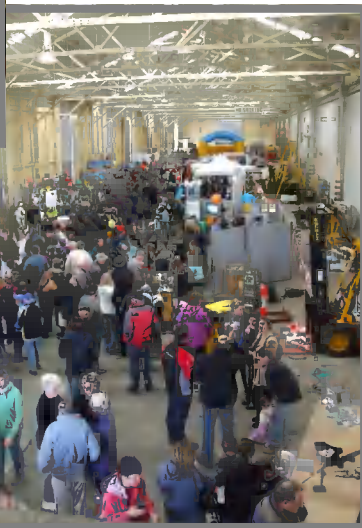




Albany Port Authority Annual Financial Report 30 June 2009



Centenary of Great White Fleet Visit and Albany Port Open Day
September 2008

Albany Port Authority Annual Financial Report 30 June 2009

CHIEF EXECUTIVE OFFICER'S REPORT

Despite the global financial crisis, the Albany Port Authority has achieved a strong result for the year. Record tonnage of 4.2 million tonnes was achieved, up 14% from last year. This was driven by a strong grain year (up 24% on the previous year) as well as contributions from increased imports and increasing wood chip trade, despite the collapse of Great Southern Limited and Timbercorp Ltd.

Financial performance has been very good for the year, with a record profit (before tax and dividends) of \$4.375 million on a turnover of \$10.714 million, and a rate of return of 5.3% achieved, which is within the target rate set by Government.

The grounding of the Atlantic Eagle on Maude Reef on 15 July 2008 put significant pressure on the Authority's emergency management system. The Australian Transport Safety Bureau described the handling of the Atlantic Eagle incident as "timely and well-managed" and fortunately there was no pollution impact on the local environment. The Albany Port Authority played a key role in responding to this incident, which saw a large bulk carrier ground upon a reef just outside King George Sound. The ship had lost steerage and was listing, the rudder and hull were seriously damaged and the weather was deteriorating at the time. The Port Authority did well to put procedures in place to protect the crew and the environment. In particular, the Pilot, Captain Sumanth Surendran deserves recognition for handling a difficult situation during the absence of the Harbour Master. An outcome of the incident was the charging of a \$250,000 fee to allow the vessel to drop its damaged rudder on the sea bed, and thus create a dive site and a fund for the benefit of the community.

Another challenge faced during the year was removal of ordnance dumped in the harbour in 1947 and 1948, which was the subject of a lengthy legal battle with the Commonwealth. After six years of legal argument, this resulted in a settlement of \$6.25 million for past costs, future costs to remove the ordnance, and the Port's legal expenses. These funds were applied to removal of the bombs, and in a complex dredging and diving operation, a range of munitions were removed from the harbour, including 7 artillery shells. This was an unusual project, with little precedent to guide the Port, and it was well managed by our staff and consultants to achieve a safe and practical outcome.

On 13 September 2008, the Port hosted the Great White Fleet centenary re-enactment, and the Albany Port Open Day. The U.S. Great White Fleet originally visited Albany for six days in September 1908 on a round-the-world goodwill voyage, with a contingent of 16 battleships and 15,000 sailors. At that time, the response to the visit was astounding, with the Perth metropolitan area almost deserted and the goldfields and country farms coming to a standstill as residents, miners and workers downed tools and travelled to Albany to see the ships and meet the sailors.

The Port Open Day and Great White Fleet centenary celebration was a very successful event, with approximately 5,000 people visiting the port during the day. This attendance figure was particularly pleasing in view of the very inclement weather on the day, and it demonstrates the strong interest the Albany community has in the port and its history.

The Port has appointed a Public Affairs Officer, Marisa Papalia, to further develop community initiatives, and I look forward to reporting on these in future years.

New trades have continued to emerge, with the rapid progress of the biomass fuel pellet industry. At the time of writing this report, Plantation Energy was close to securing a lease at the port and to export biomass fuel pellets to Europe. This trade plans to export up to 250,000 tonnes annually, and possibly double this amount over the next twenty years. Albany will be the first port in Australia to handle this product. Currently the port is carefully examining the safety and occupational health issues with the proponent as this product has some unique characteristics which will require the handlers to exercise the necessary precautions when storing or moving the pellets.

Considerable work has been done on securing the environmental approvals for the Grange iron ore project at Wellstead, and this is now close to finalisation. The environmental approvals for dredging and reclamation are extremely onerous in Western Australia, and this has certainly been the experience of the Port Authority in attempting to finalise the Public Environmental Review (PER) for this project. The current global financial crisis has also contributed to delays in commencement of the project, and it is currently on hold until economic conditions are more favourable for raising the significant funds required for the project to proceed.

During the year the placing of Timbercorp and Great Southern Limited into administration and receivership has been a significant event. The Port Authority works closely with the administrators and receivers and shipments of wood chips have continued. The Port is confident that eventually these assets will be owned by entities able to carry on the business, and that the trade will continue to be a significant export for the port.

During the year there has been considerable concern over the future of rail in the region. The Albany Port strongly supports the continuation of rail deliveries to the port and is seeking to develop a loop line within the port to better serve the trades which use rail.

During the year it was necessary for me to seek extended leave without pay to attend to personal matters, and I wish to take this opportunity to thank the Minister and the Board for allowing me to take this time. I also wish to thank Gary Crockford for undertaking the role of Acting CEO, all the Albany Port Authority staff for their support during my absence and upon my return.

Brad Williamson

Chief Executive Officer

Albany Port Authority Annual Financial Report 30 June 2009

CHAIRMAN'S REPORT

The Port achieved very satisfactory outcomes during this year. Notable were:

- No lost- time injuries within APA staff and achievement at year end of 1000 days LTI free;
- Net profit after tax of \$ 2.3 m , which was above target (\$1.8m)and which brought long run (5 year) average return to 7 % compared to the imposed target of 5%. (This performance has facilitated a delay to planned increases in charges to customers);
- Good operational performance, with no significant incidents attributable to the Albany Port Authority ,and the external incident of Atlantic Eagle grounding being well managed by the Port.

A strategic review was carried out during the year by Board and Executives, with input from City of Albany, Department for Planning and Infrastructure and other stakeholders. Apart from trade-related strategies, two significant outcomes were plans for:

- Increased focus on community linkage; and
- Better land use planning for short and long term.

It was good to welcome back CEO Brad Williamson to the fold, and on behalf of the Board, I thank Gary Crockford for his valuable stand-in performance for 6 months. Also we thank Minister Alannah McTiernan for her involvement with the port and we look forward now to working with the new Minister Simon O'Brien and the newly formed and focussed Department of Transport.

Finally thanks to my fellow board members and the committed staff at the Albany Port Authority.

Peter West

Chairman

Albany Port Authority
Annual Financial Report
30 June 2009

Directors' report

For the year ended 30 June 2009

The directors present their report together with the financial report of the Albany Port Authority ("the Authority") for the year ended 30 June 2009 and the auditor's report thereon.

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Directors' report

For the year ended 30 June 2009

The Board of Directors of the Albany Port Authority ("the Authority") has pleasure in submitting its report for the financial year ended 30 June 2009.

1. Directors

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

Peter West Chairman	Appointed: 31 March 2008 Term expires: 30 June 2011
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Russell Harrison Deputy Chairman B.Comm., F.T.I.A., A.C.A	Appointed: 18 October 1993 Term expires: 31 December 2010
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Bob Golding Director Dip Man	Appointed: 10 January 2002 Term expires: 30 June 2010
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Sally Malone Director BA (Design) Hons. M(Phil) Urban Studies	Appointed: 26 March 2007 Term expires: 31 December 2009
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Cass Porter Director	Appointed: 02 October 2007 Term expires: 31 December 2010
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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 were:

	Number of Meetings	Number of meetings attended
Peter West	7	7
Russell Harrison	7	6
Bob Golding	7	5
Sally Malone	7	5
Cass Porter	7	6

Directors' report

For the year ended 30 June 2009

3. Principal activities

In accordance with the Port Authorities Act 1999, the principal activities of the Authority during the course of the financial year were:

- To facilitate trade within and through the port and plan for future growth and development of the port;
- To undertake or arrange for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the state through the use of port and related facilities;
- To control business and other activities in the port or in connection with the operation of the port;
- To be responsible for the safe and efficient operation of the port;
- To be responsible for the maintenance and preservation of vested property and other property held by the Authority; and
- To protect the environment of the port and minimise the impact of port activities on that environment.

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

Objectives

The Authority's objectives were to:

- To ensure the provision of facilities to meet user demands for a safe, speedy, reliable and cost effective transfer point for ships and cargo (Operations);
- To maintain the Authority as an independent, financially viable corporate body by charging competitive and transparent rates, satisfactory to both users and shareholders (Finance);
- To facilitate and co-ordinate port development as necessary to ensure the satisfaction of clients on the basis of user pays (Investment);
- To work with the local and regional community to achieve our mutual aspirations (Community);
- To ensure the provision of a safe, healthy and fulfilling workplace environment (Personnel);
- To operate the port in an environmentally responsible manner and fully comply with or exceed all relevant legislation (Environment); and
- 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 (community).

In order to meet these objectives the following targets have been set for the 2009 financial year and beyond:

Management

- Work closely with LandCorp and the City of Albany and Department of Planning & Infrastructure on Port access issues and the planned Waterfront development.
- Carry out continuous improvement of the security of the port to a standard that is satisfactory to Commonwealth legislation and the Authority's Risk Management requirements. Implement a common access card with Maritime Security Identification Card (MISC).
- Assess feasibility of deepening berths 1 to 3
- Undertake land planning and strategic development for the port.
- Finalise lease agreement with Great Southern Plantations.
- Carry out clean-up of UXO's following successful claim against the Commonwealth.
- Work closely with Marine Park Planning Group to ensure port development is not compromised
- Continue detailed planning work for the iron ore project, including due diligence, contract and consultant management, financial modelling, contract negotiations and community consultation.
- Plan for the new emerging trades of biomass fuel pellets and kaolin clay.

Directors' report

For the year ended 30 June 2009

Operational

- Review the status of Berths 1 & 2 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 Engineers.
- Plan for rail loop in port with portside unloading facilities.
- Plan and implement rail realignment to allow longer trains to service the port.
- Undertake strategic planning workshop for the Board.
- Work with the Port Customer Group.
- Source scarce timber supplies to enable fender repairs to Berths 1 & 2 to take place
- Review and improve office systems.
- Assess cost of reclaiming extra land near Berth 4
- Undertake on-going marine sediment and air quality baseline sampling and monitoring.
- Continue to develop weed management plan.

4. Dividends

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

	2009	2008
	\$'000	\$'000
Dividends paid	1,225	2,266

Directors' report

For the year ended 30 June 2009

5. Operating and financial review

Review of operations

Port Trade

	Target	Actual 2009	Actual 2008
<i>Thousands of Tonnes</i>	000's	000's	000's
Total	3,335	4,169	3,666
Grain	1,800	2,210	1,786
<i>Percentage of total trade</i>	54.0%	53.0%	48.7%
Woodchips	1,250	1,627	1,561
<i>Percentage of total trade</i>	37.5%	39.0%	42.6%
Other	285	332	319
<i>Percentage of total trade</i>	8.5%	8.0%	8.7%

Financial results

	Target	Actual 2009	Actual 2008
	\$'000	\$'000	\$'000
Income	10,012	10,714	9,184
Expenditure	7,157	6,339	5,349
Net Profit before tax	2,855	4,375	3,835
Taxation Expense	999	1,362	1,204
Net Profit after tax	1,856	3,013	2,631

Commentary on operating results

Trade was 20% up on target (Grain up 23% and Woodchips up 18%).

The additional trade provided a 10% increase in estimated revenue.

Total expenditure was down 20% on budget, primarily due to lower than expected expenditure on:

- the refurbishment of berths 1 & 2;
- depreciation charges (anticipated capital expenditure was deferred); and
- interest charges (higher level of loan repayments than expected)

Directors' report

For the year ended 30 June 2009

Strategy and future performance

With the current economic climate the port is expecting a 30% decline in Woodchip tonnages. This equates to the loss of approximately \$1million in revenue (port charges). In addition, there is considerable uncertainty about the future of the plantation timber controlled (approximately 60% of the woodchip export tonnage) by Timbercorp Ltd and Great Southern Ltd.

The port is currently negotiating with Plantation Energy for the export of biomass pellets (shipments are expected to commence in August/September 2009).

The iron ore project (Wellstead deposit) has been put on hold until the new consortium has carried out its due diligence and is in a position to secure the necessary capital requirements.

6. Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes (other than noted above) 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 port is currently investigating the possibility of providing a rail loop, which will go some way to overcoming the current rail congestion in the woodchip precinct. It is expected there will have to be considerable discussion with the respective rail and road managers to address the safety issues that will need attention.

9. Directors' emoluments

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

Remuneration of Directors

		Base Salary	Superannuation	Total
		\$	\$	\$
PJ West	Chairman	45,000	4,050	49,050
RJ Harrison	Deputy Chairman	25,000	2,250	27,250
RJ Golding	Director	16,500	1,485	17,985
SA Malone	Director	16,500	1,485	17,985
C Porter	Director	16,500	1,485	17,985

Directors' report

For the year ended 30 June 2009

Remuneration of Executive Officers

		Base Salary \$	Superannuation \$	Motor Vehicle \$	Other \$	Total \$
BR Williamson 13-12-2008 to 30-06-2009	Chief Executive Officer	93,314	8,398	25,808	2,000	129,520
GI Crockford 01-07-2008 to 10-12-2008	Acting Chief Executive Officer	112,844	10,156	-	1,000	124,000
SA Young	Harbour Master	150,462	13,542	13,834	11,057	188,895
CR Berry	Finance Manager	104,872	11,896	5,798	2,000	124,566

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.

12. Rounding off

Except as noted, amounts have been rounded off to the nearest thousand dollars in the Directors' Report and Financial Statements.

Directors' report

For the year ended 30 June 2009

This report is made with a resolution of the directors:

R J Golding
Director

C Porter
Director

Albany, Western Australia

Date: 8 September 2009

Directors' report

For the year ended 30 June 2009

Port Trade

	2005	2006	2007	2008	2009
Imports	156,065	121,794	92,599	111,677	144,368
Ammonia Sulphate	1,216	0	0	0	0
Amsul	0	0	0	0	2,971
CAN	1,151	3,036	0	0	5,233
DAP	7,281	9,720	6,358	9,626	14,153
DPXL	0	0	1,514	0	0
Fish	4,418	1,249	2,948	751	767
MAPS	19,914	4,643	8,958	13,257	17,092
MES10	0	0	0	0	999
MPZL	0	0	2,267	512	0
NPK	7,675	0	0	0	0
Petroleum Products	0	28,455	28,948	39,147	30,538
Potash	36,503	13,907	7,439	14,430	18,929
Rock Phosphate	28,273	24,101	0	0	0
Superphosphate	13,803	6,904	9,019	0	21,452
Urea	35,830	28,348	25,149	33,954	23,022
Vigour	0	0	0	0	853
Wheat	0	0	0	0	8,358
Zinc Star	0	1,432	0	0	0
Exports	2,834,170	2,538,167	3,408,478	3,554,322	4,024,311
Barley	857,018	330,927	444,148	693,563	566,141
Canola	214,536	202,644	119,369	204,104	409,693
Lupins	0	0	0	0	3,883
Oats	0	38,056	6,029	60,327	55,551
Peas	4,949	0	0	0	0
Pine Logs	0	0	0	69,049	97,950
Silica Sand	127,750	162,300	56,065	138,224	89,650
Wheat	1,171,186	720,924	1,372,801	827,570	1,174,906
Woodchips	458,732	1,083,316	1,410,065	1,561,485	1,626,537
Total	2,990,235	2,659,961	3,501,077	3,666,000	4,168,679

Directors' report

For the year ended 30 June 2009

Performance Indicators

Operations	2005	2006	2007	2008	2009
Diversification of Trade <i>(proportion of Total Trade)</i>					
Grain	75%	49%	55%	49%	53%
Woodchips	15%	41%	40%	43%	39%
Other	9%	11%	4%	9%	8%
Turn Around Time (hours) <i>(Total time in Port / Number of Vessels)</i>					
	100	86	99	86	182
Occupancy Rate <i>(total time berths occupied / Total time berths available)</i>					
No 3 Berth	49%	37%	38%	45%	57%
No 6 Berth	8%	19%	23%	27%	31%
Financial	2005	2006	2007	2008	2009
Cost Efficiency <i>(Income from Port charges and Total Expenditure / Cargo Tonnes)</i>					
Income from Port Charges	\$2.08	\$2.14	\$1.98	\$2.08	\$2.15
Total Expenditure	\$1.59	\$2.02	\$1.78	\$1.46	\$1.47
Debt Ratio <i>(Total liabilities / Total Assets)</i>					
	29%	34%	36%	22%	14%
Rate of Return <i>(Adjusted profit / Deprival value of assets)</i>					
	7.6%	4.3%	14.0%	4.3%	5.5%
Investment	2005	2006	2007	2008	2009
Land Availability <i>(Vacant land available / Total Land available)</i>					
	31%	32%	30%	30%	29%
Development expenditure (\$'000)	\$290	\$542	\$748	\$957	\$521
Maintenance expenditure (\$'000)	\$361	\$404	\$446	\$485	\$810
Superphosphate					

Directors' report

For the year ended 30 June 2009

Environment	2005	2006	2007	2008	2009
<i>Incident Rate</i> <i>(Environmental incidents per Million tonnes)</i>	1.34	0.75	0.00	0.55	0.48
Fuel usage (000's Litres)	N/A	25	39	40	40
Power usage(000's KWH)	N/A	686	713	524	430
Water usage (000's KL)	N/A	10	14	10	12
Personnel	2005	2006	2007	2008	2009
<i>Incident Rate</i> <i>(lost time injuries per Million man hours worked)</i>	0.00	40.83	34.18	0.00	0.00
OH&S expenditure (\$'000)	\$10	\$18	\$18	\$48	\$20
Training expenditure (\$'000)	\$17	\$21	\$22	\$57	\$45
Ethics	2005	2006	2007	2008	2009
Publications	2	1	1	2	1
Number of complaints	0	0	0	0	0

Directors' report

For the year ended 30 June 2009

Origin – Destination of Cargo – July 2008 to June 2009

Country	Grain	Fertiliser	Petroleum	Sand	Woodchips	General	Total	Previous
Australia	57,447		9,795			12,017	79,259	90,616
Belgium	18,000						18,000	0
China	103,768	9,774				67,321	180,863	132,255
Egypt	27,510						27,510	0
Europe	156,622						156,622	0
Fiji							0	11,615
Germany	51,300						51,300	47,927
Hong Kong			10,820				10,820	0
Indonesia	386,121						386,121	411,867
Iran	359,602						359,602	56,433
Israel		15,757					15,757	1,937
Japan	274,908			89,650	1,584,261		1,948,819	1,842,939
Kuwait	27,000						27,000	36,700
Malaysia	51,483						51,483	69,670
Mexico	53,766						53,766	32,980
Netherlands	54,200						54,200	56,700
New Guinea							0	17,164
New Zealand		18,824					18,824	18,495
Pakistan	34,650						34,650	36,831
Qatar		11,932					11,932	21,000
Saudi Arabia	172,475	11,090					183,564	331,890
Singapore	47,434		9,924				57,358	18,123
Somalia							0	7,009
South Korea	230,569				42,276	19,379	292,224	261,790
United Arab Emirates							0	106,551
U.S.A.		37,328					37,328	15,508
Vietnam	78,676						78,676	0
Yemen	33,000						33,000	40,000
TOTAL	2,218,532	104,705	30,538	89,650	1,626,537	98,717	4,168,679	3,666,000

Albany Port Authority

5

Directors' report

For the year ended 30 June 2009

Albany Port Authority

Financial Statements

30 June 2009

Albany Port Authority

Income Statement

For the year ended 30 June 2009

	<i>Note</i>	2009 \$'000	Restated* 2008 \$'000
Revenue	4	10,555	9,034
Other income	5	159	150
Asset maintenance		(1,317)	(1,041)
Environmental expenses		(183)	(136)
General administration	3	(1,723)	(1,523)
Marine expenses	3	(591)	(550)
Port operations expenses	3	(410)	-
Port utilities		(375)	(354)
Safety and security		(228)	(201)
Depreciation and amortisation expense	6	(1,110)	(1,064)
Finance costs	8	(258)	(344)
Other expenses	9	(144)	(136)
Profit before income tax		4,375	3,835
Income tax expense	10,28	(1,362)	(1,204)
Profit for the period		3,013	2,631

* Refer note 28.

The notes on pages [5] to [30] are an integral part of these financial statements.

Balance Sheet

As at 30 June 2009

	<i>Note</i>	2009 \$'000	Restated* 2008 \$'000
Assets			
Cash and cash equivalents	12	8,484	9,414
Trade and other receivables	13	1,175	956
Other	14	151	195
Total current assets		9,810	10,565
Other	14	104	305
Property, plant and equipment	15	33,674	35,105
Total non-current assets		33,778	35,410
Total assets		43,588	45,975
Liabilities			
Trade and other payables	16	371	481
Interest bearing borrowings	17	1,700	2,600
Current tax payable	10,28	468	624
Provisions	18	249	250
Other	19	558	2,883
Total current liabilities		3,346	6,838
Interest bearing borrowings	17	1,500	2,300
Provisions	18	675	598
Deferred tax liabilities	10,28	967	927
Total non-current liabilities		3,142	3,825
Total liabilities		6,488	10,663
Net assets		37,100	35,312
Equity			
Contributed equity	20	5,171	5,171
Retained earnings	20,28	31,929	30,141
Total equity		37,100	35,312

* Refer note 28.

The notes on pages [5] to [30] are an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2009

	<i>Note</i>	2009 \$'000	Restated* 2008 \$'000
Balance of equity at start of period	28	35,312	31,163
Contributed equity	20		
Balance at start of period		5,171	1,386
Capital contribution		-	3,785
Balance at end of period		5,171	5,171
Retained earnings	20		
Balance at start of period		30,141	29,776
Profit for the period		3,013	2,631
Dividends paid	11	(1,225)	(2,266)
Balance at end of period		31,929	30,141
Balance of equity at end of period		37,100	35,312
Total income and expense for the period			

* Refer note 28.

The notes on pages [5] to [30] are an integral part of these financial statements.

Statement of cash flows

For the year ended 30 June 2009

	<i>Note</i>	2009 \$'000	2008 \$'000
Cash flows from operating activities			
Cash receipts from customers		11,335	14,704
Cash paid to suppliers and employees		(6,059)	(5,933)
Cash generated from operations		5,276	8,771
Interest paid		(282)	(380)
Income taxes paid		(1,477)	(934)
Net cash from operating activities	21	3,517	7,457
Cash flows from investing activities			
Interest received		436	405
Proceeds from Sinking Funds		209	0
Proceeds from sale of property, plant and equipment		39	47
Acquisition of property, plant and equipment	15	(2,206)	(255)
Net cash from investing activities		(1,522)	197
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(1,700)	(3,035)
Proceeds from grants		0	3,785
Dividends paid	11	(1,225)	(2,266)
Net cash from financing activities		(2,925)	(1,516)
Net increase (decrease) in cash and cash equivalents		(930)	6,138
Cash and cash equivalents at 1 July		9,414	3,276
Cash and cash equivalents at 30 June	12	8,484	9,414

The notes on pages [5] to [30] are an integral part of these financial statements.

Notes to the financial statements**1. Basis of preparation****(a) Statement of compliance**

The financial report is a general purpose financial report 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 13 August 2009 by the Board of Directors of the Albany Port Authority (“the Authority”).

(b) Presentation of the income statement

During the year ended 30 June 2009 the Authority modified the income statement presentation of expenses using a classification based on the nature of expenses. In the prior year expenses were classified by function. 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.

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 statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$’000) unless otherwise stated.

(e) Use of estimates and judgements

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

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

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

Defined benefit plans

Various actuarial assumptions are required when determining the Authority’s superannuation obligations. These assumptions and the related carrying amounts are discussed in note 18(d).

Notes to the financial statements

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 term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(b) Finance income and expenses

Finance income comprises interest income on funds invested 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.

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 State Government. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

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

Notes to the financial statements

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.

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.

Notes to the financial statements

(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 over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

• Channels and breakwater	40 - 100 years
• Land improvements	40 years
• Buildings and improvements	40 years
• Plant and equipment	4 - 10 years
• Berths, jetties and infrastructure	40 years

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

Notes to the financial statements**(g) Intangible assets****(i) Research and development**

Research costs are expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Authority intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iii) Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for each class of depreciable assets are as follows:

- Computer software

4 years

(h) Impairment

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is any indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Authority is a not-for-profit entity, 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, where the replacement cost is falling or where there is a significant change in useful life. 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 or loss.

Notes to the financial statements

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 had been recognised.

(i) 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.

(j) 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.

(k) 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.

Notes to the financial statements**(l) 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.

(m) Employee benefits

The liability for annual and long service 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 and long service 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 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.

(n) 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 2009.

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.

Notes to the financial statements**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 entity'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
- 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.

(o) Dividends

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

(p) 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.

(q) 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 cash flow statement, cash equivalents consist of cash and cash equivalents as defined above.

Notes to the financial statements**(r) 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 acquisition of the asset or as part of the expense.

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

(s) Contributed equity

The Authority receives support from the WA Government (see note 20). The amount received is recognised directly as a credit to contributed equity.

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- AASB Interpretation 17 and AASB 2008-13 Distributions to Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110. This Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. The impact, if any, is still to be assessed by the Authority.
- AASB Interpretation 18 Transfers of Assets from Customers. This interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The impact, if any, is still to be assessed by the Authority.
- AASB 123 (Revised) and AASB 2007-6 Borrowing Costs and consequential amendments to other Australian Accounting Standards. The revised AASB 123 requires all borrowing costs associated with a qualifying asset be capitalised. The Authority already capitalises borrowing costs directly attributable to qualifying assets, therefore there will be no impact on the financial statements when the standard is first applied.
- AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards. This standard introduces a statement of comprehensive income and other revisions which impact on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of financial statements. The impact, if any, is still to be assessed by the Authority.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project. The improvement project will make non-urgent, but necessary, amendments to IFRS's. The impact, if any, is still to be assessed by the Authority.
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. This improvement project is stage 2 of the implementation of AASB 2008-5. The impact, if any, is still to be assessed by the Authority.

Notes to the financial statements

- AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]. The main amendment to AASB 7 requires fair value measurements to be disclosed by the source inputs using a pre-determined three-level hierarchy. The amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The impact, if any, is still to be assessed by the Authority.
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The impact, if any, is still to be assessed by the Authority.
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The impact, if any, is still to be assessed by the Authority.
- AASB 2009-Y Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]. The amendments comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements. The impact, if any, is still to be assessed by the Authority.

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.

4. Revenue

Revenue consists of the following items:

	2009 \$'000	2008 \$'000
Rendering of services		
Charges on ships	3,356	2,757
Charges on cargo	5,588	4,854
Shipping services	151	99
Interest revenue		
WA Treasury Corporation	317	218
National Australia Bank	106	167
Treasury	8	20
Rentals and leases	1,029	919
Total revenue	10,555	9,034

5. Other income

Other income consists of the following items:

	2009 \$'000	2008 \$'000
Net gain/(loss) on sale of property, plant and equipment	(10)	9
Sale of electricity and water	61	36
Miscellaneous charges	108	105
	159	150

Notes to the financial statements

6. Depreciation and amortisation expense

	2009 \$'000	2008 \$'000
Depreciation		
Channels and breakwaters	597	575
Buildings and improvements	70	70
Plant and equipment	213	192
Berths, jetties and infrastructure	209	207
Total depreciation	1,089	1,044
Amortisation		
Prepaid expenditure	21	20
Total amortisation	21	20
Total depreciation and amortisation	1,110	1,064

Note

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7. Employee benefits expense

	2009 \$'000	2008 \$'000
Wages and salaries	2,016	1,782
Superannuation	180	163
Increase/(decrease in:		
Accumulated days off	(1)	3
Annual leave	39	(66)
Long service leave	(45)	9
Personal leave	7	(14)
	2,196	1,877

8. Finance costs

	2009 \$'000	2008 \$'000
Interest paid	258	344
Finance costs expensed	258	344

Notes to the financial statements

9. Other expenses

	2009 \$'000	2008 \$'000
Doubtful debts expense	(6)	2
Employee on-costs:		
Fringe Benefit Taxes	41	46
Payroll Tax	94	70
Workers compensation insurance	15	18
	144	136

10. Income tax expense

Recognised in the income statement

	2009 \$'000	2008 \$'000
Current tax expense		
Current income tax charge	1,321	1,101
Adjustment for prior periods	-	-
	1,321	1,101
Deferred tax expense		
Origination and reversal of temporary differences	41	103
Change in the unrecognised temporary differences	-	-
	41	103
Total income tax expense	1,362	1,204

Numerical reconciliation between tax expense and pre-tax net profit

	2009 \$'000	2008 \$'000
Profit for the period	3,013	2,631
Total income tax expense	1,362	1,204
Profit excluding income tax	4,375	3,835
Income tax using the statutory tax rate of 30% (2008: 30%)	1,313	1,150
Add:		
Non-deductible expenses:	52	54
Less:		
Investment allowance	(3)	-
At effective income tax rate of 31.1% (2008 31.4%)	1,362	1,204
Income tax expense reported in income statement	1,362	1,204

Notes to the financial statements

Deferred income tax

	2009 Balance sheet \$'000	Restated* 2008 Balance sheet \$'000	2009 Income statement \$'000	Restated* 2008 Income statement \$'000
Deferred tax liabilities				
Accelerated depreciation for tax purposes	(8,915)	(8,537)	378	302
Future dredging	(782)	(791)	(9)	-
Others	(8)	(10)	(2)	10
Gross deferred tax liabilities	(9,705)	(9,339)		
Deferred tax assets				
Employee benefits	277	254	(23)	35
Accelerated depreciation for accounting purposes	8,398	8,101	(297)	(260)
Prepaid rental	29	33	4	(10)
Others	34	24	(10)	26
Gross deferred tax assets	8,738	8,412		
Set-off of deferred tax liabilities pursuant to set-off provisions				
Net deferred tax liability	(967)	(927)		
Deferred tax expense			41	103
Current tax liabilities				

The current tax liability of \$0.468 million (2008: \$0.623 million) represents the amount of income taxes payable in respect of current and prior financial periods.

* Refer note 28.

11. Dividends

	2009 \$'000	2008 \$'000
Dividends paid in the financial year	1,225	2,266

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

A dividend of \$1.225 million (2008: Dividends of \$0.720 million, \$0.556 million and \$0.990 million were paid in respect of the financial years 2007, 2006 and 2005 respectively) in respect of the financial results for the year ended 30 June 2008 was paid by 30 June 2009.

Notes to the financial statements

12. Cash and cash equivalents

	2009 \$'000	2008 \$'000
Bank balances	3,337	2,650
Call deposit	5,122	6,739
Term deposits	25	25
Cash and cash equivalents in the statements of cash flows	<u>8,484</u>	<u>9,414</u>

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

13. Trade and other receivables

	2009 \$'000	2008 \$'000
Current		
Receivables	1,184	961
Less: allowance for impairment of receivables	(21)	(27)
	<u>1,163</u>	<u>934</u>
Other debtors	12	23
	<u>1,175</u>	<u>957</u>
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	27	24
Doubtful debts expense recognised in the income statement	(6)	3
Balance at end of year	<u>21</u>	<u>27</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 is as follows:

	2009 \$'000	2008 \$'000
Not more than 3 months	1,184	960
More than 3 months but less than 1 year	-	1
	<u>1,184</u>	<u>961</u>

Notes to the financial statements

14. Other

	2009 \$'000	2008 \$'000
Current		
Prepaid expenditure	126	163
Accrued income	25	32
	151	195
Non-current		
Sinking funds	104	305
	104	305

Sinking funds are invested with Treasury at floating interest rates. The interest rates received ranged between 3.21% and 7.60% (2008 6.27% and 7.63%).

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

Notes to the financial statements

15. Property, plant and equipment

	Channels and breakwaters		Land		Buildings and improvements		Plant and equipment		Berths, jetties and infrastructure		Work in progress		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At cost	29,374	27,221	2,966	2,966	3,966	3,966	3,611	3,459	21,379	21,115	371	3,380	61,667	62,107
Accumulated depreciation	(6,960)	(6,363)	-	-	(3,517)	(3,447)	(2,694)	(2,579)	(14,822)	(14,613)	-	-	(27,993)	(27,002)
	22,414	20,858	2,966	2,966	449	519	917	880	6,557	6,502	371	3,380	33,674	35,105

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

	Channels and breakwaters		Land		Buildings and improvements		Plant and equipment		Berths, jetties and infrastructure		Work in progress		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying amount at 1 July	20,858	24,832	2,966	2,966	519	565	880	805	6,502	6,331	3,380	433	35,105	35,931
Additions*	-	(200)	-	-	-	5	300	297	-	-	353	154	653	256
Adjustments **	-	-	-	-	-	-	-	-	-	-	(945)	-	(945)	-
Transfers from work in progress	2,153	(3,199)	-	-	-	19	-	8	264	378	(2,417)	2,793	-	-
Depreciation for the year	(597)	(575)	-	-	(70)	(70)	(213)	(192)	(209)	(207)	-	-	(1,089)	(1,044)
Disposals	-	-	-	-	-	-	(50)	(38)	-	-	-	-	(50)	(38)
Carrying amount at 30 June	22,414	20,858	2,966	2,966	449	519	917	880	6,557	6,502	371	3,380	33,674	35,105

* In the statement of cashflows, the acquisition of property, plant and equipment include \$1,553 million spent against the make good dredging during the year.

** Adjustments are in respect to :

- the de-recognition of \$813,000 of the make good dredging following the completion of the project required after the discovery of UXO. The Authority has retained a further \$234, 000 (see note 19) to remove settling ponds; and
- write-off of design costs of \$132,000 for projects that did not proceed.

Notes to the financial statements

Impairment loss and subsequent reversal

The Authority did not experience any impairment loss during the current or prior year.

Leased plant and machinery

The Authority does not lease any plant or machinery.

Security

There are no assets pledged as security.

16. Trade and other payables

	2009 \$'000	2008 \$'000
Current		
Trade payables	247	480
Other payables	26	25
GST payable	98	(21)
	371	484

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

17. Interest bearing borrowings

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

	2009 \$'000	2008 \$'000
Current liabilities		
Direct borrowings	1,700	2,600
	1,700	2,600
Non-current liabilities		
Direct borrowings	1,500	2,300
	1,500	2,300
Financing arrangements		
The Authority has access to the following lines of credit:		
Total facilities available:		
Direct and special borrowings	5,735	7,335
	5,735	7,335
Facilities utilised at reporting date:		
Direct borrowings	3,200	4,900
Special borrowings	-	-
	3,200	4,900
Facilities not utilised at reporting date:		
Direct and special borrowings	2,535	2,435
	2,535	2,435

Notes to the financial statements

Significant terms and conditions

Loans of \$3.1 million (2008 \$4.6 million) from the WA Treasury Corporation are repayable on fixed dates and bear fixed interest at between 3.91% and 7.35% (2008: 5.54% and 7.06%). Inscribed stocks from WA Treasury Corporation of \$100,000 (2008 \$300,000) are repayable on fixed dates and bear fixed interest at 7.40% (2008: 6.40% and 7.40%).

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.

2009

	Variable interest rate \$'000	Fixed interest rate			Total \$'000	
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000		Over 3 to 4 years \$'000
Interest bearing borrowings:						
Direct borrowings	-	1,700	1,400	100	-	3,200
		1,700	1,400	100		3,200
Weighted average interest rate:						
Direct borrowings	-	6.91%	5.22%	6.40%	-	6.16%

2008

	Variable interest rate \$'000	Fixed interest rate			Total \$'000	
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000		Over 3 to 4 years \$'000
Interest bearing borrowings:						
Direct borrowings	-	2,600	1,500	500	300	4,900
		2,600	1,500	500	300	4,900
Weighted average interest rate:						
Direct borrowings	-	5.84%	6.86%	6.54%	7.07%	6.30%

18. Provisions

	2009 \$'000	2008 \$'000
Current		
Accumulated days off	8	9
Annual leave	147	108
Long service leave	26	74
Personal leave	24	17
Superannuation	44	42
	249	250
Non-current		
Long service leave	123	120
Superannuation	552	478
	675	598

Notes to the financial statements

- (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:

	2009 \$'000	2008 \$'000
Within 12 months of balance date	147	108
More than 12 months after balance sheet date	-	-
	147	108

- (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:

	2009 \$'000	2008 \$'000
Within 12 months of balance date	26	74
More than 12 months after balance sheet date	123	120
	149	194

- (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. With respect to long service leave, 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'.

Notes to the financial statements

(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*.

	2009 \$'000	2008 \$'000
Amounts recognised in the balance sheet:		
Present value of unfunded obligations	596	520
Fair value of plan assets	-	-
Liability/(Asset)	596	520
Reconciliation of movement in the present value of the unfunded obligations recognised in the balance sheet:		
Opening balance	520	569
Current service cost:		
Interest cost	33	33
Actuarial gain on liabilities	85	(82)
Benefits paid (including expenses and taxes)	(42)	-
	596	520
Amounts recognised in the income statement:		
Current service cost:		
Interest cost	33	33
Actual gain recognised	85	(82)
	118	(49)
Historic summary:		
Defined benefit plan obligation	596	520
Plan assets	-	-
	596	520
Experience adjustments arising on plan liabilities	84	(82)
Experience adjustments arising on plan assets	-	-
Principal actuarial assumptions:		
Discount rate	5.34%	6.64%
Expected future salary increases	4.50%	4.50%
Expected future pension increases	2.50%	2.50%
Anticipated return on plan assets	-	-
Expected contributions	44	41

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(n).

Notes to the financial statements

Movements in provisions

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

	2009 \$'000	2008 \$'000
Retirement benefit obligations		
Carrying amount at 1 July	520	569
Provisions made during the year	118	(7)
Amounts utilised in the year	(42)	(42)
Carrying amount at 30 June	596	520
Employment provision		
Carrying amount at 1 July	327	396
Provisions made during the year	248	361
Amounts utilised in the year	(247)	(430)
Carrying amount at 30 June	328	327

19. Other liabilities

	2009 \$'000	2008 \$'000
Current		
Prepaid rental income	124	111
Accrued expenses	200	174
Other		
Future dredging expenditure	234	2,598
	558	2,883

20. Equity

	2009 \$'000	Restated* 2008 \$'000
Contributed equity		
Balance at the start of the year	5,171	1,386
Capital contributions	-	3,785
Balance at end of year	5,171	5,171
Retained earnings		
Balance at start of year	30,141	29,726
Profit for the period	3,013	2,631
Dividends paid	(1,225)	(2,266)
Balance at end of year	31,929	30,141

* Refer note 28

Notes to the financial statements

21.Reconciliation of cash flows from operating activities

	<i>Note</i>	2009	Restated*
		\$'000	2008
			\$'000
Cash flows from operating activities			
Profit for the period		3,013	2,631
Adjustments for:			
Depreciation and amortisation	6	1,110	1,064
Interest expense	8	258	344
Gain on sale of property, plant and equipment	5	10	(9)
Income tax expense	10,28	1,362	1,204
Operating profit before changes in working capital and provisions		5,753	5,234
Change in trade and other receivables	13	(218)	5,933
Change in trade and other payables	16	(113)	(943)
Change in prepayments	14	245	(37)
Change in employee benefits	18	77	(118)
Change in provisions and accruals	10,19	(468)	(1,298)
		5,276	8,771
Interest paid		(282)	(380)
Income taxes paid		(1,477)	(934)
Net cash from operating activities		3,517	7,457

* Refer note 28.

22. Financial instruments

(i) Financial risk management objectives 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. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than as detailed in the interest rate sensitivity analysis in the table below, the Authority has limited exposure to interest rate risk because it has no borrowings other than WATC borrowings.

Notes to the financial statements

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 2009 and 30 June 2008, 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 had moved as illustrated in the table below, with all other variables held constant, the effect would be as follows:

Interest rate risk

	Carrying Amount \$'000	+0.50% change		(0.25%) change	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2009					
Financial Assets					
Cash and cash equivalents	8,484	42	42	(21)	(21)
Sinking funds	104	1	1	-	-
Total Increase/(Decrease)		43	43	(21)	(21)
	Carrying Amount \$'000	+0.50% change		(0.25%) change	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2008					
Financial Assets					
Cash and cash equivalents	9,414	47	47	(24)	(24)
Sinking funds	305	2	2	(1)	(1)
Total Increase/(Decrease)		49	49	(25)	(25)

Notes to the financial statements

Credit risk

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

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table 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 debtor balances. In addition, management of receivable balances includes frequent monitoring thereby minimising the Authority's exposure to bad debts. For financial assets that are either past due or impaired, refer to note 13 'Trade and other receivables'.

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

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.

	Carrying amount \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000
Financial liabilities					
2009					
Trade and other payables	371	371	-	-	-
Interest bearing borrowings	3,397	1,026	741	1,509	121
	3,768	1,397	741	1,509	121
2008					
Trade and other payables	484	484	-	-	-
Interest bearing borrowings	5,314	1,431	1,266	1,655	962
	5,798	1,915	1,266	1,655	962

Notes to the financial statements

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows. Leasing obligations, 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.

(ii) Categories and fair values of financial instruments

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

	<i>Note</i>	2009 \$'000	2008 \$'000
Financial assets			
Cash and cash equivalents	12	8,484	9,414
Trade and other receivables	13	1,175	957
Sinking funds	14	104	305
		9,763	10,676
Financial liabilities			
Trade and other payables	16	(371)	(484)
Interest-bearing borrowings		(3,292)	(4,929)
		(3,663)	(5,413)
		6,100	5,263

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 .

23. Commitments**(i) Capital expenditure commitments**

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2009 \$'000	2008 \$'000
Within 1 year	119	2,237
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	119	2,237

(ii) Operating leases receivable

Future minimum rentals receivable for operating leases at reporting date:

	2009 \$'000	2008 \$'000
Within 1 year	802	711
Later than 1 year and not later than 5 years	2,726	2,648
Later than 5 years	10,507	10,623
	14,035	13,982

Operating leases receivable are in respect of property rentals.

Notes to the financial statements

24. Remuneration of auditor

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

	2009 \$'000	2008 \$'000
Auditing the financial statements	38	35

25. Related parties

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

26. Contingent liabilities

In addition to the liabilities included in the financial statements, there are the following contingent liabilities:

Contaminated sites

Under the Contaminated Sites Act 2003 (the Act), 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 environmental values. Where sites are classified as either contaminated – remediation required or possibly contaminated – investigation required, the Authority may have a liability in respect of investigation or remediation expenses.

During the year the Authority was advised by DEC of the identification of one suspected contaminated site. The site is currently being assessed and therefore it is not yet practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.

Superannuation

The following amount represents the superannuation liability for an ex-Department of Marine and Harbours employee who transferred over to the Authority in 1992/93. At the time of the transfer the Department agreed to meet the previous liability and so this amount is not provided in the Authority's superannuation liability calculations. The employee retired in 2008/09.

	2009 \$'000	2008 \$'000
Maximum contingent consideration in respect to this claim	-	203

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 operations, or the state of affairs of the Authority, in future financial years.

28. Restatement of comparative balances

A restatement of the comparative period has occurred so as to correctly record the deferred tax liability of \$794,330 arising from the settlement of the UXO from the Federal Government in the financial statements for the year ended 30 June 2007. The effect of this correction of the error on the 2008 comparatives has been to increase the deferred tax liability by \$791,526, decrease the income tax expense by \$179,915, decrease the income tax payable by \$93,555 and decrease the opening retained earnings at 1 July 2007 by \$877,886.

Directors' declaration

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

- (a) the financial statements and notes, set out on pages [1 to 30], 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 2009 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:

R J Golding
Director

C Porter
Director

8 September 2009

Albany, Western Australia



Auditor General

INDEPENDENT AUDIT REPORT ON ALBANY PORT AUTHORITY

To the Parliament of Western Australia

I have audited the financial report of the Albany Port Authority. The financial report comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

Summary of my Role

As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

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

Audit Opinion

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

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

COLIN MURPHY
AUDITOR GENERAL
16 September 2009