

# **BUNBURY PORT AUTHORITY**

**Annual Report**

**2010**



## **ANNUAL REPORT 2010**

**To the Hon Simon O'Brien MLC  
Minister for Transport; Disability Services**

In accordance with section 68 and clauses 34 and 35 of Schedule 5 of the Port Authorities Act 1999, I have pleasure in submitting for your information and presentation to Parliament, the Annual Report of the Bunbury Port Authority for the year ended 30 June 2010.

**Neema Premji**  
Chairperson  
Board of Directors



# **BUNBURY PORT AUTHORITY**

## **Annual Report 30 June 2010**

### **CONTENTS**

### **Page No**

Chairperson's Report	1
Chief Executive Officer's Report On Operations	4
Community & Environment	9
Corporate Governance	15
Corporate Structure	22
Trade Development	23
Statistical Information	25
Key Performance Indicator Results	30
5 Year Performance Summary	31
Other Legal and Government Policy Requirements	32
<b>Disclosures and Legal Compliance</b>	
Directors' Report	38
Financial Statements	50
Notes to the Financial Statements	54
Directors' Declaration	80
Independent Audit Report	81
_____	
Corporate Directory Information	82
_____	



## **Chairperson's Report**

### **Introduction**

The Bunbury Port, serving the South West region of Western Australia, is one of the State's major exporting ports. The Port has ended the year on a very high note by setting two new records in its 101st year of operation: total trade of 13,866,969 tonnes and 391 commercial ship visits.

Bunbury Port has recorded an operating profit before tax of \$3.7 million, up 84% compared to last financial year's actual result of \$2.028 million. This has placed the Authority in a strong financial position to pursue the development of necessary infrastructure improvements to berths, ship loaders and associated facilities for the long term.

Alumina is still the major commodity handled in the Port. Other export trades include general cargo, silica sands, mineral sands, woodchips and spodumene. During the past year new export trades have been added such as copper concentrate and project cargos, primarily for the establishment of new industry in the south west region.

### **Community Focus and Sustainable Development**

The Port is cognisant of the physical proximity of the community to its operations and endeavours to minimise potential adverse environmental impacts on nearby surroundings. To do this effectively and efficiently the Port has put in place a comprehensive risk management system to identify potential environmental and safety risks to the community at large and implement measures to mitigate these risks.

To compliment this system the Port, through active engagement with the Port Community Liaison Committee (PCLC), advises and consults community members on current operations and keeps them informed of future port developments. The PCLC's advice is an invaluable input into the decision making process of the Board.

On November 22<sup>nd</sup> 2009, the Authority held its most successful Port Open Day where more than 5000 visitors enjoyed the day gaining exposure to the Port's various operations and Port Users.

### **Growth, Development and Outlook**

Bunbury Port reached a significant and major milestone in September 2009 when the Board endorsed its Inner Harbour Structure Plan after six years of compilation and extensive consultation with the public. The Structure Plan sets the footprint of the Port

and its growth for the next 25 to 30 years and will be a major catalyst in the staged planning for the future construction of Port facilities and land use development to meet customer needs.

In February 2010 the Board agreed to investigate land backing of Berth 3 as the next major infrastructure development project for the Inner Harbour. The project is intended to provide the Port with a new multi-purpose heavy lift berth and construction of a new ship loader for Berth 3. The Port is currently developing the financial business case to present to the State Government in late 2010. In addition to the multi-purpose heavy lift development for Berth 3, the Board identified the potential need for a new berth for bulk products including bauxite and coal and has commenced the financial justification for the construction of Berth 14 in the medium term.

During 2009/2010 Bunbury Port has also been working constructively to develop container handling services which when commenced will connect the South West exporters to overseas markets. At this stage the Port is hopeful this service will commence in December 2010, with one ship per week. In March 2010 the Port commenced construction of the Berth 8 waste water management system costing \$4.5 million to ensure that waste water from the Berth 8 facility does not enter the Marine environment.

The Board also focused on the transport infrastructure leading into the Port. During 2009/10 the Authority in conjunction with the South West Development Commission and Bunbury Wellington Economic Alliance launched a report "Roads to Exports", identifying and detailing the economic benefits of improved and new rail and road infrastructure leading into the Port.

### **Corporate Governance**

With the continued diversification in the Port, increasing community expectations and legislative requirements, the demands placed on the Board of Directors continue to grow. During the year Directors attended the Australian Institute of Company Director's course and subsequently are reviewing the Authority's Corporate Governance Manual. The Internal Audit Committee has been restructured to Internal Audit and Risk Management Committee to ensure that the Port strategically and diligently identifies and manages risks to every aspect of its operations.

### **Acknowledgements**

During the year the Board welcomed two new Directors, Ray Frisina (Deputy Chairman) and Professor Tony Brennan and looks forward to their contribution based on their substantial business knowledge and experience.



In conclusion I would like to acknowledge the Board of Directors, Management, employees of the Authority, Port Users and service providers for their support and contribution in what has been a productive and record setting year .I also thank the Port Community Liaison Committee for their work and the effective exchange of information and issues raised between the Authority and the community.

I would also like to acknowledge the contribution of past Chairman and Directors, Jim Brosnan and David Smith, whose terms expired in September 2009.

Finally, the vision and strategic direction of the Bunbury Port Authority for 2010/11 and beyond is one which will ensure focus on sustainable port development and accommodate the predicted growth in trade while not losing sight of our commitment to the community, existing Port Users and meeting the expectations of our stakeholders.

Neema Premji

Chairperson

# Chief Executive Officer's Report on Operations

## Port Operations

I am pleased to report that the Bunbury Port Authority recorded a record trade of 13.897 million tonnes and record number of commercial vessels handled during the year of 391. This is a great achievement by the Port and its users given that the previous year saw a down turn in trade due to the economic conditions of global markets. The record trade was an increase of 4.7% compared to last years total of 13.277 million tonnes and 1.7% higher than the previous record trade set in 2008.

The positive rebound in trade can be attributed not only to improvements in our existing base of cargoes such as alumina, woodchips and spodumene but also in improved diversification with growth in general and project cargo such as the import of wind turbine components and recommencement of log exports through the Port.

Apart from trade growth the Authority has also had a busy year with unprecedented demand for Port land with a number of new customers establishing areas for project cargo behind Berth 5 and bulk storage for export of recycled lubricants at Berth 8.

The Authority also continued with new bulk trade development opportunities and negotiations including the Perdaman urea exports and future coal and bauxite exports. Other important trade developments which the Authority has been planning for during the year include establishing a potential container service using the Outer Harbour as an interim solution, iron oxide exports and an increase in coal imports. The Authority is working closely with our new and existing customers to ensure that appropriate port facilities are available to ensure the efficient, cost effective handling of these commodities.

A new trade which commenced during the year was copper concentrate with the first shipment of 11,000 tonnes being loaded in November 2009 on to the MV "Leader SW". A total of 108,507 tonnes of copper concentrate was shipped during the year and Newmont Boddington Gold is to be congratulated on this achievement.

Cruise ship visits to the Port continued to provide additional and welcome activity in the Outer Harbour with 9 visits providing an added attraction for the local community and flow on benefits to the local economy.

Workplace safety is given high priority in terms of our management practices and I am pleased to report that there were no lost time injuries during the year to our Port Authority staff. The Authority's continued strong focus on proactive environmental and risk management practices has again resulted in a further reduction in community contacts compared to the previous year from 9 to 6 this year with respect to impacts on the community from port operations. This is indeed a pleasing result and is a measure of the dedication of the Port Authority's staff and efforts of the port community as a whole to continue to improve our environmental performance.

The Authority continued to focus strongly during the year on future trade development and capital investment projects in the Port with the assistance of the Department of Transport and the Department of State Development. The support of

these agencies has been invaluable to the Authority in providing advice to assist with the development of the business cases for the next phase of Port development in the Inner Harbour including the potential of land-backing of Berth 3 and enhancements to Berth 5 for the proposed exports of urea.

A major achievement during the year was the completion and approval by our Board of the Authority's Inner Harbour Structure Plan. The Structure Plan is a planning policy document which provides the Authority with guidance for the future development and location of infrastructure in the Inner Harbour while giving due consideration to minimise the impact of port operations on nearby communities. The next stage of the Authority's commitment in regards to this planning document is to complete a Port Buffer Definition Study that will consider and determine the buffer concepts emanating from the Structure Plan. The Authority is in the process of establishing a Port Buffer Definition Study working group which will involve representation from local and state government agencies as well as consultants experienced with this type of study.

### **Major Projects**

Construction of the Berth 8 waste water management system commenced during the year after approval was granted for the estimated capital cost of \$4.56 million for this project. The tender for the work was awarded to a local contractor and the project is expected to be completed early next year.

Work also commenced on the screen wall along Koombana Drive with the completion of civil works to realign a drain and earthworks to allow the wall to be located on the Authority's southern boundary. The wall is to be 3.5 metres tall, 900 metres long and constructed by post and panel method and in a neutral gum leaf green colour consistent with the colour of other port facilities.

The Authority has also placed an order for a new back-up pilot boat at a cost of \$0.574 million. The new pilot boat is a Naiad design being constructed under licence by Kirby Marine in Henderson and is due for completion in early 2011. The new boat was required to replace the aging Koombana which has nearly completed 50 years of reliable service as a pilot boat for the Authority but is now becoming increasingly difficult and more expensive to maintain because of its clinker construction. The new vessel will also be used for emergency response purposes as and when required.

### **Financial Performance**

The Port achieved a profit before tax of \$3.730 million. The result was an improvement on the previous years performance but was lower than budget, due mainly to trade levels being below budgeted forecasts especially for mineral sands and woodchips and the inclusion in the budget of coal exports which did not eventuate resulting in lower revenue overall. In addition there was a slight increase in operating costs.

Total revenue was \$26.036 million or 8.2% below budget, with operating costs of \$22.306 million being 1.0% above budget.

As at the end of the financial year, the Authority's balance sheet comprised total assets of \$107.062 million and total liabilities of \$13.659 million resulting in total equity of \$93.403 million.

Capital expenditure for the year totalled \$3.677 million.

## **Port Development**

As a result of a strategic planning workshop held in February 2010 the Authority identified that land backing of the existing Berth 3 dolphin structure berth, would be the next major development in the Inner Harbour. Berth 3 was constructed in 1976 and is dedicated for export of woodchips from WA Plantation Resources (WAPRES) woodchip facility utilising their shiploader. The berth which is 380 metres in length is currently undergoing emergency repairs to three of the dolphin anchors at significant cost to the Authority. The land-backing would save the Authority the cost of repairing the anchors on the remaining dolphins, an estimated saving of \$3 million and would increase the potential utilisation of the berth by converting it into a multi-purpose heavy lift berth.

Although a new berth at the Berth 7 or Berth 14 site was originally considered as the most appropriate option for a new multi-purpose berth in the Inner Harbour, at the workshop it became apparent for a number of valid reasons that the land-backing of Berth 3 would be the most suitable option for a new multi-purpose berth facility.

The factors which supported this proposal included; time and cost to construct as Berth 3 does not require any dredging as the berth pocket is already dredged to 12.2 metres; improved utilisation with a new multi-purpose common user berth to cater for existing woodchips exports and the project cargo and heavy lifts that are increasing in frequency in the Bunbury Port; and berth capacity/flexibility with Berth 3 land backing would provide the Authority with a total berth length of 380 metres compared to Berth 7 which would only provide a new berth length of 240 metres. The project proposed plan is also to replace the existing shiploader on Berth 3 with a travelling shiploader for woodchips and other compatible products.

The option of the need for Berth 3 land backing would also allow completion of the project in a more timely manner to coincide with the export of urea which is planned to be loaded over Berth 5 if the urea project goes ahead.

In regards to the urea exports the Authority continues to work with Perdaman to come to agreement in regards to access to Port facilities.

The Authority is also developing the business case for the potential Berth 14 project in preparation for future coal and bauxite exports. Discussion with potential exporters of these bulk products from the South West is ongoing.

Further work was undertaken during the year on the Preston River relocation project. The focus during the year was to obtain engineering design and indicative cost estimates for construction of the relocated river for preparation of the business case for the funding of the project. The project which has wider community benefits has

been included in a joint submission to Infrastructure Australia with input from the South West Development Commission and Bunbury Wellington Economic Alliance.

The successful completion of the multi-million dollar Bunbury Port Access Road was a major milestone which occurred during the year. The opening of the new 4.7km road between Picton and Estuary Drive in February 2010 was also a proud moment for the family of our past Chairman John Willinge (deceased) in whose honour the new Port Access Road was named.

With the potential for strong growth in trade and increasing demand for new infrastructure from customers the Port has a positive outlook for 2010/2011 and the years that follow.

## **Human Resources**

There were a number of changes to the Authority's staff during the year. The Authority welcomed the following new staff members during the year:

- Udhaya (Day) Arambawela, Senior Project Manager
- Denise Foreman, Accountant

These two positions were created as a result of a management review of the corporate structure and needs for the Authority especially in light of the increase in port development over the next four to five years.

In addition Rene Campen who was working as a casual Port Worker employee became permanent in September 2009.

The following staff resigned during the year:

- Helen Cole, our Harbour Master for almost seven years; and
- Katherine Kay, Shipping Officer.

The Authority plans to continue to review the corporate structure in the new reporting period to ensure the operational needs of the port and its users are met and to meet the anticipated growth in port trade.

I am pleased also to report that after lengthy negotiations the Marine Pilots collective agreement was satisfactorily resolved. As part of our commitment to ongoing improvement in services to customers the Authority has planned an increase in the number of Marine Pilots from the current three to a total of five including the new position of Marine Manager/Harbour Master for the Port's pilotage service.

## **Acknowledgement**

The dedicated team at the Authority is to be congratulated for their commitment during the year in responding to the record growth in trade and port customer activity

and in assisting me with the many exciting challenges that lie ahead for the future development of the Bunbury Port.

I would also like to acknowledge the valuable contribution made by port users, port contractors, port community committees and Government agencies, in particular the Department of Transport, whose combined input has greatly assisted the Authority in achieving its goals in 2010. Finally I extend my personal appreciation to our Chairperson Neema Premji and the Board of Directors for their continued support in establishing and refining guiding policies and their strong focus on corporate and strategic direction for the Authority.

Kevin Schellack

Chief Executive Officer

## **Community & Environment**

The 2009/2010 period has seen a number of environmental studies undertaken by the Authority in both the marine and terrestrial areas. Some of these studies build on work done in previous years with the addition of new work associated with the advent of metal concentrate exports in November 2009 through Berth 8 and the proposed export of urea fertiliser through Berth 5 in 2013/2014.

Environmental management has been further improved by upgrading the format of leases issued to new port users to better define and expand environmental performance requirements. The new lease format also applies where an existing port user's lease has expired and a new lease is issued. In addition all new export/import proposals or applications to undertake operations are subject to a comprehensive formal risk assessment process incorporating a due diligence checklist so that potential environmental impacts and controls can be clearly identified and the suitability of the proposal properly assessed by the Authority.

### **Dust Monitoring**

An important part of the Authority's environmental management system is its real time particulate (dust) monitoring network. During the period, the monitoring system comprising 4 x PM10 and 1 x TSP (PM50) Tapered Element Oscillating Microbalance (TEOM) particulate monitors operated reliably with good data capture. The monitoring results continued to demonstrate that port operations are not a significant source of airborne particulates. In fact, the main contribution to elevated particulate levels during the year was smoke from forest fuel reduction burns with an event in late April 2010 resulting in PM10 particulate levels over a 2 day period well in excess of the national 24 hour average. These levels were the highest recorded by the Authority's monitoring system since it began operating in mid 2006.

To assess the extent to which operations contribute to ambient dust levels outside the Authority's boundaries, a representative suite of ACCU filters on which particulate matter is captured by the TEOMs was analysed for metals contained in products exported or imported. Dust samples are only collected on the ACCU filters when the wind is incident from a pre-determined sector within the operational areas. The analysis showed that metal levels in the captured dust samples were extremely low, again demonstrating operations do not contribute significantly to ambient dust levels in areas close to the Inner and Outer Harbours. In addition, the Authority compares its daily monitoring results against PM10 particulate levels at the Department of Environment and Conservation monitoring site in South Bunbury which is distant from the operational areas and removed from other industrial activities. In most instances, the daily average particulate levels are directly comparable.

## **Marine Surveys**

In early September 2009, Stage 2 (winter) of a 2 part introduced marine species (IMS) comprehensive re-survey was conducted by the Authority. As indicated in last year's report, several IMS surveys have previously been undertaken both within the harbour waters and in the greater Koombana Bay area including the recreational and fishing boat mooring area near the Outer Harbour. The original baseline survey was conducted in 1996 and biennial surveys undertaken thereafter, the last being in 2006. The Stage 1 (summer survey) and the Stage 2 (winter survey) were conducted adopting the targeted species approach developed by the National Introduced Marine Pest Coordination Group (NIMPCG). While this survey approach is still subject to further development, the Authority was keen to also work within the guidelines provided by the Commonwealth Department of Agriculture, Food and Fisheries (DAFF) to ensure consistency with survey protocols intended to be introduced Australia wide.

Results from the two-part survey have confirmed the presence of two dinoflagellate target species (*Alexandrium catenella* and *A. tamarense*). Both species were identified at low concentrations during the summer survey and neither species were identified during the winter survey.

## **Maintenance Dredging**

Further maintenance dredging was conducted in the Shipping Channel in March 2010 to remove sediment accumulation after a second variation to the existing Sea Dumping Permit was obtained from the Commonwealth Department of the Environment, Water, Heritage and the Arts. As a precursor to this dredging, an assessment of wrack (seaweed) accumulation in the channel was undertaken in February 2010 to identify the main areas of build up. Wrack will trap sand and fine sediment which can accelerate the accumulation of this material in the channel reducing shipping draught. Following this assessment, a trawler was used to remove a quantity of the wrack prior to the dredging taking place. The removal of the wrack allowed for a more accurate pre-dredging hydrographic survey to be done as it reduced the potential for the survey to overestimate the volume of sediment accumulation in the channel. Post dredging surveys were then completed in the channel and the off-shore spoil ground in May 2010. Approximately 165,000m<sup>3</sup> of very fine sediment was removed from the channel. The dredging was conducted without water overflow which significantly reduced turbidity.

The Authority's Long Term Dredged Material Management Plan was previously approved by the Department of the Environment, Water, Heritage and the Arts in April 2009. The development of the Plan was a condition of the Authority's current maintenance dredging sea dumping permit granted in November 2007 and expiring in November 2010. This opens the way for the Authority to apply for a 10 year sea dumping permit rather than the existing 3 year permits. The 10 year permit as previously reported will give more



flexibility as to when dredging campaigns can be conducted and reduce the administrative and cost burden of more frequent permit applications. It will also allow a more targeted approach to dredging by taking into account seasonal factors which may vary the degree to which sediment build up occurs within the harbour areas and shipping channel.

As part of the application process for the 10 year permit, sampling of sediments in the Shipping Channel and Outer Harbour was undertaken in May 2010. The sampling followed the approval of the sampling and analysis plan by the Department of the Environment, Water, Heritage and the Arts in 2009. The results of the analysis of the sediment samples will be incorporated into a Sea Dumping permit application to be submitted to the Department in late August 2010.

The Harbour Siltation Investigation which commenced in early 2009 was completed during July 2009 with the final report being provided to the Authority in August 2009. The investigation has provided a better understanding of the harbour siltation dynamics so that the effectiveness of future dredging campaigns can be optimised. The report recommends among other things that the more frequent use of a smaller dredge should be effective in managing sand accumulation at the Outer Harbour rather than the historic method of 3 yearly campaigns utilising a large dredge. Smaller dredging campaigns result in less turbidity in the water and less impact to community recreational and fishing activities within Koombana Bay.

### **Environmental Regulation and Marine Monitoring**

The Authority's Berth 8 environmental licence for the handling of bulk mineral products was renewed in late 2009 as an "Interim" licence. The issuing of the licence followed negotiations between the Authority and the Department of Environment and Conservation regarding the licence conditions. As a result of the negotiations, the renewed licence better reflected the prevailing conditions at Berth 8 where significant areas are under the day- to-day control of third parties through lease arrangements with the Authority. One of the "Interim" licence conditions required the development of an Environmental Improvement Plan for the "prescribed premises" which was submitted to the Department of Environment and Conservation in early 2010.

The Authority had not received a formal response to the plan at the end of the reporting year. The "Interim" licence also contained a condition that required the submission of an Annual Audit Compliance Report. The Authority resolved to appeal this condition through the Appeals Convenor. The appeal was subsequently dismissed by the Minister for Environment.

A second marine baseline sediment, biota and seawater chemistry sampling program was conducted in late September 2009 in preparation for the export of copper sulphide concentrate through Berth 8 in November 2009. The data collected along with that from the first baseline in 2008 is being used to monitor any changes to baseline metals levels due to concentrate handling,

loading or wash-down activities. The design of the sampling program is based around the classic BACI (Before, After, Control, Impact) model. The baseline survey establishes the "Before" condition with sampling in the Inner Harbour being the "Impact" component and the reference sites outside the harbour fulfilling the "Control" condition. Sampling and analysis at the same locations taken in subsequent monitoring surveys fulfils the "After" component. This design allows for the determination of changes in metals concentration over time, differentiation of natural versus anthropogenic changes and the spatial extent of any anthropogenic changes to metals concentrations.

Post loading sampling was conducted in February 2010 and the analysis showed an elevation of copper in the sediments adjacent to Berth 8 indicating possible spillage of product into the water. There was no identifiable change in the seawater chemistry at this time. Biota analysis was problematic with an increase in copper levels in molluscs over that identified during the baseline surveys but with no correlation to the sites showing increased sediment copper levels. It was noted in the sampling and analysis report that molluscs have copper based blood so that there will always be detectable levels as shown in the second baseline survey. A second post loading sampling was undertaken in May 2010 with the results expected in late July 2010.

Prior to and since the loading of concentrate commenced, the Authority in conjunction with the exporter has been implementing incremental improvements to the conveyancing system to reduce the potential for product spillage to occur. The Berth 8 waste water capture project will also assist in the containment of this product and significantly reduce the potential for it to enter the marine environment. Periodic monitoring of the marine and terrestrial environment will continue in the coming months.

### **Preston River Realignment**

The Environmental Scoping Document for the proposed Preston River realignment project was completed at the end of 2009. The scoping document was then peer reviewed to identify any gaps in the studies. This was the precursor for an engineering feasibility study to investigate the most appropriate construction method for the new channel and to provide a cost estimate for the project. The proposal to realign the river channel within the Port Reserve was referred to the Office of the Environmental Protection Authority for consideration in late June 2010.

As part of its community service commitment, the Authority provided a group of students from the University of Western Australia's School of Environmental Systems Engineering with the opportunity during the year to undertake a case study on the Preston River realignment proposal. As part of the project the students investigated a number of potential environmental issues associated with the realignment proposal including possible impacts on the Leschenault Estuary, acid sulphate soil management issues, flood mitigation and heritage, both indigenous and european.

## **Environmental Projects**

The Berth 8 waste water capture project works commenced in early 2010. An acid sulphate soil and dewatering management plan associated with the project was approved by the Department of Environment and Conservation in late 2009. The project is expected to be completed in late 2010. The Authority will undertake water quality sampling to determine what method of water treatment will be required to remove any pollutants of concern in the water retention basin.

As part of its general environmental monitoring program, a series of sediment and water quality monitoring exercises were commenced by the Authority in the Preston River and Vittoria Bay to identify baseline conditions prior to the Berth 8 waste water capture project coming into full operation during winter 2011. The monitoring is conducted in each of the 4 seasons and will inform the Authority of any changes to these environments as a result of operational activities.

Work commenced late in the reporting year on an update of the Inner Harbour Cumulative Noise Model which was first developed in late 2005 and has been updated periodically since then to reflect changes to operations. Due to increased utilisation over the last year, the Outer Harbour has now been included in the model. The updated model should be completed in September 2010.

## **Community**

The Inner Harbour Structure Plan was approved by the Authority's Board of Directors in September 2009 as a strategic policy document to guide the future development of the Port. Environmental studies and potential community impact considerations formed a substantial part of the plan and as a consequence, the Authority commenced a Buffer Definition Study scoping exercise during the later part of the reporting year. The establishment of a buffer around the Port Reserve would serve to not only protect the existing and future operations but provide a better guide for appropriate development in adjacent areas such that impacts on the community are reduced or eliminated.

The Buffer Definition Study scoping work commenced in June 2010. Meetings were held with the Port of Fremantle and the City of Fremantle to gain an understanding of how effectively the Fremantle Inner Harbour Buffer study has operated since it was incorporated into local planning schemes. Further meetings are planned with the City of Bunbury and other government agencies in coming months.

The Leschenault Homestead was tenanted in April 2010 after extensive upgrading works were completed. The homestead was opened to a representative group from the local community just prior the tenancy. The

Authority nominated the Homestead for consideration in a category of the West Australian Heritage Awards announced in June 2010.

The number of community contacts relating to operations has remained low despite increased activity, in particular, an increase in break-bulk cargoes and other imports through Berth 5 which is very close to the residential areas of East Bunbury. This trend of fewer community contacts year on year over the past five years is the result of the Authority and its port lease holders maintaining their focus on dust and noise reduction initiatives and the mitigation of other impacts that could potentially effect the community.

The Port Community Liaison Committee met bimonthly during the year and was kept up to date on all operational activities and environmental issues. The Committee continues to provide an effective conduit for the community to maintain an effective dialogue with the Authority and to be kept abreast of future expansion plans.

## **Corporate Governance**

### **The Organisation**

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 Act), 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 corporate governance principles as the framework by which the board carries out its duties and obligations on behalf of the government shareholder.

### **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 also responsible for planning approvals and oversees the financial performance and monitoring of 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 takes positive action on matters that may be raised in relation to internal controls and procedures in regards to the following risk management categories:

- Injuries and health;
- Financial loss and or asset damage;
- Business interruption;
- Reputation and image;
- Environment; and
- Compliance (corporate governance).

Responsibility for the day to day management of the ports activities resides with the Chief Executive Officer who is accountable to the board for the efficient performance of those duties described in the Act.

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 Committee to ensure board efficiency, quality in outcomes and continuous improvement in board performance is achieved.
- 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 Internal Audit and Risk Management Committee which oversees the internal audit program and assessment of risk of the Authority's operations.
- A Remuneration Committee which oversees the review of staff awards and individual contracts as well as human resource management policies.

In addition two of the directors, one as Chairman and the other as a member attend the Authority's well established Port Community Liaison Committee meetings which are held bi-monthly.

### ***Composition of the Board***

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

### ***Appointment and retirement of Directors***

Directors are appointed by the Minister for Transport in accordance with Section 7 (1) of the Act. 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.

### ***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 Chairperson.

### ***Conflict of Interest***

At the commencement of each meeting Directors make declarations of items of personal interest so that in the event that a potential conflict of interest may arise, involved directors may, at the discretion of the other Directors:

- a) withdraw from deliberations concerning the matter; and
- b) are not permitted to participate in any vote on 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 Act. 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 be of a high standard. 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 policy Code of Conduct and Ethical Behaviour.

These policies comply with the requirements of the Commissioner for Public Sector Standards. The performance of staff against the Code of Conduct and Ethical Behaviour is reported annually to the Minister in accordance with Section 21 and 23 of the Act. As was the case last year the Authority reported its performance to the Commissioner on the observance by members of staff in relation to the Authority's minimum standards for staff management by way of the Annual Agency Survey.

### ***Remuneration***

The remuneration of the Chief Executive Officer is reviewed annually by the board and is subject to the provisions of the Salaries and Allowances Act 1975 and the approval of the Minister. The 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.

### ***Internal Audit and Risk Management Committee***

The Internal Audit and Risk Management Committee met regularly during the year to discuss internal audit findings, to review the Authority's Risk Register and assess new risks that may have been identified during the year. The Committee is represented by Directors' Derek Brennan-Jesson (Chairman) and Tony Brennan with the ex officio members during the year being the Chief Financial Officer and Port Superintendent. The Authority's Internal Auditors, AMD Chartered Accountants, attended meetings where required to discuss their audit findings and recommendations.

The Internal Audit and Risk Management Committee performs the following functions:

- Regular, management oriented appraisals of functions to determine their appropriateness in the context of the Authority's objectives as described in the Statement of Corporate Intent and Strategic Development Plan (including, but not restricted to, accounting and financial management information and control systems, operational performance monitoring and risk management systems);
- Reviews of the reliability of accounting and financial management information and the protection of all assets and resources under the Authority's control;
- Regular reports on the extreme and high level risks to the Authority and its operations with at least annual reports on medium and low level risks;

- Reviews of the risk management systems and mitigation strategies developed, implemented and monitored by the Authority;
- Independent and confidential advice on action to be taken to improve operational effectiveness, efficiency and economy;
- Follow up appraisals, where appropriate, regarding remedial action taken by levels of management as a result of the Audit Committee's findings and recommendations; and
- Follow up recommendations and concerns as expressed by the external auditor as a result of any audit findings and recommendations.

The Committee is an important link for the internal and external auditors to provide their views and recommendations to the board. During the year the Audit Committee held five meetings one of which was to discuss the Strategic Audit Plan for the 2009/10 reporting period.

The broad scope areas assessed by the internal auditors included the following:

- Information systems and policies;
- Security and emergency services;
- Project development;
- Pricing and cost recovery; and
- FBT and GST reporting.

The recommendations raised by the internal auditors on the broad scope functions that were reviewed have been implemented or are being progressively implemented to improve internal procedures and controls.

The financial systems and functions of the Authority were also audited in May by the internal auditors in preparation for the external audit. It was pleasing to note that there were only three minor recommendations raised as a result of the audit. One from the payroll area which included the need for staff to take regular leave to assist in reducing the annual and long service leave provisions for employee entitlements, and the other two in regard to more timely and more regular recording of cash receipting transactions.

### ***Internal Controls***

Procedures have been developed at the executive and board level to ensure that the assets and interests of the Authority are safeguarded and to ensure the integrity of financial reporting and project management. These controls are enhanced by a strong focus on risk management.

These include accounting, financial reporting and internal control policies and procedures as well as physical controls over assets and records.



The Authority has in place the following arrangements;

- Review and approval 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 service provider contractual commitments by the board;
- Guidelines, limits and controls on all financial risks and exposures in accordance with the powers of delegation of the Port Authorities Act;
- A comprehensive annual insurance program including risk management reviews and business continuity planning undertaken where necessary with the assistance of professional outside advisors;
- Compliance with equal opportunity legislation including affirmative action, sexual harassment, discrimination, diversity and the environment;
- Compliance with financial reporting requirements and applicable accounting standards.

The board reviews actual financial results against budget on a monthly basis. The Authority prepares six monthly financial statements and performance reports which following review by the board are submitted to the Minister to comply with the reporting requirements of the Act.

### ***Risk Management/Business Continuity***

The Authority is committed to the following policy statement in regards to risk management:

- Behaving as a responsible corporate citizen, protecting employees, lease holders, port users, contractors and their property, as well as the community and the broader environment from unnecessary injury, loss or damage.
- Achieving its business objectives by seeking opportunities to improve the business and optimise risk management; and
- Finding the right balance between the cost of control and the risks it is willing to accept as the legitimate grounds for earning reward.

The Authority recognises that effective risk management at all levels of the organisation is a core element of corporate governance and is necessary for the successful achievement of business objectives and outcomes.

The Authority has adopted a pro-active rather than reactive approach to risk management by establishing a Risk Management Framework, discussing on a weekly basis new risks that have been identified and incorporating risk management as a standing item on agendas for each Internal Audit and Risk

Management Committee meeting. At each Committee meeting risks that are rated as extreme or high are reviewed and the Risk Register updated accordingly. A comprehensive Risk Treatment Action Plan has been developed by the Committee for recording treatment and actions that have been or are planned to be taken for each risk. The Committee Chairman then signs off on the Risk treatment Action Plan when the Committee is satisfied that all the necessary action that can be taken has been implemented to reduce the risk.

The Authority also recognises the importance of workplace occupational health and safety. Risk management and safety issues are discussed at regular senior management communication meetings.

The Authority is currently in the process of arranging for an external review of its business continuity plan to ensure procedures are in place, when and if an emergency may arise, to minimise interruptions to the essential services and infrastructure that are provided to our port users..

### ***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 exceed two million dollars and advises the Minister of projects that exceed one million dollars. The board also reviews capital expenditure and cash flows at monthly board meetings.

### ***Financial Management Act 2006***

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. The provisions of the Financial Management Act 2006 are limited to the application of the audit process only.

### ***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 Rooms Site (Turkey Point)	2,700	\$ 50.00	\$ 12,150.00	\$12,100.00
Bunbury Lifeboat Foundation (Outer Harbour)	250	\$ 10.00	\$ 1,125.00	\$ 1,115.00
Department of Waters & Rivers (DEC) - Nursery Site (Glen Iris)	6,600	\$1,100.00	\$29,700.00	\$28,600.00
Western Tourist Radio (Glen Iris)	1,000	\$ 454.55	\$ 4,500.00	<u>\$ 4,045.45</u>
<b>Total Monetary Contributions to CSO's</b>				<b><u>\$45,860.45</u></b>

### ***Port Pricing Policies on Services***

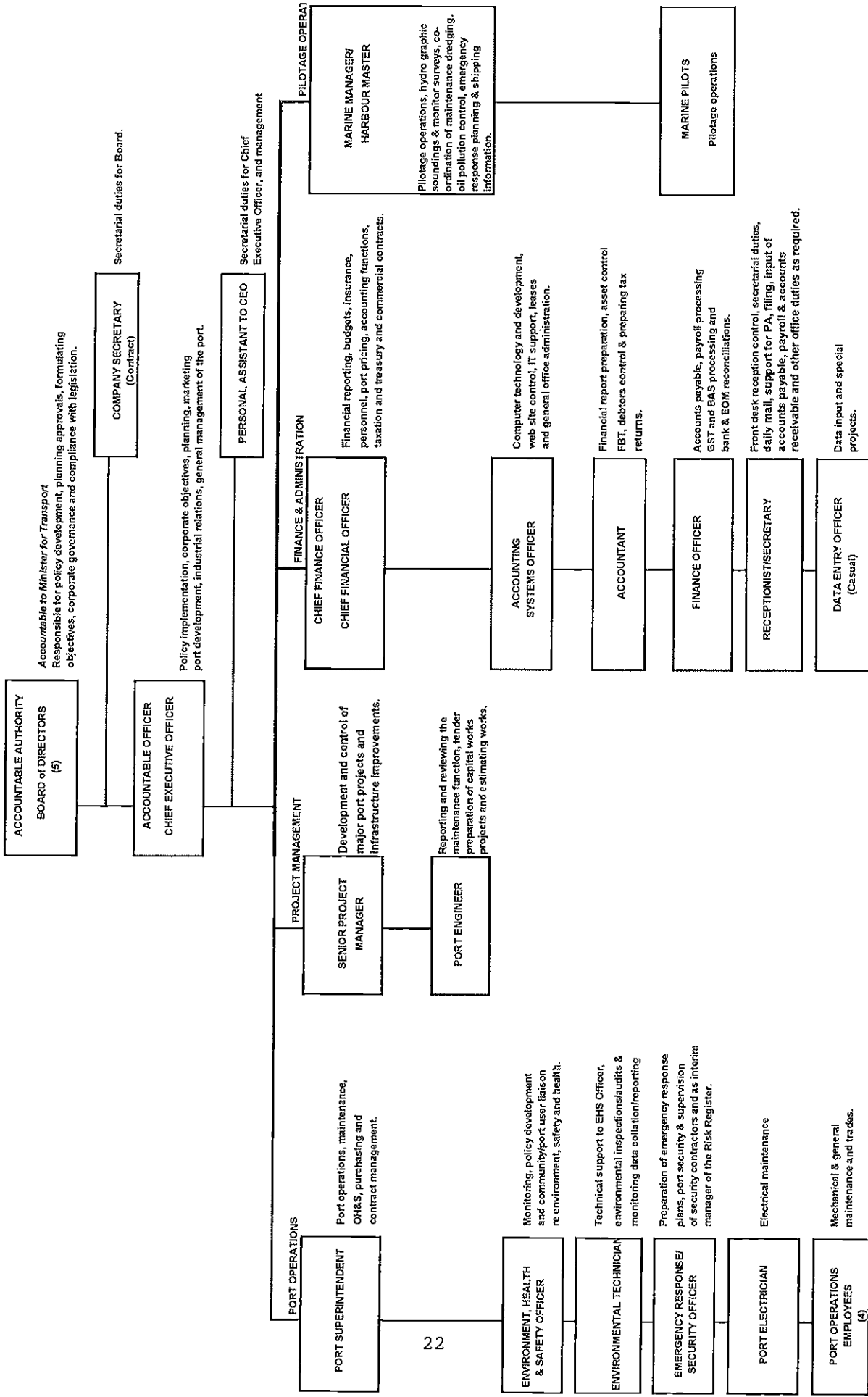
The Authority's pricing policy is based on commercial user pays principles which are required to recover ongoing operating costs and earn a rate of return on the assets used in providing port services. Port prices are reviewed annually during the budget process.

The main charge for cargo services is Port Infrastructure and for vessel services the Authority charges Navigational Services and Pilotage charges as well as Berth Hire when Port Authority owned berths are used. Revised Pilotage charges are required to be published in the Government Gazette before they can apply.

In 2009/10 the Authority applied a general increase across all charges of around 8% To recover budgeted increases in operating costs especially for maintenance and movements in salaries and wages. The exception was a 9.8% increase to the Berth 8 Port Infrastructure charge which was required to also recover the capital cost of the waste water management system.

Port charges are published each year in the Authority's trade statistics brochure and are available on our web site.

**CORPORATE STRUCTURE**



NOTE: Not to be read vertically

## Trade Development

Total trade for 2009/2010 was a record 13.867 million tonnes, an increase of 0.590 million tonnes or 4.4% compared to the 2008/2009 trade figure and was 1.5% or 0.208 million tonnes higher than the previous record of 13.659 million tonnes set in 2007/2008.

Compared to the 2008/2009 year there were improvements in a number of exports in particular alumina which rose by 0.188 million tonnes or 2%, woodchips which increased by 0.219 million tonnes or 20%, spodumene which rose by 0.043 million tonnes and silica sands which improved by 0.033 million tonnes and there were 0.109 million tonnes of copper concentrate and 0.087 million tonnes of pine logs exported as well. The main improvement in imports was for caustic soda which increased slightly by 0.012 million tonnes or 1%.

The main negative variations were in imports of mineral sands which were 0.073 million tonnes or 29% lower, petroleum coke which decreased by 0.014 million tonnes or 23% and urea which fell by 0.009 million tonnes or 26%.

Details of the Port's trade performance can be found in the section on statistical information, chart and graphs.

Total exports for this year compared to last year increased by 5.7% to 12.410 million tonnes while imports were down by 5.3% to 1.457 million tonnes compared to the previous year. Exports now represent 89% of total trade through the port.

Another record achieved in 2009/2010 was in commercial vessel visits with 391 visits, an increase of 17% compared to last years figure of 334 vessels and 38 visits higher than the previous record of 353 set in 2006/2007. Gross Registered Tons of vessels increased by 11% to 11.024 million GRT, also a record for the Port.

Milestones achieved during the year included:

- Record total trade of 13.867 million tonnes (previously 13.659mt).
- Record total exports of 12.410 million tonnes (previously 12.166mt).
- Record exports of alumina of 9.664 million tonnes (previously 9.476mt).
- Record number of commercial vessel visits of 391 (previously 353).
- Large export of copper concentrate – 16,060 tonnes on MV "Dynamogracht" May 2010.
- Largest export of general cargo – 10,160 tonnes on MV "Beluga Evaluation" March 2010.
- Largest import of urea – 14,123 tonnes on MV "POS Knight" May 2010.

## **Trade Forecast**

The Authority is forecasting total port trade for 2010/2011 of 14.776 million tonnes, which is an increase of 6.5% compared to the 2009/2010 trade figure. This is mainly due to the Authority's forecast for a full year of copper concentrate exports of 0.200 million tonnes and for commencement of bauxite exports of 0.200 million tonnes. The majority of other trade volumes are expected to remain at similar levels to those achieved for the reporting period except for alumina and woodchips which are forecast to increase by 0.417 million and 0.137 million tonnes respectively.

Commercial vessel numbers are estimated to be slightly lower than the 2009/2010 year with an increase in the average vessel size and hence cargo lift rather than an increase in vessel numbers.

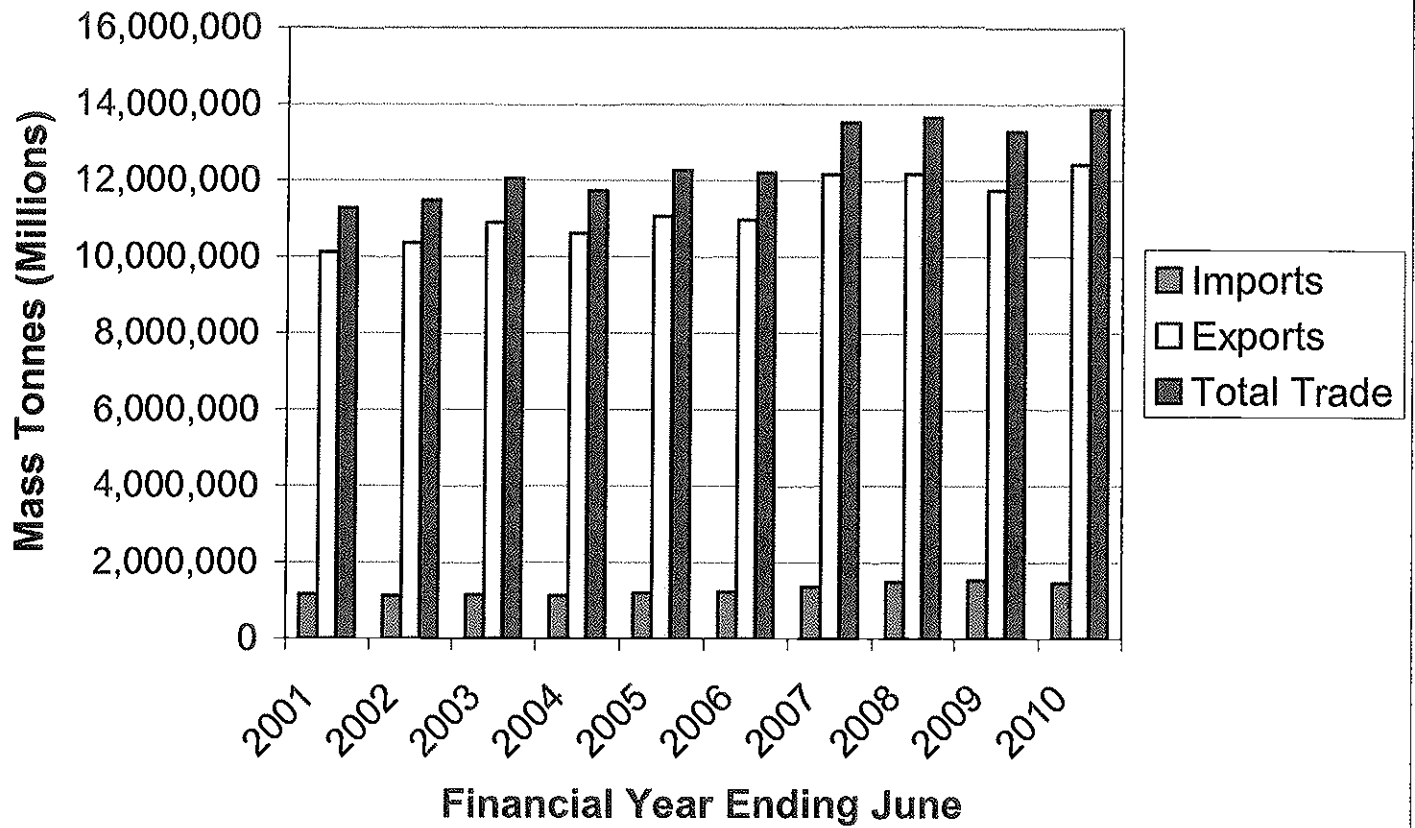
# BUNBURY PORT AUTHORITY

## STATISTICAL INFORMATION

### 10 Year Period from 2001 to 2010

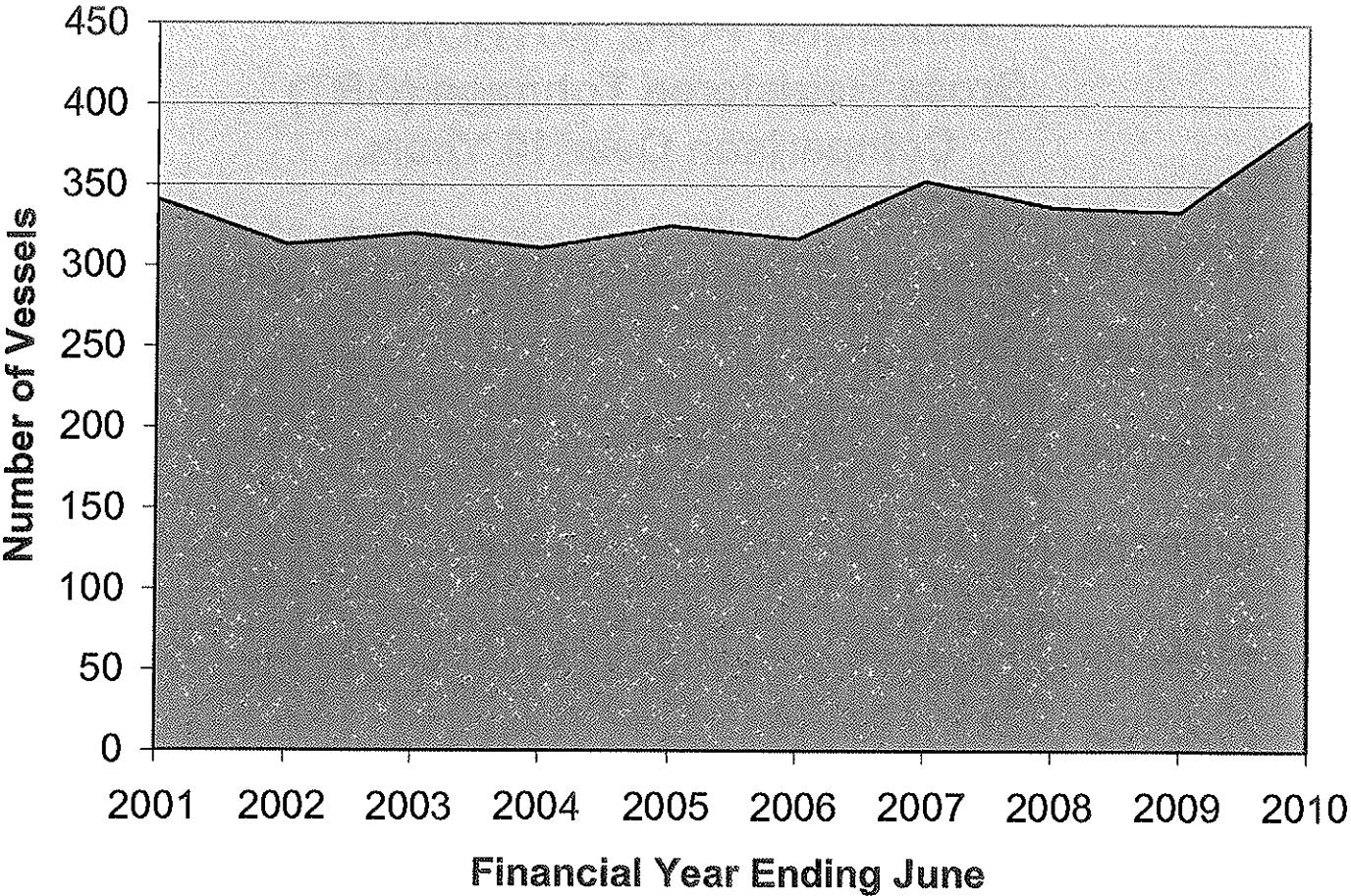
Commodity	Cargo - (tonnes)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>IMPORTS:</b>										
Caustic Soda	996,928	929,261	960,988	961,581	1,084,133	1,050,342	1,110,470	1,149,597	1,146,632	1,158,492
Mineral Sands	44,292	34,502	88,491	71,799	-	44,449	172,567	230,341	252,356	179,386
Phosphate Rock	35,632	79,900	23,241	-	-	-	-	-	-	-
Potash	25,953	23,154	20,928	21,634	36,135	8,703	-	12,099	21,755	-
Petroleum Coke	21,968	23,006	23,520	22,057	40,612	66,911	46,379	53,737	58,967	45,341
Methanol	11,527	17,184	13,478	14,733	15,505	18,614	15,684	15,943	14,739	9,715
Sugar	10,105	-	-	10,025	-	-	-	-	-	-
Vegetable Oil	6,190	4,738	8,056	6,662	3,392	4,097	4,081	3,156	3,015	3,626
General	4,167	-	1,503	996	1,864	-	-	6,652	-	29,188
Coal	3,585	4,426	4,724	3,789	-	4,605	4,637	-	4,800	4,468
Chemical Fertilizers	-	-	4,019	8,107	20,924	34,668	8,046	21,292	36,208	26,786
<b>TOTAL IMPORTS</b>	<b>1,160,347</b>	<b>1,116,171</b>	<b>1,148,948</b>	<b>1,121,383</b>	<b>1,202,565</b>	<b>1,232,389</b>	<b>1,351,864</b>	<b>1,492,817</b>	<b>1,538,472</b>	<b>1,457,002</b>
<b>EXPORTS:</b>										
Alumina	7,715,209	8,188,280	8,248,673	8,435,401	8,469,142	8,531,913	9,127,092	9,315,589	9,476,391	9,663,730
Mineral Sands	932,630	837,975	1,005,415	806,308	852,912	1,014,241	1,113,234	1,096,167	732,732	720,774
Silica Sand	383,077	375,619	459,192	348,810	334,532	257,105	289,045	135,141	218,068	250,524
Spodumene	72,769	78,599	106,245	121,683	126,300	140,124	272,341	204,365	204,844	248,051
Woodchips	982,842	809,623	1,045,693	734,705	1,212,621	966,090	1,283,402	1,347,925	1,094,405	1,313,394
Aluminium Hydroxide	11,500	-	6,478	-	-	-	-	-	-	-
General	8,589	14,906	8,739	9,246	20,047	12,724	11,505	16,122	12,337	17,615
Silicon Dross	6,286	-	4,475	-	-	-	-	-	-	-
Timber	-	22,986	10,403	130,312	39,129	50,445	63,853	43,015	-	87,290
Copper Concentrate	-	-	-	-	-	-	-	-	-	108,507
Kaolin Clay	-	-	1,500	-	-	-	-	-	-	-
Vegetable Oils	-	-	1,038	2,524	504	-	-	-	-	-
Chemical Fertilizers	-	31,629	-	-	-	-	-	-	-	-
Talc	-	-	-	9,367	-	-	-	-	-	-
Iron Oxide	-	-	-	8,437	9,174	-	-	7,607	-	-
<b>TOTAL EXPORTS</b>	<b>10,112,902</b>	<b>10,359,617</b>	<b>10,897,851</b>	<b>10,606,793</b>	<b>11,064,361</b>	<b>10,972,642</b>	<b>12,160,472</b>	<b>12,165,931</b>	<b>11,738,777</b>	<b>12,409,885</b>
Fuel Oil (Bunkers)	189	192	37	425	292	135	55	192	-	82
<b>TOTAL TRADE</b>	<b>11,273,438</b>	<b>11,475,980</b>	<b>12,046,836</b>	<b>11,728,601</b>	<b>12,267,218</b>	<b>12,205,166</b>	<b>13,522,391</b>	<b>13,658,940</b>	<b>13,277,249</b>	<b>13,866,969</b>
<b>SHIPPING:</b>										
Gross Registered Tonnage	8,502,511	8,659,043	9,063,323	8,405,277	9,055,627	9,075,026	10,104,099	9,730,372	9,895,143	11,023,611
Number of Vessels:										
Commercial Vessels	341	313	320	311	325	317	353	337	334	391
Other	4	3	3	2	6	8	7	10	11	11

## Total Port Trade Over 10 Years

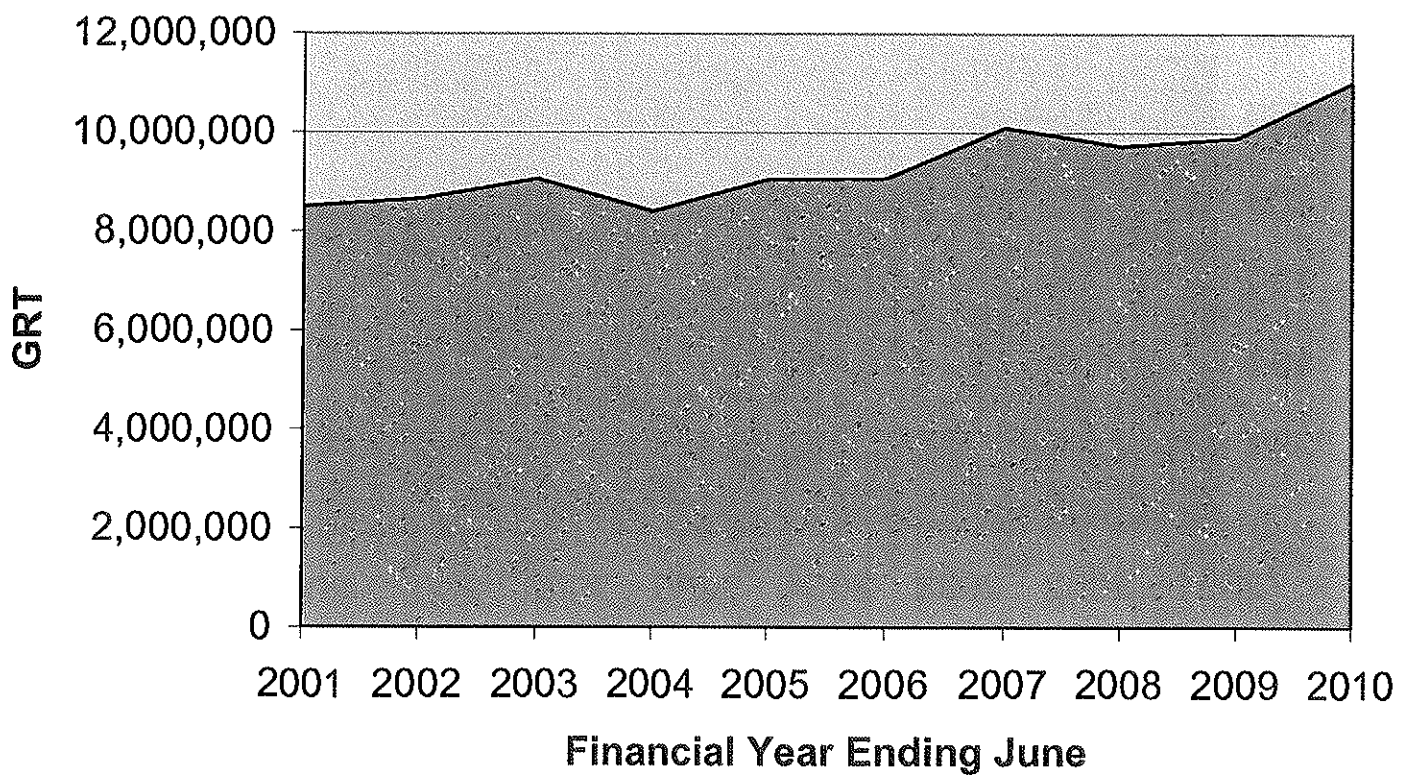




**BUNBURY PORT AUTHORITY  
Commercial Vessel Visits  
Comparison Over 10 Years**



**BUNBURY PORT AUTHORITY  
Gross Registered Tonnage (GRT)  
Comparison Over 10 Years**



BUNBURY PORT AUTHORITY

Key Performance Indicator Results 2010 (Continued)

EFFICIENCY INDICATORS	Target 2010	Four Year Performance Comparison			
		Actual 2010	2009	2008	2007
7. Total Cargo Tonnes Throughput per Berth.	2,154,693	1,980,996	1,896,750	1,951,277	1,931,770
<p>Comment: This indicator is calculated by dividing the total number of berths into the total actual cargo tonnes for the year to arrive at a figure in cargo tonnes per berth.</p> <p>Although the Authority achieved a record trade, the lower performance compared to the target is due to the actual trade of 13.867 million tonnes being 8.8% lower when compared to the budget target of 15.083 million tonnes.</p>					

8. Cargo Tonnes per Total Vessel Hour. (Average of all berths)	726	696	856	783	809
<p>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.</p> <p>The reduction in tonnes loaded per hour compared to the previous years performance as well as against the target figure of 726 tonnes per hour is due mainly to slower loading rates at Berths 1, 5 and 8 compared to forecast as a result of the increase in general cargo trade handled over those berths.</p> <p>The average loading rate of cargo tonne per total vessel hour is predicted to improve in 2011.</p>					

ENVIRONMENTAL & SUSTAINABILITY INDICATORS	Target 2010	Four Year Comparison			
		Actual 2010	2009	2008	2007
9. Achieve Year on Year Reduction in Substantiated Community Complaints	37	6	9	12	40
<p>Comment: This indicator is measured by the number of substantiated complaints received by the Authority and entered into the Authority's Complaints Register.</p> <p>The result was lower than the target figure and an improvement compared to the previous year.</p>					
10. Target Zero Lost Time Injuries	0	0	1	0	0
<p>Comment: The results for this indicator are provided by the State Government Insurance Commission (RiskCover), and is calculated as the number of lost time injury/disease claims where one day/shift or more is estimated to be lost on claims lodged in the financial year.</p> <p>There were no lost time injuries during the reporting period, an improvement on the previous year.</p>					

# BUNBURY PORT AUTHORITY

## Key Performance Indicator Results 2010

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

The following key performance indicators have been developed and adopted by the Authority to provide information as to the Authority's performance against the targets that have been set.

		Four Year Performance Comparison				
		Target 2010	Actual 2010	2009	2008	2007
<b>EFFECTIVENESS INDICATORS</b>						
1.	<b>Berth Utilisation (Occupancy)</b> (The indicator includes commercial and naval vessels but excludes dredges & vessels laying up)	33.89%	34.3%	26.9%	31.7%	28.9%
<p>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 Inner Harbour berths especially Berths 3, 4, 5 and 8 and the record cargo throughput and increase in general cargo and timber exports.</p>						
2.	<b>Average Ship Turn Around Time (Hours)</b> (Commercial vessels only.)	53.0	50.9	46.4	51.8	47.3
<p>Comment: Measures effectiveness of port operations to moor, load and let-go vessels. Generally the lower the figure the better. The lower turn around time in hours at berth for the year compared to the target was mainly due to improved productivity at Berths 3 and 6 than forecast and the increased number of smaller vessels used for general cargo movements. The indicator is calculated as the average hours in port per vessel for commercial vessels only.</p>						
3.	<b>Average Ship Delay Time (Hours)</b>	0	0	0	0	0
<p>Comment: There were no delays to vessels during the year due to industrial stoppages. This measures the effectiveness of the Authority and private sector service providers in the Port to manage industrial relations.</p>						

		Four Year Performance Comparison				
		Target 2010	Actual 2010	2009	2008	2007
<b>FINANCIAL INDICATORS</b>						
4.	<b>Gross Cargo Revenue per Cargo Tonne</b>	\$0.59	\$ 0.49	\$ 0.45	\$ 0.45	\$ 0.43
<p>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 (total trade tonnes) 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 actual result was lower than the target due mainly to lower trade volumes over Port Authority owned berths including 5 and 8 which attract a higher port charge per tonne. The result was also affected by the fact that coal exports which were budgeted did not eventuate.</p>						
5.	<b>Gross Ship Revenue per Ship</b>	\$25,284	\$27,517	\$26,026	\$24,129	\$21,882
<p>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 an increase in berth utilisation and hence berth hire at BPA berths and increased pilotage as a result of growth in intra-port movements.</p>						
6.	<b>Aggregated Operating Cost per Cargo Tonne</b>	\$1.46	\$ 1.61	\$ 1.46	\$ 1.18	\$ 1.09
<p>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 significant increases in berth and building maintenance, as well as an increase in consultants fees for future port expansion projects including engineering and environmental studies and an increase in salaries and wages for Port Authority staff.</p>						

# BUNBURY PORT AUTHORITY

## 5 Year Performance Summary

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
<b>Financial Performance</b>					
Operating income	24,881	20,746	20,232	19,268	18,271
Interest income	1,155	1,096	1,596	1,487	1,145
Total operating income	26,036	21,842	21,828	20,755	19,416
Operating expenses	(15,440)	(12,815)	(11,085)	(9,689)	(8,691)
Operating profit before depreciation, interest paid and income tax equivalent	10,596	9,027	10,743	11,066	10,725
Depreciation and amortization	(6,232)	(6,230)	(4,287)	(4,364)	(4,341)
Borrowing costs	(634)	(769)	(813)	(819)	(836)
Net profit before income tax equivalent	3,730	2,028	5,643	5,883	5,548
Income tax equivalent	(1,150)	(578)	(1,705)	(1,676)	(1,655)
<b>Net profit after tax</b>	<b>2,580</b>	<b>1,450</b>	<b>3,938</b>	<b>4,207</b>	<b>3,893</b>
<b>Financial Position</b>					
Current assets	28,320	26,481	22,434	27,039	23,298
Non-current assets	78,742	78,985	83,605	78,292	78,503
Total assets	107,062	105,466	106,039	105,331	101,801
Current liabilities	2,799	3,959	2,527	2,824	2,396
Non-current liabilities	10,860	13,018	14,504	13,388	14,493
Total liabilities	13,659	16,977	17,031	16,212	16,889
<b>Net assets</b>	<b>93,403</b>	<b>88,489</b>	<b>89,008</b>	<b>89,119</b>	<b>84,912</b>
<b>Equity</b>					
Reserves	14,815	14,815	14,815	28,647	28,647
Retained earnings	78,588	73,674	74,193	60,472	56,265
<b>Total equity</b>	<b>93,403</b>	<b>88,489</b>	<b>89,008</b>	<b>89,119</b>	<b>84,912</b>
<b>Statistics</b>					
<b>Financial:</b>					
Operating profit margin	43%	44%	53%	57%	59%
Operating expense ratio	86%	91%	74%	72%	71%
Debt to equity ratio (total liabilities/equity)	15%	19%	19%	18%	20%
Interest cover - profit basis (times) (EBIT/Int)	6.88	3.64	7.94	8.18	7.64
Total operating income per FTE	\$1,239,810	\$1,040,095	\$1,284,000	\$1,220,882	\$1,386,857
Return on average net assets (RONA)	4.8%	3.2%	7.2%	7.7%	15.0%
Dividends paid/payable \$'000's	725	1,969	4,049	0	3,005
<b>Trade:</b>					
Total Export Trade	12,409,885	11,738,777	12,166,123	12,160,527	11,064,653
Total Import Trade	1,457,002	1,538,472	1,492,817	1,361,864	1,202,565
Total Port Trade	13,866,887	13,277,249	13,658,940	13,522,391	12,267,218
Total Commercial Vessels	391	334	337	353	325
Total Gross Registered Tons	11,023,611	9,895,143	9,730,372	10,104,099	9,055,627

## Other Legal and Government Policy Requirements

The following are the disclosures required in accordance with legislation and government policies.

### Advertising & Sponsorship (Electoral Act 1907 - S175ZE)

In accordance with section 175ZE of the Electoral Act 1907 the Bunbury Port Authority incurred the following expenditure in advertising, market research, polling, direct mail and media advertising:

1. Total expenditure for 2009/10 was \$18,117.
2. Expenditure for each service where applicable, was incurred during the year in the follow areas:

#### Advertising agencies:-

Informa Australia	\$ 616
JEM Promotions Products Pty Ltd	\$ 2,137
<b>Total</b>	<b>\$ 2,753</b>

Market research organisations:- nil

Polling organisations:- nil

Direct mail organisations:- nil

#### Media advertising organisations:-

Adcorp Australia Limited	\$ 743
Main Event Media Pty Ltd	\$10,350
Rural Press Regional Media	\$ 2,185
South West Printing & Publishing Co	\$ 2,086
<b>Total</b>	<b>\$15,364</b>

### Disability Access and Inclusion Plan Outcomes

Initiatives in relation to disability access and inclusion are provided by the Authority as follows:

- Physical access is provided to the administration office from the car park.
- Provision of facilities in the office for people with disabilities in accordance with Australian Standards.
- Matt Gare continues to enjoy his employment as our casual Data Entry Officer.

People with disabilities can obtain information regarding the Authority's publications and services including our annual reports on the Authority's web site at [www.byport.com.au](http://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.

During the year a review of document control and file management has been carried by staff including the Personal Assistant to the CEO, the Accounting Systems Officer and the Chief Financial Officer. This review included the planning to update the Authority's filing system with the implementation early in the new financial year of the Synergy Soft system Records Management module to replace the existing Thesaurus system.

1. The efficiency and effectiveness of the Authority's recordkeeping systems is evaluated not less than once every five years.
  - The Authority is planning to have its recordkeeping systems reviewed as part of the internal audit program for 2010/2011.
2. The Authority conducts a recordkeeping training program.
  - In regard to training, the Authority arranges staff Records Awareness Training (RAT) through the online service provided by IRIS, an external training provider. All new and existing employees will be required to complete the RAT as part of the Authority's plan to implement to the new Records System in the new year.
3. The efficiency and effectiveness of the recordkeeping training program is reviewed from time to time.
  - The review of the training program will be undertaken in conjunction with the evaluation of the recordkeeping systems as part of the internal audit.
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 procedures include records awareness.

## **Ministerial Directives**

The Minister may give directions in writing to the Board of Directors with respect to the performance of the functions prescribed by legislation.

There were no Ministerial directives during the year.

## **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:

- 2009 Annual Report
- Trade Statistics (2008-2009) and Port Charges (2009-2010)
- Portal Newsletter, Issue 12 October 2009, Issue 13 November 2009 and Issue 14 June 2010.

Other information is available via the Authority's web site at [www.byport.com.au](http://www.byport.com.au).

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.

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

The Authority's FOI Coordinator did not receive any FOI access applications during 2009-2010.

### **Compliance with Public Sector Standards and Ethical Codes**

Section 21 of the Port Authorities Act 1999 requires the Authority's board to prepare and issue, in consultation with the Commissioner for Public Sector Standards, a code of conduct setting out minimum standards of conduct and integrity to be observed by members of staff. The legislation also 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. Section 23 also requires that a report be delivered to the Minister on the observance by members of staff of any code of conduct in force under section 21.



The report submitted in compliance showed that in 2009/2010 there were no incidents involving reportable misconduct or breaches of the Authority's code of conduct.

### **Human Resource Policies and Procedures**

In the administration and management of its staff the Authority has complied with its human resource policies and procedures and provided a report to the Commissioner for Public Sector Standards as required by section 18 of the Port Authorities Act 1999.

The Authority's policies generally follow the guidelines and principles of 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.

During the reporting period there were three full-time positions advertised by the Authority which were for new positions of Accountant and Marine Manager/Harbour Master and for a Marine Pilot. There were no claims arising as a result of the recruitment, selection and appointment process of the Authority for this position.

After a fairly lengthy negotiating period the Authority finalised a new Enterprise Bargaining Agreement for the Harbour Master and our two Marine Pilots.

### **Substantive Equality**

The Bunbury Port Authority acknowledges the importance to support employees balancing work and family responsibilities by providing, where possible, flexible hours, availability of purchased leave and maternity and paternity leave.

The number of permanent full-time women employed by the Authority has increased from 3 in 2005 to 5 in 2010.

### **Occupational Safety, Health and Injury Management**

*Compliance with occupational safety, health and injury management reporting.*

The Bunbury Port Authority's management team is committed to maintaining a high standard of occupational safety and health and injury management. Regular meetings are held with management and all staff to discuss occupational safety and health (OSH) issues and to allow staff to participate fully in improving the system and allow them the opportunity to raise any safety or health concerns with management.

Our consultative process extends to and includes the licensed stevedores and lessees. Quarterly Port User meetings are held to discuss operational, security and OSH issues. This is considered an important strategy in particular to minimise the effects that may occur with regards to workplace related health issues that could impact on the Port users at the Bunbury Port Authority. When issues are raised the Authority is prepared to take action to implement changes to improve the safety of workers in the Port area. Minutes of the meetings with assigned actions are recorded and available to all staff on the Authority's electronic filing system.

The Authority is pleased to report that during the year there was no time lost due to injury of Port Authority employees and no major incidents occurred in the Port. This demonstrates the Authority's ongoing commitment to safety in the workforce. The Authority has a documented injury management system in place and will continue to comply with the injury management requirements of the *Workers Compensation and Injury Management Act 1981*. The Injury, Illness and Return to Work Management plan is available to all employees on the Authority's electronic filing system. The Port is committed to assisting employees who are injured at work or who suffer a work related illness to return to work as soon as appropriate.

A previous self evaluation of the Authority's OSH Management system has resulted in a complete rewriting of the Safety Manual to ensure it is more relevant to the organisations size and structure. The review of the Safety Manual was conducted with the assistance of an external consultant and is consistent with the WorkSafe WA ThinkSafe Program. The Safety Manual also includes a revised OSH Management Program (System) that is reviewed annually. The review of the OSH Management program revealed some deficiencies and these were corrected with the implementation of a safety eyewear provision reimbursement policy, a fatigue management plan and an updating of the Authority's Employee Assistance Program (EAP). The EAP assists employees to resolve work and personal issues that may affect their wellbeing and productivity.

The Authority's OSH and Injury Management Data for the reporting period is illustrated below:

Measure	Actual Results		Results against Target	
	2008-09	2009-10	Target	Comments
Number of Fatalities	Zero (0)	0	0	
Number of Lost Time Injury or Diseases	1	0	0	
Number of Severe Claims	0	0	0	
Lost Time Injury Severity Rate	0.0000	0.0000	0.0000	
Percentage of injured workers returned to work within 28 weeks	N/A	100%	100%	
Percentage of managers trained in occupational safety, health and injury management responsibilities	N/A	40%	100%	Over the next 5 years

In addition to the above, the Authority recognises the importance of a proactive risk management program and also recognises that the legal interpretation of a workplace safety hazard is becoming broader with more frequent litigation being initiated against organisations and managers for activities which they considered were outside their area of responsibility.

The Risk Management process has formed part of strategic, operational and line management responsibilities and is integrated into the Strategic and Business Planning processes.

An Internal Audit and Risk Management Committee has been formed, supported by a Staff Risk Committee, to review risk including OSH risk associated with all Authority operations. This Committee reports directly to the Board of Directors so that appropriate actions can be taken at the highest level to either mitigate or remove the risk. A key role of the Committee is to formulate and communicate Risk Management Policy, Objectives, Procedures and Guidelines and through the Board of Directors, direct and monitor the implementation of risk management processes throughout the Authority.

The Authority in response to these increasing obligations has reviewed and updated its Risk Management Plan and is currently developing a Business Continuity Management Plan to protect its people, assets, port customers and earnings by avoiding or minimising where possible the potential for loss.

The Authority's risk management business continuity plan has a dual purpose:

- Legislative compliance; and
- Ensuring observance of Due Diligence and Corporate Governance requirements.

# BUNBURY PORT AUTHORITY

## Directors' Report 2010

The Board of Directors of the Bunbury Port Authority have pleasure in presenting their report for the financial year ended 30 June 2010.

### 1. Directors

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

**Neema Premji**  
**Chairperson**

Appointed: Chair on 1 October 2009

**B.E. (Civil), Grad. Dip.(Tech. Mngt), MBA, GAICD, MIE (Aust)**

Ms Premji was appointed to the Board of Bunbury Port Authority in 2002 and is currently the Chair of BPA. Currently she is also a director on the Busselton Water Board. She is a civil engineer with broad expertise and experience in the mining and power industries, strategic business planning, asset management, corporate governance and local government. She currently runs her own engineering and business management consultancy, based in Busselton. She has a keen interest in community activities and previously has served as a member on the South West Regional Planning Committee, Edith Cowan University Board, Bunbury Regional Art Gallery Collections Committee and Zonta Club of Bunbury.

Special responsibilities – Chair of Corporate Governance and member of Remuneration Committee.

Expiry of present term: 30 June 2012

**Raffaele (Ray) Frisina**  
**Deputy Chairman**  
**Fellow of CPA Australia**

Appointed: 1 October 2009

Mr Frisina was appointed to the Board on 1<sup>st</sup> October 2009. He is a Certified Practising Accountant with extensive experience in business consultancy, management and taxation, corporate governance and strategic planning.

Mr Frisina is a long term resident of Bunbury and has served on numerous statutory and community Boards and Committees, including a term as councillor for the City of Bunbury. He was also a member of the South West Regional Planning Commission, Board Member of the Val Lishman Health Research Foundation, Chairman of the Chefs Long Lunch Charity Committee and currently serves on the Board of the Bunbury Regional Entertainment Centre.

He has a passion for developing the sustainable economic, social, environmental and cultural activities of the greater South West Region, which will ensure the continued growth and vibrancy of the area.

Special responsibilities – Chairman of the Port Community Liaison Committee, Member of Corporate Governance Committee

Expiry of present term: 31 December 2011

**Derek Brennan-Jesson**

Appointed: 27 March 2006

**Dip Eng (Elec), Post Grad Dip (Mgt) MAICD**

Mr Jesson was appointed to the Board on 27 March 2006. He graduated as an Electrical Engineer from the London Regent Street Polytechnic and worked with various large UK companies manufacturing power transformers and capacitors in technical and sales capacities prior to emigrating to Australia in 1969. Since arriving in Australia he has worked for a number of companies in the power generation industry including General Electric Company, C. Itoh Ltd, Modra Electric Power Pty Ltd and Energy Equity Corporation Pty Ltd in project management and business development positions. On retirement he has continued his interest in project management and development whilst undertaking a variety of business feasibility studies as well as participating in community service activities.

Special responsibilities – Chairman of the Internal Audit and Risk Committee and member of the Port Community Liaison Committee.

Expiry of present term: 31 December 2011.

**Tony Brennan**

Appointed: 1 March 2010

**Bachelor of Laws, Grad. Dip. (Legal Practice)**

Mr Brennan was appointed to the Board on 1 March 2010. He holds a Bachelor of Laws from the University of Queensland and a Graduate Diploma in Legal Practice having practiced in areas of corporate advisory, mergers and acquisitions, banking and finance. The projects he has been involved with range from tunnels, gas pipelines, international cruise ship terminals, agricultural, energy and resource projects.

Mr Brennan is a member of the Mining Law committee and Oil & Gas committee of the International Bar Association. He is a former facilitator for the Australian Institute of Company Directors prestigious Company Directors course and presenter on corporate governance issues for not-for-profit boards.

Special responsibilities – Member of the Internal Audit and Risk Committee.

Expiry of present term: 31 December 2012.

**Gary Wood**

Mr Wood's term as Director expired on 31 December 2009 and was re-appointed on 17 May 2010.

Mr Wood took up his appointment as a member of the Board on 1 October 2006. He has had extensive experience in the coal mining industry and is currently Secretary to both the CFMEU Mining & Energy Division WA District and Coal Miners Industrial Union of Workers of WA, positions which he has held for a number of years. He is currently a member of the Mining Industry Advisory Committee (MIAC) and the Ministerial Advisory Panel to develop a Best Practice safety regime for Western Australian Resource Sector based on practical risk management. Mr Wood has a particular interest in matters pertaining to occupational health and safety in general industry and is also a member of the Commission of Occupational Safety & Health (COSH) along with being a member of the Legislative Advisory Council (LAC). Mr Wood is also a Trustee of the Coal Industry Superannuation Board and as such is required to meet the standards of a Registered Superannuation Entity and Australian Financial Services Licence to hold this position.

Special responsibilities – Chair of the Remuneration Committee.

Expiry of present term: 30 June 2012.

J G Brosnan was Chairman from the beginning of the financial year until his term expired on 30 September 2009.

D L Smith was a Director from the beginning of the financial year until his term expired on 30 September 2009.

R Baldwin was appointed as a Director from 1 October 2009 until he resigned on 28 January 2010.

## 2. Directors' meetings

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

	Full Board Meetings		Committee Meetings				Remuneration Committee	
	No. Eligible	No. Attended	Internal Audit & Risk Management		Corporate Governance		No. Eligible	No. Attended
			No. Eligible	No. Attended	No. Eligible	No. Attended		
Neema Premji	15	15	2	2	2	2	3	3
Derek Brennan-Jesson	15	13	4	4	-	-	-	-
Gary Wood	12	10	-	-	-	-	4	4
R Frisina	10	9	-	-	2	2	-	-
T Brennan	5	4	2	2	-	-	-	-
J G Brosnan	5	5	-	-	-	-	1	1
D L Smith	5	5	1	1	-	-	1	1
R Baldwin	5	4	1	1	-	-	-	-

## 3. 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.

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

## Objectives

The Authority's core objectives are summarised as follows:

- Customer focus – ensure the provision of efficient port facilities and services to meet customer needs.
- Financial performance – be financially self sufficient and viable on a commercial basis over the long term.
- Environmental focus – promote, plan and develop the port in an environmentally responsible manner for the benefit of the State, industry and customers.
- Productivity improvement – maintain a continual improvement approach to operational performance and provide training and development for employees to enhance productivity and efficiency.
- Community relations – work through the Port Community Liaison Committee to address and improve Port/Community communication in port planning, development and operations.
- Safety – eliminate as far as practicable possible hazards in the workplace.

In order to meet these objectives the following targets have been set for the 2010 financial year and beyond:

### Customer Focus

	Actual	Target				
	2010	2010	2011	2012	2013	2014
Berth utilisation – includes commercial and naval vessels	34.3%	33.89%	32.50%	32.13%	34.03%	34.78%
Average ship delay time	0	0	0	0	0	0
Average ship turn-a-round time - hours in port	50.9	53.0	54.0	53.1	49.8	45.2

### Financial Performance

	Actual	Target				
	2010	2010	2011	2012	2013	2014
Gross cargo revenue per tonne of cargo	\$0.49	\$0.59	\$0.71	\$0.73	\$0.82	\$0.97
Gross ship revenue per ship	\$27,517	\$25,284	\$26,635	\$28,073	\$29,294	\$30,408
Aggregated operating Port Authority cost per cargo tonne	\$1.61	\$1.46	\$1.73	\$1.99	\$1.87	\$1.88

Rate of return

4.9%	6.9%	4.5%	4.4%	6.4%	8.3%
------	------	------	------	------	------

### Environmental Focus

Maintain PM10 dust levels below NEPM standard of 50mg/m3

Actual	Target				
2010	2010	2011	2012	2013	2014
<50	<50	<50	<50	<50	<50

### Productivity Improvement

Total tonnes throughput per berth

Cargo tonnes per total vessel hour (Average all berths) bulk

Actual	Target				
2010	2010	2011	2012	2013	2014
1,980,996	2,154,693	2,169,922	2,181,772	2,285,808	2,550,808
696	726	762	775	815	886

### Community Relations

Achieve year on year reduction in substantiated community complaints

Actual	Target				
2010	2010	2011	2012	2013	2014
6	37	36	35	34	33

### Safety

Target zero lost time injuries

Actual	Target				
2010	2010	2011	2012	2013	2014
0	0	0	0	0	0

## 4. Dividends

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

	2010	2009
	\$'000s	\$'000s
Dividends paid	725	1,969



## 5. Operating and financial review

### Results at a glance

The operating profit before income tax expense was \$3.730million (2009: \$2.028million). The income tax attributable to the operating profit for the financial year was \$1.150million (2009: \$0.578million).

The increase in profit before income tax was mainly as a result of an increase in revenue up by \$4.207 million, due to an increase in trade and other revenue generating port activity and services. Against this improvement in revenue there was an overall increase in operating expenditure of \$2.505 million which was mainly due to an increase of \$1.648 million in asset maintenance, in particular maintenance on berths which increased from \$0.675 million in 2009 to \$2.239 million in 2010.

### Review of operations – port trade

The Port's record trade performance for the financial year of 13.867 million tonnes, was 0.590 million tonnes or 4.4% above last years total of 13.277 million tonnes but was 8.1% below the budget forecast of 15.083 million tonnes mainly due to cargoes such as coal not proceeding as budgeted. The result was however, 0.208 million tonnes higher than the previous trade record of 13.659 million tonnes in the 2008 financial year.

Significant variations in actuals for 2010 compared to actuals for 2009 were as follows:

#### Exports

- General exports (Timber Logs) up by 0.093 million tonnes or 750.3%;
- Woodchips up by 0.219 million tonnes or 20.0%;
- Spodumene up by 0.043 million tonnes or 21.1%;
- Alumina up by 0.187 million tonnes or 2.0%;
- Silica sands up by 0.032 million tonnes or 14.9%; and
- Mineral sands down by 0.012 million tonnes or 1.6%.

#### Imports

- Caustic soda up 0.012 million tonnes or 1.0%;
- General cargo imports up by 0.029 million tonnes or 601.2%;
- Mineral sands down by 0.073 million tonnes or 28.9%;
- Potash down by 0.022 million tonnes or 100%; and
- Petroleum coke down by 23.1% or 0.014 million tonnes.

Significant variations between actuals for 2010 compared to the budget for 2010 were:

#### Exports

- General cargo exports up by 0.040 million tonnes or 61.4%;
- Silica sands down by 0.019 million tonnes or 7.2%;
- Alumina up by 0.164 million tonnes or 1.7%;
- Copper concentrate down by 0.091 million tonnes or 45.7%;
- Mineral sands down by 0.263 million tonnes or 26.7%;
- Woodchips down by 0.287 million tonnes or 17.9%; and
- Spodumene down by 0.035 million tonnes or 12.3%.

The export of coal was 100% under budget and is not likely to commence until Berth 14 is constructed. This represented a reduction of 0.600 million tonnes in cargo compared to budget.

#### Imports

- General cargo imports up by 0.024 million tonnes or 236.6%;
- Phosphate up by 0.007 million tonnes or 33.9%;
- Mineral sands down by 0.106 million tonnes or 37.1%;
- Methanol down by 0.006 or 39.3%;
- Petroleum coke down by 0.011 million tonnes or 19.8%;
- Potash down by 0.010 million tonnes or 100.0%.

The net effect of these variations was a decrease of 1.216 million tonnes below the budget forecast.

#### Review of operations – financial results

	Target 2010 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Income	28,360	26,036	21,829
Expenditure	(22,080)	22,306	(19,801)
Net profit before tax	6,280	3,730	2,028
Tax expense	(1,880)	(1,550)	(578)
Net profit after tax	4,400	2,580	1,450

#### Commentary on operating results

The net operating profit of the Authority after income tax for the financial year was \$2.580m (2009: \$1.450m). This represents an increase of 77.9% compared to the 2009 financial year. However the profit performance after tax was 58% below the budget figure of \$4.400 million due to a combination of lower revenue from lower trade throughput than budgeted as explained above as well as an increase in operating expenditure especially for unscheduled repairs to Berth 5 maintenance area and preliminary investigative work on the repairs to Berth 3 dolphins.

Capital expenditure for the year was \$3.677million. This was \$5.986million below the Authority's approved asset investment budget of \$9.663million which included \$4.563million for the waste water management system at Berth 8, \$2.300 million for a hardstand area for container facilities, \$1.300million for minor works and \$1.500million for the bund or screen wall in the Inner Harbour.

The major capital investment expenditure undertaken during the year included \$1.507million for the Berth 8 waste water management system (work in progress), \$0.491million for the Berth 2 fender replacements, \$0.147million for the Berth 8 shiploader boom enclosure, \$0.131 million for the new back-up pilot boat (work in progress), \$0.121 million for the bund wall (now known as screen wall which is also works in progress), and minor works of \$1.180million including ongoing port infrastructure improvements such as \$0.270million for upgrades to the gantry and conveyer at Berth 8, \$0.198million for minor plant and machinery replacement, \$0.173million for replacement of mobile equipment and \$0.106 million for office equipment.

Further details concerning the result of the Authority's operations during the financial year can be found in the Chairman's Report, the Chief Executive Officer's Review of Operations and the financial statements in the Annual Report.

## **Strategy and future performance - trade and finance**

Trade for the new financial year is expected to be higher with a total trade forecast of 14.776 million tonnes an increase of 6.5% over the 2010 financial year. The projected increase in trade is mainly as a result of forecast growth in exports of woodchips and alumina as well as a full year of exports of copper concentrate and trial shipments of up to 0.200million tonnes of bauxite.

The targeted financial performance for 2010/11 is based on achieving total revenue of \$27.597 million, expenditure of \$22.811million resulting in a budgeted operating profit before tax of \$4.786 million.

Port users were advised of increases in port charges for 2010/11 which ranged from 5.3% for Berth 4 and 6 Port Infrastructure, 24.6% for Pilotage and 37.0% for Berth Hire charges, which will become effective in the new financial year.

### **6. Significant changes in the state of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Authority that occurred during the financial year under review.

### **7. Events subsequent to reporting date**

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

### **8. Likely developments**

The Authority is forecasting that trade volumes for the 2010/2011 financial year are to increase to 14.776 million tonnes. This is a projected increase of 6.5% on the 2009/2010 year trade figure of 13.867 million tonnes.

The increase in trade in the new financial year is based on achieving continued growth in alumina exports, an incremental growth in woodchip exports, a full years production of copper concentrate exports and the commencement of trial shipments of bauxite from the Inner Harbour.

The Authority has identified that the next major development in the Inner Harbour will be the conversion of the Authority's existing Berth 3 dedicated woodchip export berth into a multi user berth by converting the dolphin style berth into a land-backed berth. The Bunbury Port Authority has contracted Worley Parsons to provide a feasibility report and cost estimate for the construction of the berth.

The proposed new land-backed Berth 3 will provide greater flexibility to the Authority by allowing general cargo to be loaded or discharged over Berth 3 as well as being able to load bulk cargoes such as woodchips. The current Berth 3 design does not allow for cargo other than woodchips to be loaded. The increased flexibility of the proposed land back conversion will improve utilisation of the asset and extend the life of the asset by a further 40 years without the need for expensive capital dredging. Subject to funding being approved development of the berth is planned to commence in 2010/11.

The Authority will continue to facilitate discussions with potential coal export companies which when a firm commitment has been provided will allow the Authority to develop a sound business case for the development of a dedicated coal loading facility that has been identified and planned for at Berth 14. Coal exports will provide a significant boost to trade for the Port.

In addition the Authority continues to work closely with Perdaman Chemicals and Fertilisers to assist them with the establishment of their urea export facility at Berth 5 which is planned to commence by late 2013 or early 2014.

The Authority will continue to pursue opportunities to develop other new trades through the port including bulk trades, project cargo 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.

The major capital works projects planned by the Authority for the 2010/11 financial year includes completion of the waste water management system for Berth 8, commencement of a waste water management system at Berth 5, upgrades to Berth 5 capacity and minor works including purchase of a new back-up pilot boat and replacement of plant and equipment and construction of a screen wall along Koombana Drive to delineate the Authority's boundary.

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

## 9. Directors' emoluments

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

### Directors of Bunbury Port Authority

Name	Directors Base Fee \$	Super- annuation \$	Other Benefits \$	Total \$
N B Premji <i>Chairperson</i>	40,000	3,600	0	43,600
R Frisina <i>Deputy Chairman</i>	18,750	1,688	0	20,438
D J Brennan-Jesson <i>Director</i>	16,500	1,485	0	17,985
T Brennan <i>Director</i>	6,904	621	0	7,525
G N Wood <i>Director</i>	11,679	1,051	0	12,730
T R Baldwin* <i>Director</i>	5,873	529	0	6,402

\* T R Baldwin was appointed as Director from 1 October 2009 until he resigned on 28 January 2010.

J G Brosnan** <i>Chairman</i>	11,250	1,013	0	12,263
----------------------------------	--------	-------	---	--------

\*\* J G Brosnan was Chairman until his term expired on 30 September 2009.

D L Smith*** <i>Director</i>	4,125	371	0	4,496
---------------------------------	-------	-----	---	-------

\*\*\* D L smith was a Director until his term expired on 30 September 2009.

#### Executive Officers

Name	Base Salary \$	Super-annuation \$	Other Benefits \$	Total \$
H M Cole <i>Harbour Master</i>	182,685	19,715	43,705*	246,105

\* Includes bonus of \$4,356 & termination payment of \$39,349.

V L Turner <i>Marine Pilot/Acting Harbour Master</i>	201,719	17,802	9,370**	228,891
---	---------	--------	---------	---------

\*\* Includes bonus of \$3,920.

K L Schellack <i>Chief Executive Officer</i>	185,107	16,622	23,397***	225,126
---	---------	--------	-----------	---------

\*\*\* Includes bonuses of \$23,397.

#### Indemnification of Directors and Officers

During the financial year the Directors' and Officers' Liability Insurance Policy was renewed to ensure that 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 \$25,832.34 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.

#### 10. Environmental regulation

The Authority's operations are subject to regulation under both Commonwealth and State environmental legislation applicable to any Australian commercial entity. Under the Port Authorities act 1999, the authority is also required to "protect the environment of the port and minimise the impact of port activities on that environment".

#### 11. Environmental management

The Authority is committed to demonstrating that it is an environmentally responsible organisation and this commitment is reflected in its values and corporate priorities. In order to comply with environmental responsibilities and objectives, the Authority maintains an environmental management system to the international standard ISO14001.

## **12. Rounding off**

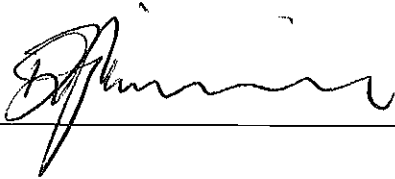
Amounts have been rounded off to the nearest thousand dollars in the Directors' Report and Financial Statements.

This report is made with a resolution of the directors.



---

N B Premji  
Chairperson



---

R Frisina  
Deputy Chair

Bunbury, Western Australia

23 August 2010

## BUNBURY PORT AUTHORITY

### Statement of Comprehensive Income For the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Revenue</b>	4	21,912	18,597
Other income	5	4,124	3,232
Depreciation expense	6	(6,232)	(6,230)
Marine expenses		(1,521)	(1,189)
Port operations expenses		(945)	(1,097)
General administration		(4,123)	(3,754)
Asset maintenance		(5,156)	(3,508)
Environmental expenses		(659)	(642)
Port utilities		(2,354)	(2,013)
Security and safety		(645)	(580)
Finance costs	8	(634)	(769)
Other expenses	9	(37)	(19)
<b>Profit before income tax</b>		<b>3,730</b>	<b>2,028</b>
Income tax expense	10	(1,150)	(578)
<b>Profit for the year</b>		<b>2,580</b>	<b>1,450</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Total other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,580</b>	<b>1,450</b>

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



# BUNBURY PORT AUTHORITY

## Statement of Financial Position as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	24,452	23,711
Trade and other receivables	13	3,492	2,392
Inventories	14	376	378
<b>Total Current Assets</b>		<b>28,320</b>	<b>26,481</b>
<b>Non-Current Assets</b>			
Other financial assets	15	1,250	1,197
Deferred tax assets	10	2,375	1,427
Property, plant and equipment	16	75,117	77,788
<b>Total Non-Current Assets</b>		<b>78,742</b>	<b>80,412</b>
<b>TOTAL ASSETS</b>		<b>107,062</b>	<b>106,893</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	703	1,389
Interest bearing borrowings	18	553	541
Current tax liabilities	10	1,156	1,604
Provisions	19	387	425
<b>Total Current Liabilities</b>		<b>2,799</b>	<b>3,959</b>
<b>Non-Current Liabilities</b>			
Interest bearing borrowings	18	10,478	11,030
Provisions	19	382	356
<b>Total Non-Current Liabilities</b>		<b>10,860</b>	<b>11,386</b>
<b>TOTAL LIABILITIES</b>		<b>13,659</b>	<b>15,345</b>
<b>NET ASSETS</b>		<b>93,403</b>	<b>91,548</b>
<b>EQUITY</b>			
Reserves	20	14,815	14,815
Retained earnings	20	78,588	76,733
<b>TOTAL EQUITY</b>		<b>93,403</b>	<b>91,548</b>

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

## BUNBURY PORT AUTHORITY

### Statement of Changes in Equity for the year ended 30 June 2010

Notes	Reserves \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 1 July 2008	14,815	74,193	89,008
Correction of prior period error	-	3,059	3,059
Restated balance at 1 July 2008	<u>14,815</u>	<u>77,252</u>	<u>92,067</u>
Total comprehensive income for the year	-	1,450	1,450
Transactions with owners in their capacity as owners			
Dividends paid	-	(1,969)	(1,969)
Total	<u>-</u>	<u>(519)</u>	<u>(519)</u>
Balance at 30 June 2009	<u>14,815</u>	<u>76,733</u>	<u>91,548</u>
Balance at 1 July 2009	14,815	76,733	91,548
Total comprehensive income for the year	-	2,580	2,580
Transactions with owners in their capacity as owners			
Dividends paid	-	(725)	(725)
Total	<u>-</u>	<u>1,855</u>	<u>1,855</u>
Balance at 30 June 2010	<u>14,815</u>	<u>78,588</u>	<u>93,403</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# BUNBURY PORT AUTHORITY

## Statement of Cash Flows For the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		26,194	23,395
Cash paid to suppliers and employees		(18,604)	(15,072)
Cash generated from operations		<u>7,590</u>	<u>8,323</u>
Interest paid		(634)	(768)
Income taxes paid		(2,546)	-
Income taxes received		-	1,829
<b>Net cash from operating activities</b>	<b>21</b>	<u><b>4,410</b></u>	<u><b>9,384</b></u>
<b>Cash flows from investing activities</b>			
Interest received		1,210	1,096
Proceeds from sale of property, plant and equipment		116	73
Acquisition of property, plant and equipment		(3,677)	(1,628)
<b>Net cash from investing activities</b>		<u><b>(2,351)</b></u>	<u><b>(459)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(540)	(529)
Dividends paid		(725)	(1,969)
<b>Net cash from financing activities</b>		<u><b>(1,265)</b></u>	<u><b>(2,498)</b></u>
Net increase in cash and cash equivalents		<b>794</b>	<b>6,427</b>
Cash and cash equivalents at 1 July		24,908	18,481
<b>Cash and cash equivalents at 30 June</b>	<b>21</b>	<u><b>25,702</b></u>	<u><b>24,908</b></u>

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

**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

**1. Basis of preparation**

**(a) Statement of compliance**

The financial report is a general-purpose financial statements which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the financial reporting provisions of the Port Authorities Act 1999, except as disclosed in note 1(b).

The financial statements were authorised for issue on 19 August 2010 by the Board of Directors of Bunbury Port Authority ("the Authority").

**(b) Presentation of the statement of comprehensive income**

During the year ended 30 June 2010 the Authority modified the statement of comprehensive income presentation of expenses using a classification based on the nature of expenses. Comparative amounts were reclassified for consistency.

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

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

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

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

**(c) Basis of measurement**

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

**(d) Functional and presentation currency**

These financial statement are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

**1. Basis of preparation (continued)**

**(e) Use of estimates and judgments**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

*Defined benefit plans*

Various actuarial assumptions are required when determining the Authority's superannuation obligations. These assumptions and the related carrying amounts are discussed in note 19(d).

## **2. Summary of significant accounting policies**

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

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

### **(a) Revenue recognition**

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

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

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **(ii) Interest**

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

#### **(iii) Rental income**

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

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

Finance income comprises interest income on funds invested and interest receivable under finance leases. Interest income is recognised as it accrues in profit or loss, using the effective interest method. The interest receivable component of finance lease receivables is also recognised in the income statement using the effective interest rate method.

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

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

**2. Summary of significant accounting policies (continued)**

**(b) Finance income and expenses (continued)**

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

**(c) Income tax**

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

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(d) Receivables**

**(i) Trade receivables**

Trade debtors are recognised and carried at the original invoice amounts less an allowance for any uncollectible amounts. Debtors are generally settled within 30 days except for property rentals, which are governed by individual lease agreements.

**2. Summary of significant accounting policies (continued)**

**(i) Trade receivables (continued)**

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Authority will not be able to collect its debts.

**(ii) Lease receivables**

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

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

**(e) Inventories**

Inventories consist of stores which are measured at the lower of cost and net realisable value.



## **2. Summary of significant accounting policies (continued)**

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

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

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### **(iii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis (except for motor vehicles which is on a diminishing basis) over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

- |   |             |
|---|-------------|
| • Buildings and improvements                  | 4-25 years  |
| • Breakwaters                                 | 22-40 years |
| • Dredging                                    | 3 years     |
| • Inner and outer harbour channels and basins | 40 years    |
| • Navigational aids                           | 10 years    |

## **2. Summary of significant accounting policies (continued)**

### **(iii) Depreciation (continued)**

• Berth and Jetties	15-40 years
• Port infrastructure, plant and equipment	5-40 years
• Minor plant and equipment	3-20 years
• Office furniture and equipment	3-15 years
• Motor vehicles	4-10 years

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

### **(g) Impairment**

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each balance sheet 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 not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

**2. Summary of significant accounting policies (continued)**

**(h) Leases**

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

Other leases are operating leases and the leased assets are not recognised on the Authority's balance sheet.

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

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

**(i) Financial instruments**

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

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

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

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

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

## **2. Summary of significant accounting policies (continued)**

### **(j) Payables**

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

### **(k) Borrowings**

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

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

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

### **(l) Employee benefits**

The liability for annual, long service and sick leave expected to be settled within 12 months after the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual, long service and sick leave expected to be settled more than 12 months after the balance sheet 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 balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

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

All annual leave and unconditional long service leave 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 the balance sheet date.

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

**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

**2. Summary of significant accounting policies (continued)**

**(m) Employee superannuation**

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

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

The Authority's total superannuation liability has been actuarially assessed as at 30 June 2010.

Employees who are not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund until 15 April 2007. From 16 April 2007, employees who are not members of the Pension, GSS or WSS Schemes become non-contributory members of the GESB Superannuation Scheme (GESB Super), a taxed accumulation fund. The Authority makes concurrent contributions to the Government Employee Superannuation Board (GESB) on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB Super Schemes.

**Defined benefit plan**

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

The discount rate used is the market yield rate at the balance sheet date on national government bonds that have maturity dates approximating to the terms of the Authority's obligations. The calculation is performed by a qualified actuary using the actuarial cost method.

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

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and

**2. Summary of significant accounting policies (continued)**

**(m) Employee superannuation (continued)**

**Defined benefit plan (continued)**

- Past service cost.

Actuarial gains and losses of the defined benefit plan are recognised immediately as income and expense in the income statement.

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

**(n) Dividends**

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

**(o) Provisions**

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

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

**(p) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash on hand, cash at bank, at call deposits and term deposits due within 30 days.

For the purpose of the statement of cash flows, cash equivalents consist of cash and cash equivalents as defined above.

**(q) Goods and services tax**

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

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

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

**(r) Initial application of an Australian Accounting Standard**

The Authority has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2009 that impacted on the Authority.

<i>AASB 101</i>	<i>Presentation of Financial Statements (September 2007)</i>  This Standard has been revised and introduces a number of terminology changes as well as changes to the structure of the Statement of Changes in Equity and the Statement of Comprehensive Income. It is now a requirement that owner changes in equity be presented separately from non-owner changes in equity. There is no financial impact resulting from the application of this revised Standard.
<i>AASB 2007-10</i>	<i>Further Amendments to Australian Accounting Standards arising from AASB 101</i>  This Standard changes the term 'general purpose financial report' to 'general purpose financial statements', where appropriate in Australian Accounting Standards and the <i>Framework</i> to better align with IFRS terminology. There is no financial impact resulting from the application of this Standard.
<i>AASB 2008-13</i>	<i>Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 &amp; AASB 110]</i>  This Standard amends AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the Authority where the Crown land is to be sold by the Department of Regional Development and Lands (formerly Department for Planning and Infrastructure). The Authority does not expect any financial impact when the Standard is first applied prospectively.
<i>AASB 2009-2</i>	<i>Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 &amp; AASB 1038]</i>  This Standard amends AASB 7 <i>Financial Instruments: Disclosures</i> and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. There is no financial impact resulting from the application of this Standard.

---

**BUNBURY PORT AUTHORITY**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

**(s) Future impact of Australian Accounting Standards not yet operative**

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Authority has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Authority. Where applicable, the Authority plans to apply these Australian Accounting Standards from their application date.

		<b>Operative for reporting periods beginning on/after</b>
AASB 2009-11	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 &amp; 1038 and Interpretations 10 &amp; 12].</i></p> <p>The amendment to AASB 7 <i>Financial Instruments: Disclosures</i> requires modification to the disclosure of categories of financial assets. The Authority does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.</p>	1 Jan 2013
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.</p> <p>The Standard does not have any financial impact on the Authority. However it may affect disclosures in the financial statements of the Authority if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for agencies.</p>	1 July 2013
AASB 2010-2	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i></p> <p>This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities.</p> <p>The Standard is not expected to have any financial impact on the Authority. However this Standard may reduce some note disclosures in financial statements of the Authority. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.</p>	1 July 2013



**Note 3. Expenses by nature**

Operating expenses are presented on the face of the income statement using a classification based on the nature of expenses (see note 1(b)). Marine expenses include those expenses derived from water based activities, port operations expenses include those expenses related to land based support activities, whilst general administration expenses includes expenditure of an administrative nature.

	2010 \$'000	2009 \$'000
<b>Note 4. Revenue</b>		
Revenue consists of the following items:		
Rendering of services		
Charges on ships		
Navigational services	8,000	6,706
Berth hire	995	645
Waste disposal & water	109	95
Charges on cargo		
Port infrastructure & stevedoring	6,845	5,901
Shipping services		
Pilotage	1,656	1,254
Interest revenue		
Bankwest	848	997
National Australia Bank	118	37
Westpac	141	-
Treasury	48	62
Rentals and leases	3,152	2,900
<b>Total revenue</b>	<b>21,912</b>	<b>18,597</b>
<b>Note 5. Other Income</b>		
Other Income consists of the following Items:		
Net gain/(loss) on sale of property, plant and equipment	3	(13)
Sale of electricity and water	2,951	2,270
Miscellaneous charges	1,170	975
	<b>4,124</b>	<b>3,232</b>
<b>Note 6. Depreciation expense</b>		
Depreciation		
Channels, dredging, breakwaters and navigation aids	3,707	3,725
Buildings and improvements	748	757
Plant and equipment	241	198
Berths, jetties and infrastructure	1,536	1,550
<b>Total depreciation</b>	<b>6,232</b>	<b>6,230</b>
<b>Note 7. Employee benefits expense</b>		
Employee benefits		
Wages and salaries	2,368	1,865
Superannuation - defined contribution plans	205	161
increase/(decrease) in:		
Accrued wages	8	(9)
Accumulated days off	3	(1)
Annual leave	(7)	22
Long service leave	45	50
Sick leave	(30)	(25)
<b>Total employee benefits</b>	<b>2,592</b>	<b>2,063</b>
Employment on-costs such as workers' compensation insurance are included in note 9 "other expenses". The employment on-costs liability is included at note 19 "provisions".		
<b>Note 8. Finance costs</b>		
Interest paid	634	769
	<b>634</b>	<b>769</b>
<b>Note 9. Other expenses</b>		
Employment on-costs (a)	4	17
Doubtful debts expense	33	2
	<b>37</b>	<b>19</b>

(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included in note 19 "provisions".

	2010 \$'000	2009 \$'000		
<b>Note 10. Income tax expense</b>				
<b>Recognised in the income statement</b>				
Current tax expense				
Current income tax charge	2,162	1,604		
Adjustment for prior periods	(64)	-		
	<u>2,098</u>	<u>1,604</u>		
Deferred tax expense				
Origination and reversal of temporary differences	(948)	(1,026)		
Change in the unrecognised temporary differences	-	-		
	<u>(948)</u>	<u>(1,026)</u>		
Total income tax expense	<u>1,150</u>	<u>578</u>		
<b>Numerical reconciliation between tax expense and pre-tax net profit</b>				
Profit for the period	2,580	1,450		
Total income tax expense	1,150	578		
Profit excluding income tax	<u>3,730</u>	<u>2,028</u>		
Income tax using the statutory tax rate of 30% (2009: 30%)	1,119	608		
Non-deductible expenses	105	(30)		
Doubtful debts provision	(10)	-		
	<u>1,214</u>	<u>578</u>		
Under (over) provision in prior years	(64)	-		
Income tax expense	<u>1,150</u>	<u>578</u>		
<b>Deferred income tax</b>				
	<b>Statement of Financial Position</b>	<b>Statement of Comprehensive Income</b>		
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax liabilities (See Note 28)				
Accelerated depreciation for tax purposes	(3,954)	(4,818)	(864)	(870)
Others	(39)	-	39	-
Gross deferred tax liabilities	<u>(3,993)</u>	<u>(4,818)</u>		
Deferred tax assets				
Employee benefits	231	239	8	(14)
Accelerated depreciation for accounting purposes	6,130	5,999	(131)	(352)
Others	7	7	-	210
Gross deferred tax assets	<u>6,368</u>	<u>6,245</u>		
Set-off of deferred tax liabilities pursuant to set-off provisions				
Net deferred tax assets	<u>2,375</u>	<u>1,427</u>		
Deferred tax expense			<u>(948)</u>	<u>(1,026)</u>
<b>Current tax liabilities</b>				
The current tax liability of \$1.156 million (2009: \$1.604 million) represents the amount of income taxes payable in respect of current and prior financial periods.				
			2010 \$'000	2009 \$'000

**Note 11. Dividends**

Dividends paid in the financial year	725	1,969
--------------------------------------	-----	-------

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 50% of after tax profits for the financial years up to and including 30 June 2009 (55% as from financial year ending 30 June 2010). However, in accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June 2010 have not been provided as they are expected to be declared by Government after balance date.

A dividend of \$0.725 million (2009: Dividend of \$1.969 million was paid in respect of the financial year 2008) in respect of the financial results for the year ended 30 June 2009 was paid by 30 June 2010.

**Note 12. Cash and cash equivalents**

Bank balances	844	3,573
Cash deposits	23,608	20,138
Cash and cash equivalents in the statement of cash flows	<u>24,452</u>	<u>23,711</u>

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

	2010 \$'000	2009 \$'000
<b>Note 13. Trade and other receivables</b>		
<b>Current</b>		
Receivables	3,299	2,117
Less: allowance for impairment of receivables	(56)	(23)
	<u>3,243</u>	<u>2,094</u>
Other debtors		
Accrued revenue (accrued interest receivable)	187	243
Prepayments	62	55
	<u>3,492</u>	<u>2,392</u>
 Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	23	21
Doubtful debts expense recognised in the income statement	33	2
Balance at the end of year	<u>56</u>	<u>23</u>

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

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

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

Not more than 3 months	718	285
More than 3 months but less than 6 months	19	34
More than 6 months but less than 1 year	27	1
More than 1 year	29	14
	<u>793</u>	<u>334</u>

**Note 14. Inventories**

<b>Current</b>		
Material stores, spares for maintenance - at cost	341	338
Livestock - at cost	35	40
	<u>376</u>	<u>378</u>

**Note 15. Other**

<b>Non-current</b>		
Sinking funds	<u>1,250</u>	<u>1,197</u>

The sinking funds 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 3.37% and 4.54% giving an average of 4.00% (2009 average 5.38%). These investments are classed as non-current as their maturity is greater than 12 months.

**BUNBURY PORT AUTHORITY**  
Notes to the financial statements for the year ended 30 June 2010

**16. Property, plant and equipment**

	Channels, breakwaters, dredging and navigation aids		Land		Buildings and improvements		Plant and equipment		Berths, jetties and infrastructure		Work in Progress		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At cost	54,967	54,950	18,412	18,412	16,831	16,941	2,213	1,937	44,341	42,721	2,023	519	138,787	135,480
Accumulated depreciation	(35,150)	(31,444)	-	-	(7,582)	(6,986)	(1,237)	(1,097)	(19,701)	(18,165)	-	-	(63,670)	(57,692)
	<b>19,817</b>	<b>23,506</b>	<b>18,412</b>	<b>18,412</b>	<b>9,249</b>	<b>9,955</b>	<b>976</b>	<b>840</b>	<b>24,640</b>	<b>24,556</b>	<b>2,023</b>	<b>519</b>	<b>75,117</b>	<b>77,788</b>

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below.

Carrying amount at 1 July	23,506	27,143	18,412	18,412	9,955	10,692	840	787	24,556	25,247	519	195	77,788	82,476
Additions	19	88	-	-	54	14	477	338	657	544	2,470	644	3,677	1,628
Write off	-	-	-	-	-	-	-	-	-	-	(3)	-	(3)	-
Transfers from work in progress	-	-	-	-	-	6	-	-	963	314	(963)	(320)	-	-
Depreciation for the year	(3,707)	(3,725)	-	-	(748)	(757)	(241)	(199)	(1,536)	(1,549)	-	-	(6,232)	(6,230)
Disposals	(1)	-	-	-	(12)	-	(100)	(86)	-	-	-	-	(113)	(86)
Carrying amount at 30 June	<b>19,817</b>	<b>23,506</b>	<b>18,412</b>	<b>18,412</b>	<b>9,249</b>	<b>9,955</b>	<b>976</b>	<b>840</b>	<b>24,640</b>	<b>24,556</b>	<b>2,023</b>	<b>519</b>	<b>75,117</b>	<b>77,788</b>

**Valuation of land and buildings.**

An independent valuation of land and buildings including freehold land, Crown land and Crown reserves was undertaken by Landgate (Valuer General's Office, Bunbury) in June 2010. The valuation methodology used was based on market valuation using kerbside and desktop valuation techniques.  
The values determined were:

Freehold land	2010 \$'000
Buildings on freehold land	27,055
Crown land	860
Buildings on Crown land	62,780
	23,125

These values have not been recognised in the financial statements.

	2010 \$'000	2009 \$'000
<b>Note 17. Trade and other payables</b>		
Trade payables	374	855
Other payables	22	22
GST payable	29	249
Accrued wages	22	15
Unexpired income	256	248
	<u>703</u>	<u>1,389</u>

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

**Note 18. Interest bearing borrowings**

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

**Current liabilities**

Direct borrowings	553	541
	<u>553</u>	<u>541</u>

**Non-current liabilities**

Direct borrowings	10,478	11,030
	<u>10,478</u>	<u>11,030</u>

**Financing arrangements**

The Authority has access to the following lines of credit:

Total facilities available:

Direct borrowings	22,331	22,471
	<u>22,331</u>	<u>22,471</u>

Facilities utilised at reporting date:

Direct borrowings	11,031	11,571
	<u>11,031</u>	<u>11,571</u>

Facilities not utilised at reporting date:

Direct borrowings	11,300	10,900
	<u>11,300</u>	<u>10,900</u>

**Significant terms and conditions**

Borrowings of \$10.0 million (2009: \$10.5 million) from the WA Treasury Corporation's Portfolio Lending Arrangements (PLA) are repayable on fixed dates and bear interest at between 3.15% and 7.30% (30 June 2009: 2.99% and 7.97%).

Repayments are based on quarterly instalments with the capital and interest being repaid according to a fixed repayment schedule.

Inscribed stock borrowings from WA Treasury Corporation of \$0.500 million (2009: \$0.500 million) and from various other institutions of \$0.550 million (2009: \$0.550 million) are repayable on fixed dates and bear interest at rates which vary between 5.875% and 10.5% (30 June 2009: 5.875% and 10.5%).

**Interest rate risk exposure**

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

	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>2010</b>							
<b>Interest bearing borrowings:</b>							
Fixed interest rate borrowings	-	200	-	250	300	300	1,050
Variable interest rate borrowings	553	566	1,879	587	645	5,751	9,981
	<u>553</u>	<u>766</u>	<u>1,879</u>	<u>837</u>	<u>945</u>	<u>6,051</u>	<u>11,031</u>
<b>Weighted average interest rate:</b>							
Fixed interest rate borrowings	-	7.93%	-	7.93%	7.93%	7.93%	7.93%
Variable interest rate borrowings	5.90%	6.46%	5.38%	5.83%	6.15%	6.32%	5.78%
<b>2009</b>							
<b>Interest bearing borrowings:</b>							
Fixed interest rate borrowings	-	-	200	-	250	600	1,050
Variable interest rate borrowings	541	553	566	1,879	587	6,395	10,521
	<u>541</u>	<u>553</u>	<u>766</u>	<u>1,879</u>	<u>837</u>	<u>6,995</u>	<u>11,571</u>
<b>Weighted average interest rate:</b>							
Fixed interest rate borrowings	-	-	7.93%	-	7.93%	7.93%	7.93%
Variable interest rate borrowings	5.14%	5.09%	6.36%	5.29%	5.89%	6.38%	6.03%

	2010 \$'000	2009 \$'000
<b>Note 19. Provisions</b>		
<b>Current</b>		
<i>Employee benefits provision</i>		
Accumulated days off	14	11
Annual leave(a)	168	173
Long service leave(b)	71	62
Sick leave	50	81
Superannuation (d)	39	39
Time in lieu	5	18
<i>Other provisions</i>		
Employment on-costs(c)	40	41
	<u>387</u>	<u>425</u>
<b>Non-current</b>		
<i>Employee benefits provision</i>		
Long service leave(b)	118	88
Superannuation(d)	244	253
<i>Other provisions</i>		
Employment on-costs(c)	20	15
	<u>382</u>	<u>356</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 balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance date	168	173
More than 12 months after balance sheet date	-	-
	<u>168</u>	<u>173</u>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance date	71	62
More than 12 months after balance sheet date	118	88
	<u>189</u>	<u>150</u>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 9 "other expenses".

(d) Defined benefit superannuation plans

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

**The amounts recognised in the Statement of Comprehensive Income**

Current service cost:	-	-
Interest cost	15	18
Actuarial loss	15	27
	<u>30</u>	<u>45</u>

**Amounts recognised in the Statement of Financial Position are:**

Present value of unfunded obligations	283	292
Fair value of plan assets	-	-
	<u>283</u>	<u>292</u>

**Reconciliation of movement in the present value of the unfunded obligations recognised in the Statement of Financial Position:**

Opening Balance	292	286
Current service cost:		
interest cost	15	18
Actuarial losses	15	27
Benefits paid	(39)	(39)
	<u>283</u>	<u>292</u>

	2010 \$'000	2009 \$'000
<b>Note 19. Provisions (continued)</b>		
<b>Reconciliation of the fair value of plan assets is as follows:</b>		
Fair value of plan assets at start of year	-	-
Employer contributions	39	37
Benefits paid	(39)	(37)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2010	2009
Discount rate	5.48%	5.34%
Expected future salary increases	4.50%	4.50%
Expected future pension increases	2.50%	2.50%
Anticipated return on plan assets	-	-

Historic summary:

	2010 \$,000	2009 \$,000	2008 \$,000	2007 \$,000	2006 \$,000
<i>Pension scheme:</i>					
Present value of unfunded obligation	283	292	284	308	304
(Surplus)/Deficit in plan	283	292	284	308	304
Experience adjustments (gain)/loss - plan assets	-	-	-	-	-
Experience adjustments (gain)/loss - plan liabilities	11	23	9	10	12

The experience adjustment for plan liabilities represents the actuarial loss (gain) due to a change in the liabilities arising from the plan's experience (eg membership movements, unit entitlements) and excludes the effect of the changes in assumptions (eg movement in the bond rate and changes in pensioner mortality assumptions).

	2010 \$'000	2009 \$'000
Expected employer contributions	<u>40</u>	<u>39</u>

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

**Movement in provisions**

Reconciliation for the carrying amounts of each class of provision are set out below:

<b>Retirement benefit obligations</b>		
Carrying amount at 1 July	292	286
Provisions made during the year	30	45
Amounts utilised in the year	(39)	(39)
Carrying amount at 30 June	<u>283</u>	<u>292</u>
<b>Employment on-cost provision</b>		
Carrying amount at 1 July	56	39
Provisions made during the year	4	17
Carrying amount at 30 June	<u>60</u>	<u>56</u>

**Note 20. Equity**

**Reserves**

<b>Asset revaluation reserve (a)</b>		
Balance at the start of the year	14,815	14,815
Movements	-	-
Balance at the end of the year	<u>14,815</u>	<u>14,815</u>

**Retained earnings**

Balance at the start of the year	76,733	74,193
Correction of prior period error (Refer to Note 28)	-	3,059
Profit for the period	2,580	1,450
Dividends paid	(725)	(1,969)
Balance at the end of the year	<u>78,588</u>	<u>76,733</u>

**(a) Nature and purpose of reserves.**

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.

**2010**  
**\$'000**

**2009**  
**\$'000**

**Note 21. Notes to the Statement of Cash Flows**

**Reconciliation of cash**

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 and cash equivalents	24,452	23,711
Sinking fund deposits invested at Treasury	1,250	1,197
	<b>25,702</b>	<b>24,908</b>

**Reconciliation of profit after income tax equivalent to net cash flows provided by/(used in) operating activities**

Profit after income tax equivalents	2,580	1,450
Adjustments for:		
Depreciation and amortisation expense	6,232	6,230
Interest income	(1,155)	(1,096)
Interest expense	634	768
Net (gain)/loss on sale of property, plant & equipment	(3)	13
Income tax expense	1,150	578
<b>Operating profit before changes in working capital</b>	<b>9,438</b>	<b>7,943</b>
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in assets:		
Trade and other receivables	(1,136)	480
Inventories	2	4
(Decrease)/increase in liabilities:		
Trade and other payables	(490)	(257)
Current provisions	(31)	29
Non-current provisions	26	38
GST liability	(219)	86
	7,590	8,323
Interest paid	(634)	(768)
Income tax received	-	1,829
Income taxes paid	(2,546)	-
<b>Net cash from operating activities</b>	<b>4,410</b>	<b>9,384</b>



Note 22. Financial Instruments

(i) Financial risk Management Objective and Policies

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

Market risk

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

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

Sensitivity analysis

The Authority's policy is to manage its finance costs using a mix of fixed and variable debt with the objective of achieving optimum returns whilst managing interest rate risk to avoid uncertainty and volatility in the market place. At 30 June 2010 and 30 June 2009, the Authority only holds fixed interest rate borrowings.

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

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

Interest rate risk

	2010	+0.5% Change			(0.26%) Change	
		Carrying Amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial Assets</b>						
Cash and cash equivalents		24,452	122	122	(61)	(61)
Sinking funds		1,250	6	6	(3)	(3)
<b>Financial liabilities</b>						
Interest bearing borrowings		(11,031)	(55)	(55)	28	28
		<u>14,671</u>	<u>73</u>	<u>73</u>	<u>(37)</u>	<u>(37)</u>
<b>2009</b>						
<b>Financial Assets</b>						
Cash and cash equivalents		23,711	119	119	(59)	(59)
Sinking funds		1,197	6	6	(3)	(3)
<b>Financial liabilities</b>						
Interest bearing borrowings		(11,571)	(58)	(58)	29	29
		<u>13,337</u>	<u>67</u>	<u>67</u>	<u>(33)</u>	<u>(33)</u>

Credit risk

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

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to creditor risk at balance sheet date in relation to each class of recognised financial asset is the gross carrying amount of those asset inclusive of any provisions for impairment, as shown in the table at Note 22 (ii).

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

The Authority's credit risk management is further supported by rental agreements and sections 116 & 117 of the *Port Authorities Act 1999*. Section 116 refers to the liability to pay port charges in respect of vessels and Section 117 refers to the liability to pay port charges in respect of goods. Port charges are defined in Section 115.

Note 22. Financial Instruments (continued)

Liquidity risk

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

The table below reflects the contractual maturity of financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the balance sheet date.

The table includes both interest and principal cash flows. An adjustment has been made where material.

Financial liabilities	Carrying amount \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
<b>2010</b>						
Trade and other payables	681	665	16	-	-	-
Interest bearing borrowings	11,031	275	278	766	3,610	6,102
	<u>11,712</u>	<u>940</u>	<u>294</u>	<u>766</u>	<u>3,610</u>	<u>6,102</u>
<b>2009</b>						
Trade and other payables	1,374	1,374	-	-	-	-
Interest bearing borrowings	11,571	268	273	553	3,482	6,995
	<u>12,945</u>	<u>1,642</u>	<u>273</u>	<u>553</u>	<u>3,482</u>	<u>6,995</u>

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows. Trade payables, and other financial liabilities mainly originate from the financing of assets used in the ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Authority's overall liquidity risk.

Risk associated with the liability on borrowings is reduced by the Authority paying a guarantee charge. This charge guarantees payment to the WATC by the government for outstanding borrowings in case of default.

	Carrying amount \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
<b>2010</b>						
<b>Financial assets</b>						
Cash and cash equivalents	24,452	24,452	-	-	-	-
Trade and other receivables	3,430	3,430	-	-	-	-
Sinking funds	1,250	-	-	221	790	239
	<u>29,132</u>	<u>27,882</u>	<u>-</u>	<u>221</u>	<u>790</u>	<u>239</u>
<b>Financial liabilities</b>						
Trade and other payables	(681)	(665)	(16)	-	-	-
Interest bearing borrowings	(11,031)	(275)	(278)	(766)	(3,610)	(6,102)
	<u>(11,712)</u>	<u>(940)</u>	<u>(294)</u>	<u>(766)</u>	<u>(3,610)</u>	<u>(6,102)</u>
<b>Net maturity</b>	<u>17,420</u>	<u>26,942</u>	<u>(294)</u>	<u>(545)</u>	<u>(2,820)</u>	<u>(5,863)</u>
<b>2009</b>						
<b>Financial assets</b>						
Cash and cash equivalents	23,711	6,236	17,475	-	-	-
Trade and other receivables	2,337	2,337	-	-	-	-
Sinking funds	1,197	-	-	-	569	628
	<u>27,245</u>	<u>8,573</u>	<u>17,475</u>	<u>-</u>	<u>569</u>	<u>628</u>
<b>Financial liabilities</b>						
Trade and other payables	(1,374)	(1,374)	-	-	-	-
Interest bearing borrowings	(11,571)	(268)	(273)	(553)	(3,482)	(6,995)
	<u>(12,945)</u>	<u>(1,642)</u>	<u>(273)</u>	<u>(553)</u>	<u>(3,482)</u>	<u>(6,995)</u>
<b>Net maturity</b>	<u>14,300</u>	<u>6,931</u>	<u>17,202</u>	<u>(553)</u>	<u>(2,913)</u>	<u>(6,367)</u>

**Note 22. Financial Instruments (continued)**

**(ii) Categories of financial instruments**

Set out below are the categories and fair values of the Authority's financial instruments:

	2010 \$'000	2009 \$'000
<b>Financial assets</b>		
Cash and cash Equivalents	24,452	23,711
Trade and other receivables	3,492	2,392
Sinking funds	1,250	1,197
	<u>29,194</u>	<u>27,300</u>
<b>Financial liabilities</b>		
Trade and other payables	(682)	(1,374)
Interest-bearing borrowings	(11,615)	(12,086)
	<u>(12,297)</u>	<u>(13,460)</u>
	<u>16,897</u>	<u>13,840</u>

The fair value of the interest bearing borrowings was provided by the WA Treasury Corporation using a lending curve, based on the various maturing dates for each loan, less a margin.

	2010 \$'000	2009 \$'000
<b>Note 23. Commitments</b>		
<b>(i) Capital expenditure commitments</b>		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	4,493	4,203
	<u>4,493</u>	<u>4,203</u>
<b>(ii) Operating leases receivable</b>		
Future minimum rentals receivable for operating leases at reporting date:		
Within 1 year	3,034	3,074
Later than 1 year but not later than 5 years	11,117	11,053
Later than 5 years	48,606	55,488
	<u>62,757</u>	<u>69,615</u>
<b>Note 24. Remuneration of auditors</b>		
Remuneration received, or due and receivable, by the Auditor General for:		
Audit of the financial statements	36	35
	<u>36</u>	<u>35</u>

**Note 25. Related parties**

The following persons held the position of Directors of the Bunbury Port Authority during the financial year and until the date of this report:

**Chairperson**

N B Premji

**Deputy Chair**

R Frisina

**Directors**

D J Brennan-Jesson

T Brennan

G N Wood

J G Brosnan was Chairman until his term expired on 30 September 2009.

D L Smith was a director until his term expired on 30 September 2009.

R Baldwin was a director from 1 October 2009 until he resigned on 28 January 2010.

**Related party transactions**

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

**Note 26. 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 recommended a dividend payment amount to the Government for 2009/10.

**Contingent consideration**

- -

**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.

In regards to contaminated sites, three sites have been identified at the date of this report on the DEC's contaminated sites database:

The first being the former power station site which remains the responsibility of Verve Energy to monitor and remediate. The second is the caustic soda and alumina storage and out-loading area shared by Alcoa and Worsley who have responsibilities to take the necessary actions to manage the contamination. The third is the Bemax (Cable Sands) North Shore site along Koombana Drive who has the responsibility to take the necessary action to manage any contamination that may have been identified.

As the DEC assessment is still ongoing, 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 outflows.

**2010**  
**\$'000**

**2009**  
**\$'000**

**Note 27. Events occurring after the balance sheet date**

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

**Note 28. Correction of prior period error**

There was an error in the Authority's deferred tax liability balance, reported at 30 June 2009. The deferred tax liability relating to the revaluation of the Authority's Crown Land, should not have been recognised as it has been determined in the current period, that the asset was acquired prior to the introduction of Capital Gains Tax. The deferred tax liability, amounting to \$3.059 million, has been de-recognised at 1 July 2008, being the earliest practicable date of restatement, as follows:

	Previously Reported \$	Error Correction \$	Restated \$
<b>Statement of Changes in Equity</b>			
Opening retained earnings	74,193	3,059	77,252
<b>Statement of Financial Position</b>			
Deferred tax (asset)/liability	2,658	(3,059)	(401)

## Directors' declaration

In the opinion of the directors of the Bunbury Port Authority (the "Authority"):

- (a) the financial statements and notes are in accordance with the financial reporting provisions of the Port Authorities Act 1999, including:
  - (i) giving a true and fair view of the Authority's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Port Authorities Act 1999;
- (b) there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



N Premji  
Chairperson



R Frisina  
Deputy Chair

19 August 2010

Bunbury, Western Australia



## Auditor General

### INDEPENDENT AUDIT REPORT ON BUNBURY PORT AUTHORITY

#### To the Parliament of Western Australia

I have audited the financial statements of the Bunbury Port Authority. The financial statements comprise the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 Statements**

The directors of the Bunbury Port Authority are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Port Authorities Act 1999. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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 statements 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. This document is available on the OAG website under "How We Audit".

An audit does not guarantee that every amount and disclosure in the financial statements 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 statements.

#### **Audit Opinion**

In my opinion, the financial statements of the Bunbury Port Authority are 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 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

COLIN MURPHY  
AUDITOR GENERAL  
31 August 2010

**BUNBURY PORT AUTHORITY**  
**A.B.N. 30 044 341 250**

**Corporate Directory Information**

**Directors**

N B Premji  
Chairperson

R Frisina  
Deputy Chairman

D J Brennan-Jesson

T Brennan

G N Wood

**Chief Executive Officer**

Kevin Schellack

**Chief Financial Officer**

John Barratt

**Address of Office**

1 Casuarina Drive  
Bunbury WA 6230  
Telephone: 08 9729 7020

**Auditors**

Office of the Auditor General, Western Australia

**Internal Auditors**

AMD Chartered Accountants

**Annual Report**

To request an Annual Report::

- Telephone: 08 9729 7020
- Internet: [www.byport.com.au/report](http://www.byport.com.au/report)
- Mail request to PO Box 4 Bunbury 6231