



Our Ref: 2007/00585/01

RECEIVED

- 3 SEP 2007

MINISTER'S OFFICE

The Hon. Minister for Planning and Infrastructure  
13<sup>th</sup> Floor, Dumas House  
2 Havelock Street  
WEST PERTH WA 6005

4th Floor Dumas House  
2 Havelock Street  
West Perth 6005  
Western Australia

Tel: 08 9222 7500  
Fax: 08 9322 5664  
Email: info@audit.wa.gov.au

SERVING THE PUBLIC INTEREST


Dear Minister

**BUNBURY PORT AUTHORITY  
FINANCIAL REPORT YEAR ENDED 30 JUNE 2007**

Attached is my audit report, addressed to the Parliament, on the financial report of the Bunbury Port Authority prepared in accordance with the Port Authorities Act 1999. Also attached is a copy of the audited financial report. The audit report and the audited financial report have been provided to the Chairman of Directors for inclusion in the Authority's Annual Report. The Act requires the Authority to forward a copy of its Annual Report to you within 10 working days after receipt by the Authority of my audit report.

Matters arising from the audit have been referred by letter to the Chairman of Directors. A copy of that letter is attached for your information. Also attached is a copy of the interim management letter forwarded to the Chairman of Directors on 17 July 2007 following completion of the interim audit.

Yours faithfully

  
COLIN MURPHY  
AUDITOR GENERAL  
3 September 2007

Attach



## AUDITOR GENERAL

### INDEPENDENT AUDIT REPORT ON BUNBURY PORT AUTHORITY

#### To the Parliament of Western Australia

I have audited the financial report of the Bunbury Port Authority, which comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

#### Directors' Responsibility for the Financial Report

The directors of the Bunbury Port Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Port Authorities Act 1999. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Summary of my Role

As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

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.

#### Audit Opinion

In my opinion, the financial report of the Bunbury Port Authority is in accordance with Schedule 5 of the Port Authorities Act 1999, including:

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

COLIN MURPHY  
AUDITOR GENERAL

3 September 2007



Our Ref: 2007/00585/01

Chairman of Directors  
Bunbury Port Authority  
PO Box 4  
BUNBURY WA 6230

4th Floor Dumas House  
2 Havelock Street  
West Perth 6005  
Western Australia

Tel: 08 9222 7500  
Fax: 08 9322 5664  
Email: info@audit.wa.gov.au

SERVING THE PUBLIC INTEREST

Dear Sir

**FINANCIAL REPORT YEAR ENDED 30 JUNE 2007**

The Office has completed the annual audit of the financial report for your Authority. We enclose the Auditor General's audit report, together with the audited financial report. We have forwarded the Auditor General's audit report and a copy of the audited financial report to the Minister for Planning and Infrastructure.

The Office has also electronically mailed a copy of the Auditor General's audit report to Mr John Barrett for inclusion on your web site.

**Management Issues**

While the result of the audit was generally satisfactory, I would like to draw your attention to the attached listing of control issues that were identified during the course of the audit. These matters have been discussed with your Principal Accounting Officer, Mr John Barrett whose comments have been included on the attachment for your information.

Please note that the primary purpose of our audit was to obtain sufficient audit evidence to form an opinion on the financial report. As a result, we may not have identified all matters that require management attention.

I would like to take this opportunity to thank you, the management and the staff of your Authority for their cooperation with the audit team during our audit.

If you would like to discuss these matters further please contact me on 9222 3906.

Yours faithfully

PETER SPARKES  
GROUP DIRECTOR ASSURANCE SERVICES  
3 September 2007

Attach

**BUNBURY PORT AUTHORITY**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2007**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Leave Liability Management			✓

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

**BUNBURY PORT AUTHORITY**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2007**  
**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

**LEAVE LIABILITY MANAGEMENT**

**Finding**

The leave accrual report at 30 June 2007 shows the following staff members with significant leave balances:

Staff name	Annual Leave Hours Accrued at 30 June 2007	Long Service Leave Hours Accrued at 30 June 2007
John Barratt	315	416
Grahame Coves	207	296
David Lantry	352	494
Katherine Kay	214	82
Michael Symmonds	159	295

**Rating/Implication**

**Rating: Minor**

Difficulty in managing growing balances and large cash outflow if payout required

**Recommendation**

The Authority should make arrangements to allow staff with large leave balances to utilize their balances as much as practicable.

**Management Comment**

The Authority has had an extremely busy period with new port developments and Federal legislated port security requirements (the Maritime Security Identification Card – MSIC) introduced in 2006/2007 taking up considerable time and effort of staff.

The Authority will endeavour to ensure accruals for leave entitlements are reduced in 2007/2008 in an orderly manner. However we consider that only John Barratt and David Lantry's annual leave accruals are significant as the Authority's Human Resource's policy 5.1(6) states that "Annual leave shall be taken within twelve months of it falling due unless otherwise agreed to by the Authority."

Of the long service leave the only accrual that is due is for Grahame Coves. The Authority therefore considers that the long service leave accruals are not significant for the others including David Lantry's long service leave which is due in 2010.



Our Ref: 2007/00585/01

4th Floor Dumas House  
2 Havelock Street  
West Perth 6005  
Western Australia

Tel: 08 9222 7500  
Fax: 08 9322 5664  
Email: info@audit.wa.gov.au

Chairman  
Bunbury Port Authority  
PO Box 4  
BUNBURY WA 6231

SERVING THE PUBLIC INTEREST

Dear Sir

## **INTERIM AUDIT RESULTS YEAR ENDED 30 JUNE 2007**

The Office has completed the interim audit of the Bunbury Port Authority for the year ended 30 June 2007. The scope of our interim audit was to review the effectiveness of the Authority's current controls and processes. This included the testing of your systems with regard to expenditure, fixed assets and payroll.

### **Management Control Issues**

While the result of the interim audit was generally satisfactory, I would like to draw your attention to the attached listing of issues that were identified during the course of the audit. These matters were discussed with your Finance and Administration Manager and comments have been included on the attachment for your information.

The primary purpose of our interim audit was to assess the effectiveness of the Authority's controls over its various business cycles. The nature of these audit procedures does not guarantee that we will identify all matters requiring management attention.

If you would like to discuss these matters further, please contact me on 9222 3906.

Yours faithfully

PETER SPARKES CPA  
GROUP DIRECTOR ASSURANCE SERVICES  
17 July 2007

Attach

**BUNBURY PORT AUTHORITY**

**PERIOD OF AUDIT: 30 JUNE 2007**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Access to Information Systems	X		
Payroll System Exception Report	X		
Creditor System Exception Report	X		
Purchase Authorisation		X	
Payroll Report Review		X	
Fixed Asset Capitalisation Threshold			X

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

**BUNBURY PORT AUTHORITY**

**PERIOD OF AUDIT: 30 JUNE 2007**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**ACCESS TO INFORMATION SYSTEMS**

**Finding**

Our review of the user privileges matrix revealed access to the information system for a number of employees were beyond their job responsibilities requirements. For example, the environmental officer has access to the modification function for the payroll module and access to the addition and modification function for the creditor module.

**Rating/Implication**

Unauthorised access to sensitive information and unauthorised changes to critical information may lead to financial loss to the Authority.

*Rating: Significant*

**Recommendation**

An immediate review should be performed on the user privileges for all employees, with access rights granted only to designated employees performing the relevant systems tasks.

We also recommend a regular review by the Finance and Administration Manager of the user privileges matrix to ensure it is up to date and always relevant.

**Management Comment**

As a result of the audit finding management has acted promptly and the user access matrix has been reviewed, updated and signed off on 30 March 2007 by the Finance & Administration Manager and Finance Officer. This review has resulted in only authorised officers being able to perform the relevant systems tasks.



## **BUNBURY PORT AUTHORITY**

**PERIOD OF AUDIT: 30 JUNE 2007**

### **FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

#### **PAYROLL SYSTEM EXCEPTION REPORT**

##### **Finding**

Currently, the finance officer maintains the full range of payroll function, including updating pay rates and employee bank details, preparing the payroll reports, maintaining employee files, etc. Any changes made are summarized in the "Master File Amendment Report" that is then forwarded to the Finance and Administration Manager for his review.

The information reported in the "Master File Amendment Report" pertains to additions, deletions or modifications according to what the finance officer reports and may not include anything that the finance officer may forget to report or any intentional omissions.

##### **Rating/Implication**

Unauthorised changes to the payroll master file may go undetected until such time it is too late to take appropriate action.

***Rating: Significant***

##### **Recommendation**

We recommend a payroll exception report that details additions, deletions or modifications to the payroll system including name, pay rates, and bank details amongst other things, be generated and forwarded to the Finance and Administration Manager for review along with the documents supporting the additions, deletions or changes. This should be evidenced by the Finance and Administration Manager's signature on the report. Alternatively, the Finance and Administration Manager could be assigned the task of releasing the additions, deletions or modifications into the system after the finance officer has input the details into the payroll system.

##### **Management Comment**

While there has been no fraudulent activity in the Port Authority in regard to the payroll matter raised and that this is the first time that this type of finding has been brought to our attention the Authority has taken note of the recommendation and contacted the supplier and supporter of our software IT Vision.

The Authority has placed a request to IT Vision on 2 April 2007 and they have contacted the Finance & Administration Manager that day to advise that their senior programmer will review the request and advise firstly if they can provide a payroll master file exception report and secondly the cost of the modifications to the system. If the cost is prohibitive or the system is unable to provide this type of report then the alternative recommendation where the Finance & Administration Manager is assigned the task of releasing the additions, deletions or modifications into the system will be adopted.

## **BUNBURY PORT AUTHORITY**

**PERIOD OF AUDIT: 30 JUNE 2007**

### **FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

#### **CREDITOR SYSTEM EXCEPTION REPORT**

##### **Finding**

We noted that at least 3 designated finance department personnel have the authority to add, delete or modify the creditor master file. However, no approval is currently required for additions, deletions or modifications made and no exception report is generated to highlight such additions, deletions or modifications.

##### **Rating/Implication**

Unauthorised changes to the creditor master file may go undetected until such time it is too late to take appropriate action.

*Rating: Significant*

##### **Recommendation**

We recommend a creditor master file exception report that details the addition, deletion or modification to the creditor master file including name, address, bank details amongst other things, be generated and forwarded to the Finance and Administration Manager for review along with the documents supporting the changes. This should be evidenced by the Finance and Administration Manager's signature on the report. Alternatively, the Finance and Administration Manager could be assigned the task of releasing the changes into the system after the finance officer has input the details into the creditor system.

##### **Management Comment**

The Authority's comments on this finding are the same as for the payroll system exception report. We consider that our controls have been strong and this has not been raised previously but it is a recommendation we agree with.

The Authority has placed a request to IT Vision on 2 April 2007 and they have contacted the Finance & Administration Manager that day to advise that their senior programmer will review the request and advise firstly if they can provide a creditor master file exception report and secondly the cost of the modifications to the system. If the cost is prohibitive or the system is unable to provide this type of report then the alternative recommendation where the Finance & Administration Manager is assigned the task of releasing the additions, deletions or modifications into the creditors system will be adopted.

## **BUNBURY PORT AUTHORITY**

**PERIOD OF AUDIT: 30 JUNE 2007**

### **FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

#### **PURCHASE AUTHORISATION**

##### **Finding**

In the course of the interim audit, we noted that the purchase authorization for repair works to be carried out by Topstar Pty Ltd trading as Protective Coating Systems was initially for \$39,351.40 according to Purchase Order number 25007 dated 11 December 2006. The final invoice amount was \$73,596.00 due to additional works requested but authorization sought remained that of the officer whose limit is \$50,000.00. In this instance, the Chief Executive Officer's authorization should have been obtained as his was the next tier limit, which is \$200,000.00, as stipulated in the Authority's Purchasing Policies and Procedures.

We also noted the purchase authorization for sand removal works to be carried out by Charles Hull Contracting was for an unspecified amount due to the actual works being subject to actual time incurred. This was for Purchase Order number 24940 dated 25 October 2006. The officer authorizing this Purchase Order had a limit of \$50,000.00. The final invoice amount was \$54,060 but the same officer authorized on the invoice. The Authority's Purchasing Policies and Procedures states that the Chief Executive Officer's authorization should have been sought in this instance.

##### **Rating/Implication**

Unauthorised purchases may be made.

*Rating: Moderate*

##### **Recommendation**

We recommend that the Authority's purchase authorization limits be strictly complied with to ensure discipline is exercised at all times when making purchasing decisions. We also recommend that an improvement to the purchase authorization limits be that undeterminable value purchases be approved by the Chief Executive Officer.

##### **Management Comment**

The recommendation is noted and action has been taken on 29 March 2007 in the form of a memo to all staff in the administration office who are involved in the issuing of purchase orders and processing of creditors invoices was circulated and signed off.

The Accounting Manual and Purchasing, Procurement Policy will also be updated by the Finance & Administration Manager to include the recommendation regarding all undeterminable value purchases be signed by the CEO. As discussed these types of purchase orders although not common are unavoidable in certain circumstances.

**BUNBURY PORT AUTHORITY**

**PERIOD OF AUDIT: 30 JUNE 2007**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**PAYROLL REPORT REVIEW**

**Finding**

The "Payroll Employee History Detail Report" serves as the basis for processing salary payments every fortnight and is reviewed by either the Accounting Systems Officer or the Finance & Administration Officer. However, we noted there was no evidence of the review having taken place based on our review of the "Payroll Employee History Detail Report". Additionally, this report should be reviewed by an appropriate officer, such as the Finance & Administration Officer, due to its sensitive and critical nature.

**Rating/Implication**

Lack of formal and management accountability for the payroll review process.

*Rating: Moderate*

**Recommendation**

The "Payroll Employee History Detail Report" should be reviewed by the Finance and Administration Manager and evidenced by a sign off.

**Management Comment**

The recommendation is noted. However the Authority considers this finding to be minor as the reports that were not signed were reviewed by the Finance & Administration Manager and these were the most recent fortnightly reports that were processed while the Accounting Systems Officer was on annual and sick leave. Previous "Payroll Employee History Detail Reports" have been signed off by the Accounting Systems Officer who usually has the responsibility of reviewing the payroll according to our normal procedures.

While we agree that the "Payroll Employee History Detail Report" should be signed off after being reviewed the procedure of the Accounting Systems Officer reviewing the payroll and signing off will continue. In his absence the Finance & Administration Manager will carry out the review and sign off.

**BUNBURY PORT AUTHORITY**  
**PERIOD OF AUDIT: 30 JUNE 2007**  
**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**  
**ASSET CAPITALISATION THRESHOLD**

**Finding**

We noted that there is no fixed asset capitalisation threshold in place such that any capital amount are being capitalised in the fixed asset register. We appreciate the need to balance asset tracking and administration efficiencies and practicalities.

**Rating/Implication**

Inefficient and impractical management of the fixed asset register.

*Rating: Minor*

**Recommendation**

We recommend the Authority consider setting an asset capitalization threshold for its fixed asset register that is relevant for its operational requirements. Assets below the threshold can be kept in a separate list outside fixed asset register and retained for monitoring purposes.

**Management Comment**

The recommendation is noted by the Authority. An asset capitalisation limit of \$500 is being considered but will not be introduced until we have discussed the implications in regard to income tax with our taxation consultants AMD Chartered Accountants.

Following the consultation we will advise of the outcome and where necessary revise our policy regarding asset capitalisation.

# BUNBURY PORT AUTHORITY

## 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 2007 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:

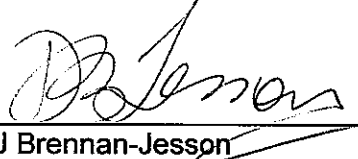
- (a) the financial statements and notes are in accordance with the Port Authorities Act 1999; and
- (b) there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

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



---

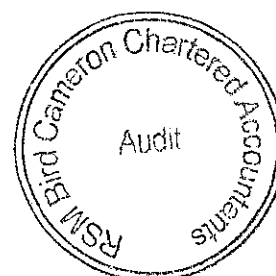
J G Brosnan  
Chairman



---

D J Brennan-Jesson  
Director

Bunbury  
16 August 2007

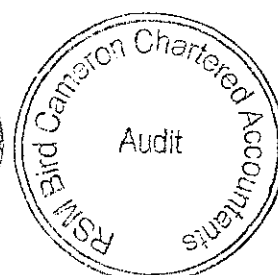


# BUNBURY PORT AUTHORITY

## Income Statement for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>INCOME</b>			
Revenue	2	20,755	19,184
Other income	3	-	232
Total Income		<u>20,755</u>	<u>19,416</u>
<b>EXPENSES</b>			
Operational expenses	4	(4,726)	(3,522)
Administration expenses	4	(3,240)	(3,726)
Utilities expense		(1,621)	(1,443)
Depreciation expense	4	(4,364)	(4,341)
Finance costs	4	(819)	(836)
Other expenses	3	(102)	-
Total Expenses		<u>(14,872)</u>	<u>(13,868)</u>
Profit before income tax equivalent expense		5,883	5,548
Income tax equivalent expense	5	<u>(1,676)</u>	<u>(1,655)</u>
<b>Profit for the year</b>	18	<u><b>4,207</b></u>	<u><b>3,893</b></u>

The above income statement should be read in conjunction with the accompanying notes.

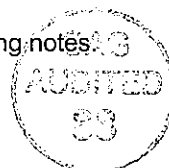


# BUNBURY PORT AUTHORITY

## Balance Sheet as at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	24,334	20,844
Trade and other receivables	7	2,336	2,068
Inventories	8	369	386
Total current assets		<b>27,039</b>	<b>23,298</b>
<b>Non-current assets</b>			
Other financial assets	9	1,049	983
Property, plant and equipment	10	77,243	77,520
Total non-current assets		<b>78,292</b>	<b>78,503</b>
<b>Total assets</b>		<b>105,331</b>	<b>101,801</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	1,353	1,149
Borrowings	12	517	505
Current tax liabilities	13	604	409
Provisions	14/20	350	333
Total current liabilities		<b>2,824</b>	<b>2,396</b>
<b>Non-current liabilities</b>			
Borrowings	15	12,100	12,617
Deferred tax liabilities	16	953	1,543
Provisions	17/20	335	333
Total non-current liabilities		<b>13,388</b>	<b>14,493</b>
<b>Total liabilities</b>		<b>16,212</b>	<b>16,889</b>
<b>Net assets</b>		<b>89,119</b>	<b>84,912</b>
<b>EQUITY</b>			
Reserves	18 (a)	28,647	28,647
Retained profits	18 (b)	60,472	56,265
<b>Total equity</b>		<b>89,119</b>	<b>84,912</b>

The above balance sheet should be read in conjunction with the accompanying notes.



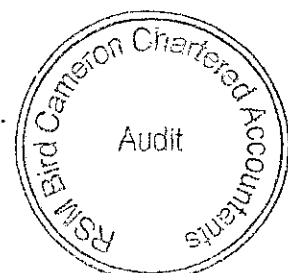


# BUNBURY PORT AUTHORITY

## Cash Flow Statement for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		20,959	20,635
Payments to suppliers and employees (inclusive of goods and services tax)		(11,306)	(10,323)
Interest received		1,487	1,145
Borrowing costs paid		(819)	(836)
Income taxes paid		(2,071)	(2,615)
<b>Net cash inflow from operating activities</b>	<b>19(b)</b>	<b>8,250</b>	<b>8,006</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4,229)	(2,591)
Proceeds from sale of property, plant and equipment		40	294
<b>Net cash (outflow) from investing activities</b>		<b>(4,189)</b>	<b>(2,297)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(505)	(494)
Dividends paid		-	(3,005)
<b>Net cash (outflow) from financing activities</b>		<b>(505)</b>	<b>(3,499)</b>
<b>Net increase in cash held</b>		<b>3,556</b>	<b>2,210</b>
Cash at the beginning of the year		21,827	19,617
<b>Cash at the end of the year</b>	<b>19(a)</b>	<b>25,383</b>	<b>21,827</b>

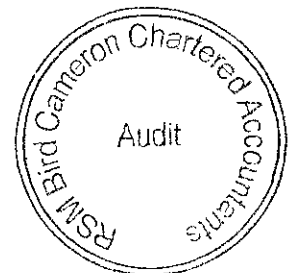
The above cash flow statement should be read in conjunction with the accompanying notes.



# BUNBURY PORT AUTHORITY

## Statement of Changes in Equity for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Balance of equity at start of the year		<u>84,912</u>	<u>82,499</u>
Dividends		-	(1,480)
Profit for the year		4,207	3,893
Balance of equity at end of the year		<u><u>89,119</u></u>	<u><u>84,912</u></u>



**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general-purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Interpretations and the Port Authorities Act 1999. The financial report is prepared on an accrual basis and in accordance with historical cost convention. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

The following is a summary of the significant accounting policies adopted by the Authority in the preparation of the financial report.

**(a) Income**

**Revenue**

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

*Sale of goods*

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser.

*Provision of services*

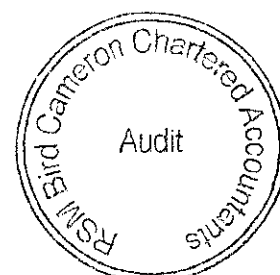
Revenue is recognised on delivery of the service or by reference to the stage of completion.

*Interest*

Revenue is recognised as the interest accrues.

**Gains**

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



**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(a) Income (Cont'd)**

***Lease income***

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

**(b) Income Tax "Equivalent"**

The Authority operates within the national tax equivalent regime ("NTER") whereby an equivalent amount in respect of income tax is payable to the State Department of Treasury and Finance. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

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

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.



**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(c) Borrowing Costs**

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. Other borrowing costs are expensed when incurred.

**(d) 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 cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred. Other routine maintenance, repair costs and minor renewals are also charged as expenses as incurred.

**(e) Property, Plant and Equipment and Infrastructure**

*Initial recognition and measurement*

All items of property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

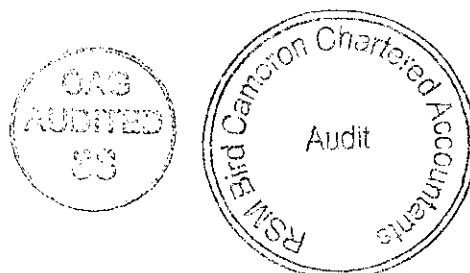
The Authority has a general policy of expensing at the time of purchase all individual assets costing \$100 or less or with a useful life of less than 2 years. The materiality of the item purchased is also taken into consideration when adopting this policy. Regardless of cost, physical control over all the Authority's assets is maintained

*Subsequent measurement*

After recognition as an asset, the Authority uses the cost basis less, where applicable, any accumulated depreciation or amortisation for all property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

*Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.



**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(e) Property, Plant and Equipment and Infrastructure (Cont'd)**

Land is not depreciated. Depreciation on other assets is calculated using the straight line method (with the exception of motor vehicles, which is using the reducing balance method), using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Buildings	4-25 years
Breakwaters	22-40 years
Dredging	3 years
Inner and outer harbour channels and basins	40 years
Navigational aids	10 years
Berth and Jetties	15-40 years
Port infrastructure, plant and equipment	5-40 years
Minor plant and equipment	3 to 20 years
Office furniture and equipment	3-15 years
Motor vehicles	4-10 years

**(f) Impairment of Assets**

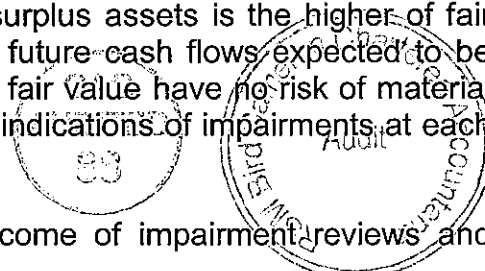
Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written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

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

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

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment. Surplus assets at cost are tested for indications of impairments at each reporting date.

See Note 22 'Impairment of assets' for the outcome of impairment reviews and testing.



**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(g) Cash and Cash Equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

**(h) Receivables**

Receivables are recognised and carried at original invoice amount less any provision for uncollectible amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off.

The provision for uncollectible amounts (doubtful debts) is raised when collectability is no longer probable. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

**(i) Payables**

Payables are recognised when the Authority becomes obliged to make future payments as a result of a purchase of goods or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

**(j) Investments and other financial assets**

The Authority classifies its investments in the following categories:

**(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets

**(ii) Held to maturity assets**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Authority's management has the positive intention and ability to hold to maturity.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(k) Borrowings**

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

**(l) Provisions**

Provisions are liabilities of uncertain timing and amount. The Authority only recognises a provision where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date and adjusted to reflect the current best estimate.

**(i) Employee Benefits**

*Annual Leave, Long Service Leave and Sick Leave*

The liability for annual, long service and sick leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

All annual leave, unconditional long service and sick leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

*Superannuation/Retirement Benefit Obligations*

Contributions are made on behalf of employees by the Authority to State superannuation funds which exist to provide benefits for employees and their dependents 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, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.

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.





**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(I) Provisions (Cont'd)**

**(ii) Employee Benefits (Con'td)**

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

The liabilities for superannuation charges under the West State Superannuation Scheme, Gold State Superannuation Scheme or other funds of the employees' choosing are extinguished by fortnightly (West State & Gold State) and other payments of employer contributions to the appropriate funds.

The note disclosure required by AASB 119 relating to the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market of the plan assets has not been provided. State scheme deficiencies are recognized 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 information.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(ii) Provisions – Other**

*Employment On-Costs*

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Authority's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

*Dividends*

Provision is made for the amount of any dividend approved on or before the end of the financial year, but not distributed at reporting date.



**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(m) Payment of Dividend to the State**

In accordance with section 84 of the Port Authorities Act 1999 the Board of the Authority intends to make a recommendation to the Minister for Planning and Infrastructure that dividends amounting to \$2.103 million (2006: \$1.946 million) be declared in respect for the year ended 30 June 2007. The proposed dividend is in accordance with the dividend policy included in the Authority's statement of corporate intent for 2006-2007.

**(n) Comparative Figures**

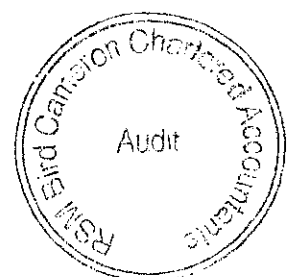
Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

**(o) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

Notes	2007 \$'000	2006 \$'000
-------	----------------	----------------

**Note 2. Revenue**

<b>Operating activities</b>		
<b>Shipping services:</b>		
Navigational services	5,918	5,345
Pilotage	1,066	891
Berth hire	671	617
Waste disposal & water	74	74
Total shipping services revenue	<u>7,729</u>	<u>6,927</u>
<b>Cargo services revenue:</b>		
Port infrastructure & stevedoring	5,842	4,943
Total cargo services revenue	<u>5,842</u>	<u>4,943</u>
<b>Utilities services revenue:</b>		
Electricity	1,934	1,852
Water	56	49
Total utilities services revenue	<u>1,990</u>	<u>1,901</u>
<b>Non-operating activities</b>		
Lease rentals	2,628	3,276
Interest on investments	1,487	1,145
Other	1,079	992
	<u>5,194</u>	<u>5,413</u>
<b>Total revenue</b>	<u><b>20,755</b></u>	<u><b>19,184</b></u>

**Note 3. Net gain (loss) on disposal of non-current assets**

<u>Costs of disposal of non-current assets</u>		
Plant, equipment and vehicles	(141)	(62)
<u>Proceeds from disposal of non-current assets</u>		
Plant, equipment and vehicles	40	294
Net gain (loss) on disposal	<u>(101)</u>	<u>232</u>

**Note 4. Expenses**

**Profit before income tax equivalents expense**  
**includes the following specific expenses:**

<i>Employee benefits</i>		
Wages and salaries	1,584	1,267
Superannuation - defined contribution plans	136	112
Net movement in provisions		
Accrued wages	(10)	(23)
Annual leave & ADO's	(5)	2
Long service leave	4	42
Sick leave	21	6
Superannuation	4	(5)
Total employee benefits	<u>1,734</u>	<u>1,401</u>
<i>Depreciation</i>		
Buildings	830	787
Plant and equipment	3,534	3,554
Total depreciation	<u>4,364</u>	<u>4,341</u>
<i>Other charges against assets</i>		
Doubtful debts expense	-	67
<i>Finance costs</i>		
Interest and finance charges paid or payable on:		
Borrowings	739	756
Inscribed stock	80	80
Finance costs expensed	<u>819</u>	<u>836</u>



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

	Notes	2007 \$'000	2006 \$'000
<b>Note 5. Income tax equivalent expense</b>			
a.	The components of the income tax equivalent expense comprise:		
	Current tax	2,360	2,187
	Deferred tax	(590)	(811)
	Under/(over) provision in respect of prior years	(94)	279
		<u>1,676</u>	<u>1,655</u>
b.	The prima facie tax on profit before income tax equivalents is reconciled to the income tax as follows:		
	Prima facie tax payable on profit before income tax equivalents at 30% (2006: 30%)	1,765	1,664
	Add:		
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	- under-provision (over-provision) for income tax in prior years	(94)	279
	- depreciation	12	(257)
	- provisions	(9)	29
	- sundry	2	(60)
	Income tax equivalent expense	<u>1,676</u>	<u>1,655</u>

**Note 6. Current assets - Cash and cash equivalents**

Cash at bank and in hand (a)		2,606	2,394
Deposits at call (b)		21,728	18,450
	19(a)	<u>24,334</u>	<u>20,844</u>

(a) Cash at bank

Interest was earned at a weighted average rate of 5.85% during the year (2006: 5.33%)

(b) Deposits at call

The deposits (one to two months periods) are bearing average fixed interest rates of 6.26% (2006: 5.87%).

**Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above		24,334	20,844
Other financial assets - sinking funds (Note 9)		1,049	983
Balances per statement of cash flows		<u>25,383</u>	<u>21,827</u>

**Note 7. Current assets - Trade and other receivables**

Trade receivables		2,280	2,111
Less: Provision for doubtful receivables		(8)	(67)
		<u>2,272</u>	<u>2,044</u>
Prepayments		64	24
		<u>2,336</u>	<u>2,068</u>

**Note 8. Current assets - Inventories**

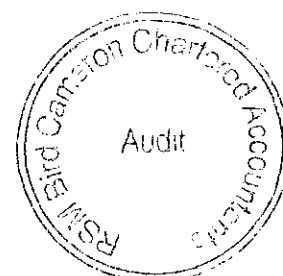
Material stores, spares for maintenance - at cost		347	352
Livestock - at cost		22	34
		<u>369</u>	<u>386</u>

**Note 9. Non-current assets - Other financial assets**

**Investments carried at cost:**

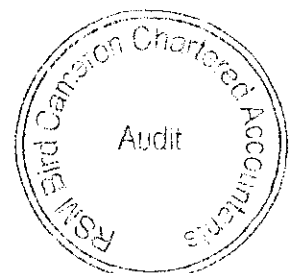
Sinking fund deposits (Restricted)	19(a)	<u>1,049</u>	<u>983</u>
------------------------------------	-------	--------------	------------

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 5.792% and 6.157% giving an average of 6.02% (2006 average 5.47%). These investments are classed as non-current as their maturity is greater than 12 months.



Note 10. Non-current assets - Property, plant and equipment

<b>Land and buildings</b>		
<b>Vested (Crown) Land:</b>		
At cost	10,196	10,196
<b>Freehold Land:</b>		
At cost	8,216	7,714
<b>Buildings :</b>		
At cost	16,955	17,125
Less: Accumulated depreciation	(5,768)	(5,046)
	11,187	12,079
<b>Plant and equipment</b>		
<b>Breakwaters:</b>		
At cost	2,725	2,725
Less: Accumulated depreciation	(2,649)	(2,639)
	76	86
<b>Dredging (capitalised):</b>		
At cost	5,861	5,861
Less: Accumulated depreciation	(5,855)	(4,912)
	6	949
<b>Inner &amp; outer harbour channels &amp; basins:</b>		
At cost	37,734	37,734
Less: Accumulated depreciation	(17,041)	(16,103)
	20,693	21,631
<b>Navigation aids:</b>		
At cost	426	426
Less: Accumulated depreciation	(316)	(273)
	110	153
<b>Berths &amp; jetties:</b>		
At cost	17,356	17,356
Less: Accumulated depreciation	(8,189)	(7,482)
	9,167	9,874
<b>Port infrastructure plant &amp; equipment:</b>		
At cost	21,791	20,374
Less: Accumulated depreciation	(6,977)	(6,247)
	14,814	14,127
<b>Minor plant &amp; equipment:</b>		
At cost	367	332
Less: Accumulated depreciation	(263)	(243)
	104	89
<b>Office furniture &amp; equipment:</b>		
At cost	646	541
Less: Accumulated depreciation	(456)	(440)
	190	101
<b>Motor vehicles:</b>		
At cost	707	632
Less: Accumulated depreciation	(297)	(230)
	410	402
<b>Add: Capital works in progress</b>		
At cost	2,074	119
<b>Total at cost</b>	125,054	121,135
<b>Total accumulated depreciation</b>	(47,811)	(43,615)
<b>Total property, plant and equipment</b>	77,243	77,520



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	<u>10,196</u>	<u>10,196</u>

**Freehold Land:**

Carrying amount at start of year	7,714	7,244
Additions	502	470
Carrying amount at end of year	<u>8,216</u>	<u>7,714</u>

**Buildings :**

Carrying amount at start of year	12,079	12,675
Additions	23	191
Disposals	(85)	-
Depreciation expense	(830)	(787)
Carrying amount at end of year	<u>11,187</u>	<u>12,079</u>

Plant, equipment and infrastructure

**Breakwaters:**

Carrying amount at start of year	86	96
Depreciation expense	(10)	(10)
Carrying amount at end of year	<u>76</u>	<u>86</u>

**Dredging (capitalised):**

Carrying amount at start of year	949	1,892
Depreciation expense	(943)	(943)
Carrying amount at end of year	<u>6</u>	<u>949</u>

**Inner & outer harbour channels & basins:**

Carrying amount at start of year	21,631	22,569
Depreciation expense	(938)	(938)
Carrying amount at end of year	<u>20,693</u>	<u>21,631</u>

**Navigation aids:**

Carrying amount at start of year	153	193
Additions	-	2
Depreciation expense	(43)	(42)
Carrying amount at end of year	<u>110</u>	<u>153</u>

**Berths & jetties:**

Carrying amount at start of year	9,874	10,581
Depreciation expense	(707)	(707)
Carrying amount at end of year	<u>9,167</u>	<u>9,874</u>



Note 10. Non-current assets - Property, plant and equipment (continued)

Reconciliations (continued)

Port infrastructure plant & equipment:

Carrying amount at start of year	14,127	13,433
Additions	280	1,479
Transfers from Capital Work in Progress	1,143	-
Disposals	(2)	(6)
Depreciation expense	(734)	(779)
Carrying amount at end of year	<u>14,814</u>	<u>14,127</u>

Minor plant & equipment:

Carrying amount at start of year	89	50
Additions	36	67
Disposals	-	-
Depreciation expense	(21)	(28)
Carrying amount at end of year	<u>104</u>	<u>89</u>

Office furniture & equipment:

Carrying amount at start of year	101	100
Additions	136	40
Disposals	(3)	(1)
Depreciation expense	(44)	(38)
Carrying amount at end of year	<u>190</u>	<u>101</u>

Motor vehicles:

Carrying amount at start of year	402	302
Additions	153	225
Disposals	(51)	(56)
Depreciation expense	(94)	(69)
Carrying amount at end of year	<u>410</u>	<u>402</u>

Capital works in progress:

Carrying amount at start of year	119	-
Additions	3,098	119
Transfers to:		
Port Infrastructure Plant & Equipment	(1,143)	-
Carrying amount at end of year	<u>2,074</u>	<u>119</u>

Total property, plant and equipment

Carrying amount at start of year	77,520	79,331
Additions	4,228	2,593
Disposals	(141)	(63)
Depreciation expense	(4,364)	(4,341)
Carrying amount at end of year	<u>77,243</u>	<u>77,520</u>

Valuation of land and buildings.

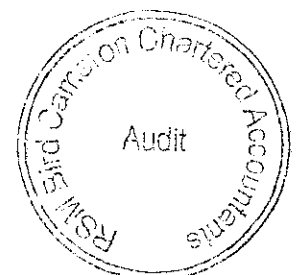
An independent valuation of land and buildings including freehold land, Crown land and Crown reserves was undertaken by the Department of Land Information Valuation Services (Valuer General's Office Bunbury) in June 2006.

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

The values determined were:

Freehold land	15,550
Buildings on freehold land	1,405
Crown land	36,900
Buildings on Crown land	19,205

These values have not been recognised in the financial statements.



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

	Notes	2007 \$'000	2006 \$'000
<b>Note 11. Current liabilities - Trade and other payables</b>			
Trade payables		1,028	639
Other payables		22	22
GST payable		57	280
Unexpired income		246	208
		<u>1,353</u>	<u>1,149</u>

**Note 12. Current liabilities - Borrowings**

WA Treasury Corporation Direct Borrowings	15	<u>517</u>	<u>505</u>
---	----	------------	------------

The current amount represents the estimated principal repayments for the next twelve months on the WA Treasury Corporations borrowings.

**Note 13. Current liabilities - Current tax liabilities**

Income tax		<u>604</u>	<u>409</u>
------------	--	------------	------------

**Note 14. Current liabilities - Provisions**

Employee benefits - annual leave		144	143
Employee benefits - sick leave		75	53
Employee benefits - long service leave		57	58
Employee benefits - accrued wages		1	11
Superannuation		36	35
Other - employment costs		37	33
	20	<u>350</u>	<u>333</u>

**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
Additional provision recognised	18(b)	-	1,480
Payment of dividends		-	(3,005)
Carrying amount at end of year		<u>-</u>	<u>-</u>





**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

Notes	2007 \$'000	2006 \$'000
<b>Note 15. Non-current liabilities - Borrowings</b>		
WA Treasury Corporation Direct Borrowings (a)	11,050	11,567
WA Treasury Corporation Inscribed Stock (b)	500	500
Other Inscribed Stock (b)	550	550
<b>Total non-current interest bearing liabilities</b>	<b>12,100</b>	<b>12,617</b>

(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 2007 varies between 6.16% and 6.28% (30 June 2006: 6.03% and 6.28%). Repayments are based on quarterly instalments with the capital and interest being repaid according to a fixed repayment schedule.

(b) These are various inscribed stock borrowings with fixed interest rates which vary between 5.875% and 10.5% (30 June 2006: 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.

**Note 16. Non-current liabilities - Deferred tax liabilities**

The balance comprises temporary differences attributable to:  
 Depreciation

953	1,543
-----	-------

**Note 17. Non-current liabilities - Provisions**

Employee benefits - sick leave  
 Employee benefits - long service leave  
 Employee benefits - superannuation  
 Other -employment costs

20

7	11
48	46
272	268
8	8
<b>335</b>	<b>333</b>

**Note 18. Reserves and retained profits**

**(a) Reserves**

Asset revaluation reserve  
 At 1 July  
 Deferred tax liabilities  
 At 30 June

14,815	18,367
-	(3,552)
<b>14,815</b>	<b>14,815</b>

Developers contribution (c ) (ii)  
**Total reserves**

13,832	13,832
<b>28,647</b>	<b>28,647</b>

**(b) Retained profits**

Movements in retained profits were as follows:

Balance at 1 July  
 Dividend provided for/paid (a)  
 Net profit for the year  
 Balance at 30 June

14

56,265	53,852
-	(1,480)
4,207	3,893
<b>60,472</b>	<b>56,265</b>

(a) Dividend for 2005 of \$1.480 million was based on the Government's dividend policy of 50% of after tax profit.

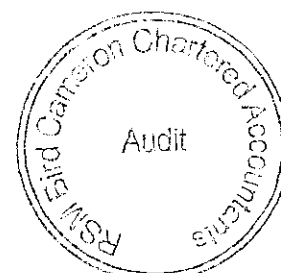
**(c) Nature and purpose of reserves**

**(i) Asset revaluation reserve**

The property, plant and equipment 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.

**(ii) Developers contribution reserve**

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.



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

**2007**                      **2006**  
**\$'000**                      **\$'000**

**Note 19. 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	2,606	2,394
Deposits at call	21,728	18,450
<b>Total cash assets</b>	<b>24,334</b>	<b>20,844</b>

**Other financial assets:**

Sinking fund deposits invested at Treasury	1,049	983
<b>Balances as per statement of cash flows</b>	<b>25,383</b>	<b>21,827</b>

6

**(b) Reconciliation of profit after income tax to net cash inflow from operating activities**

Profit for the year	4,207	3,893
---------------------	-------	-------

**Adjustments for non-cash revenue and expense items**

Depreciation	4,364	4,341
Net (gain)/loss on sale of property, plant & equipment	102	(232)
Doubtful debts expense	-	67

**Changes in assets and liabilities**

**(Increase)/decrease in assets:**

Trade and other receivables	(268)	510
Inventories	17	(30)

**(Decrease)/increase in liabilities:**

Trade and other payables	147	110
GST liability	57	280
Income tax payable	195	(149)
Employee benefits	19	27
Deferred tax liabilities	(590)	(811)

<b>Net cash inflow from operating activities</b>	<b>8,250</b>	<b>8,006</b>
--	--------------	--------------



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

	Notes	2007 \$'000	2006 \$'000
<b>Note 20. Employee benefits</b>			
<b>Employee benefits liabilities</b>			
Provision for employee benefits			
Current	14	350	333
Non-current	17	335	333
		<u>685</u>	<u>666</u>
<b>Employee numbers</b>			
Number of full-time employees at end of financial year			
		17	18
<b>Current liabilities</b>			
Annual Leave (a)			
		144	143
Sick Leave (b)			
		75	53
Long Service Leave (b)			
		57	58
Accrued wages and other			
		1	11
Superannuation (d)			
		36	35
Other - employment on-costs (c)			
		37	33
		<u>350</u>	<u>333</u>
<b>Non-current liabilities</b>			
Sick leave (b)			
		7	11
Long service leave (b)			
		48	46
Superannuation (d)			
		272	268
Other - employment on-costs (c)			
		8	8
		<u>335</u>	<u>333</u>
<b>Total provision</b>		<u>685</u>	<u>666</u>

- a. Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date.
- b. Sick leave and long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date.
- c. The settlement of annual, long service and sick leave liabilities give rise to the payment of employment on-costs, including workers' compensation premiums and payroll tax.
- d. Defined benefit superannuation plans

Reconciliation of the unfunded liability recognised in the balance sheet is as follows:

	2007 \$	2006 \$	2007 \$	2006 \$
Liability at start of year	283	287	20	20
Current service cost	40	29	1	-
Benefits paid	(36)	(33)	-	-
Liability at end of year	<u>287</u>	<u>283</u>	<u>21</u>	<u>20</u>

**Note 21. 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 117 are as follows:

Land & buildings leased by the Authority to lessees:

Land at cost	8,835	8,851
Buildings at cost	14,252	14,252
Less accumulated depreciation	(4,539)	(3,868)
	<u>9,713</u>	<u>10,384</u>

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 and equipment.

Depreciation expense applicable to leased assets:

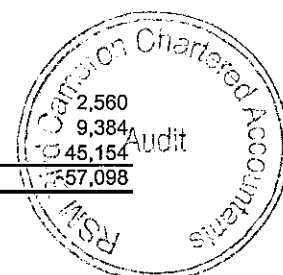
Buildings - depreciation expense	671	642
----------------------------------	-----	-----

Lease commitment receivables as at 30 June

	326	362
--	-----	-----

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	2,651	2,560
Later than 1 year but not later than 5 years	9,640	9,384
Later than 5 years	46,216	45,154
	<u>58,507</u>	<u>57,098</u>



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

Notes	2007 \$'000	2006 \$'000
-------	----------------	----------------

**Note 22. Impairment of assets**

There were no indications of impairment to property, plant and equipment, infrastructure and intangible assets at 30 June 2007.

The Authority held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

All surplus assets at 30 June 2007 have either been classified as non-current assets held for sale or written-off.

**Note 23. 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 \*

<b>2,525</b>	<b>3,980</b>
--------------	--------------

\* The Authority has capital expenditure commitments outstanding of \$2.525 million in relation to the following:

- \$1.032 million for Inner Harbour security access gate & park
- \$0.741 million for Turkey Point Road
- \$0.400 million for Preston River Relocation
- \$0.150 million for Administration office extension
- \$0.111 million for security fencing Inner Harbour to Alcoa
- \$0.091 million for Berth 8 conveyor system enclosure

The capital commitments are due to be completed by June 2008.

**Note 24. 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.

- Dividends

As of balance date the Authority has not received the approval for the payment of the Authority's recommended 2005/06 dividend of \$1,946,000 .

The liability is expected to be paid early in the new financial year.

**Contingent consideration**

<b>1,946</b>	<b>-</b>
--------------	----------

- Contaminated sites

Under the Contaminated Sites Act 2003, the Authority is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the act, DEC classifies these sites on the basis of the risk to human health, the environment and environment values. Where sites are classified as *contamination - remediation required* or *possibly contaminated - investigation required*, the Authority will have a liability in respect of investigation or remediation expenses.

During the year the Authority reported eight suspected contaminated sites to DEC. These have yet to be classified. The Authority is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any any outflows.



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

Notes	2007 \$'000	2006 \$'000
-------	----------------	----------------

**Note 25. 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 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	2	1
\$10,000 - \$19,999	3	3
\$20,000 - \$29,999	1	1
The total of all fees and other benefits received or due and receivable for the year, by Directors of the Authority.	<b>\$71,940</b>	<b>\$62,948</b>

Directors' remuneration excludes a proportion of insurance premiums of \$14,962 (2006: \$15,318) 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.

**(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
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	-	1
\$130,000 - \$139,999	2	-
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	1	1
\$220,000 - \$229,999	1	-
The aggregate income of the executives referred to above:	<b>\$855,080</b>	<b>\$740,287</b>

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.

**Note 26. Remuneration of auditors**

Remuneration received, or due and receivable, by the Auditor General for:  
 - Audit of the financial statements

<b>30</b>	<b>30</b>
-----------	-----------

**Note 27. Related party disclosures**

**(a) Directors:**

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

*Chairman*  
 J G Brosnan  
*Directors*  
 D J Brennan-Jesson  
 N B Premji  
 D L Smith  
 G N Wood  
 \* R B Pimm

\* R B Pimm was a Director until her term expired on 30 September 2006.

**(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 except for Port Infrastructure Charges of \$5,653 (2006: \$5,346) to Simcoa Pty Ltd, a company of which a Director is the General Manager

**(c) Related party transactions**

No transactions occurred between the Authority and related parties.

**Note 28. Events occurring after reporting date**

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



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

**Note 29. Financial instruments**

**(a) Credit risk exposures**

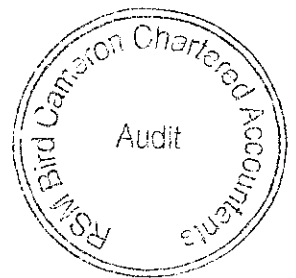
The credit risk on financial assets, which have been recognised in the Balance Sheet, is generally the carrying amount, net of any provisions for doubtful debts. The Authority's port services client base consists of customers who are billed for shipping or cargo services and tenants who are billed for 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.

as at 30 June 2007	Average interest floating rate		Average interest fixed rate		Floating interest rate		Fixed interest rate maturing in		More than 5 years		Non interest bearing		Total		
	%	2007	%	2006	\$'000	2007	\$'000	2006	1 year or less	\$'000	2007	\$'000	2006	\$'000	2006
<b>Financial assets</b>															
Cash at bank	5.85	5.33	-	-	2,606	2,394	-	-	-	-	-	-	-	2,606	2,394
Deposits at call	-	-	6.26	5.87	-	-	21,728	18,450	-	-	-	-	-	21,728	18,450
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	-	2,336	2,068	2,336	2,068
<b>Other financial assets</b>															
Treasury sinking funds (Restricted) (1)	6.02	5.47	-	-	1,049	983	-	-	-	-	-	-	-	1,049	983
<b>Total financial assets</b>					<b>3,655</b>	<b>3,377</b>	<b>21,728</b>	<b>18,450</b>				<b>2,336</b>	<b>2,068</b>	<b>27,719</b>	<b>23,895</b>
<b>Financial liabilities</b>															
Interest bearing liabilities:															
WA Treasury Corp borrowings	-	-	6.26	6.14	-	-	517	505	2,188	2,139	8,962	9,428	-	11,567	12,072
WA Treasury Corp inscribed stock	-	-	9.26	9.26	-	-	-	-	200	-	300	500	-	500	500
Other inscribed stock	-	-	6.16	6.16	-	-	-	-	-	-	550	550	-	550	550
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	1,353	1,149	1,353	1,149
<b>Total financial liabilities</b>					<b>0</b>	<b>0</b>	<b>517</b>	<b>505</b>	<b>2,388</b>	<b>2,139</b>	<b>9,712</b>	<b>10,478</b>	<b>1,353</b>	<b>1,149</b>	<b>13,970</b>
<b>Net financial assets (liabilities)</b>					<b>3,655</b>	<b>3,377</b>	<b>21,211</b>	<b>17,945</b>	<b>(2,388)</b>	<b>(2,139)</b>	<b>(9,712)</b>	<b>(10,478)</b>	<b>983</b>	<b>919</b>	<b>13,749</b>

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



**BUNBURY PORT AUTHORITY**  
**Notes to the financial statements**  
**for the year ended 30 June 2007**

**Note 29. Financial Instruments (continued)**

**(c) Net fair value of financial instruments**

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.

	Carrying amount 2007 \$'000	Net Fair value 2007 \$'000	Carrying amount 2006 \$'000	Net Fair value 2006 \$'000
<b>Financial liabilities</b>				
WA Treasury Corp short and long term debt	11,567	11,725	12,072	12,366
WA Treasury Corp inscribed stock	500	593	500	620
Other inscribed stock	550	562	550	572

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.

Other than the above, the carrying amounts of financial assets and liabilities approximate net fair values.

