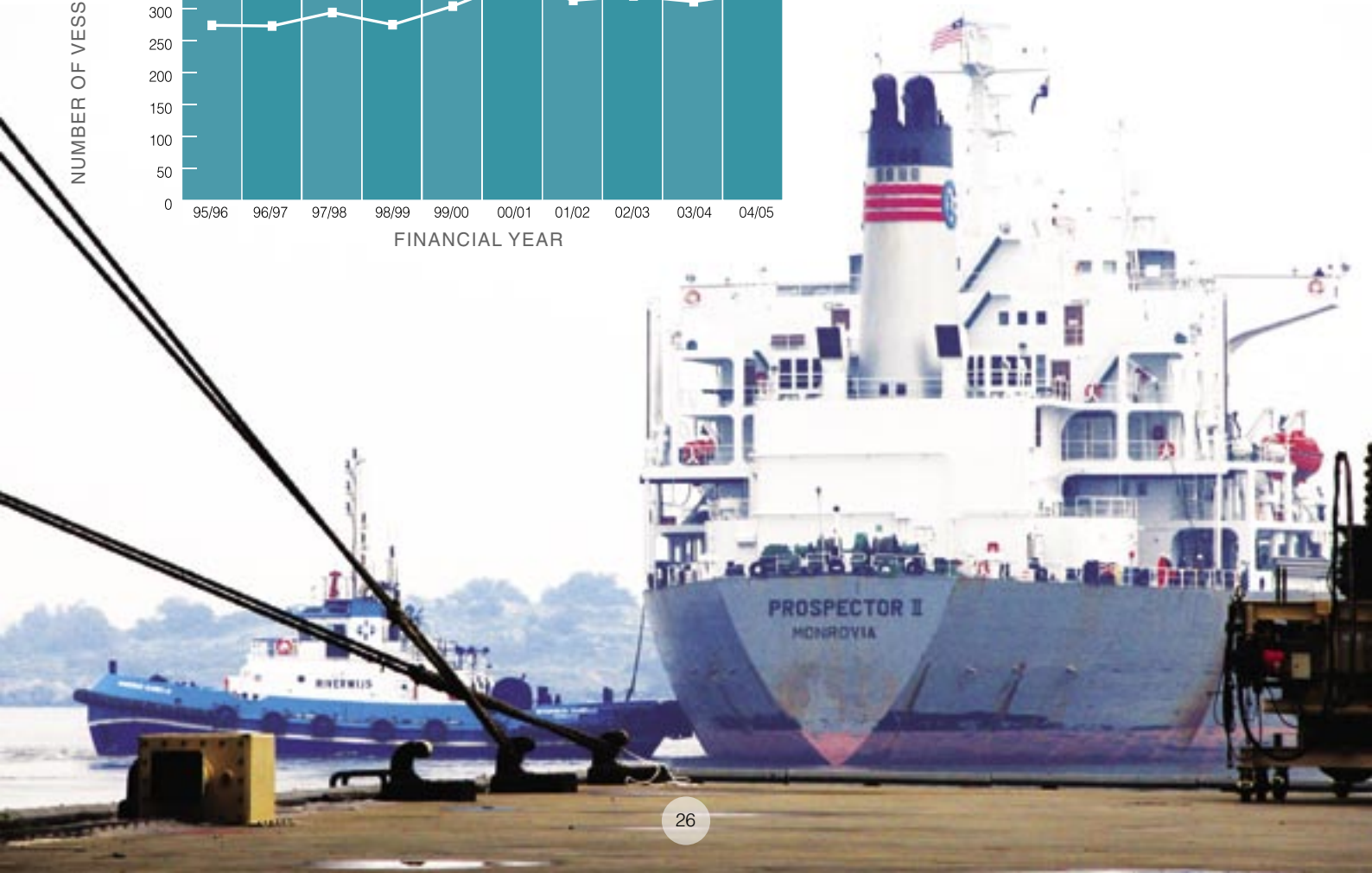
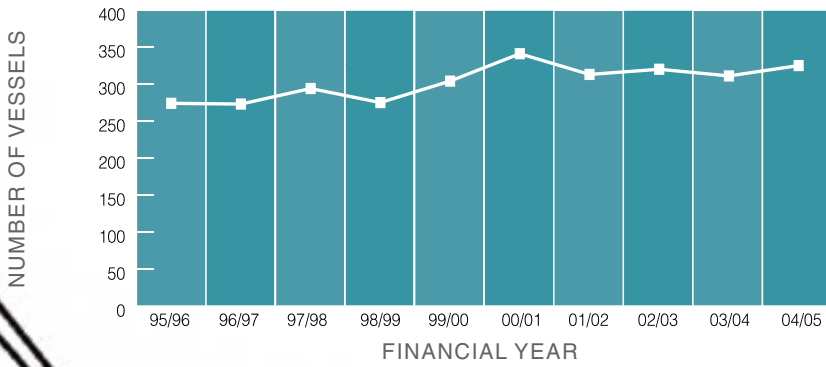
TOTAL PORT TRADE OVER 10 YEARS



GROSS REGISTERED TONNAGE (GRT) COMPARISON OVER 10 YEARS



COMMERCIAL VESSEL VISITS COMPARISON OVER 10 YEARS



5 YEAR PERFORMANCE SUMMARY

	2005	2004	2003	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000
FINANCIAL PERFORMANCE					
Operating income	16,690	14,825	15,240	13,611	14,100
Interest income	1,028	1,066	849	768	845
Total operating income	17,718	15,891	16,089	14,379	14,945
Operating expenses	(8,308)	(5,922)	(5,579)	(4,867)	(4,713)
Operating profit before depreciation, interest paid and income tax equivalent	9,410	9,969	10,510	9,512	10,232
Depreciation and amortization	(4,195)	(4,609)	(3,949)	(3,831)	(3,119)
Borrowing costs	(864)	(878)	(938)	(913)	(1,037)
Net profit before income tax equivalent	4,351	4,482	5,623	4,768	6,076
Income tax equivalent	(1,478)	(1,517)	(1,859)	(1,604)	(1,823)
Net profit after tax	2,873	2,965	3,764	3,164	4,253

FINANCIAL POSITION					
Current assets	21,692	19,879	20,599	16,364	15,857
Non-current assets	80,438	80,242	79,848	82,896	82,877
Total assets	102,130	100,121	100,447	99,260	98,734
Current liabilities	5,125	3,631	4,811	4,617	4,051
Non-current liabilities	16,717	17,595	18,181	19,070	20,692
Total liabilities	21,842	21,226	22,992	23,687	24,743
Net assets	80,288	78,895	77,455	75,573	73,991
Equity					
Reserves	32,199	32,199	32,199	32,199	32,199
Retained earnings	48,089	46,696	45,256	43,374	41,792
Total equity	80,288	78,895	77,455	75,573	73,991

STATISTICS					
Financial:					
Operating profit margin	56%	67%	69%	70%	73%
Operating expense ratio	75%	72%	65%	67%	59%
Debt to equity ratio (total liabilities/equity)	27%	27%	30%	31%	33%
Interest cover - profit basis (times) (EBIT/Int)	6.04	6.10	6.99	6.22	6.86
Total operating income per FTE	\$1,265,571	\$1,135,071	\$1,218,864	\$1,089,318	\$1,132,197
Return on average net assets (RONA)	7%	7%	9%	8%	10%
Dividends paid/payable \$'000's	3,005	1,525	1,882	1,582	1,276
Trade:					
Total Export Trade	11,064,653	10,607,218	10,897,888	10,359,809	10,113,094
Total Import Trade	1,202,565	1,121,383	1,148,948	1,116,171	1,160,347
Total Port Trade	12,267,218	11,728,601	12,046,836	11,475,980	11,273,441
Total Commercial Vessels	325	311	320	313	341
Total Gross Registered Tons	9,055,627	8,405,277	9,063,323	8,687,750	8,502,511



DIRECTORS' REPORT



The Board of Directors of the Bunbury Port Authority have pleasure in presenting their report for the financial year ended 30 June 2005.

DIRECTORS

The following persons were Directors of the Bunbury Port Authority during the financial year and up to the date of this report:

J G Brosnan

G P Brennan

R B Pimm

N B Premji

D L Smith

G P Brennan's term as Director expired on 30 June 2005 and he has resigned as at that date.

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the Bunbury Port Authority consisted of:

- provision of port services and port infrastructure for the exchange of goods between sea and land transport;
- maintaining and operating port facilities and equipment required for such purposes including five berths, two mechanical ship loaders and a mobile ship loader; and
- planning and co-ordinating the strategic development of the Port of Bunbury to ensure that facilities meet the current and future needs of port users, the South West regional community and other key stakeholders.

No significant changes occurred in the nature of the Bunbury Port Authority's activities during the year.

RESULTS

The operating profit before income tax equivalent payment ("Income Tax") was \$4.351m (2004: \$4.482m). The income tax attributable to the operating profit for the financial year was \$1.478m (2004: \$1.517m).

DIVIDENDS

The following dividends have been paid, declared or recommended by the Authority since the end of the preceding financial year:

- On the 14 July 2005 the Authority received advice of the Minister's determination and the Treasurer's concurrence for a dividend payment of \$1.525m comprising a normal dividend of \$1.482m and an efficiency dividend of \$0.043m which was recommended by the Board and provided for in respect of the year ended 30 June 2004. This dividend was paid in full to the Department of Treasury and Finance on 27 July 2005. The dividend was based on the government's current approved dividend policy of a 50% payout ratio of after tax profits.
- In respect of the financial performance for the year ended 30 June 2005 the Board has recommended a dividend of \$1.480m for the Minister's determination and Treasurer's concurrence. This dividend recommendation is based on the Government's current dividend policy of a 50% payout ratio of after tax profits as stated in the Authority's Statement of Corporate Intent and includes an efficiency dividend component of \$0.043m.

There were no payments made to Treasury during the financial year to 30 June 2005 in respect of dividends.

REVIEW OF OPERATIONS

The trade performance for the financial year of 12.267 million tonnes, which is an all time record for the Port, was 4.6% above last years figure but 1.7% below the budget forecast of 12.479 million tonnes. The variation compared to budget mainly resulted from decreases in exports of silica sand and mineral sands which were down by 36% and 18% respectively, giving a combined reduction of 0.377 million tonnes compared to the forecast figures. The Port Authority welcomed the commencement of Hansol's woodchip exports in August 2004 which combined with an increase in WA Plantation Resources woodchip trade resulted in a record 1.213 million tonnes of woodchip exports for the year. Due to the expected continuing down turn in silica sand exports, trade for the new financial year is expected to be slightly lower with total trade of 12.072 million tonnes a decrease of 1.6%. Woodchips is also expected to be slightly below this years result while other commodities are expected to remain at current volumes.

Capital expenditure for the year of \$4.443m was lower than the budgeted amount of \$10.357m due mainly to the deferment of a number of projects including the Pilot Boat Replacement (\$1.000m), Conveyor for New Products (\$2.000m) and Container Facilities (Hardstand) project (\$2.300m).

The main expenditure items for the year were \$2.493m for the completion of the Storage Sheds at Berth 8 for Tiwest including an amenities building, \$0.678m for the Purchase of Freehold Land in Glen Iris, \$0.483m for Modifications to Shed 8-3 (Conveyor) and \$0.391m for a concrete partition for Shed 8-3. Of the other projects minor works totalled \$0.390m. There was also a minor final payment of \$0.007m for the Capitalised Dredging for 2004.

The net operating profit of the Authority for the financial year was \$2.873m after income tax (2004: \$2.965m). This represents a decrease of 15.3% over the budgeted after tax profit forecast of \$3.391m. The reduction in profit is mainly attributable to expenditure of \$0.929m for geotechnical investigations and feasibility studies carried out for the future Inner Harbour development and channel deepening.

A summary of the Authority's results for the year is set out below:

	2005 \$'000	2004 \$'000
Operating profit before income tax equivalent expense	4,351	4,482
Income tax equivalent expense	(1,478)	(1,517)
Net profit	2,873	2,965
Retained profits at the beginning of the financial year	46,696	45,256
	49,569	48,221
Dividends provided for or paid	(1,480)	(1,525)
Retained profits at the end of the financial year	48,089	46,696

Details contributing to the result of the Authority's operations during the financial year can be found in the Chairman's Report, Chief Executive Officer's Review and Review of Operations of the Annual Report.

INFORMATION ON DIRECTORS



CHAIRMAN

JIM BROSNAN | BEng (Metallurgy)

Mr Brosnan was appointed as Chairman of the Authority on 1 November 2003. He is General Manager Operations of Simcoa Operations Pty Ltd a world class producer of silicon situated at Kemerton. He holds or has held various other positions on Boards and committees including the Edith Cowan University (South West Campus) Advisory Board, membership of the Kemerton Advisory Committee, representation of the Chamber of Minerals and Energy on the Minister for the Environment's Round Table for the Forest Management Plan and involvement in the Electricity Reform Process (both on behalf of Simcoa and the Chamber of Minerals and Energy).

Special responsibilities – Chairman, Chairman of remuneration committee, Chairman of corporate governance committee, responsible for the Government portfolio.

Expiry of present term: 31 December 2005.



DEPUTY CHAIRMAN

GARY BRENNAN | Dip L.G.(C), Post Grad Dip (Bus. Mgt), B.App.Sc., Grad Dip (Public Admin), M.B.A.

Mr Brennan was appointed to the Board on 1 July 2000. He is currently Managing Director of Corporate and Regional Enterprise (CARE) Consulting a corporate consulting firm specialising in corporate and local government organisational reviews, governance, strategic and corporate planning and business improvement. He previously held numerous executive positions in local government throughout Western Australia including Chief Executive Officer of the Bunbury City Council for a period of six years until 1999.

Special responsibilities – Chairman of the internal audit committee, member of remuneration committee, member of corporate governance committee, jointly responsible for the Infrastructure and Land Use /Outer Harbour portfolios.

Mr Brennan resigned from the Board at the expiry of his current term of office on 30 June 2005 after five years of valuable service in particular as Chairman of the Audit Committee.



DIRECTOR

DAVID SMITH | LLB

Mr Smith was appointed to the Board on 1 July 2001. He is a Barrister and Solicitor and was previously a Member of State Parliament from March 1983 until December 1996. From 1989 until 1993 he held numerous State Ministerial portfolios including Minister for the South West. He has been a Councillor for the City of Bunbury for four years and in May 2005 was elected Mayor of Bunbury. Mr Smith is also a Board Member of Aqwest (Bunbury Water Board). He has a strong interest in regional economic development and town planning issues.

Special responsibilities – Member of remuneration committee, responsible for the Business Development portfolio.

Expiry of present term: 30 June 2005.



DIRECTOR

ROSANNE PIMM | O.A.M.

Ms Pimm took up her appointment as a member of the Board on 26 July 2002. She has had extensive experience in Local Government with the Collie Shire Council being first elected to the Council in May 1970, then as Deputy Shire President from May 1984 to May 1988 and from May 1989 to May 2003 held the position of Shire President. She has served on a number of State Government boards and committees including the South West Development Commission for a period of five years and is currently on the South West Regional Planning Committee and involved with the Premier's Water Foundation.

Special responsibilities – Member of remuneration committee, responsible for the Community and Environment portfolio and attends the Port Community Advisory Committee meetings.

Expiry of present term: 30 June 2005.



DIRECTOR

NEEMA PREMJI | B.E. (Civil), Grad. Dip., MBA (Tech. Mngt)

Ms Premji was appointed to the Board on 26 July 2002. She is a civil engineer with broad expertise and experience in the mining and power industries and strategic business planning. She currently holds the position of Manager Infrastructure Development at the Shire of Busselton. She has a keen interest in community activities and currently serves as a member on the South West Regional Planning Committee.

Special responsibilities – Member of the internal audit committee, member of remuneration committee, jointly responsible for the Infrastructure and Land Use/Outer Harbour portfolios.

Expiry of present term: 30 June 2005

DIRECTORS' MEETINGS

Attendances by Directors at Board meetings held during the financial year ended 30 June, 2005 were as follows:

BOARD OR COMMITTEE	NUMBER OF MEETINGS HELD
Full meeting of Directors	18
Audit Committee	2
Remuneration Committee	-
Corporate Governance Committee	-

	FULL BOARD MEETINGS		COMMITTEE MEETINGS				CORPORATE GOVERNANCE	
	No. Eligible	No. Attended	No. Eligible	No. Attended	No. Eligible	No. Attended	No. Eligible	No. Attended
Jim Brosnan	18	18	-	-	-	-	-	-
Gary Brennan	18	14	2	2	-	-	-	-
David Smith	18	16	-	-	-	-	-	-
Neema Premji	18	13	2	2	-	-	-	-
Rosanne Pimm	18	18	-	-	-	-	-	-

As at the date of this report, the Authority had an audit committee which met two times during the year. The Authority's corporate governance committee did not hold any meetings during the year. Details of the functions and membership of the committees is presented in the Statement of Corporate Governance Practices.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Bunbury Port Authority during the financial year. The licensed operators in the Port, P&O Ports and Riverwijs Marine, continued to provide excellent service to all port users.

During the year Dom Figliomeni resigned as Chief Executive Officer after 12 years of excellent service to the Port. Gary Crockford was appointed the Authority's new CEO as from 23 May 2005.

In April 2005 Hansol PI (Hansol) took court action in the WA Supreme Court against the Bunbury Port Authority and the State of Western Australia by way of an interlocutory injunction application. The injunction application was made by Hansol to prevent the Authority from loading coal from Berth 8 due to the concern about contamination of Hansol's woodchips by coal dust which was planned to be loaded over Berth 8 in April 2005. Justice Templeman found that there was no proper basis on which Hansol could prevent the Authority from loading coal at Berth 8. A trial shipment of coal over Berth 8 has been planned but has not yet eventuated. The Authority is currently negotiating with Hansol on how best to accommodate its requirements for export and potentially using alternative facilities on a cost neutral basis. At the time of this report a final decision has not yet been made and therefore any financial impacts on the Port Authority's operations cannot be accurately determined.

An appeal is being pursued by Hansol in the Appeal Court on the decision which was handed down by Justice Templeman in the Supreme Court in April 2005. The Authority is confident that based on legal advice it is highly unlikely that the original decision of Justice Templeman will be over turned.

The Port Authority operates in the South West of Western Australia under the provisions of the Port Authorities Act 1999. The financial statements for the period ended 30 June 2005 provide details of the financial performance of the Authority for that period.

EVENTS SUBSEQUENT TO THE BALANCE DATE

There has not arisen in the interval between the end of the financial period, 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 effect significantly the operations of the Bunbury Port Authority, the results of those operations, or the state of affairs of the Bunbury Port Authority, in subsequent financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Bunbury Port Authority is forecasting trade volumes for the 2005/2006 financial year of 12.072 million tonnes which is a slight reduction of 1.6% below the 2005 years figure of 12.267 million tonnes. As a result revenue is expected to be marginally lower commensurate with the decrease in trade while operating expenditure will be slightly higher. The main reduction in trade in the new financial year is expected to be in exports of silica sand.

Trial shipments of Collie coal are expected to commence later in 2005. If the trials prove to be successful it is estimated that up to 5.0 million tonnes of coal a year may be exported through the port which would give the port a significant boost in trade. The Authority is working with Griffin coal to ensure that the Port's facilities are capable of handling the additional trade in an efficient manner.

The Authority will continue to vigorously pursue its options in developing other new trade opportunities through the port including bulk trades and container trade. Discussion continues with prospective new clients on the understanding that the projects will only proceed if they are found to be financially viable.

A major feasibility study by Sinclair Knight Merz is nearing completion which will determine the future expansion options of the Inner Harbour. The study is looking at the options of extending the harbour basin to make way for the development of two new berths and also the deepening of the channel and turning basin to 15 metres to allow for deeper draft vessels. The study will be used by the Authority to determine the most viable options for the next expansion phase of the Port.

The Authority is also working with Landcorp and the Outer Harbour users to determine the most cost effective way of relocating the facilities to the Inner Harbour.

In addition to this Worsley Alumina Pty Ltd expects that their \$50 million investment for the construction of their Berth 6 ship-loading facility in the Inner Harbour should be completed by November 2005. This development when completed will further enhance the Port's reputation as a world class alumina export facility.

No other major port developments are expected during the year that will affect the Authority's operations or financial results.

ENVIRONMENTAL REGULATION PERFORMANCE

A number of the Authority's port operations are subject to a range of environmental regulations, both State and Federal. In particular specific environmental operating licences issued by the State cover the ship loading operations at Berths 1 and 8. All performance obligations under these licences are monitored and reported, and may be subject to Government agency audit or inspection from time to time. There were no breaches of an environmental licence notified or action taken by any Government agency against the Authority in the year to 30 June 2005.

DIRECTORS' BENEFITS

No Directors of the Bunbury Port Authority have received benefits or become entitled to receive any benefit (other than a benefit disclosed in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by the Authority with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest.

DIRECTORS' INTEREST IN CONTRACTS

During the financial year, the Authority did not enter into any contracts with entities in which Directors declared an interest, except as set out in Note 28 that forms an integral part of this Report.

DIRECTORS' AND OFFICERS' REMUNERATION

Remuneration of Directors is determined by the Minister for Planning and Infrastructure. The Board oversees the remuneration of the Chief Executive Officer on an annual performance basis which is linked to key hurdles being achieved in accordance with the Authority's Statement of Corporate Intent as approved by the Board and the Minister. The Remuneration of executives apart from the Chief Executive Officer is based on their collective or individual agreements.

Details of remuneration provided to directors and the three most highly remunerated officers are as follows:

DIRECTORS OF BUNBURY PORT AUTHORITY

Name	Directors Base Fee \$	Super- annuation \$	Other Benefits \$	Total \$
J G Brosnan <i>Chairman</i>	22,000	1,980	729	24,709
G P Brennan <i>Deputy Chairman</i>	11,000	990	729	12,719
N B Premji <i>Director</i>	11,000	990	729	12,719
R B Pimm <i>Director</i>	11,000	990	729	12,719
D L Smith <i>Director</i>	11,000	990	729	12,719

SENIOR OFFICERS OF BUNBURY PORT AUTHORITY

Name	Base Salary \$	Super- annuation \$	Other Benefits \$	Total \$
D Figliomeni <i>Chief Executive Officer (from 1 July 2004 – 18 February 2005)</i> * Includes bonus of \$3,509 and accrued leave entitlements of \$127,816 paid on resignation.	94,165	28,858	136,709*	259,732
J E Barratt <i>Finance & Administration Manager (Acting CEO from 21 February 2005 – 20 May 2005)</i> ** Includes bonus of \$2,420.	105,889	13,766	9,508**	129,163
H M Cole <i>Harbour Master</i> *** Includes bonus of \$3,067.	111,159	10,004	5,795***	126,958

This disclosure is made in accordance with Regulation 13 of the Port Authorities (Act Amendment) Regulations 2002 which came into operation as from 30 June 2003.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial year the Directors' and Officers' Liability Insurance Policy was renewed to ensure that the directors and officers of the Authority had adequate coverage. The policy provides insurance against all liabilities and expenses arising as a result of work performed in their capacities, to the extent permitted by law.

The Authority paid an insurance premium of \$16,734 in respect of the Directors' and Officers' Liability Insurance Policy for the reporting period.

At the date of this report no claims have been made against the policy.

ROUNDING OF AMOUNTS

Amounts in the Directors' Report and financial statements have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report is made in accordance with a resolution of the Board.



Chairman



Director

14 September 2005

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
Current assets			
Cash and cash equivalents	5	18,691	17,362
Receivables	6	2,625	1,877
Inventories	7	356	281
Other	8	20	359
Total current assets		21,692	19,879
Non-current assets			
Other financial assets	9	926	873
Property, plant and equipment	10	79,331	79,126
Deferred tax assets	11	181	243
Total non-current assets		80,438	80,242
Total assets		102,130	100,121
Current liabilities			
Payables	12	559	997
Interest bearing liabilities	13	494	482
Current tax liabilities	14	558	0
Provisions	15, 22	3,314	1,933
Other	16	200	219
Total current liabilities		5,125	3,631
Non-current liabilities			
Interest bearing liabilities	17	13,122	13,616
Deferred tax liabilities	18	3,266	3,549
Provisions	19, 22	329	430
Total non-current liabilities		16,717	17,595
Total liabilities		21,842	21,226
Net assets		80,288	78,895
Equity			
Reserves	20 (a)	32,199	32,199
Retained profits	20 (b)	48,089	46,696
Total equity		80,288	78,895

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
Revenue from ordinary activities:	2	17,718	15,891
Operational expenses		(3,038)	(2,277)
Administration expenses		(3,816)	(2,232)
Depreciation expense	3	(4,195)	(4,609)
Borrowing costs expense	3	(864)	(878)
Utilities expense		(1,454)	(1,413)
Profit from ordinary activities before income tax equivalent expense		4,351	4,482
Income tax equivalent expense	4	(1,478)	(1,517)
Net profit		2,873	2,965

The above statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		17,514	16,857
Payments to suppliers and employees (inclusive of goods and services tax)		(10,614)	(7,591)
Interest received		1,028	1,066
Borrowing costs paid		(864)	(878)
Income taxes paid		(800)	(2,555)
Net cash inflow from operating activities	21(b)	6,264	6,899
Cash flows from investing activities			
Payments for property, plant and equipment		(4,443)	(5,114)
Proceeds from sale of property, plant and equipment		43	69
Net cash (outflow) from investing activities		(4,400)	(5,045)
Cash flows from financing activities			
Repayment of borrowings		(482)	(572)
Dividends paid		0	(1,882)
Net cash (outflow) from financing activities		(482)	(2,454)
Net increase (decrease) in cash held		1,382	(600)
Cash at the beginning of the financial year		18,235	18,835
Cash at the end of the financial year	21(a)	19,617	18,235

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Port Authorities Act of 1999, which generally reflects the requirements of the Corporations Act 2001.

The financial report has been prepared in accordance with the historical cost convention and does not take account of changes in either the general purchasing power of the dollar or current valuations of non-current assets except where stated. Unless otherwise stated these policies are consistent with those adopted in the previous year.

(A) INCOME TAX

Tax effect accounting procedures are followed whereby the income tax equivalent expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. The components of the provision for deferred income tax and future income tax benefit are shown in notes 18 and 11 respectively.

In preparing the financial report the Authority has complied with the requirements of the Income Tax Assessment Act 1936 (as amended) and the National Tax Equivalent Regime guidelines which have been specifically prepared to apply to the State's Government Trading Enterprises (GTE's) as from 1 July 2001.

(B) ACQUISITIONS OF ASSETS

The purchase method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the assets given up or liabilities undertaken at the date of acquisition, plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the Authority's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(C) REVENUE RECOGNITION

Amounts disclosed as revenue from operating activities are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for all operating activities after the service has been provided. Interest revenue includes interest on short-term investments and is recognised as it accrues. Lease rentals are derived from the lease of vacant land and buildings where there is a signed agreement or contract, and the revenue is recognised when it accrues. Other revenue is recognised when it accrues.

(D) RECEIVABLES

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(E) INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost is assigned on a first in first out basis using the weighted average cost of the item.

(F) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets.

All non-current asset groups are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. The decrement in the carrying amount is recognised as an expense in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate. The discount rate used was 8.36% (2004: 8.42%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) BORROWING COSTS

Borrowing costs are recognised as expenses in the period they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Authority's outstanding borrowings during the year, in this case 6.20% (2004: 6.19%).

Borrowing costs include interest on short-term and long-term borrowings.

(H) TRADE CREDITORS

These amounts represent liabilities for goods and services provided to the Authority prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(I) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding freehold and Crown land) over its expected useful life to the Authority. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major assets. The expected useful lives are as follows:

	Life	Method
Buildings	10-40 years	Straight line
Breakwaters	22-40 years	Straight line
Dredging (capitalised)	3 years	Straight line
Inner & outer harbour channels & basins	40 years	Straight line
Navigation aids	10 years	Straight line
Berth & jetties	15-40 years	Straight line
Port infrastructure plant & equipment	5-40 years	Straight line
Minor plant & equipment	3-20 years	Straight line
Office furniture & equipment	3-13 years	Straight line
Motor vehicles	6-10 years	Straight line

(J) INTEREST BEARING LIABILITIES

Borrowings, including inscribed stock, are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of accrued expenses.

(K) MAINTENANCE AND REPAIRS

Plant and equipment of the Authority is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(L) EMPLOYEE BENEFITS

(I) WAGES AND SALARIES, ANNUAL LEAVE, SICK LEAVE AND ACCUMULATED DAYS OFF.

Liabilities for wages and salaries, annual leave, vested sick leave and accumulated days off are measured as the amount unpaid at the reporting date at the rates expected to be paid when the liabilities are settled.

(II) LONG SERVICE LEAVE

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (I) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) EMPLOYEE BENEFITS (CONTINUED) (III) SUPERANNUATION

Contributions are made on behalf of employees by the Authority to State superannuation funds which exist to provide benefits for employees and their dependants on retirement, disability or death. Staff may contribute to the Pension Scheme, a defined benefit pension scheme, now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme, now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme.

The liability for future payments under the Pension Scheme, together with the pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme are provided for at reporting date. The superannuation liability has been established from an actuarial assessment of the expected future payments for current employees and other beneficiaries that will be met by the Authority.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by the fortnightly payment of employer contributions to the Government Employees Superannuation Board.

The note disclosure required by paragraph 6.10 of AASB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of the plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting.

The Government Employees Superannuation Board's records are not structured to provide the information for the Authority. Accordingly, deriving the information for the Authority is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

(IV) EMPLOYEE BENEFIT ON-COSTS

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(M) DIVIDENDS

Provision is made for the amount of any dividend declared or determined on or before the end of the financial year, which has not as yet been paid to Government at reporting date.

(N) CASH ASSETS

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(O) GOODS AND SERVICES TAX

The Federal government, as part of its national taxation reform agenda, introduced a Goods and Services Tax (GST) which became operational on 1 July 2000. GST applies equally to government agencies and the private sector.

Revenues, expenses and assets are recognised net of the amount of goods and services tax. Receivables and payables are stated inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis.

(P) COMPARATIVES

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts.

(Q) ROUNDING OF AMOUNTS

The Authority presents amounts in the financial reports rounded to the nearest thousand dollars. Where the amount when rounded results in a figure of zero, the financial statements contain a note showing the amount to the nearest whole dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(R) IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Authority is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Authority's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The Authority's management has assessed the significance of the expected changes and are preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards, has been considered where applicable.

The Board are of the opinion that the key material differences in the Authority's accounting policies on conversion to AIFRS and the financial effect of these differences where known are as follows. Users of the financial statements should, however, note that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS, or interpretation of the AIFRS requirements.

(I) INCOME TAX

Currently, the Authority adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit.

Under AASB 112: Income Taxes, the Authority will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The most significant impact will be a decrease in deferred tax assets of \$243,000 and a decrease in deferred tax liability of \$844,000, with the reductions primarily relating to prior year asset revaluations. This adjustment will have no effect on profit for the year ended 30 June 2005.

On transition to AIFRS the estimated cumulative financial effect of the reliably known differences as highlighted, will be to increase the Authority's reported total equity by a total of \$601,000 at 30 June 2005.

(II) EMPLOYEE BENEFITS

In accordance with Summary of Significant Accounting Policies - Note 1 (I), the Authority contributes to a defined benefit pension scheme administered by the Government Employees Superannuation Board.

The superannuation liability has been established from an actuarial assessment of the expected future payments for current employees and other beneficiaries that will be met by the Authority.

Under the Australian equivalent to AASB 119 Employee Benefits, the Authority will be required to recognise actuarial gains and losses relating to this plan as they arise and to recognise an asset or a liability in respect of this plan.

As detailed in Note 1 (I), the Government Employees Superannuation Board's records are currently not structured to provide this information to the Authority.

Accordingly, due to information regarding actuarial gains and losses not being available, the Authority is unable to disclose any potential gains or losses relating to the defined benefit pension scheme which would be recognised on the first time adoption of AASB 119 Employee Benefits, and the Authority may not be able to disclose this information in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 2. REVENUE			
Revenue from operating activities			
Shipping services:			
Navigational services		5,261	4,933
Pilotage		866	821
Berth hire		565	468
Waste disposal & water		59	69
Total shipping services revenue		<u>6,751</u>	<u>6,291</u>
Cargo services revenue:			
Port infrastructure		4,543	3,866
Total cargo services revenue		<u>4,543</u>	<u>3,866</u>
Utilities services revenue:			
Electricity		1,794	1,658
Water		36	39
Total utilities services revenue		<u>1,830</u>	<u>1,697</u>
		13,124	11,854
Revenue from outside the operating activities			
Interest on investments		1,028	1,066
Lease rentals		2,209	1,954
Sale of property, plant and equipment	3	43	69
Other		1,314	948
		<u>4,594</u>	<u>4,037</u>
		17,718	15,891
NOTE 3. PROFIT FROM ORDINARY ACTIVITIES			
Net gains and expenses			
Profit from ordinary activities before income tax equivalent expense includes the following specific net gains and expenses:			
Net gains			
Net gain on disposal			
Plant and equipment			
Proceeds from sale		43	69
Less: Written down cost		(43)	(68)
Profit/(loss)		<u>0</u>	<u>1</u>
Expenses			
Provisions			
Net movement in employee benefits			
Accrued wages		8	22
Annual leave		(17)	30
Long service leave		(60)	11
Sick leave		(80)	2
Superannuation		(51)	(9)
		<u>(200)</u>	<u>56</u>
Depreciation			
Depreciation			
Buildings		677	569
Plant and equipment		3,518	4,040
Total depreciation		<u>4,195</u>	<u>4,609</u>
Other charges against assets			
Bad and doubtful debts - trade debtors		<u>32</u>	<u>0</u>
Borrowing costs			
Interest and finance charges paid or payable on:			
Borrowings		784	795
Inscribed stock		80	83
Borrowing costs expensed		<u>864</u>	<u>878</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 4. INCOME TAX EQUIVALENT EXPENSE			
The income tax equivalent expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:			
Profit from ordinary activities before income tax equivalent expense		4,351	4,482
Income tax calculated @ 30% (2004 - 30%)		1,305	1,345
Tax effect of permanent differences:			
Non-deductible depreciation		171	171
Non-deductible entertainment expenses		2	0
Under/(over) provision of previous year		0	1
Income tax adjusted for permanent differences		1,478	1,517
Income tax equivalent expense		1,478	1,517
Income tax equivalent expense comprises:			
Current taxation provision		1,699	1,193
Deferred income tax provision		(283)	333
Future income tax benefit		62	(9)
		1,478	1,517
NOTE 5. CURRENT ASSETS - CASH ASSETS			
Cash at bank and on hand (a)		2,188	1,459
Deposits at call (b)		16,503	15,903
		18,691	17,362
(a) Cash at bank			
Interest was earned at a weighted average rate of 5.06% during the year (2004: 4.85%)			
(b) Deposits at call			
The deposits (one month periods) are bearing fixed interest rates of 5.61% (2004: 5.41%)			
NOTE 6. CURRENT ASSETS - RECEIVABLES			
Trade debtors		2,657	1,763
Less: Provision for doubtful debts		32	0
		2,625	1,763
GST receivable from ATO		0	114
		2,625	1,877
NOTE 7. CURRENT ASSETS - INVENTORIES			
Material stores, spares for maintenance - at cost		312	241
Livestock - at cost		44	40
		356	281
NOTE 8. CURRENT ASSETS - OTHER			
Income tax refund due		0	341
Prepayments		20	18
		20	359
NOTE 9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS			
Investments carried at cost:			
Sinking fund deposits (Restricted)	21(a)	926	873
The sinking fund deposits are held at the Department of Treasury and Finance to offset Inscribed Stock loans when they mature. The funds are invested at floating interest rates.			
Interest rates received ranged between 5.27% and 5.45% giving an average of 5.31% (2004 average 5.02%). These investments are classed as non-current as their maturity is greater than 12 months.			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT			
Land and buildings			
Vested (Crown) Land:			
At cost		10,196	10,196
Freehold Land:			
At cost		7,244	6,686
Buildings :			
At cost		17,143	13,250
Less: Accumulated depreciation		(4,468)	(3,799)
		12,675	9,451
Plant and equipment			
Breakwaters:			
At cost		2,725	2,725
Less: Accumulated depreciation		(2,629)	(2,619)
		96	106
Dredging (capitalised):			
At cost		5,861	5,660
Less: Accumulated depreciation		(3,969)	(3,031)
		1,892	2,629
Inner & outer harbour channels & basins:			
At cost		37,734	37,734
Less: Accumulated depreciation		(15,165)	(14,227)
		22,569	23,507
Navigation aids:			
At cost		423	423
Less: Accumulated depreciation		(230)	(188)
		193	235
Berths & jetties:			
At cost		17,356	17,354
Less: Accumulated depreciation		(6,775)	(6,067)
		10,581	11,287
Port infrastructure plant & equipment:			
At cost		19,327	18,973
Less: Accumulated depreciation		(5,894)	(5,139)
		13,433	13,834
Minor plant & equipment:			
At cost		278	278
Less: Accumulated depreciation		(228)	(201)
		50	77
Office furniture & equipment:			
At cost		555	524
Less: Accumulated depreciation		(455)	(428)
		100	96
Motor vehicles:			
At cost		548	518
Less: Accumulated depreciation		(246)	(222)
		302	296
Add: Capital works in progress			
At cost		0	726
Total at cost		119,390	115,047
Total accumulated depreciation		(40,059)	(35,921)
Total property, plant and equipment		79,331	79,126

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
Reconciliations			
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year are set out below.			
Land and buildings			
Vested (Crown) Land:			
Carrying amount at start of year		10,196	10,196
Carrying amount at end of year		10,196	10,196
Freehold Land:			
Carrying amount at start of year		6,686	6,686
Additions		558	0
Carrying amount at end of year		7,244	6,686
Buildings:			
Carrying amount at start of year		9,451	10,005
Additions		3,175	15
Depreciation expense		(677)	(569)
Transfers from work in progress		726	0
Carrying amount at end of year		12,675	9,451
Plant and equipment			
Breakwaters:			
Carrying amount at start of year		106	120
Depreciation expense		(10)	(14)
Carrying amount at end of year		96	106
Dredging (capitalised):			
Carrying amount at start of year		2,629	1,458
Additions		201	2,629
Depreciation expense		(938)	(1,458)
Carrying amount at end of year		1,892	2,629
Inner & outer harbour channels & basins:			
Carrying amount at start of year		23,507	24,445
Depreciation expense		(938)	(938)
Carrying amount at end of year		22,569	23,507
Navigation aids:			
Carrying amount at start of year		235	277
Additions		0	0
Depreciation expense		(42)	(42)
Carrying amount at end of year		193	235
Berths & jetties:			
Carrying amount at start of year		11,287	12,027
Additions		1	0
Depreciation expense		(707)	(740)
Carrying amount at end of year		10,581	11,287

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
Reconciliations (continued)			
Port infrastructure plant & equipment:			
Carrying amount at start of year		13,834	12,436
Additions		354	1,578
Depreciation expense		(755)	(708)
Transfers from work in progress		0	528
Carrying amount at end of year		13,433	13,834
Minor plant & equipment:			
Carrying amount at start of year		77	101
Additions		2	4
Depreciation expense		(29)	(28)
Carrying amount at end of year		50	77
Office furniture & equipment:			
Carrying amount at start of year		96	112
Additions		48	39
Depreciation expense		(44)	(55)
Carrying amount at end of year		100	96
Motor vehicles:			
Carrying amount at start of year		296	298
Additions		104	123
Disposals		(43)	(68)
Depreciation expense		(55)	(57)
Carrying amount at end of year		302	296
Capital works in progress:			
Carrying amount at start of year		726	528
Additions		0	726
Transfers to:			
Port Infrastructure Plant & Equipment		(726)	(528)
Carrying amount at end of year		0	726
Total property, plant and equipment			
Carrying amount at start of year		79,126	78,689
Additions		4,442	5,114
Disposals		(43)	(68)
Depreciation expense		(4,195)	(4,609)
Carrying amount at end of year		79,331	79,126

Valuation of land and buildings.

An independent valuation of land and buildings including freehold land, Crown land and Crown reserves was undertaken by the Department of Land Information Valuation Services (Valuer General's Office Bunbury) in May 2004.

The valuation methodology used was based on market valuation using kerbside and desktop valuation techniques.

The values determined were:

Freehold land	9,192
Buildings on freehold land	1,630
Crown reserves	1,750
Buildings on Crown reserves	1,070
Crown land	24,200
Buildings on Crown land	15,470

These values have not been recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 11. NON-CURRENT ASSETS - DEFERRED TAX ASSETS			
Future income tax benefit			
Attributable to timing differences:			
		181	243
NOTE 12. CURRENT LIABILITIES - PAYABLES			
Payables represent trade creditors, amounts payable and accrued expenses. The variation compared to last year is due mainly to lower capital works expenses for works in progress projects and the final payment for the MIFCO interest free loan which was paid in June 2005 which has resulted in a lower balance.			
Trade creditors		559	997
NOTE 13. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES			
WA Treasury Corporation Direct Borrowings	17	494	482
The current amount represents the estimated principal repayments for the next twelve months on the WA Treasury Corporations borrowings.			
NOTE 14. CURRENT LIABILITIES - CURRENT TAX LIABILITIES			
GST		0	0
Income tax		558	0
		558	0
NOTE 15. CURRENT LIABILITIES - PROVISIONS			
Dividends	20(b)	3,005	1,525
Employee benefits	22	309	408
		3,314	1,933
Movement in provisions			
Movements in each class of provision during the financial year, other than employee benefits, are set out below.			
Current			
Carrying amount at start of year		1,525	1,882
Additional provision recognised		1,480	1,525
Payment of dividends		0	(1,882)
Carrying amount at end of year		3,005	1,525
NOTE 16. CURRENT LIABILITIES - OTHER LIABILITIES			
Income received in advance		200	219
Relates to prepaid lease revenue.			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 17. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES			
WA Treasury Corporation Direct Borrowings (a)		12,072	12,566
WA Treasury Corporation Inscribed Stock (b)		500	500
Non-Government Sourced Inscribed Stock (b)		550	550
Total non-current interest bearing liabilities		13,122	13,616
Total interest bearing liabilities		13,616	14,098
<p>(a) These borrowings are part of the WA Treasury Corporation's Portfolio Lending Arrangements (PLA) of various long and short term borrowings with a range of maturity dates out to ten years. Interest rates on the borrowings as at 30 June 2005 varies between 5.42% and 8.32% (30 June 2004: 5.43% and 8.32%). Repayments are based on quarterly instalments with the capital and interest being repaid according to a fixed repayment schedule.</p> <p>(b) These are various inscribed stock borrowings with fixed interest rates which vary between 5.875% and 10.5% (30 June 2004: 5.875% and 10.5%). The loans have different maturity dates and will be fully repaid on maturity. The maturity dates range from 12 November 2011 to 20 February 2016. Interest payments are based on a fixed formula and instalments are payable every six months. The loans also require a set sinking fund balance to be deposited every six months to help off-set the debt which is payable by lump sum on maturity.</p>			
NOTE 18. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES			
Provision for deferred income tax:			
Attributable to timing differences:			
- Depreciation		3,266	3,549
NOTE 19. NON-CURRENT LIABILITIES - PROVISIONS			
Employee benefits	22	329	430
NOTE 20. RESERVES AND RETAINED PROFITS			
(a) Reserves			
Asset revaluation (c) (i)		18,367	18,367
Developers contribution (c) (ii)		13,832	13,832
Total reserves		32,199	32,199
(b) Retained profits			
Retained profits at the beginning of the financial year		46,696	45,256
Dividend provided for 2005 (a)		(1,480)	(1,525)
Net profit		2,873	2,965
Retained profits at the end of the financial year		48,089	46,696
<p>(a) Dividend for 2005 of \$1,480 million is based on the Government's dividend policy of 50% of after tax profit.</p>			
(c) Nature and purpose of reserves			
(i) Asset revaluation reserve			
<p>The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. The balance relates to valuation of land and plant and equipment. All land and plant and equipment previously revalued are now carried at deemed cost.</p>			
(ii) Developers contribution reserve			
<p>The developers contribution reserve represents the amount contributed by Alcoa and Worsley in the past to assist the Authority to complete the dredging of the Inner Harbour.</p>			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTES	2005 \$'000	2004 \$'000
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NOTE 21. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call and in money market instruments. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets:

Cash at bank	2,188	1,459
Deposits at call	16,503	15,903
Total cash assets	18,691	17,362

Other financial assets:

Sinking fund deposits invested at Treasury	926	873
Balances as per statement of cash flows	19,617	18,235

(b) Reconciliation of net profit to net cash inflow from operating activities

Net profit	2,873	2,965
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Adjustments for non-cash revenue and expense items

Depreciation	4,195	4,609
Net gain on sale of property, plant & equipment	0	(1)
Transfer to provisions:		
Employee benefits	(207)	34

Changes in assets and liabilities

(Increase)/decrease in assets:

Receivables	(863)	643
GST receivable	114	(114)
Inventories	(75)	1
Prepayments	(3)	(17)
Future income tax benefit	62	(9)
Income tax refund due	340	(341)

(Decrease)/increase in liabilities:

Payables	(437)	110
Other liabilities	(11)	(33)
GST liability	0	(260)
Income tax payable	558	(1,021)
Deferred income tax	(282)	333

Net cash inflow from operating activities

6,264	6,899
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTES	2005 \$'000	2004 \$'000
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NOTE 22. EMPLOYEE BENEFITS**Employee benefits liabilities**

Provision for employee benefits

Current

15 309 408

Non-current

19 329 430

638	838
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Employee numbers

Number of full-time employees at end of financial year

14 14

Current liabilities

Annual Leave

155 171

Accrued wages

34 27

Long Service Leave

20 33

Sick Leave

67 147

Superannuation

33 30

309	408
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Non-current liabilities

Long service leave

55 102

Superannuation

274 328

329	430
-----	-----

638	838
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Total provision**NOTE 23. LAND & BUILDING - OPERATING LEASES**

The Authority owns land and buildings and controls areas of Crown land some of which are not currently required for use in day to day operations.

Disclosures required by the Authority as lessor, in accordance with AASB 1008 are as follows:

Land & buildings leased by the Authority to lessees:

Land at cost

8,851 8,851

Buildings at cost

14,232 10,451

Less accumulated depreciation

3,226 2,650

11,006	7,801
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Land and buildings leased by the Authority to lessees includes vested Crown land, the majority of which is valued at cost by the Authority as detailed at Note 10 - Property, plant & equipment.

Depreciation expense applicable to leased assets:

Buildings - depreciation expense

576 479

Lease commitment receivables as at 30 June

307 235

Minimum lease payments receivable by the Authority under non-cancellable land and building leases not recognised in the financial statements are receivable as follows:

Within 1 year

2,226 1,317

Later than 1 year but not later than 5 years

8,073 4,143

Later than 5 years

33,248 21,973

43,547	27,433
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

	NOTES	2005 \$'000	2004 \$'000
NOTE 24. COMMITMENTS FOR EXPENDITURE			
Capital commitments			
Commitments for the acquisition of buildings, plant and equipment contracted for at the reporting date but not recognised as liabilities payable:			
Within one year *		<u>1,138</u>	<u>2,276</u>
*The Authority has capital expenditure commitments outstanding of \$1.138 million in relation to the construction of a new pilot boat for the Authority's Pilotage service, delivery for which is due in March 2006.			
NOTE 25. CONTINGENT LIABILITIES			
The Authority's policy is to disclose as a contingency any material future obligation that may arise due to special circumstances or events.			
As of balance date the Authority's obligation in regard to the contingency reported last year has been fully paid in June 2005 as a result of the retirement of the employee to which the contingency related.		<u>0</u>	<u>230</u>
NOTE 26. REMUNERATION OF OFFICERS			
(a) Remuneration of Directors			
The Minister for Planning and Infrastructure determines the remuneration of non-executive Directors. The Board oversees the remuneration policy for the Chief Executive Officer.			
Directors receive no other income from the Authority other than that disclosed below.			
The numbers of Directors of the Authority whose total fees, and other benefits received or due and receivable for the year, falls within the following bands:			
		Number	Number
\$0 - \$9,999		-	5
\$10,000 - \$19,999		4	1
\$20,000 - \$29,999		1	
The total of all fees and other benefits received or due and receivable for the year, by Directors of the Authority.		<u>\$75,585</u>	<u>\$54,781</u>
Directors' remuneration excludes a proportion of insurance premiums of \$9,295 (2004:\$8,275) paid by the Authority in respect of a directors and officers liability insurance contract. Information relating to the insurance contract is set out in the Directors' Report.			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTES	2005 \$'000	2004 \$'000
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NOTE 26. REMUNERATION OF OFFICERS (CONTINUED)

(b) Remuneration of executives

The number of executive officers whose total income due and receivable for the year falls within the following bands, were:

	Number	Number
\$ 10,000 - \$ 19,999 (1)	1	-
\$ 40,000 - \$ 49,999	-	1
\$100,000 - \$109,999	1	2
\$110,000 - \$119,999	1	1
\$120,000 - \$129,999	3	-
\$130,000 - \$139,999	-	1
\$150,000 - \$159,999	-	1
\$260,000 - \$269,999 (2)	1	-

The aggregate income of the executives referred to above:

\$867,816	\$656,378
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Income of executives comprises amounts paid or payable to executive officers directly or indirectly, by any related party in connection with the management of the affairs of the Authority whether as executive officers or otherwise.

(1) The Authority's new CEO Gary Crockford commenced on 23 May 2005.

(2) Payments to Dom Figliomeni who resigned as CEO on 18 February 2005 included accrued leave entitlements.

NOTE 27. REMUNERATION OF AUDITORS

Remuneration received, or due and receivable, by the Auditor General for:

- Audit of the financial statements

25	22
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NOTE 28. RELATED PARTY DISCLOSURES**(a) Directors:**

The following persons were Directors of the Bunbury Port Authority during the financial year:

<i>Chairman</i>	J G Brosnan
<i>Deputy Chairman</i>	G P Brennan
<i>Directors</i>	R B Pimm
	N B Premji
	D L Smith

(b) Directors transactions

There were no transactions on a customer or supplier relationship basis between the Directors, or their Director related parties and the Authority during the financial year.

(c) Related party transactions

No transactions occurred between the Authority and related parties.

NOTE 29. SEGMENT REPORTING

The Bunbury Port Authority operates in the one geographical segment, that being Bunbury Western Australia and in the one business segment being port services. Accordingly there is no need to provide segment information.

NOTE 30. EVENTS OCCURRING AFTER REPORTING DATE

There were no events occurring after the reporting date which would impact on these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE, 2005

NOTE 31. FINANCIAL INSTRUMENTS

(a) Credit risk exposures

The credit risk on financial assets, which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any provisions for doubtful debts. The Authority's port services client base consists of customers who are billed for shipping or cargo services and tenants who are billed for lease rental or electricity all of which are required to settle accounts within 30 days.

Due to the Authority's stable customer base the Authority is not considered materially exposed to any individual customer or group of customers. In respect of investments, credit risk is minimised by the Authority's practice to only deal with major trading banks.

(b) Interest rate risk exposures

The Authority's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For further information about the interest rates applicable to each class of asset or liability, refer to individual notes to the financial statements.

	Average interest floating rate		Average interest fixed rate		Floating interest rate		Fixed interest rate maturing in					Total					
	%	2004	%	2004	\$'000	2004	1 year or less	1 to 5 years	More than 5 years	Non interest bearing	\$'000	\$'000					
	2005	2005	2005	2005	\$'000	2005	2004	2005	2004	2005	2004	2005					
as at 30 June 2005																	
Financial assets																	
Cash at bank	5.06	4.85	-	-	2,188	1,459	0	0	0	0	0	0	2,188	1,459			
Deposits at call	-	-	5.47	5.18	0	0	16,503	15,903	0	0	0	0	16,503	15,903			
Receivables	-	-	-	-	0	0	0	0	0	0	0	2,625	1,877	2,625			
Other financial assets																	
Treasury sinking funds (Restricted) (1)	5.31	5.02	-	-	926	873	0	0	0	0	0	0	926	873			
Total financial assets																	
							3,114	2,332	16,503	15,903	0	0	2,625	1,877	22,242		
Financial liabilities																	
Interest bearing liabilities:																	
WA Treasury Corp borrowings	-	-	6.20	6.19	0	0	493	482	2,091	2,044	9,981	10,522	0	0	12,565		
WA Treasury Corp inscribed stock loans	-	-	9.26	9.26	0	0	0	0	0	0	500	500	0	0	500		
Other inscribed stock loans	-	-	6.16	6.16	0	0	0	0	0	0	550	550	0	0	550		
Payables:																	
Trade Creditors	-	-	-	-	0	0	0	0	0	0	0	0	559	654	654		
Payables:																	
Commonwealth MIFCO Loan (2)	-	-	-	-	0	0	0	0	0	0	0	0	343	0	343		
Total financial liabilities																	
							0	0	493	482	2,091	2,044	11,031	11,572	559	997	14,174
Net financial assets (liabilities)							3,114	2,332	16,010	15,421	(2,091)	(2,044)	(11,031)	(11,572)	2066	880	8068

(1) Sinking funds are held at Treasury to offset inscribed stock loans when they mature.

(2) The loan is interest free and is not guaranteed by the WA Government.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTE 31 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Net fair value of financial instruments

The carrying amounts of the following financial assets approximate net fair values: cash assets, sinking funds at Treasury, receivables and inventories. The net fair value of a financial asset or financial liability is the amount at which the asset could be exchanged or the liability settled in a current transaction between willing parties after allowing for transaction costs.

Financial liabilities	Carrying amount 2005 \$'000	Net Fair value 2005 \$'000	Carrying amount 2004 \$'000	Net Fair value 2004 \$'000
WA Treasury Corp short and long term debt	12,565	13,021	13,048	13,499
Commonwealth MIFCO loan	0	0	343	343

The following methods and assumptions were used to estimate the net fair value of the financial liabilities:
 The net fair value of short and long term debt is estimated by discounting expected cash flows at the interest rates currently offered to the Authority for debt of the same remaining maturities and security plus costs expected to be incurred were the liability settled.
 The Commonwealth MIFCO loan was an interest free loan the final instalment for which was paid in June 2005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2005

NOTE 32. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

Australia is adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005. The Bunbury Port Authority will adopt these Standards for the first time for the year ended 30 June 2006.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires disclosure of any known or reliably estimable information about the impacts on the financial statements had they been prepared using AIFRSs.

The information provided below discloses the main areas impacted due to the effects of adopting AIFRS. Management have determined the quantitative impacts using their best estimates available at the time of preparing the 30 June 2005 financial statements. These amounts may change in circumstances where the accounting standards and/or interpretations applicable to the first AIFRS financial statements are amended or revised.

(a) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS:

	30 June 2005 \$000	1 July 2004 \$000
Total equity under previous AGAAP	80,288	78,895
Adjustments to retained profits:		
Decrease in deferred tax assets (i)	(181)	(243)
Decrease in deferred tax liabilities (ii)	912	844
Total equity under AIFRS	81,019	79,496

The adjustments are explained as follows:

(i) Under AASB 112: Income Taxes, the Authority will be required to adopt a balance sheet approach by which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit. The decrease in the deferred tax assets represents the balance reversed against equity as all timing differences no longer apply.

(ii) Represents the decrease in deferred tax liability relating to prior year asset revaluations that has been adjusted against equity. The net effect of the decrease in deferred tax would have resulted in a decrease of \$130,000 in tax expense and corresponding increase on the net profit for the year ended 30 June 2005.

(b) Reconciliation of net profit for the period as presented under previous AGAAP to that under AIFRS:

	30 June 2005 \$000
Net profit for the period under previous AGAAP	2,873
Net movement in income tax expense (iii)	130
Net profit for the period under AIFRS	3,003

The adjustment is explained as follows:

(iii) Represents the difference between the net movement in deferred tax assets and liabilities for the year ended 30 June 2005 under AIFRS compared to the net movement in tax assets and liabilities for AGAAP.

(c) Statement of Cash Flows

No material impacts are expected from adopting AIFRS with respect to the Statement of Cash Flows.

(d) Financial Instruments

AASB 1 requires prior period information, presented as comparative information. However AASB 1 exempts an entity from the requirements to restate comparative information as if the requirements of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* had always applied. This is consistent with previous Australian requirements where changes in accounting policies did not require the restatement of the income statement and balance sheet of the preceding period.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

DIRECTORS' DECLARATION



The Directors' declare that the financial statements and notes:

- (a) comply with Accounting Standards, the Port Authorities Act 1999 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Authority's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Port Authorities Act 1999; and
- (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.

This declaration has been made in accordance with a resolution of the Directors.

Chairman
Bunbury
14 September 2005

Director



AUDITOR GENERAL

INDEPENDENT AUDIT REPORT ON BUNBURY PORT AUTHORITY

To the Parliament of Western Australia

Audit Opinion

In my opinion, the financial report of the Bunbury Port Authority is in accordance with:

- (a) schedule 5 of the Port Authorities Act 1999, including:
 - (i) giving a true and fair view of the Authority's financial position at 30 June 2005 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) other mandatory professional reporting requirements in Australia.

Scope

The Board's Role

The Board of Directors is responsible for the financial report.

The financial report consists of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying Notes and Directors' Declaration.

Summary of my Role

As required by the Port Authorities Act 1999, I have independently audited the financial report to express an opinion on it. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial report is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial report.

D D R PEARSON
AUDITOR GENERAL
16 September 2005



CORPORATE DIRECTORY INFORMATION

DIRECTORS

J G Brosnan
Chairman

G P Brennan
Deputy Chairman

R B Pimm
N B Premji
D L Smith

CHIEF EXECUTIVE OFFICER

G Crockford

PRINCIPAL ACCOUNTING OFFICER

J E Barratt

ADDRESS OF OFFICE

1 Casuarina Drive
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Telephone: 08 9721 2800

AUDITORS

Office of the Auditor General, Western Australia

INTERNAL AUDITORS

AMD Chartered Accountants

ANNUAL REPORT

To request an Annual Report:

- Telephone: 08 9721 2800
- Internet: www.byport.com.au/report
- Mail request to PO Box 4 Bunbury 6231

