



ALBANY PORT AUTHORITY

STATEMENT OF CORPORATE INTENT

July 2005 to June 2006

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1. INTRODUCTION

As required under Section 58(1) of the Port Authorities Act 1999, the Board of the Albany Port Authority has the responsibility for preparing a Statement of Corporate Intent to cover the next financial year. It is intended to satisfy Public Accountability obligations and is to be consistent with the Strategic Development Plan.

Nature and Scope of Activities.

The Port of Albany serves the Great Southern Region and has a responsibility to ensure that all exports and imports are handled as expeditiously and cost effectively as possible in order to allow the region to compete on the world market. It also has the responsibility to assist trade by providing the required infrastructure and facilities needed to develop new projects, on a commercial basis.

Maintenance, pilotage facilities, port marketing and administration are the functions currently undertaken by the Authority.

Market Outlook

Grain: Due to improvements in cropping techniques and expanding land areas, grain producers are expecting that production (in the long term) will increase by 5% annually. However, the harvest in 2004/2005, due to inconsistent rain, is expected to be only an average tonnage. Therefore, no great carry over is expected at 30 June 2005.

Woodchips: Construction of an addition stockpile area will be completed in the first quarter of 2005. Shipments are expected to commence shortly thereafter. As a result a tonnage shipped is expected to increase by 25%.

2. MISSION, VISION AND OBJECTIVES.

MISSION

The Authority's mission is:

To facilitate trade and economic growth by providing a safe, reliable, innovative and efficient port.

VISION

The Authority's vision for the future of the port is:

To establish Albany Port as a world class port recognised for its safe cargo handling and service facilities and to secure the future for regional industry and future generation.

OBJECTIVES

Operations

To ensure the provision of facilities to meet user demands for a safe, speedy, reliable and cost effective transfer point for ships and cargo.

Financial

To maintain the Authority as an independent, financially viable corporate body by charging competitive and transparent rates satisfactory to both users and shareholders.

Development

To facilitate and co-ordinate port development as necessary to ensure the satisfaction of Clients on the basis of user pays.

Citizenship

To work with the local and regional community to achieve our mutual aspirations.

Personnel

To ensure the provision of a safe, healthy and fulfilling workplace environment.

Environment

To operate the port in an environmentally responsible manner and fully comply with all relevant legislation.

Ethics

The Authority subscribes to the principles of justice and corporate responsibility through ongoing ethical policy development and adherence to the highest standards of professional conduct.

3. SERVICES AND FACILITIES.

Albany Port consists of Princess Royal Harbour and King George Sound.

The Port facilities are in the Princess Royal Harbour and consist of four berths and a fifth ready for immediate development when sufficient trade is attracted to the port.

The Port handles mainly grain and woodchips but also fertiliser, petroleum products and silica sand.

The Authority provides and maintains common user wharfs, pilotage, navigation aids, channels and breakwaters and other infrastructure which includes sheds, cold store facilities, oil pollution cleanup equipment, water, power and public amenities.

The port is an open port and services provided directly by the private sector under license include towage, stevedoring, line handling, mooring, bunkers and providoring.

A labour pool is privately operated to supply skilled and unskilled labour to the Port Users and the Authority as required.

The Authority manages a property portfolio of Crown and Freehold Land in the order of 80 hectares.

The Authority cooperates with Local, State and Commonwealth Government Agencies including customs, immigration, quarantine and fisheries.

The port makes a significant contribution to the Great Southern Regional Economy, which has been estimated at in excess of \$160 million per annum.

4. **OUTLINE OF MAJOR PLANNED ACHIEVEMENTS.**

Management.

Further develop an integrated Maintenance / Financial program to manage maintenance costs and provide accurate long term financial budgeting.

Reach agreement with City of Albany and Department of Planning & Infrastructure on Port access, buffer zones and foreshore development (Marina).

Improve the security of the port to a standard that is satisfactory to Commonwealth legislation and the Authority's Risk Management requirements.

Finalise lease agreement with Great Southern Plantations

Undertake planning to develop an engineering solution (with coordination with WestNet, CBH, ABH and ARG) to enable up to 2M tonnes of woodchips to be railed to the port each year. Furthermore to obtain funding, or funding commitment to enable the solution to be implemented

Achieve a resolution of the UXO claim against the Commonwealth

Achieve a resolution over disputes with Vital Foods

Undertake a new license agreement with a towage operator

Determine operational limitations for a bunkering operation at the port

Undertake pre-feasibility work on developing an iron ore trade through the port.

Encourage visits by cruise liners.

Operational.

Review the status of Nos. 1 & 2 berths and implement a restoration program to provide for their long term utilisation by the fertiliser, break bulk and timber industries.

Commence the implementation of a long-term maintenance program in consultation with Marine Engineer.

Develop a cathodic protection system for Berth 6.

Source scarce timber supplies to enable fender repairs to Berths 1 & 2 to take place

5. PROPOSED ARRANGEMENTS TO FACILITATE TRADE.

- 5.1** *Improved productivity and flexibility in the use of labour from the pool system and contractors in its Port Maintenance program.*
- 5.2** *Increased utilisation of No. 6 Berth through the diversification of the trade base.*
- 5.3** *Implementation of rail, road and conveyor corridors to provide access to port users for the stockpiling and loading of commodities.*
- 5.4** *Continued efforts to diversify trade through the Port.*
- 5.5** *Maintaining a close and cooperative working relationship with the Port Users in order to optimise the services provided to them.*

6 ESTIMATES OF OPERATING REVENUE AND EPENDITURE.

PORT TRADE
(Mass Tonnes)

	12 Months to 30-06-2005 000's	6 Months to 31-12-2005 000's	12 Months to 30-06-2006 000's
Imports	170	72	175
Exports	2,650	1,198	2,900
Total Trade	2,820	1,270	3,075

The improved position on exports is the result of the increasing volume of woodchip exports.

OPERATING BUDGET

	12 Months to 30-06-2005 \$000's	6 Months to 31-12-2005 \$000's	12 Months to 30-06-2006 \$000's
Revenue	6,861	2,870	7,358
Expenditure	5,903	2,996	6,022
Operating Profit (Loss)	958	(126)	1,336
Income Tax Expense	287	(38)	401
Dividends	335	0	467

The improvement in profitability is primarily due to the increasing tonnage of cargo passing through the port.

Expenditure includes \$1M for the refurbishment of Nos 1 & 2 Berths.

To assist the port over the early years of the operation of No 6 Berth, the Government has agreed to reimburse interest charges on borrowings of \$3M for a five-year period (maximum)

7 AN OUTLINE OF CAPITAL EXPENDITURE AND BORROWING REQUIREMENTS.

CAPITAL WORKS

	12 Months to 30-06-2005 \$000's	6 Months to 31-12-2005 \$000's	12 Months to 30-06-2006 \$000's
Minor Works	750	375	750
Freehold Land	2,000	0	0
PRD Rail Overpass	0	0	2,600
	2,750	375	3,350

No major capital works are expected during the year.

FUNDING

	12 Months to 30-06-2005 000's	6 Months to 31-12-2005 000's	12 Months to 30-06-2006 000's
<i>Internal</i>	750	375	750
<i>Borrowings</i>	2,000	0	0
<i>Equity</i>	0	0	2,600
<i>Total Funding</i>	2,750	375	3,350

8 PROPOSED PRICING ARRANGEMENTS.

PORT CHARGES

	Unit	2005	2005	2006	2006
		Nos. 1, 2 & 3 Berths	No. 6 Berth	Nos. 1, 2 & 3 Berths	No.6 Berth
Ship Charges (Incl. GST)					
Navigation Fees	DWT	34.49c	41.75c	34.49c	41.75c
Berth Hire	8 Hr Period	\$998.25	\$1,043.63	\$998.25	\$1,043.63
Cargo Charges (Incl. GST)					
Berth Hire	8 Hr Period	\$998.25	\$1,043.63	\$998.25	\$1,043.63
Infrastructure Fee	Tonne	\$1.21	\$1.21	\$1.21	\$1.21

There are no increases in standard port charges planned for 2005/2006. Charges for customers receiving discounted rates may change.

9 PROPOSED PROVISIONS FOR DIVIDENDS.

DIVIDENDS

	2005 \$000's	2006 \$000's
Proposed Dividend	Nil	335

The proposed dividend in 2006 relates to dividends which are applicable to the 2005 results.

10 PERFORMANCE TARGETS AND OTHER MEASURES BY WHICH PERFORMANCES MAY BE JUDGED AND RELATED TO OBJECTIVES

PERFORMANCE INDICATORS

	12 Months to 30-06-2005	6 Months to 31-12-2005	12 Months to 30-06-2006
Operations			
Average Turn-around Time (Hours)	92	97	91
Berth Occupancy Rate			
No3 Berth	43%	37%	45%
No6 Berth	15%	15%	18%

Average turn-around time: the total time a ship is in port waters.

Due to the low utilisation of berths no adverse affect is expected.

Berth Occupancy – No3 Berth: the total time the berth is occupied divided by the total available time.

With a slight increase in tonnages, a higher utilisation level is expected

Berth Occupancy - No6 Berth: the total time the berth is occupied divided by the total available time.

An increase in tonnage for the year will improve the occupancy level.

	12 Months to 30-06-2005	6 Months to 31-12-2005	12 Months to 30-06-2006
Financial			
Total Charges per Tonne	\$2.07	\$2.07	\$2.07
Total Expenditure per Tonne	\$2.09	\$2.36	\$1.96
Rate of Return (Deprival)	4%	1%	5%
Debt Ratio	41%	40%	36%

Total Charges per Tonne: ship charges + cargo charges divided by total cargo tonnes

Average cargo and ship sizes are expected to stabilise and therefore, no change is expected.

Total Expenditure per Tonne: total expenditure divided by total cargo tonnes

The majority of the ports costs are of a fixed nature: the reduction is due to increasing tonnages with the same fixed cost based.

Rate of Return: adjusted profit divided by the asset base

The current long-term target level is 5%.

Long term objective is to achieve a 8%

Debt Ratio: total liabilities divided by total assets

Any reduction is a reflection of the level of repayments that the port has been able to achieve in the period.

Subject to cash reserves, it is the ports objective to repay debt as soon as possible.

However, a tight cash-flow position may require some loans to be rolled on maturity.

Development	12 Months to 30-06-2005	6 Months to 31-12-2005	12 Months to 30-06-2006
Leased Area	38%	38%	36%

Land Utilisation: the land available to lease divided by the total lease land available controlled

It is anticipated that the further land areas will be leased to the woodchip industry during the year

11 ACCOUNTING POLICIES THAT APPLY TO THE PREPARATION OF ACCOUNTS

The Authority has fully adopted the provisions of Australian Accounting Standards.

International Financial Reporting Standards (IFRS) will be adopted from 1 July 2005. Comparatives for the year ending 30 June 2005 will be incorporated in the annual report for that period.

In addition the Port Authorities Act 1999 defines policies and procedures which reflect the requirements of Corporations Law.

12 THE TYPE OF INFORMATION TO BE GIVEN TO THE MINISTER.

- 12.1** *The Port Authority will inform the Minister on a regular basis all matters that the Board and the CEO consider are appropriate under the terms of the Port Authorities Act 1999.*
- 12.2** *An annual report, half yearly report together with Statement of Corporate Intent and Strategic Development Plan as required under the Port Authorities Act 1999 will be provided to the Minister. These documents will provide all necessary information including Financial Statements and comments on performance to enable a correct assessment of the port.*
- 12.3** *The half-yearly report will be reported against the estimates (to 31 December 2005) including the preceding year.*
- 12.4** *The Annual and half yearly reports will include the following Information:*
- * A report on the major operations and activities on the Albany Port Authority during the year.*
 - * A review and assessment of performances against the Statement of Corporate Intent targets.*
 - * Financial Statements.*
 - * Any other information required by legislation to be included in the Annual Report such as the particulars of any direction given by the Minister.*

13. THE NATURE AND EXTENT OF COMMUNITY SERVICE OBLIGATIONS THAT ARE TO BE PERFORMED

The Albany Port Authority is the major economic driver of the Region and as such it has a responsibility to the community of the region to be a facilitator to community service.

Whilst at the current time the Port Authority has no definitive Community Service obligations the Authority recognises community, economic, social, cultural and environmental aspirations and welcomes their valued input.

In accordance with the WA Government's "Buy Local" Policy, the Port encourages local businesses to provide goods and services that are required for the operation of the port. This is accomplished by direct contact, local advertising and allowing local content opportunities in major contracts.

The port provides discounted charges to certain customers to facilitate the growth of these industries. Examples include the cruise industry and the Antarctic Fishing Fleet.

The port also sponsors a range of community institutions that have a maritime theme. These include the Albany Art Prize, the UWA Albany Scholarship, the Albany Surf Life Saving Club and other minor events.



ALBANY PORT AUTHORITY

SCHEDULES

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Statement of Financial Performance				
	CurrentYear		SCI	
Revenue	31-Dec-2004	30-Jun-2005	31-Dec-2005	30-Jun-2006
Vessel Charges	1,182,417	2,162,042	978,502	2,368,808
Cargo Charges	2,207,362	3,665,121	1,653,874	4,003,487
Sale of Assets	47,575	0	0	0
Interest Re-imbusement	87,381	172,500	99,667	149,500
Other	522,624	862,078	138,800	836,699
Total Revenue	4,047,359	6,861,741	2,870,842	7,358,494
Expenditure				
Vessel Costs	83,633	154,561	65,451	158,424
Cargo Costs	3,167	2,034	860	2,084
Repairs & Maintenance	180,846	1,450,038	743,144	1,486,288
Administration	1,049,977	1,920,316	984,157	1,968,315
Other	47,545	167,404	85,794	171,589
Superannuation	(87,132)	25,000	12,812	25,625
Staff Leave	17,527	50,000	25,625	51,250
Depreciation	630,396	1,259,750	679,875	1,359,750
Interest	359,151	874,497	399,250	798,500
Total Expenditure	2,285,110	5,903,600	2,996,968	6,021,825
Net Profit/(Loss)	1,762,249	958,141	(126,126)	1,336,669
Less:-				
Taxation	556,424	287,442	(37,838)	401,000
Dividends	602,912	335,350	0	467,834
Surplus/(Deficit)	602,913	335,350	(88,288)	467,834

Statement of Financial Position		CurrentYear		SCI	
		31-Dec-2004	30-Jun-2005	31-Dec-2005	30-Jun-2006
Assets					
Current Assets :-					
Cash at Bank		1,724,047	1,013,930	753,306	1,072,908
Prepaid Expenses		169,362	14,900	15,087	15,087
Debtors		699,832	1,003,386	415,676	1,081,349
Accrued Income		0	9,714	6,466	6,466
Current Assets		2,593,241	2,041,930	1,190,536	2,175,811
Non-current Assets :-					
Land, Buildings, Wharves etc		57,868,398	61,518,222	61,893,222	64,868,222
Less Provision for Depreciation		23,778,783	24,555,638	25,235,513	25,915,388
Written Down Value		34,089,615	36,962,584	36,657,709	38,952,834
Sinking Funds		542,888	545,028	551,841	558,653
FITB		232,940	232,431	270,270	255,494
Total Assets		37,458,684	39,781,973	38,670,355	41,942,792
Liabilities					
Current Liabilities :-					
Accrued Expenses		157,233	226,744	217,245	207,745
Creditors		555,933	744,552	753,859	763,165
Income in Advance		77,935	93,916	96,264	98,611
Current Liabilities		791,101	1,065,212	1,067,367	1,069,521
Provisions :-					
Staff Leave		273,060	297,796	323,421	349,046
Superannuation/Pension		304,173	476,976	489,789	502,601
Taxation		478,559	(22,622)	(144,608)	69,747
Dividends		571,657	335,411	0	467,896
Deferred Income Tax		(551,768)	(535,659)	(508,875)	(482,093)
Total Provisions		1,075,681	551,902	159,726	907,198
Loans :-					
WA Treasury Corp		15,848,000	18,848,000	18,848,000	18,848,000
Less Repayments		4,875,713	4,946,373	5,579,684	6,212,994
Total WATC		10,972,287	13,901,627	13,268,317	12,635,006
Other Loans		600,000	850,000	600,000	600,000
Less Repayments		0	250,000	0	0
Total Inscribed Stocks		600,000	600,000	600,000	600,000
Total Loans		11,572,287	14,501,627	13,868,317	13,235,006
Total Liabilities		13,439,069	16,118,741	15,095,409	15,211,725
Net Assets		24,019,615	23,663,232	23,574,945	26,731,067
Equity					

Statement of Cash Flows	CurrentYear		SCI	
	31-Dec-2004	30-Jun-2005	31-Dec-2005	30-Jun-2006
Operating Activities				
CashFlow from Operating Activities				
Receipts from Customers	4,423,247	7,208,215	3,458,552	7,860,569
Payments to Suppliers and Employees	(3,146,893)	(5,367,452)	(2,269,350)	(4,566,587)
	1,276,354	1,840,763	1,189,203	3,293,981
Interest Received	70,856	116,578	38,800	77,599
Borrowing Costs	(373,157)	(874,498)	(399,250)	(798,500)
Payment of Income Tax Equivalents	(422,212)	(732,276)	(154,316)	(308,631)
Net Cash from Operations	551,841	350,567	674,437	2,264,449
Investing Activities				
Payments - Assets	(244,359)	(2,750,000)	(375,000)	(3,350,000)
Proceeds - Assets	47,575	0	0	0
Payments - Sinking Funds	(2,125)	(3,000)	(1,500)	(3,000)
Proceeds - Sinking Funds	255,852	250,000	0	0
Net Cash from Investments	56,943	(2,503,000)	(376,500)	(3,353,000)
Finance Activities				
Proceeds from Borrowings	0	2,000,000	0	0
Payments of Borrowings	(1,084,024)	(1,118,044)	(633,311)	(1,266,621)
Net Cash from Financing	(1,084,024)	881,956	(633,311)	(1,266,621)
Government				
Proceeds from Government	87,381	172,500	74,750	2,749,500
Payment of Dividends	0	0	0	(335,350)
Net Cash to Government	87,381	172,500	74,750	2,414,150
Net Increase/(Decrease)	(387,859)	(1,097,977)	(260,624)	58,978
Opening Cash Balance	2,111,906	2,111,906	1,013,929	1,013,929
Closing Cash Balance	1,724,047	1,013,929	753,305	1,072,907

Performance Indicators

OPERATIONAL	31-Dec-2004	30-Jun-2005	31-Dec-2005	30-Jun-2006
Average Turn Around Time (Hours) (Total Time in Port / Number of Cargo Vessels)	123	92	97	91
Berth Occupancy Rate (Total Berth Hours / Total Available Hours)				
No3 Berth	57%	43%	37%	45%
No6 Berth	6%	15%	15%	18%
FINANCIAL				
Total Charges per Tonne (Navigation Fee + Berth Hire + Infrastructure Fee / Total Cargo Tonnes)	\$2.08	\$2.07	\$2.07	\$2.07
Total Expenditure per Tonne (Total Expenditure / Total Cargo Tonnes)	\$1.46	\$2.09	\$2.36	\$1.96
Rate of Return (Deprival) (Adjusted Profit / Average Asset Base)				
<i>Net Profit/(Loss)</i>	1,762,249	958,141	(126,126)	1,336,669
<i>Write Back Interest Charges</i>	359,151	874,498	399,250	798,500
<i>Adjusted Depreciation</i>	144,694	126,000	71,125	142,250
<i>Adjusted Profit</i>	2,266,094	1,958,639	344,250	2,228,892
Total Assets (Average)	47,406,000	49,017,125	49,033,073	50,054,375
Rate of Return (Deprival)	9%	4%	1%	5%
Debt Ratio (Total Liabilities / Total Assets)	36%	41%	39%	36%
DEVELOPMENT				
Land Utilisation (Land available / Total land available)	38%	38%	36%	36%
CITIZENSHIP				
Incident Rate (Environmental incidents per Million Tonnes of Cargo)	0.00	0.00	0.00	0.00
Community Satisfaction	80%	80%	80%	80%
PERSONNEL				
Incident Rate (Lost time injuries per 100 employees)	0.00	0.00	0.00	0.00
ETHICS				
Number of Complaints	0	0	0	0