

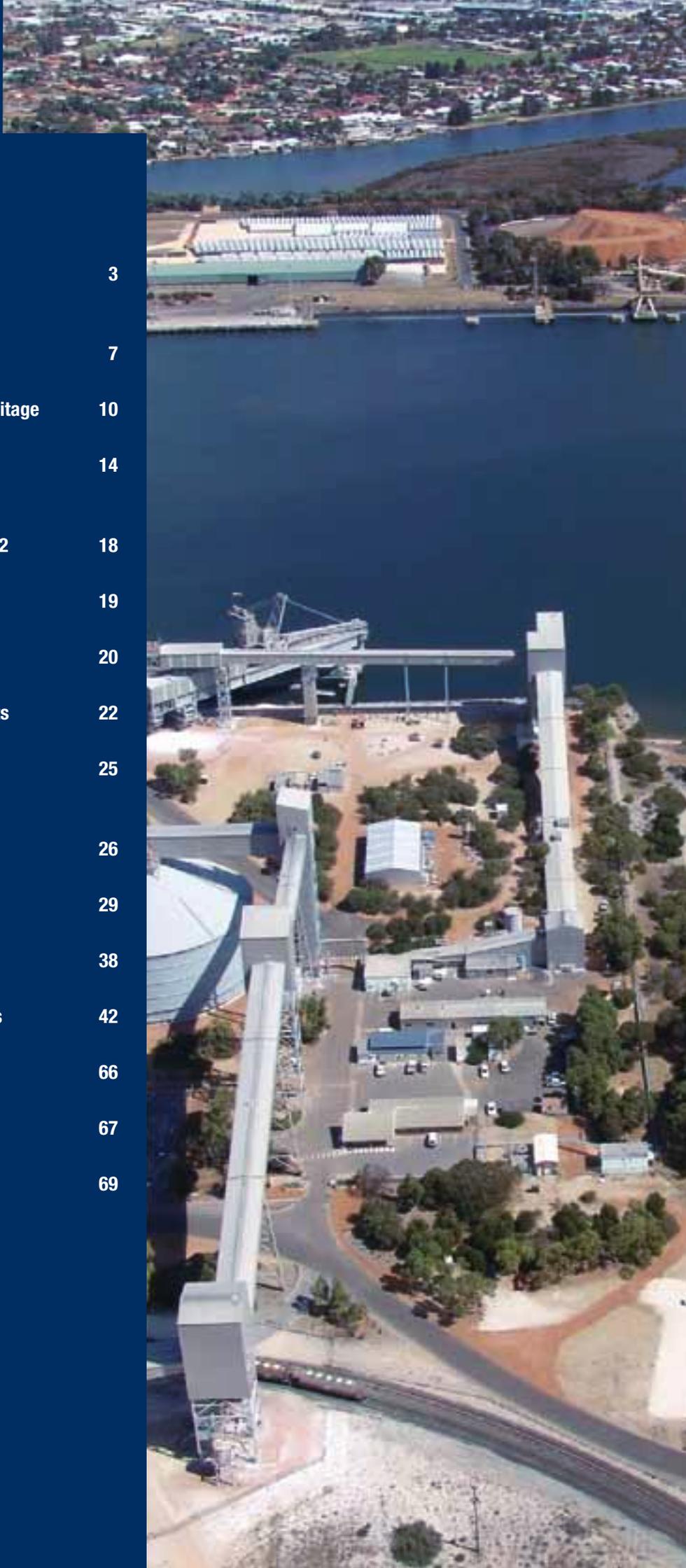


ANNUAL REPORT 2012



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Annual Report 2012

To the Hon Troy Buswell MLA
Minister for Transport;
Emergency Services

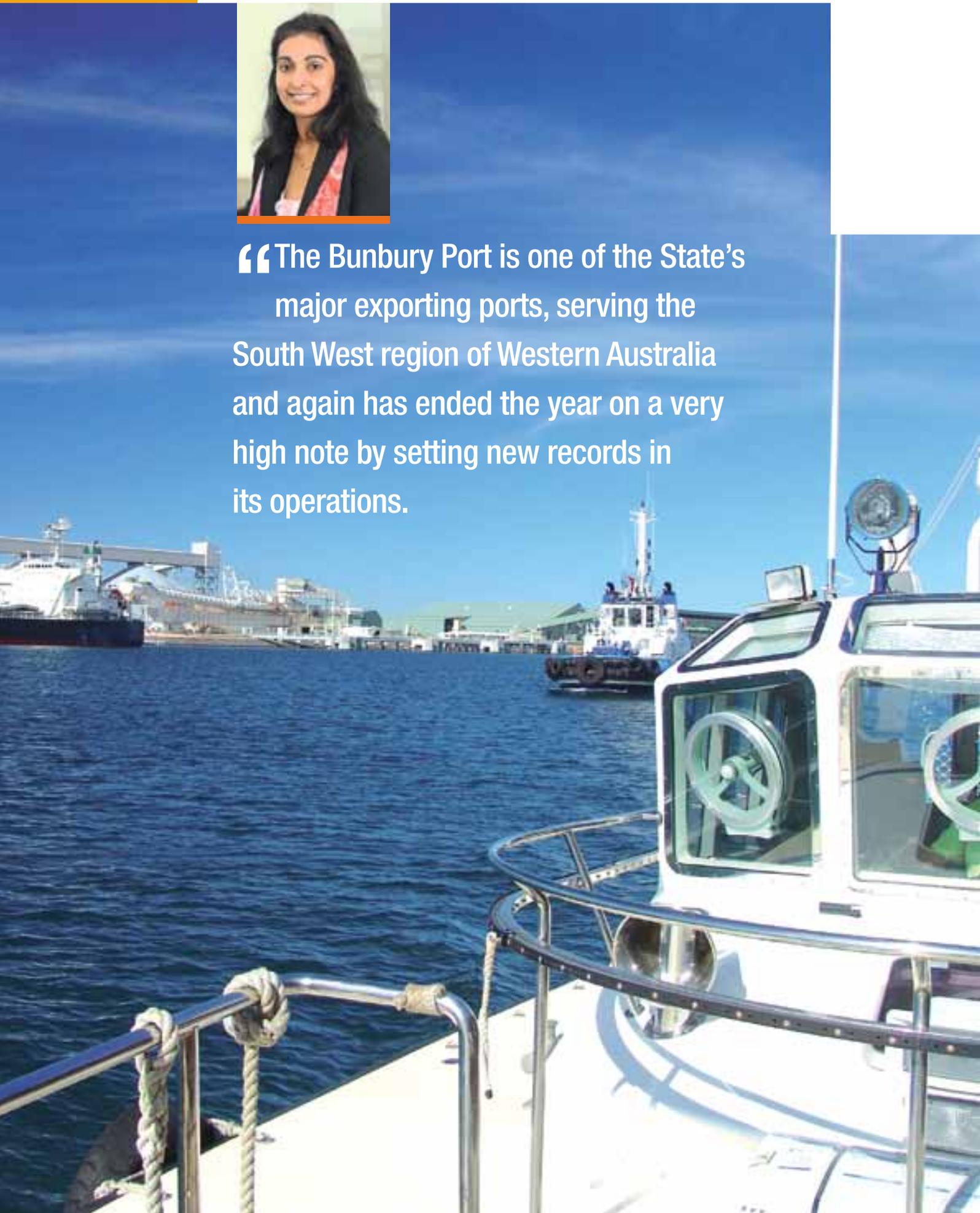
In accordance with section 68 and clauses 34 and 35 of Schedule 5 of the Port Authorities Act 1999, I have pleasure in submitting for your information and presentation to Parliament, the Annual Report of the Bunbury Port Authority for the year ended 30 June 2012.

A handwritten signature in black ink, reading "Neema Premji". The signature is fluid and cursive.

Neema Premji
Chairperson
Board of Directors



“The Bunbury Port is one of the State’s major exporting ports, serving the South West region of Western Australia and again has ended the year on a very high note by setting new records in its operations.



Introduction

The Bunbury Port is one of the State's major exporting ports, serving the South West region of Western Australia and again has ended the year on a very high note by setting new records in its operations:

- Net Profit before Tax of \$9.591 million, up 16.18% compared to last financial year's actual; and
- Breaking the 14MT trade barrier, that is total trade of 14,273,670 tonnes.

Bunbury Port Authority has achieved these results by ensuring that its business activities are aligned to its strategic plan and direction. This has been supported with strong management, operational and administration efficiencies, diligent project management and sound financial investments. This has placed the Authority in a strong financial position to pursue capital funding for the development of necessary port infrastructure. The Board and Management are focused on delivering the Minister for Transport's required efficiency savings and ensure the outcomes of the strategic planning workshop are in line with achieving these outcomes.

With the endorsement of the Waterfront Development by the State Government, the Board endorsed the removal of loading facilities from the Outer Harbour and is working towards successfully transferring these operations into the Inner Harbour. However the growth in new trade has been unprecedented and consequently the Port will continue limited use of the Outer Harbour for bulk tippler bin operations.

During the year substantial funding has been allocated to improvements to the Coalfields Highway, Eelup roundabout and Port Access Stage 2 / Bunbury Outer Ring road Stage 1.

Alumina is still the major commodity exported by the Port followed by woodchips, silica sands, mineral sands, spodumene and general cargo. During the following financial year Bunbury Port will continue to pursue new trades such as urea, coal and grain.

Community Focus and Sustainable Development

The Port continues to work towards minimising any potential adverse environmental impacts on the community and nearby surrounding areas and have achieved this through a comprehensive environmental and risk management system. During the year the Port has undertaken extensive work in these areas and is on schedule to receive environmental and safety accreditation in 2012/13.

During 2011/12 the Port has been working closely with the Environmental Protection Authority on the Strategic Public Environmental Review process of the Inner Harbour Structure Plan (IHSP). We are half way through the process and envisage it will take another two years to complete. As part of this process the Port will be undertaking extensive stakeholder surveys. Concurrently the Port is also undertaking a Buffer Definition Study. The outcomes will place the Port in a very strong position of attracting potential port users with an already established set of environmental conditions, the objective being to minimise the time taken for new trade and infrastructure to be established within the port, while still meeting very high environmental standards.

The Port, through active engagement with the Port Community Liaison Committee (PCLC), advises and consults with community members on current operations and keeps them informed of future port developments. The PCLC's advice is an invaluable input into the decision making process of the Board. The PCLC undertakes tours of the Port operations and have had presentations on the proposed Buffer Definition Study and the IHSP development.

Repairs to Berth 3 Dolphins were completed in July 2011 coming in 33% under budget. Six new fenders were installed with new anchors on the dolphins included in the project.

Berth 5 also had a major upgrade with the strengthening of the Berth with an additional 200mm of concrete. This project was carried out over two stages during the financial year to minimise disruption to Port users with the final minor works due for completion in November 2012.

On Sunday 22 April, the Port held an Open Day in conjunction with Port Users. The Community were invited to partake in activities which heightened their knowledge of the ports functions, the type of products being imported and exported through the Port, and the manner in which products were loaded and unloaded to and from ships. Activities included fun events for children with face painting and rock wall climbing, and competitions to win generous prizes. Community groups volunteered their time to ensure the day was a success. Approximately 2000 people attended the day, with glowing reports from all sectors on the great turn out.

Growth, Development and Outlook

During the year the Port signed a Port Services and Lease agreement with Perdaman Chemicals and Fertilisers Pty Ltd and commenced discussions with Lanco Resources Australia Pty Ltd in regards to potential coal exports. This will entail construction of a new coal berth at Berth 14, including a ship loader and enclosed coal storage sheds. The Port will be working closely with all stakeholders to facilitate urea and coal export through Bunbury Port in the near future. In addition the Port will be also pursuing the development of Berth 7.

Through 2011/12 the Board, in conjunction with the State Government, have committed to developing robust business cases for the land backing of Berth 3 as the next major infrastructure development project for the Inner Harbour, with particular focus on securing potential external capital funding. This project will provide the Port with a new multi-purpose heavy lift berth and a new ship loader.

With the continuing trade growth, the Port is also undergoing organisational structural changes and has welcomed many new faces.

Corporate Governance

During 2010/2011, the State Minister for Transport initiated reviews dealing with ports and access to ports, specifically a high level review of port governance in Western Australia and a Regional Freight Transport Plan. Bunbury Port Authority was given the opportunity to take a proactive role in ensuring the interests of the Port and South West was strongly conveyed.

In February 2012, the State Government announced major strategic initiatives in the way it envisaged the Ports governance, significance and contribution to the WA economy. As part of that change, Bunbury Port will be amalgamated with Albany and Esperance Port Authorities, coming into effect in July 2014. Currently Bunbury Port is working with the Port Amalgamation Steering Committee to meet this challenge.

With the continued diversification in the Port, increasing community expectations and legislative requirements, the demands placed on the Board of Directors continue to grow. During the year the Board carried out an internal assessment of its role, responsibilities and adherence to corporate governance principles.

The results of the internal assessment were: The BPA Board has clear strategic vision on the Port's future development; is an experienced and effective board; and has a clear understanding of what is required in the areas of governance and risk management.

Acknowledgements

In conclusion, I would like to acknowledge my fellow Board of Directors, the Ports CEO Kevin Schellack, Company Secretary, Senior Management team, all employees of the Authority, Port Users and service providers for their dedication, support and contribution in what has been a busy, challenging, productive and record setting year.

I also thank the Port Community Liaison Committee for their valuable work and input on issues raised between the Authority and the community and the proficient manner in which the Committee has mediated with the Bunbury community.

Finally, the vision and strategic direction of the Bunbury Port Authority for 2012/13 and beyond, is one which will continue to focus on sustainable port development in order to facilitate the predicted growth in trade, while maintaining our commitment to the community, existing Port Users and meeting the expectations of our stakeholders.



Neema Premji
Chairperson



A large cargo ship is seen at sea, with a rocky coastline in the foreground. The ship is dark and has several masts or cranes visible. The water is blue and white with some ripples. The sky is blue with some clouds. There are decorative colored shapes in the corners: a white square in the top left, a yellow and orange shape in the top right, and a dark grey shape in the bottom right.

During the year the Port signed a Port Services and Lease agreement with Perdaman Chemicals and Fertilisers Pty Ltd and commenced discussions with Lanco Resources Australia Pty Ltd in regards to potential coal exports.



Highlights for 2012

- Record trade of 14.274 million tonnes – up by 2.0% from last year's record.
- Record profit before tax of \$9.591 million.
- Major repairs completed on Berth 5 topping slab and hardstand area.
- Installation of a floating sea bed tethered weather station.
- Progress towards achieving ISO 14001 accreditation.
- Cost estimates completed for next major developments – Berth 3 land backing and new shiploader and Berth 5 waste water management system.
- Progress towards the Strategic Public Environmental Review of the Inner Harbour Structure Plan.
- Achieving a 10 year sea dumping permit.

Chief Executive Officer's report on operations

Port Operations

The 2012 reporting year has indeed been an exciting one for the Authority having achieved a number of highlights including record trade of 14.274 million tonnes and record operating profit before tax of \$9.591 million. The Port and its users are to be congratulated for these achievements. The record trade was an increase of 2.0% compared to last year's total of 13.998 million tonnes.

The improvement in trade resulted mainly from a growth in exports of 2.1% and a marginal improvement in imports of 0.9% as compared to the prior year. The increase in exports was mainly attributable to increases in silica sand, copper concentrate and iron concentrate. The growth in imports was mainly attributable to increases in mineral sands imports and petroleum coke.

Demand for Port land continued to grow especially for bulk cargoes and the proposed grain silo storage on the southern side of the Inner Harbour.

Trade development in the Port continued with the completion of negotiations for the Perdaman Chemicals and Fertilisers Pty Ltd urea export project and negotiations for a non binding Heads of Agreement with future coal export proponent Lanco Resources Australia Pty Ltd also gaining momentum. The Port is also negotiating with a grain proponent to export up to 1 million tonnes of grain through the existing ship loader facility at Berth 3. Other important trade developments which occurred during the year included commencement of a third storage tank for recycled oil and exports of iron concentrate. The Authority also continues to discuss opportunities with service providers in establishing an interim container handling service through the Outer Harbour.

Cruise ship visits to the Port continued to provide welcome activity in the Outer Harbour with three visits generating economic benefits for the local small business sector while providing an added attraction for the local community.

Workplace health and safety is given high priority in the day to day practices of our operations. I am pleased to report that there were no lost time injuries for the 2011/2012 financial year, and it will be the Authority's goal to again achieve a nil result in the 2013 financial year.

The Authority continued its strong focus on environmental and risk management practices with community contacts remaining low in respect to impacts on the community from port operations. There was continued proactive environmental monitoring for dust and noise for new trades such as iron concentrate to ensure community impacts were minimised.

During the year, the Authority progressed with future trade development and capital investment projects in the Port with the assistance of government agencies such as the Department of Transport and Department of State Development. The support of these agencies has been invaluable to the Authority in providing advice to assist with the development of the business cases for the next phase of Port development in the Inner Harbour including the potential of land-backing Berth 3 and improvements to Berth 5 for the proposed exports of urea. Engineering consultants completed cost estimates and detailed design to +/-15% accuracy for these important business cases.

The Authority was granted a 10 year maintenance dredging sea dumping permit in February 2012. Prior to this, sea dumping permits were only issued for a 3 year period and the dredging was only able to be done once within this period. The 10 year permits reduces the cost to the Authority of having to go through the application process every 3 years as was the case previously. This also allows the Authority much more flexibility in terms of when the dredging can be undertaken during the year and allows multiple campaigns to be done within any one year if required.

Major Projects

The resurfacing of the concrete wharf and hardstand area on Berth 5 was completed in April 2012 at a cost of \$2.28 million. The repairs were necessary to bring the berth load capacity back to its original design specification.

A considerable amount of future planning was conducted in the 2012 financial year, in particular:

- A market sounding on the Berth 3 land-backing option;
- Firm cost estimates for the ultimate construction of a new Berth 3 shiploader and land-backed berth;
- Cost estimates completed for a Berth 5 waste water management system; and
- Arterial road initial investigations commenced for the Inner Harbour (south) to improve current and future traffic flows.

The Beacon 3 weather station was damaged in a storm in early 2011. A floating sea bed tethered weather station was designed and built to replace the damaged beacon, and was installed in January 2012. The beacon marks the entrance to the Port of Bunbury and is the seaward weather station for the Port providing data for the Dynamic Under Keel Clearance (DUKC) system and the Ports website. The new beacon is chained to the seabed plate and “sways” with the wave motion.

The Authority continues to complete a considerable amount of work on maintenance and improvements to the Leschenault Homestead. The Homestead will be used for short term office accommodation for our expanding number of staff until the Authority completes plans for an extension to the current administration office that can handle the growing workforce required for the effective and efficient operation of the port.

Ongoing maintenance has been carried out on the ship loader system at Berth 8. The Berth 1 ship loader and conveyor system was closed in November 2011 due to costs to bring the system up to current required specifications being deemed prohibitive by the Board. A tender for the demolition of the conveyor and for the sale of the ship loader will be awarded early in the 2012/2013 financial year.

Financial Performance

The Port achieved a record profit before tax of \$9.591 million and was a significant improvement on the profit last year of \$8.255 million. The improvement in profit performance compared to last year was mainly due to the record trade and its flow-on effects on revenue items such as pilotage, berth hire and port infrastructure as well as an increase in interest on investments at banking institutions. Total expenditure was marginally higher (2.1%) than last year.

Total revenue was \$33.157 million or 3.4% above budget, with operating costs of \$23.566 million being 4.4% below budget.

As at the end of the financial year, the Authority's balance sheet comprised total assets of \$113.543 million and total liabilities of \$13.062 million resulting in total equity of \$100.481 million.

Capital expenditure for the year totalled \$2.586 million.

Port Development

The Authority carried out their yearly strategic planning workshop in June 2012. This further confirmed that the proponent funded dredging and construction of Berth 14A for the export of up to 15 million tonnes of coal and land-backing Berth 3 dolphin structure berth should be the next major developments in the Inner Harbour. The land-backing of Berth 3 will increase the potential utilisation of the berth by converting it into a multi-purpose heavy lift berth. This development will provide the Port with the added flexibility of not only loading bulk products such as woodchips and grain, but also capacity for handling general and project cargo imports and exports over the same berth.

As there is no need for dredging of the berth pocket area the Berth 3 land backing option would also allow completion of the project in a more timely manner to coincide with the export of urea which is planned to be loaded over Berth 5 if the urea project proceeds as proposed.

In regards to the urea exports the Authority has completed the Lease and Port Services Agreement with Perdaman Chemicals & Fertilisers Pty Ltd.

The Authority is also negotiating with Lanco Resources Australia Pty Ltd to establish appropriate infrastructure at the Berth 14 site in the Inner Harbour. This site was identified as the most appropriate option for coal and other compatible bulk exports.

The Authority has appointed a consultant to assist with a GAP analysis to progress towards achieving ISO14001 accreditation. This is an important project for the Authority in ensuring our systems are of a high standard especially in relation to environmental management and occupational, health and safety.

Further work was undertaken during the year on the Preston River relocation project. The focus during the year was to obtain engineering design and indicative cost estimates for construction of the relocated river for preparation of the business case for the funding of the project. The project which has wider community benefits has been included in a joint submission to Infrastructure Australia with input from the South West Development Commission, Bunbury Wellington Economic Alliance, Department of Transport, Brookfield Rail, the Chamber of Minerals & Energy and Regional Development Australia.

With the potential for strong growth in trade and increasing demand for new infrastructure and land from current and future port users, the Port has a very positive outlook for 2012/2013 and into the future.

Human Resources

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

- Brian Granville, Chief Financial Officer
- Michael Beaton, Commercial Manager
- Michael Birchall, Marine Pilot
- Bradley Collins, Assistant Accountant
- Paul Hamilton, Senior IT System Administrator, and
- Lissel Redman, Environmental Officer

Apart from the Chief Financial Officer and Assistant Accountant, the other four positions were created as a result of a management review of the corporate structure to assist with the growing operational needs for the Authority especially in light of the increase in Port development and activity. Michael Birchall is the 4th Marine Pilot on our team. I am pleased to welcome all of the new staff who have settled in well to their roles.

Our Chief Financial Officer, John Barratt, is currently on Long Service Leave and will be on leave until his official retirement date in November 2012. John started at the Authority in January 1989 and saw many changes over the years at both the Authority and in Bunbury itself. I would like to take this opportunity to thank John for all his hard work and support. John has been a valued member of the team during his 23 years of service and will be missed.

Taking over from John Barratt is our new Chief Financial Officer, Brian Granville, who started in February 2012. With over 20 years experience in senior financial roles and a nomination for the *Institute of Chartered Accountants of Australia Chief Financial Officer of the Year Award* (2009), we are delighted to welcome Brian to the Authority.

At the end of October 2011, Grahame Coves (Accounting Systems Officer) retired after nearly 30 years at the Authority. Grahame is also a keen historian and has recorded and maintained the history of Bunbury Port.

The Authority is well known as being an "employer of choice" in the South West and can advise that there were only two staff resignations during the year due to relocation out of the Bunbury area. Our high retention rate reflects the value we place in our professional staff and the appreciation of the skills and input that each and every one of them provides in our day to day business requirements.

The Authority will continue to review the corporate structure in the new reporting period to ensure the operational needs of the Port and its users are in accordance with the anticipated growth in port trade.

The Marine Pilots Enterprise Bargaining Agreement negotiations were completed and approved through Fair Works Australia as was the BPA Administration & Maintenance Collective Agreement.

Acknowledgement

The Authority's enthusiastic professional team of management and staff are to be congratulated on their significant commitment during the year. They have responded to the growing number of customer enquiries from both new and existing Port user activity which has led to the record trade performance.

I would also like to thank them for assisting me with the many exciting projects this year and I look forward to working with them to meet the new challenges that lie ahead for the future development of the Bunbury Port.

I would also like to acknowledge the valuable contribution made by Port users, Port contractors, Port community committee and Government agencies, in particular the Department of Transport, whose combined input has greatly assisted the Authority in achieving its goals in 2012. Finally I extend my personal appreciation to our Chairperson Neema Premji and the Board of Directors for their continued support in establishing and refining corporate governance policies and their guidance with the important strategic planning and future direction for the Authority.



Kevin Schellack
Chief Executive Officer

environment, community and heritage



Environment

Overview:

While Port trade during the year exceeded 14 million tonnes, setting a new record, the number of community contacts regarding port operations continued to be very low overall and environmental incidents minimal. However, the exception to this was the community reaction regarding the export of iron concentrate through the Outer Harbour using the innovative “Tippler Bin” loading system. The nearby community had raised a number of concerns with the Authority about the use of the Outer Harbour to export this product including the increase in trucking movements along Casuarina Drive and the potential for noise and dust to impact their amenity. Following the initial export trials in May and June 2011 that were monitored for both dust and noise, public meetings were held in August and November 2011 to provide feedback to the community to explain the environmental and safety controls that were in place and to provide updates on the noise and dust monitoring results. The use of the tippler bin loading system provided excellent dust control and the Board requested the Authority work towards full containment of the product for the future. Trucking noise impacts were mitigated by a voluntary reduction in truck speed from 60kmh to 40kmh on Casuarina Drive.

As has been the case in previous years, the Authority continued its proactive approach to environmental management by undertaking marine sediment, seawater and biota monitoring to ensure that port activities were not causing any undesirable environmental impacts. Also, quarterly sediment and water chemistry sampling has continued in the nearby Leschenault Inlet, Preston River and Vittoria Bay to identify baseline conditions in these water bodies prior to some significant potential export developments at the Inner Harbour involving urea fertiliser and coal storage and export.

The risk assessment and management process for existing operations and for new export and import activities has continued to prove invaluable in identifying and mitigating current and potential community health, amenity and environmental impacts.

A toxicological review of all current and potential export and import products handled through the port was conducted during the second half of the year by an external organisation. While no “red flags” were raised in respect to risk with any of the products, high standards of housekeeping, equipment maintenance, containment

and ongoing environmental and occupational sampling continues to be required to ensure that the community and employee health is protected along with maintaining the environmental integrity of the port and its surrounds.

Work continued throughout the year to develop the Authority's Environmental Management system (EMS) to comply with the ISO14001 standard. The aim is to have the EMS externally audited for accreditation to this standard. A significant part of the EMS development was the updating of the Authority's Environmental Policy which was approved by the Board of Directors at its December 2011 meeting. The policy is the driver for the Authority's environmental management activities, setting a number of key strategies to achieve its environmental commitments.

Dust Monitoring

A key element of the Authority's environmental management system is its real time particulate (dust) monitoring network. During the period, the monitoring system comprising 4 x PM10 and 1 x TSP (PM50) Tapered Element Oscillating Microbalance (TEOM) particulate monitors again operated reliably with good data capture. The monitoring results continued to demonstrate that Port operations are not a significant source of airborne particulates, contributing only a small percentage of overall particulate concentrations. As has been previously reported, the very highest PM10 levels continue to be due to smoke from non-Port related activities and/or distant regional sources. This year, smoke from bush fires near the south coast significantly impacted the monitoring network during the week commencing 13 February 2012. All TEOMs registered PM10 concentrations above the 24 hour NEPM average of 50ug/m³.

The Authority continues to compare its daily monitoring results against PM10 particulate levels measured by the Department of Environment and Conservation at its monitoring site in South Bunbury which is distant from the port operational areas and removed from other industrial activities. In most instances, the daily average particulate levels are directly comparable.

The monitoring network now provides an SMS alert to the Port for PM10 dust levels with a 1 hour average above 35ug/m³. This allows the rapid investigation by Port HSE personnel of any potential Port related dust sources.

The current contract for the provision of the leasing and servicing of the particulate monitoring network was renewed for a further 2 years after a review of the performance and cost profile of the existing equipment and service contractor, and proposals from 2 other potential providers.

Noise Model

The Inner Harbour Cumulative Noise Model which was first completed in 2006 and revised biennially since then, is due for updating later in 2012. Other noise modelling work has been done by export proponents, particularly in relation to urea and coal exports. The updated Port noise model will include these potential noise sources. In addition, the Authority has resolved to purchase its own noise measurement equipment to complement the work done by external consultants.

Environmental Regulation

During the year, the Authority submitted Annual Audit Compliance Reports to the Department of Environment and Conservation (DEC) as required by the Berth 1 and Berth 8 environmental licences. No non-compliances with the licence conditions were declared by the Authority.

The DEC conducted a licence compliance audit of the Berths 1 and 8 prescribed areas. No licence condition breaches were identified.

Marine Monitoring

Following the commencement of the export of copper sulphide concentrate through Berth 8 in November 2009, numerous marine sediment, biota and seawater chemistry sampling programs have been conducted, the last being in May 2012. The data collected along with that from the first baselines in 2008 and 2009 is being used to monitor any changes to baseline metals levels due to concentrate handling, loading or wash-down activities.

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

Post-loading sampling and analysis has shown that the mean concentration of copper in the sediments of the Inner Harbour is showing a steady decline over time, demonstrating that improvements to the conveyor system and increased berth cleaning during loading has been effective in reducing the potential for product to enter the marine environment. Over the period since concentrate exports commenced, there has been no identifiable change in the seawater chemistry indicating low solubility of the product in salt water.

As previously recommended by the CSIRO in its March 2011 report on the *Assessment of the Bioavailability of Copper Concentrate in Marine Waters and Sediments of the Port of Bunbury*, sediment monitoring should continue along with time-integrated monitoring of dissolved copper concentrations in the seawater adjacent to Berth 8. To this end, the Authority has continued its 6 monthly monitoring program and the concentrate exporter has commissioned marine sampling to be undertaken using Diffusive Gradients in Thin Films (DGT) which is a technique for determining bioavailable metal concentrations. This work is expected to commence in July 2012.

Land based monitoring

Samples of sediment removed from the Berth 8 waste water capture drain over the summer period were subjected to metals leachate testing to determine the type of disposal site to which it could be sent. The testing confirmed that the sediment could be disposed of to either Port land or a Class 1 disposal site. The leachate testing will be repeated for all material removed from the drain in future. In addition, the Authority has continued a 3 monthly regime of water and sediment quality monitoring to ensure that the water quality in the retention basin into which the capture drain discharges is suitable for occasional overflow discharge into the Preston River.

Soil sampling was conducted during the first half of 2012 at sites within the Port Reserve previously used for agricultural activities to determine if the soil had been contaminated by the past activities. Analysis of the soil samples proved negative for any contamination.

Estuarine and Riverine monitoring

Due to the proximity of the Inner Harbour to the Leschenault Inlet and Estuary and the Preston River that bisects the Port Reserve, the Authority continued its quarterly sampling program in these water bodies to build a comprehensive database on the metals concentrations in the sediments and the in-situ water quality parameters. The monitoring also included the

Berth 8 waste water retention basin, undertaken to ensure that Port operations are not impacting on the environmental qualities of these significant water bodies. Total recoverable hydrocarbons (TRH) and benzene, toluene, ethylbenzene and xylenes (BTEX) are also part of the analysis suite to ensure the effectiveness of the 3 hydrocarbon capture booms positioned in the Berth 8 waste water drain in preventing any potential contamination from hardstand run-off or fuel spills.

Inner Harbour Structure Plan Strategic Public Environmental Review (SPER)

Following discussions with the Office of the Environmental Protection Authority (EPA) in the latter part of 2010 regarding the proposed Preston River realignment project, it was agreed that the Authority would undertake a strategic environmental assessment of the entire Inner Harbour Structure Plan of which the Preston River realignment is a significant part. This approach would allow an assessment by the regulator of the cumulative environmental and community impact of all elements of the future Inner Harbour development rather than assessing individual development proposals in isolation. The Authority submitted a Draft Environmental Scoping Document to the EPA in early 2011 and subsequently received the final version of the document written by the EPA in late January 2012.

During June 2012, the Authority sought expressions of interest from a number of environmental companies to undertake the role of lead consultant to oversee the studies set out in the scoping document. Responses to the expression of interest request will be assessed in the early part of the next reporting year.

Maintenance Dredging

The Authority submitted its 10 year sea dumping permit application to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities (DSEWPAC) in October 2010 and subsequently the permit was approved and received by the Authority in February 2012. As a condition of the permit, a biennial invasive marine species (IMS) survey was required to be undertaken. This work was completed during May 2012 with survey work being done at the Inner and Outer Harbours, shipping channel and the off-shore spoil ground. Results were pending at the end of the year.

The Long Term Dredge Materials Management Plan (LTDMMMP) which is a requirement of the sea dumping permit was revised in March 2012 to take into account some adjustments to the sediment sampling program.

The plan is available for reference on the Authority's website.

The Authority reported its calendar year 2011 maintenance dredge volume data to DSEWPAC in March 2012 as required by its interim sea dumping permit.

In addition, wrack (seaweed) removed from the shipping channel by trawler prior to dredging, was tested for metals but was found to be free of any contamination.

Community

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

As previously mentioned, public meetings were held in August and November 2012 to provide feedback to the community regarding the export of iron concentrate through the Outer Harbour. The meetings were used to provide information on the use of the tippler bin loading system and its effectiveness in providing significantly enhanced control of dust and spillage over that of traditional bulk loading conveyor systems.

Heritage

The Authority now utilises the heritage listed Leschenault Homestead as additional office and meeting space with the HSE Department employees relocating there in August 2011. Since this time, significant work has been done to bring the building to a standard that meets its administrative use. Work has included upgrading of the power supply to allow the installation of an air-conditioned, sound proofed back-up computer server room and the connection of fibre optic cable. The Homestead also serves as an emergency control centre and back up administration centre should the main administration building become unavailable.

The gardens surrounding the Homestead have been revitalised with the reinstatement of the reticulation system and stabilisation work completed on the two western side brick chimney bases that were fretting due to the effects of dampness.

The Homestead was entered in the Register of Heritage Places on a permanent basis pursuant to section 51 of the *Heritage of Western Australia Act 1990* in December 2011. The Authority supported the listing after seeking assurances from the State Heritage Office that it did not jeopardise the possible relocation of the Homestead should future Inner Harbour Development require this.

To recognise the reuse of the Homestead for administrative purposes, the Authority nominated the Homestead for the *2012 Western Australian Heritage Awards Category 10 – Excellence in Adaptive Reuse* and was chosen as a finalist in this category.

The proposal to record, take down and flat-pack the Homestead outbuildings was submitted to the State Heritage Office in May 2012 for their consideration as the buildings are in a poor state of repair and continuing to deteriorate. The flat-packing proposal, along with an archival record of the outbuildings was prepared by a local heritage architect and a consulting structural engineer with a long history of involvement with heritage structures. If the proposal is approved, the structures will be carefully dismantled and securely stored for later reconstruction. The reconstruction will be tied to the possible relocation of the Leschenault Homestead to a site adjacent to the realigned Preston River which is a key element of the Inner Harbour Structure Plan for the future development of the port.



Corporate governance



The Organisation

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

The Board of Directors, as the governing body of the Authority, has adopted the following corporate governance principles as the framework by which the Board carries out its duties and obligations on behalf of the Government shareholder to enable the Authority to fulfil its mission being:

“To contribute to the economic growth and development of the South West region of Western Australia by facilitating trade in a commercial and efficient manner.”

The Board of Directors

Role of the Board

The Board consists of five Directors who are responsible for setting the strategic direction and establishing the corporate policies and procedures of the Bunbury Port Authority. The Board is also accountable for planning approvals, monitoring the business activities and overseeing the financial performance of the Authority on behalf of the Government, the sole shareholder by whom the Directors are appointed and to whom they are answerable.

The Board also takes a proactive approach on matters that may be raised in relation to internal controls and procedures in regards to the following risk management categories:

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

The Chief Executive Officer who is accountable to the Board for the efficient performance of those duties described in *the Act* is responsible for the day to day management of the Ports activities.

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

- Standing Orders to encourage maximum participation by Directors at meetings of the Board;
- a Corporate Governance Committee to ensure Board efficiency, quality in outcomes, and continuous improvement in Board performance is achieved. Consistent with the powers of delegation contained in the enabling legislation, the Board has defined appropriate levels of delegation to effectively manage the Authority's business with clear lines of accountability;
- an Internal Audit and Risk Management Committee which oversees the internal audit program and assessment of risk of the Authority's operations; and
- a Human Relations Committee which oversees the review of staff awards and individual contracts as well as human resource management policies.

In addition, two of the Directors attend the Authority's well established Port Community Liaison Committee (PCLC) meetings which are held bi-monthly. Local resident John Saunders has been Chairman of the PCLC for many years and his voluntary service in this important community role is appreciated.

Composition of the Board

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

Appointment and Retirement of Directors

Directors are appointed by the Minister for Transport in accordance with Section 7 (1) of *the Act*. Directors are appointed for periods of up to three years and are eligible for reappointment. The Minister may at any time remove a Director from office and is not required to give any reason for doing so. The Minister appoints the Chairman and the Deputy Chairman.

Independent Professional Advice

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

Conflict of Interest

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

- a) withdraw from deliberations concerning the matter; and
- b) not be permitted to participate in any vote on the matter.

They are not permitted to exercise any influence over other Board members or to make improper use of information or their position.

Directors Fees

The Minister in accordance with Section 10 of *the Act* determines the fees for Directors. Details of fees and other benefits paid to Directors during the reporting period are provided within the Directors Report.

Ethical Standards

The Board recognises that the Authority's corporate governance, safety, occupational health, environmental and ethical standards must be of a high standard. The Board therefore keeps these practices under review on an annual basis. All Directors and employees are required to meet high standards of ethical business practice and must abide by a code of conduct which is part of the Port Authority policy Code of Conduct and Ethical Behaviour.

These policies comply with the requirements of the Commissioner for Public Sector Standards.

The performance of staff against the Code of Conduct and Ethical Behaviour is reported annually to the Minister in accordance with Section 21 and 23 of the Act.

Remuneration

The remuneration of the Chief Executive Officer is reviewed annually by the Board and is subject to the provisions of the Salaries and Allowances Act 1975 and the approval of the Minister. The annual review includes performance evaluation based on key targets linked to the Statement of Corporate Intent, as well as taking into consideration comparative remuneration and independent advice when required.



Internal Audit and Risk Management Committee

The Internal Audit and Risk Management Committee met regularly during the year to discuss internal audit findings, to review the Authority's Risk Register and assess new risks that may have been identified during the year. The Committee is represented by two Directors. The Authority's Internal Auditors attended meetings where required to discuss their audit findings and recommendations.

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

- Regular, management oriented appraisals of functions to determine their appropriateness in the context of the Authority's objectives as described in the Statement of Corporate Intent and Strategic Development Plan (including, but not restricted to, accounting and financial management information and control systems, monitoring operational performance and risk management systems);
- Reviews of the reliability of accounting and financial management information and the protection of all assets and resources under the Authority's control;
- Regular reports on the extreme and high level risks to the Authority and its operations with at least annual reports on medium and low level risks;
- Reviews of the risk management systems and mitigation strategies developed, implemented and monitored by the Authority;
- Independent and confidential advice on action to be taken to improve operational effectiveness, efficiency and economy;
- Follow up appraisals, where appropriate, regarding remedial action taken by levels of management as a result of the Audit Committee's findings and recommendations; and
- Follow up recommendations and concerns as expressed by the External Auditor as a result of any audit findings and recommendations.

The Committee is an important link for the Internal and External Auditors to provide their views and recommendations to the Board. During the year the Audit Committee held 4 meetings one of which was to discuss the Strategic Audit Plan for the 2011/12 reporting period.

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

- Vested land, including Property Management & Lease Management;

- Procurement Procedures;
- Broad Risk Management;
- Board Governance, including Community Issues and Complaints;
- Asset Management Plan;
- Major Service Contracts;
- Insurance Protections; and
- Accident/Incident reporting.

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

The financial systems and functions of the Authority were audited in May 2012 by the internal auditors in preparation for the external audit.

Internal Controls

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

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

The Authority has in place the following arrangements;

- Review and approval by the Board of the annual budget which includes the Statement of Corporate Intent and the five year Strategic Development Plan. These are to be agreed between the Minister and the Board with the concurrence of the Treasurer;
- Authorisation of major capital and service provider contractual commitments by the Board;
- Guidelines, limits and controls on all financial risks and exposures in accordance with the powers of delegation of the Port Authorities Act;
- A comprehensive annual insurance program including risk management reviews and business continuity planning undertaken where necessary with the assistance of professional outside advisors;
- Compliance with equal opportunity legislation including affirmative action, sexual harassment, discrimination, diversity and the environment; and
- Compliance with financial reporting requirements and applicable accounting standards.

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

Risk Management/Business Continuity

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

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

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

The Authority has adopted a pro-active rather than reactive approach to risk management by establishing a Risk Management Framework, discussing on a weekly basis new risks that have been identified and incorporating risk management as a standing item on agendas for each Internal Audit and Risk Management Committee meeting. At each Committee meeting risks that are rated as extreme or high are reviewed and the Risk Register updated accordingly.

A comprehensive Risk Treatment Action Plan has been developed by the Committee for recording treatment and actions that have been or are planned to be taken for each risk. When the Committee is satisfied that all the necessary action that can be taken has been implemented to reduce the risk the Committee Chairman then signs off on the Risk Treatment Action Plan.

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

Expenditure Guidelines

The Authority has clearly defined expenditure guidelines for the purpose of controlling operating and capital expenditure. A major focus in controlling expenditure includes monthly reports analysing the variances between actual and budgeted expenditure for the major business units which include marine expenses, port operations, administration and management services, asset maintenance and port utilities. In addition there are formally approved levels of delegated financial authority endorsed by the Board.

The Authority is required to obtain the approval of the Minister for individual capital works expenditure projects that exceed two million dollars and advises the Minister of projects that exceed one million dollars. The Board also reviews capital expenditure and cash flows at monthly Board meetings.

Financial Management Act 2006

Section 91 of the *Port Authorities Act 1999* gives effect to Schedule 5 of *the Act*, which contains provisions substantially based upon Corporations Law in relation to financial administration and audit. The provisions of the Financial Management Act 2006 are limited to the application of the audit process only.

Port Pricing Policies on Services

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

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

In 2011/12 port charges increased to aid in the recovery of budgeted increases in major maintenance and refurbishment costs, especially for berths and port infrastructure, as well as for pilotage to recover an increase in the number of marine pilots employed for the service.

The Authority's Port charges can be obtained from the Authority's web site.

Bunbury Port Authority organisational chart 30 june 2012



Trade development



Total trade for 2011/2012 was a record 14.274 million tonnes, an increase of 0.276 million tonnes or 2.0% compared to previous record of 13.998 million tonnes set in 2010/11.

Compared to the 2010/2011 year there were improvements in a number of exports in particular silica sand which rose by 0.105 million tonnes, alumina which improved by 0.057 million tonnes and iron concentrate which improved by 0.174 million tonnes. The main improvements in imports were for mineral sands which increased by 0.043 million tonnes and petroleum coke which improved by 0.016 million tonnes as compared to last year.

The main negative variation was in the export of woodchips which declined 0.133 million tonnes and also a number of import cargoes such as vegetable oils, methanol and general cargo.

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

Total exports for this year compared to last year increased by 2.1% to 12.630 million tonnes while imports also increased by 0.9% to 1.644 million tonnes compared to the previous year. Exports represent over 88% of total trade through the port for 2011/2012.

Commercial vessel visits were down slightly with 411 visits as compared to 414 for 2010/11 as was the Gross Registered Tons of vessels decreasing marginally by 0.7% to 11.342 million GRT.

Milestones achieved during the year included:

- Record total trade of 14.274 million tonnes (previously 13.998 mt).
- Record total exports of 12.630 million tonnes (previously 12.410 mt).
- Record total imports of 1.644 million tonnes (previously 1.629 mt).
- Record exports of spodumene of 0.397 million tonnes (previously 0.387 mt).
- Record exports of copper concentrate of 0.216 million tonnes (previously 0.156 mt).
- Record exports of iron concentrate of 0.194 million tonnes (previously 0.020 mt).
- Record imports of mineral sands of 0.318 million tonnes (previously 0.275 mt).
- Record imports of petroleum coke of 0.023 million tonnes (previously 0.011 mt).
- Individual vessel record import of coal – Michelle C – 11,643 tonnes July 2011.
- Individual vessel record export of iron concentrate – BBC Thames -15,540 tonnes February 2012.
- Individual vessel record export of recycled oil – Golden Yasaka 5,263 tonnes December 2011.
- Individual vessel record import of timber – Western Steamer 6,058 tonnes May 2012.

Trade Forecast

The Authority is forecasting total trade for 2012/2013 of 15.680 million tonnes. This represents a 9.9% increase compared to the 2011/2012 trade result.

The majority of the trade volumes are expected to remain at similar levels to those achieved for the reporting period except for alumina, woodchips and spodumene exports which are forecast to increase by 1.103 million, 0.210 million and 0.103 million tonnes respectively. An increase in caustic soda imports of 0.112 million tonnes is also forecasted for the 2012/13 year.

Commercial vessel numbers are estimated to be higher than the 2011/2012 year.

statistical information

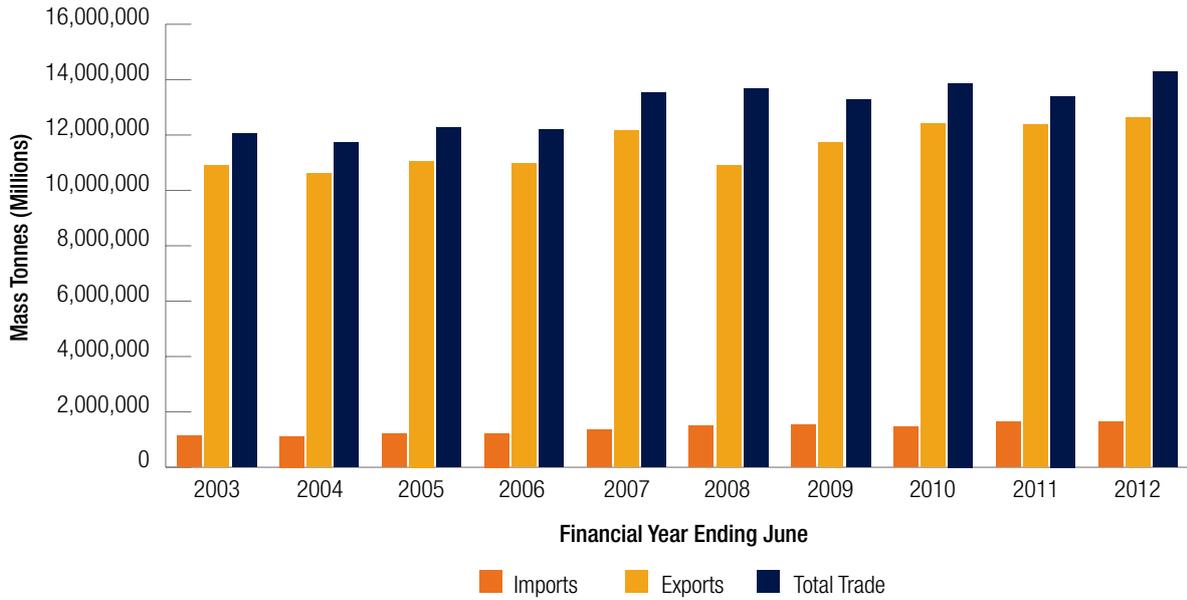
10 Year Period from 2003 to 2012

| Cargo - (tonnes) | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| IMPORTS: | | | | | | | | | | |
| Commodity | | | | | | | | | | |
| Caustic Soda | 960,988 | 961,581 | 1,084,133 | 1,050,342 | 1,110,470 | 1,149,597 | 1,146,632 | 1,158,492 | 1,194,894 | 1,187,668 |
| Mineral Sands | 88,491 | 71,799 | - | 44,449 | 172,567 | 230,341 | 252,356 | 179,386 | 274,523 | 317,985 |
| Phosphate Rock | 23,241 | - | - | - | - | - | - | - | - | - |
| Potash | 20,928 | 21,634 | 36,135 | 8,703 | - | 12,099 | 21,755 | - | - | - |
| Petroleum Coke | 23,520 | 22,057 | 40,612 | 66,911 | 46,379 | 53,737 | 58,967 | 45,341 | 61,098 | 77,396 |
| Methanol | 13,478 | 14,733 | 15,505 | 18,614 | 15,684 | 15,943 | 14,739 | 9,715 | 13,538 | 7,893 |
| Sugar | - | 10,025 | - | - | - | - | - | - | - | - |
| Vegetable Oil | 8,056 | 6,662 | 3,392 | 4,097 | 4,081 | 3,156 | 3,015 | 3,626 | 4,442 | 1,972 |
| General | 1,503 | 996 | 1,864 | - | - | 6,652 | - | 29,188 | 45,506 | 3,515 |
| Coal | 4,724 | 3,789 | - | 4,605 | 4,637 | - | 4,800 | 4,468 | 10,502 | 22,585 |
| Chemical Fertilizers | 4,019 | 8,107 | 20,924 | 34,668 | 8,046 | 21,292 | 36,208 | 26,786 | 24,268 | 17,488 |
| Timber | - | - | - | - | - | - | - | - | - | 7,304 |
| TOTAL IMPORTS | 1,148,948 | 1,121,383 | 1,202,565 | 1,232,389 | 1,361,864 | 1,492,817 | 1,538,472 | 1,457,002 | 1,628,771 | 1,643,806 |

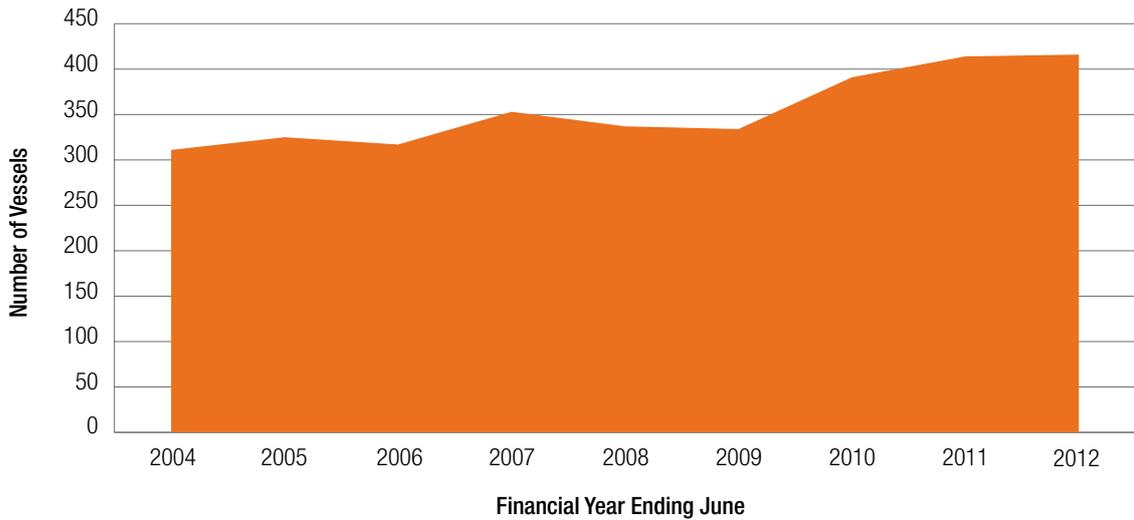
| | | | | | | | | | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| EXPORTS: | | | | | | | | | | |
| Commodity | | | | | | | | | | |
| Alumina | 8,248,673 | 8,435,401 | 8,469,142 | 8,531,913 | 9,127,092 | 9,315,589 | 9,476,391 | 9,663,730 | 9,439,269 | 9,496,531 |
| Mineral Sands | 1,005,415 | 806,308 | 852,912 | 1,014,241 | 1,113,234 | 1,096,167 | 732,732 | 720,774 | 482,458 | 486,812 |
| Silica Sand | 459,192 | 348,810 | 334,532 | 257,105 | 289,045 | 135,141 | 218,068 | 250,524 | 245,551 | 350,220 |
| Spodumene | 106,245 | 121,683 | 126,300 | 140,124 | 272,341 | 204,365 | 204,844 | 248,051 | 387,204 | 396,928 |
| Woodchips | 1,045,693 | 734,705 | 1,212,621 | 966,090 | 1,283,402 | 1,347,925 | 1,094,405 | 1,313,394 | 1,522,675 | 1,389,988 |
| Aluminium Hydroxide | 6,478 | - | - | - | - | - | - | - | - | - |
| General | 8,739 | 9,246 | 20,047 | 12,724 | 11,505 | 16,122 | 12,337 | 17,615 | 19,108 | 33,972 |
| Silicon Dross | 4,475 | - | - | - | - | - | - | - | - | - |
| Timber | 10,403 | 130,312 | 39,129 | 50,445 | 63,853 | 43,015 | - | 87,290 | 85,974 | 42,567 |
| Copper Concentrate | - | - | - | - | - | - | - | 108,507 | 155,739 | 215,846 |
| Kaolin Clay | 1,500 | - | - | - | - | - | - | - | - | - |
| Vegetable Oils | 1,038 | 2,524 | 504 | - | - | - | - | - | - | - |
| Talc | - | 9,367 | - | - | - | - | - | - | - | - |
| Iron Concentrate | - | 8,437 | 9,174 | - | - | 7,607 | - | - | 20,126 | 193,654 |
| Recycled Oil | - | - | - | - | - | - | - | - | 10,691 | 19,365 |
| Petroleum Products | - | - | - | - | - | - | - | - | - | 3,921 |
| TOTAL EXPORTS | 10,897,851 | 10,606,793 | 11,064,361 | 10,972,642 | 12,160,472 | 12,165,931 | 11,738,777 | 12,409,885 | 12,368,795 | 12,629,804 |
| Fuel Oil (Bunkers) | 37 | 425 | 292 | 135 | 55 | 192 | - | 82 | 70 | 60 |
| TOTAL TRADE | 12,046,836 | 11,728,601 | 12,267,218 | 12,205,166 | 13,522,391 | 13,658,940 | 13,277,249 | 13,866,969 | 13,997,636 | 14,273,670 |

| | | | | | | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| SHIPPING: | | | | | | | | | | |
| Gross Registered Tonnage | | | | | | | | | | |
| | 9,063,323 | 8,405,277 | 9,055,627 | 9,075,026 | 10,104,099 | 9,730,372 | 9,895,143 | 11,023,611 | 11,419,143 | 11,342,151 |
| Number of Vessels: | | | | | | | | | | |
| Commercial Vessels | 320 | 311 | 325 | 317 | 353 | 337 | 334 | 391 | 414 | 411 |
| Other | 3 | 2 | 6 | 8 | 7 | 10 | 11 | 11 | 9 | 5 |
| Number of Vessels | 320 | 311 | 325 | 317 | 353 | 337 | 334 | 391 | 414 | 416 |

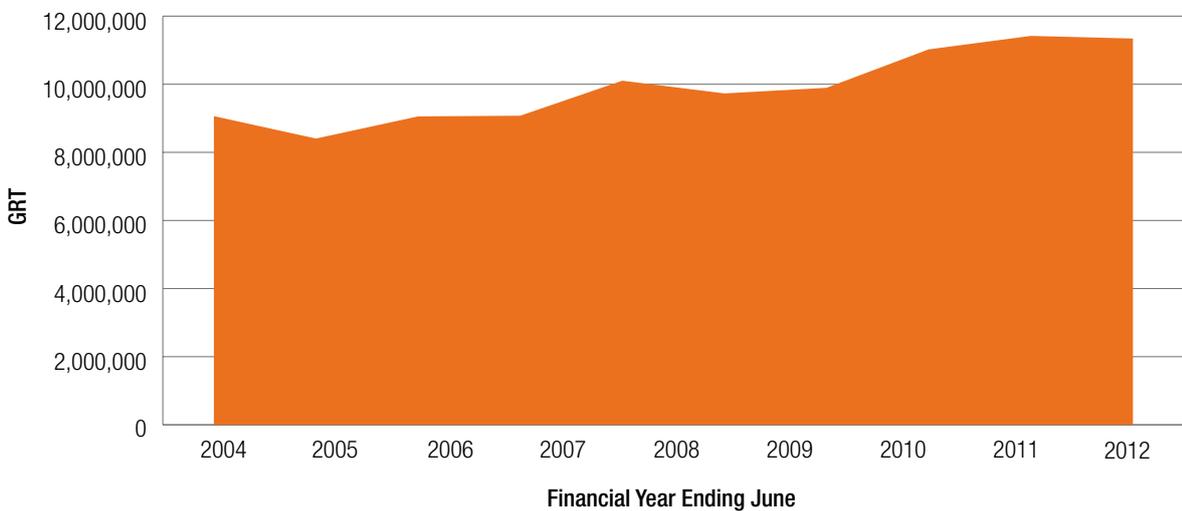
Total Port Trade Over 10 Years



Commercial Vessel Visits - Comparison Over 10 Years



Gross Registered Tonnage (GRT) - Comparison Over 10 Years



Key Performance indicator results 2012

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

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

Four Year Performance Comparison

| | Target 2012 | Actual 2012 | 2011 | 2010 | 2009 |
|--|----------------|----------------|-------|-------|-------|
| Effectiveness Indicators | | | | | |
| 1. Berth Utilisation (Occupancy) | 40.03% | 45.6% | 40.3% | 34.3% | 26.9% |
| (The indicator includes commercial and naval vessels but excludes dredges & vessels laying up) | | | | | |
| Comment: This indicator measures the percentage of actual hours of utilisation of all berths compared to total available hours. | | | | | |
| The higher the percentage the greater the effective or productive use of the berths. | | | | | |
| Berth occupancy = total vessel hours at berth/total annual hours available expressed as a percentage. | | | | | |
| The berth utilisation result is higher than the target mainly due to the onflow effect of record cargo throughput and a decrease in load rates for some cargoes. | | | | | |
| 2. Average Ship Turn Around Time (Hours) | 58.8 | 65.12 | 58.2 | 50.9 | 46.4 |
| (Commercial vessels only.) | | | | | |
| Comment: Measures effectiveness of port operations to moor, load and let-go vessels. Generally the lower the figure the better. | | | | | |
| The target for Average Ship Turn Around Time was not met this year. It was higher than the target mainly due to slower loading rates. | | | | | |
| The indicator is calculated as the average cargo hours in port per vessel for commercial vessels only. | | | | | |
| 3. Average Ship Delay Time (Hours) | 0 | 0 | 0 | 0 | 0 |
| Comment: There were no delays to vessels during the year due to industrial stoppages. | | | | | |
| This measures the effectiveness of the Authority and private sector service providers in the Port to manage industrial relations. | | | | | |



Four Year Performance Comparison

| | Target 2012 | Actual 2012 | 2011 | 2010 | 2009 |
|--|----------------|----------------|------|------|------|
|--|----------------|----------------|------|------|------|

Financial Indicators

| | | | | | |
|---|--------|--------|--------|--------|--------|
| 4. Gross Cargo Revenue per Cargo Tonne | \$0.57 | \$0.58 | \$0.54 | \$0.49 | \$0.45 |
|---|--------|--------|--------|--------|--------|

Comment: Measured in dollars per cargo tonne. The indicator is calculated by dividing the total revenue from cargo related Port Authority charges by the total per unit throughput (total trade tonnes) of the Port.

This indicator shows the average level of revenue per cargo tonne and provides information about the movement in port charges to port users. The target was met this year.

| | | | | | |
|---------------------------------------|----------|----------|----------|----------|----------|
| 5. Gross Ship Revenue per Ship | \$31,554 | \$33,191 | \$30,327 | \$27,517 | \$26,026 |
|---------------------------------------|----------|----------|----------|----------|----------|

Comment: Measures the gross revenue received from Port Authority vessel charges per trading vessel visiting the Port.

The purpose of the indicator is to show the average level of revenue earned by the Authority for each ship entering the port. The result for the year is higher than the target due mainly to an increase in berth utilisation and hence berth hire at BPA berths and increased pilotage as a result of growth in intra-port movements.

| | | | | | |
|---|--------|--------|--------|--------|--------|
| 6. Aggregated Operating Cost per Cargo Tonne | \$1.78 | \$1.65 | \$1.59 | \$1.61 | \$1.46 |
|---|--------|--------|--------|--------|--------|

Comment: This is an efficiency indicator, the lower the indicator the better as it reflects the maximisation of outputs (revenue tonnes) with minimisation of inputs (operating costs). The aggregated operating cost includes all financial, maintenance and administration costs (before income tax).

This target was met this financial year



Four Year Performance Comparison

| | Target 2012 | Actual 2012 | 2011 | 2010 | 2009 |
|--|----------------|----------------|------|------|------|
|--|----------------|----------------|------|------|------|

Efficiency Indicators

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| 7. Total Cargo Tonnes Average per Berth. | 2,197,429 | 2,039,096 | 1,999,662 | 1,980,996 | 1,896,750 |
|---|-----------|-----------|-----------|-----------|-----------|

Comment: This indicator is calculated by dividing the total number of berths into the total actual cargo tonnes for the year to arrive at a figure in cargo tonnes per berth.

Although the Authority achieved a record trade, the lower performance compared to the target is due to the actual trade of 14.274 million tonnes being 7.2% lower when compared to the budget target of 15.382 million tonnes.

| | | | | | |
|---|-----|-----|-----|-----|-----|
| 8. Cargo Tonnes per Total Vessel Hour. | 611 | 533 | 581 | 696 | 856 |
|---|-----|-----|-----|-----|-----|

(Average of all berths)

Comment: This indicator is calculated by dividing the total cargo tonnes by the total hours that vessels are in port and is based on commercial vessel hours only.

The reduction in tonnes loaded per hour over the preceding four years is due mainly to changes in loading types with varying cargoes to meet increasing environmental standards.

Environmental & Sustainability Indicators

| | | | | | |
|---|----|---|---|---|---|
| 9. Achieve Year on Year Reduction in | 20 | 3 | 7 | 6 | 9 |
|---|----|---|---|---|---|

Substantiated Community Complaints

Comment: This indicator is measured by the number of substantiated complaints received by the Authority and entered into the Authority's Complaints Register.

The result was lower than the target figure and an improvement compared to the previous year.

| | | | | | |
|---|---|---|---|---|---|
| 10. Target Zero Lost Time Injuries | 0 | 0 | 1 | 0 | 1 |
|---|---|---|---|---|---|

Comment: The results for this indicator are provided by the State Government Insurance Commission (RiskCover), and is calculated as the number of lost time injury/disease claims where one day/shift or more is estimated to be lost on claims lodged in the financial year.

There were no lost time injuries during the reporting period, an improvement on the previous year.



5 Year performance summary

| | 2012 \$'000 | 2011 \$'000 | 2010 \$'000 | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|----------------|----------------|----------------|
| Financial Performance | | | | | |
| Operating income | 31,400 | 28,862 | 24,881 | 20,746 | 20,232 |
| Interest income | 1,757 | 1,652 | 1,155 | 1,096 | 1,596 |
| Total operating income | 33,157 | 30,514 | 26,036 | 21,842 | 21,828 |
| Operating expenses | (18,533) | (16,086) | (15,440) | (12,815) | (11,085) |
| Operating profit before depreciation, interest paid and income tax equivalent | 14,624 | 14,428 | 10,596 | 9,027 | 10,743 |
| Depreciation and impairment | (4,510) | (5,484) | (6,232) | (6,230) | (4,287) |
| Borrowing costs | (523) | (689) | (634) | (769) | (813) |
| Net profit before income tax equivalent | 9,591 | 8,255 | 3,730 | 2,028 | 5,643 |
| Income tax equivalent | (2,862) | (2,466) | (1,150) | (578) | (1,705) |
| Net profit after tax | 6,729 | 5,789 | 2,580 | 1,450 | 3,938 |
| Financial Position | | | | | |
| Current assets | 35,846 | 32,221 | 28,320 | 26,481 | 22,434 |
| Non-current assets | 77,697 | 78,571 | 78,742 | 78,985 | 83,605 |
| Total assets | 113,543 | 110,792 | 107,062 | 105,466 | 106,039 |
| Current liabilities | 5,517 | 4,054 | 2,799 | 3,959 | 2,527 |
| Non-current liabilities | 7,545 | 9,223 | 10,860 | 13,018 | 14,504 |
| Total liabilities | 13,062 | 13,277 | 13,659 | 16,977 | 17,031 |
| Net assets | 100,481 | 97,515 | 93,403 | 88,489 | 89,008 |
| Equity | | | | | |
| Reserves | 14,815 | 14,815 | 14,815 | 14,815 | 14,815 |
| Retained earnings | 85,666 | 82,700 | 78,588 | 73,674 | 74,193 |
| Total equity | 100,481 | 97,515 | 93,403 | 88,489 | 89,008 |
| Statistics | | | | | |
| Financial: | | | | | |
| Operating profit margin | 47% | 50% | 43% | 44% | 53% |
| Operating expense ratio | 71% | 73% | 86% | 91% | 74% |
| Debt to equity ratio (total liabilities/equity) | 13% | 14% | 15% | 19% | 19% |
| Interest cover - profit basis (times) (EBIT/Int) | 19.34 | 12.98 | 6.88 | 3.64 | 7.94 |
| Total operating income per FTE | \$1,228,037 | \$1,130,148 | \$1,239,810 | \$1,040,095 | \$1,284,000 |
| Return on average net assets (RONA) | 10.2% | 9.4% | 4.8% | 3.0% | 7.0% |
| Dividends paid/payable \$'000's | 3,763 | 1,677 | 725 | 1,969 | 4,049 |
| Trade: | | | | | |
| Total Export Trade | 12,629,804 | 12,368,865 | 12,409,967 | 11,738,777 | 12,166,123 |
| Total Import Trade | 1,643,806 | 1,628,771 | 1,457,002 | 1,538,472 | 1,492,817 |
| Total Port Trade | 14,273,610 | 13,997,636 | 13,866,969 | 13,277,249 | 13,658,940 |
| Total Commercial Vessels | 411 | 414 | 391 | 334 | 337 |
| Total Gross Registered Tons | 11,342,151 | 11,419,143 | 11,023,611 | 9,895,143 | 9,730,372 |

Other Legal and government policy requirements

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

Disability Access and Inclusion Plan Outcomes

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

- Physical access is provided to the administration office from the car park.
- Provision of facilities in the office for people with disabilities in accordance with Australian Standards.
- Matt Gare has completed nearly six years employment service with the Authority as our casual Data Entry Officer.

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

Recordkeeping Plan

In accordance with section 19 of the State Records Act 2000 the Authority is required to have a Recordkeeping Plan (RKP).

The completely reviewed draft Bunbury Port Authority's Recordkeeping Plan 2012 has been approved by the State Records Office and has been submitted to the State Records Commission (meeting scheduled for August 2012) for approval.

This Recordkeeping Plan applies to all:

- Bunbury Port Authority employees;
- Bunbury Port Authority contractors; and
- Organizations performing outsourced services on behalf of the Bunbury Port Authority.

Records Management Systems

The Port's electronic records management system SynergySoft Central Records module was installed by IT Vision as reported last year and all staff are responsible for the creation and management of the Port's corporate records.

- Records Awareness Training was conducted the day before General User Training and staff were assisted in using the new system for the first time from 22 August 2011.

Records Management Policy and Procedures

The creation and management of the BPA's records is coordinated by the organization's Records Officer.

The BPA will adopt the RKP as the "manual" and promulgate it to staff following approval by the State Records Commission.

- The policies and procedures have been established;
- The roles and responsibilities for all employees are defined;
- The organizational scope of the policies and procedures has been addressed e.g. their applicability to regional branches or outsourced contractors; and
- The policies and procedures have been authorised at an appropriate senior level and are available to all employees.

Ministerial Directives

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

There were no Ministerial directives during the year.

Information Statement

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

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

- 2011 Annual Report
- Portal Newsletter, Issue 17 October 2011 and Issue 18 March 2012.

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

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

A formal application for information must be:

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

The Authority's FOI Coordinator received nil FOI access applications during 2011-2012.

Compliance with Public Sector Standards and Ethical Codes

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

The report submitted in compliance showed that in 2011/2012 there were no incidents involving reportable misconduct or breaches of the Authority's code of conduct.

Human Resource Policies and Procedures

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

The Authority's policies generally follow the guidelines and principles of the public sector standards in human resource management. The Human Resource Policies are in the Authority's reference library which is accessible to all staff.

During the reporting period there were six full-time positions advertised by the Authority. The positions were for an Assistant Accountant; Chief Financial Officer; Commercial Manager; Environmental Officer; Marine Pilot and Senior IT Administrator. There were no claims arising as a result of the recruitment, selection and appointment process carried out by the Authority for these positions.

The Marine Pilots Enterprise Bargaining negotiations were finalised in a mutually agreeable manner, as was the BPA Administration & Maintenance Collective Agreement.

Substantive Equality

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

The number of permanent full-time women employed by the Authority has increased from 7 in 2011 to 8 in 2012.

Occupational Safety, Health and Injury Management

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

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

During the year there was one minor injury to a staff member that resulted in no lost time. The Authority will continue to comply with the injury management requirements of the Workers Compensation and Injury Management Act 1981. The Injury, Illness and Return to Work Management plan is available to all employees on the Authority's electronic filing system. The Port is committed to assisting employees who are injured at work or who suffer a work related illness to return to work as soon as appropriate.

The Authority's Health and Safety Management Plan is reviewed annually. The Authority also has an Employee Assistance Program (EAP) which assists employees to resolve work and personal issues that may affect their wellbeing and productivity.

The Authority is also committed to providing first aid training to all staff on a voluntary basis and it is pleasing to report that eight staff have undertaken Senior First Aid Training this financial year. It is planned that most staff will have completed their first aid training within two years of the program commencing.

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

Risk Management

The Authority recognises the importance of a pro-active risk management program and also recognises that senior managers need to be aware of their legal responsibilities in regards to workplace safety hazards which have become broader.

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

The Authority's Internal Audit and Risk Management Committee which reviews and assesses risks that have been identified by the Staff Risk Committee, held 4 meetings during the year. The Internal Audit and Risk Management Committee reports directly to the Board of Directors so that appropriate actions can be taken at the highest level to either mitigate or remove the risk. A key role of the Committee is to formulate and communicate Risk Management Policy, Objectives, Procedures and Guidelines and through the Board of Directors, direct and monitor the implementation of risk management processes throughout the Authority.

The Authority in response to these increasing obligations is currently developing a Business Continuity Management Plan as part of its overall risk management strategy to protect its people, assets, port customers and earnings by avoiding or minimising where possible the potential for loss.

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

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

| Measure | Actual Results | | Results against Target | |
|--|----------------|---------|------------------------|-----------------------|
| | 2010-11 | 2011-12 | Target | Comments |
| Number of Fatalities | 0 | 0 | 0 | |
| Number of Lost Time Injury or Diseases | 0 | 0 | 0 | |
| Number of Severe Claims | 0 | 0 | 0 | |
| Lost Time Injury Severity Rate | 0.0000 | 0.0 | 0.0000 | |
| Percentage of injured workers returned to work within 28 weeks | 100% | 100% | 100% | 100% |
| Percentage of managers trained in occupational safety, health and injury management responsibilities | 40% | 75% | 100% | Over the next 4 years |

Directors' report 2012



The Board of Directors of the Bunbury Port Authority have pleasure in presenting their report for the financial year ended 30 June 2012.

1. Directors

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

Neema Premji

Chairperson

B.E. (Civil), Grad. Dip.(Tech. Mngt),

MBA, GAICD, MIE (Aust)

Re-appointed Chair: July 2012

Ms Premji was initially appointed to the Board of Bunbury Port Authority in 2002 and is currently the Chair of BPA. Ms Premji is a facilitator for the Australian Institute of Company Directors, and administers her own engineering and business management consultancy, based in Busselton. She is a Civil Engineer with broad expertise and experience in the mining and power industries, strategic business planning, asset management, corporate governance and local government. Ms Premji is also a consultant for boardroom strategic, corporate governance and risk management. Ms Premji has previously served as a member on the South West Regional Planning Committee, the Edith Cowan University Board, the Bunbury Regional Art Gallery Collections Committee and the Zonta Club of Bunbury and is actively interested

in community concerns. Currently Ms Premji is a member of the Australian Institute of Company Directors successfully completing the AICD ASX 200 Chairmen's Mentoring Program, a member of South West Regional Committee and recently joined the St John of God Foundations Committee. Ms Premji is an active member on the Port Governance Review Implementation Steering Committee.

Special responsibilities – Chair of Corporate Governance Committee.

Expiry of present term: 30 June 2014

Raffaele (Ray) Frisina

Deputy Chairman

Fellow of CPA Australia, MAICD

Re-appointed Deputy Chair: November 2011

Mr Frisina was appointed to the Board on 1st October 2009. He is a Fellow of CPA Australia with many years experience in business consultancy, corporate governance and strategic planning and has the ability and the insight to see the bigger picture.

From his extensive business background Ray has developed strong leadership and negotiating skills and has the ability to deal with complex and challenging commercial issues.

Mr Frisina is a long term resident of Bunbury and has a deep interest and background in community issues and this makes him well placed to understand the Bunbury Port Authority's vital role and contribution within the South West. As a former Town Councillor for the City of Bunbury, Ray brings a solid understanding of local matters, pressures and opportunities for the enhancement and development of the region.

Ray has also served on numerous statutory and community Boards and Committees, including a term as a member of the South West Regional Planning Commission, Member of the City of Bunbury City Vision Taskforce, Board Member of the Val Lishman Health Research Foundation, Chairman of the Chefs Long Lunch Charity Committee and currently serves on the Board of the Bunbury Regional Entertainment Centre. He is also a member of the Australian Institute of Company Directors.

Special responsibilities – Board representative on the Port Community Liaison Committee, Member of Internal Audit and Risk Management Committee

Expiry of present term: 31 December 2014

Derek Brennan-Jesson

Dip Eng (Elec) UK, Grad Dip (Mgt) GAICD

Re-appointed: November 2011

Mr Jesson was originally appointed to the Board on 27 March 2006. He graduated from the London Regent Street Polytechnic in Electrical Engineering and migrated to Australia in 1970. Mr Jesson has been involved with several major engineering and construction companies gaining experience in a wide range of projects from feasibility to implementation including financial and site construction management.

Following formal retirement in 2004 he has been involved with a number of community activities and various projects in the capacity of a Consultant. Mr Jesson has been a member on a variety of BPA committees.

Special responsibilities – Chair of the Internal Audit and Risk Management Committee; member of the Port Community Liaison Committee

Expiry of present term: 31 December 2013.

Tony Brennan

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

Appointed: 1 March 2010

Mr Brennan was appointed to the Board on 1 March 2010. He holds a Bachelor of Laws degree from the University of Queensland and is an Adjunct Professor of Law at Murdoch University. Mr Brennan is a professional company director with experience across a range of sectors including construction and engineering; mining and resources; transport; corporate advisory; funds management and financial services. He is a member of the Maritime and Transport Law committee; Mining Law committee and the International Construction Projects committee of the International Bar Association and is also one of the few Australian lawyers to have studied Capital Market Development and Regulation; Arbitration & Dispute Resolution and Debt Rescheduling with the Paris Club through the United Nations Institute of Training and Research.

Special responsibilities – Member of Human Relations Committee and member of Corporate Governance Committee.

Expiry of present term: 31 December 2012.

Gary Wood

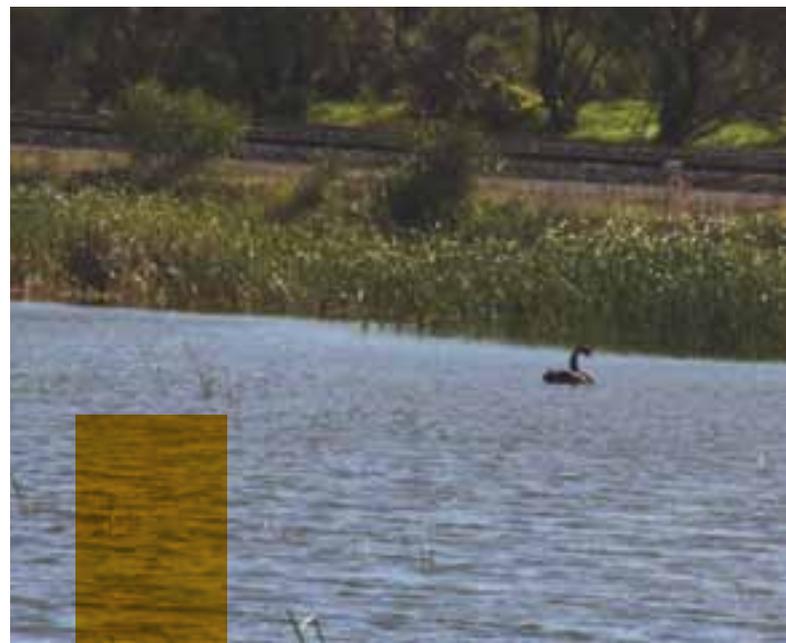
MAICD

Re-appointed: July 2012

Mr Wood commenced his appointment as a member of the Board on 1 October 2006 bringing his extensive experience in Industrial Relations and the Fair Work Act to the Board. He holds the long term positions of Secretary to both the CFMEU Mining & Energy Division WA District and Coal Miners Industrial Union of Workers of WA and has a lengthy history of widespread involvement in the mining industry. Mr Wood is currently a member of the Australian Institute of Company Directors, the Mining Industry Advisory Committee (MIAC) which is charged with the responsibility of implementing the National Occupational Health & Safety Regime for the Western Australian Resource Sector based on practical risk management. Mr Wood is a member of the Commission of Occupational Safety & Health (COSH) along with being a member of the Legislative Advisory Committee (LAC) inline with his interest in matters pertaining to occupational health and safety in industry, including onshore petroleum and dangerous goods. He is also a Trustee of the Coal Industry Superannuation Board and as such is required to meet the standards of a Registered Superannuation Entity and Australian Financial Services Licence to hold this position

Special responsibilities – Chair of the Human Resources Committee.

Expiry of present term: 30 June 2014.



2. Directors' Meetings

The Directors of the Authority attended the following Board and Committee meetings during the financial year. The information notes the number of meetings held and the number of attendances by the Director at the respective meetings.

| Name | Committee Meetings | | | | | | | | | |
|------------------|--------------------|--------------|----------------------------------|--------------|-----------------|--------------|----------------------|--------------|------------------------|--------------|
| | Full Board Meeting | | Internal Audit & Risk Management | | Human Relations | | Corporate Governance | | Port Community Liaison | |
| | No. Eligible | No. Attended | No. Eligible | No. Attended | No. Eligible | No. Attended | No. Eligible | No. Attended | No. Eligible | No. Attended |
| N Premji | 12 | 12 | | | | | 2 | 2 | | |
| R Frisina | 12 | 12 | 4 | 4 | | | | | 5 | 4 |
| D Brennan-Jesson | 12 | 12 | 4 | 4 | | | | | 5 | 4 |
| G Wood | 12 | 11 | | | 4 | 4 | | | | |
| T Brennan | 12 | 9 | | | 4 | 4 | 2 | 2 | | |

3. Principal Activities

The role of the Bunbury Port is to contribute to the economic growth and development of the South West region of Western Australia by facilitating trade in a commercial and efficient manner.

During the 2011-2012 financial year the principal continuing activities of the Bunbury Port Authority consisted of the:

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

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

Objectives

The Authority's core objectives are summarised as follows:

- to facilitate trade and plan for future growth and development of the port;
- to undertake activities that will encourage and facilitate the development of trade and commerce for the benefit of the state;
- to control business and other activities in the port;
- to be responsible for the safe and efficient operation of the port;
- to maintain and preserve property; and
- to be environmentally responsible.

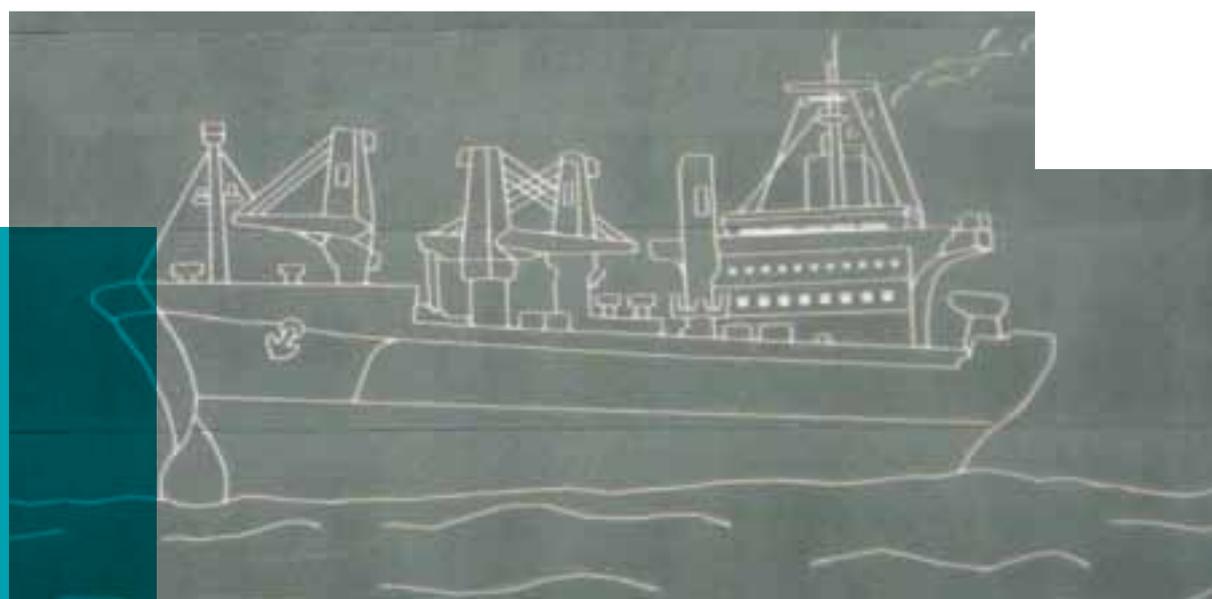
In order to meet a number of these objectives the following targets, which are aligned with the Authority's performance indicators, have been set for the 2012 financial year and beyond:

Customer Focus

| | Actual | Target | | | | |
|--|---------------|--------|--------|--------|--------|--------|
| | 2012 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Berth Utilisation (includes commercial and navel vessel hours) | | | | | | |
| Outer Harbour Berth 1 & 2 | 13.6% | 9.37% | 12% | 14% | 14% | 14% |
| Inner Harbour Berth 3 | 23.3% | 18.84% | 21% | 22% | 22% | 22% |
| Inner Harbour Berth 5 | 46.1% | 65.3% | 60% | 59% | 59% | 59% |
| Inner Harbour Berth 8 | 71.3% | 53.8% | 52% | 52% | 52% | 55% |
| Inner Harbour Berth 4 & 6 | 75.8% | 61.75% | 75% | 77% | 81% | 81% |
| Total Combined Berth Occupancy | 45.64% | 40.03% | 43.85% | 44.93% | 45.98% | 46.51% |
| Average ship delay time | 0 | 0 | 0 | 0 | 0 | 0 |
| Average ship turn-a-round time – hours in port | 65.12 | 58.8 | 57.3 | 57.5 | 56.1 | 56.3 |

Financial Performance

| | Actual | Target | | | | |
|--|-----------------|----------|----------|----------|----------|----------|
| | 2012 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Gross cargo revenue per tonne of cargo | \$0.58 | \$0.57 | \$0.58 | \$0.61 | \$0.62 | \$0.66 |
| Gross ship revenue per ship | \$33,191 | \$31,544 | \$33,081 | \$34,395 | \$35,854 | \$37,546 |
| Aggregated operating Port Authority cost per cargo tonne | \$1.65 | \$1.78 | \$1.58 | \$1.59 | \$1.29 | \$1.32 |
| Rate of return | 7.4% | 6.6% | 8.6% | 11.0% | 12.4% | 13.4% |



Environmental Focus

| | Actual | Target | | | | |
|---|----------------------------------|--|--|--|--|--|
| | 2012 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Maintain PM10 dust levels below NEPM standard of 50mg/m ³ | Achieved | Maintain less than 50mg/m ³ |
| Achieve ISO 14001 accreditation within 3 years | Gap Audit items completed | Complete ISO 14001 Gap Audit item | ISO 14001 Achieved | ISO 14001 Maintain | ISO 14001 Maintain | ISO 14001 Maintain |
| The harbour sediments remain suitable for unconfined sea dumping as defined in 'National Assessment guidelines for dredging (NAGD 2009) | Achieved | The harbour sediments remain suitable for unconfined sea dumping | The harbour sediments remain suitable for unconfined sea dumping | The harbour sediments remain suitable for unconfined sea dumping | The harbour sediments remain suitable for unconfined sea dumping | The harbour sediments remain suitable for unconfined sea dumping |

Productivity (Efficiency) Improvement

| | Actual | Target | | | | |
|--|------------------|-----------|-----------|-----------|-----------|-----------|
| | 2012 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total tonnes throughput per berth | 2,039,096 | 2,197,426 | 2,240,000 | 2,286,429 | 2,400,857 | 2,421,143 |
| Cargo tonnes per total vessel hour (Average all berths) bulk | 533 | 611 | 583 | 581 | 596 | 594 |

Community Relations

| | Actual | Target | | | | |
|--|-----------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | 2012 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Achieve year on year reduction in substantiated community complaints | 3 | 20 | 15 | 14 | 13 | 12 |
| Undertake annual monitoring of marine waters, sediments, surface water and soils for determination of product build up | Achieved | Monitoring Programmes Undertaken |

Safety

| | Actual | Target | | | | |
|--------------------------------|----------|--------|------|------|------|------|
| | 2012 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Target zero lost time injuries | 0 | 0 | 0 | 0 | 0 | 0 |

4. Dividends

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

| | 2012 \$'000s | 2011 \$'000s |
|-----------------|-----------------|-----------------|
| Dividends paid: | 3,763 | 1,677 |

5. Operating and Financial Review

Results at a glance

The operating profit before income tax expense was \$9.591 million (2011: \$8.255 million). The income tax attributable to the operating profit for the financial year was \$2.862 million (2011: \$2.466 million).

The increase in profit before income tax was up compared to the previous year by \$1.336 million, due to an increase in trade and other revenue generating port activities and services. In addition there was an increase overall in total operating expenditure of \$1.307 million which was mainly due to an increase in asset maintenance expense and the recognition of an asset impairment of \$0.599 million.

Review of operations – port trade

The Port's record trade performance for the financial year of 14.274 million tonnes, was 0.276 million tonnes or 2.0% above last years record total trade of 13.998 million tonnes but was 7.2% below the budget forecast of 15.382 million tonnes mainly due to lower alumina exports than originally projected.

Significant variations in actuals for 2012 compared to actuals for 2011 were as follows:

Imports

- Mineral Sands increased by 0.043 million tonnes or 15.8%;
- Petroleum Coke up by 0.016 million tonnes or 26.7%; and
- General Cargo decreased by 0.035 million tonnes or 76.2%.

Exports

- Silica Sands increased by 0.105 million tonnes or 42.6%;
- Copper Concentrate increased by 0.060 million tonnes or 38.6%;
- Iron Concentrate increased by 0.174 million tonnes or 862.2%; and
- Woodchips decreased by 0.133 million tonnes or 76.2%.

Actual total trade for the year of 14.274 million tonnes sets a new record compared to the record total trade last year of 13.998 million tonnes, an increase of 2.0% with imports up by 0.9% and exports up by 2.0%.

Actual YTD compared to budget YTD

Imports

- Minerals Sands lower by 0.065 million tonnes or 25.7%;
- Caustic Soda lower by 0.152 million tonnes or 11.4%; and
- General Cargo lower by 0.089 million tonnes or 89.2%.

Exports

- Alumina lower by 0.803 million tonnes or 7.8%;
- Spodumene higher by 0.157 million tonnes or 65.4%;
- Silica Sands higher by 0.120 million tonnes or 52.3%;
- Woodchips lower by 0.166 million tonnes or 10.7%; and
- Mineral Sands lower by 0.229 million tonnes or 32.0%.

The total year to date actual figures compared to the budget forecast, imports are down by 8.7%, exports down by 7.0% and total trade below budget by 1.108 million tonnes or 7.2%.

Review of operations – financial results

| | Target 2012 \$'000 | Actual 2012 \$'000 | Actual 2011 \$'000 |
|-----------------------|--------------------------|--------------------------|--------------------------|
| Income | 32,850 | 33,157 | 30,514 |
| Expenditure | (24,651) | 23,566 | 22,259 |
| Net profit before tax | 8,199 | 9,591 | 8,255 |
| Tax expense | (2,460) | 2,862 | (2,466) |
| Net profit after tax | 5,739 | 6,729 | 5,789 |

Commentary on operating results

The net operating profit of the Authority after income tax for the financial year was \$6.729m (2011: \$5.789m). This represents an increase of 16.2% compared to the 2011 financial year. The profit performance after tax was also 17.3% above the budget figure of \$5.739 million due to a combination of higher revenue than the prior financial year as well as a decrease in operating expenditure especially for dredging maintenance and general administration expenses including consultant fees.

Capital expenditure for the year was \$2.586 million. This was \$0.869 million below the Authority's approved asset investment budget of \$3.455 million which included \$1.955 million for the purchase of land and \$1.500 million for minor works and asset improvements.

There was no major capital investment expenditure undertaken during the year. However, minor works totalling \$2.701 million (including GST) were undertaken during the year which included ongoing port infrastructure improvements such as \$0.608 million for Berth 2 fender system upgrade (completed at a total cost of \$1.161 million), \$0.300 million for new cotton real fenders at Berth 3 (completed at a total cost of \$0.596 million), \$0.370 million for the replacement of a damaged navigational beacon, \$0.180 million on the installation of fibre optic cabling to upgrade communications between various locations within the Port, \$0.093 million for improvements to buildings and sheds, \$0.183 million on the replacement of a Front End Loader and \$0.185 million for office equipment.

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

Strategy and future performance – trade and finance

Trade for the new financial year is budgeted to be higher with a total trade forecast of 15.680 million tonnes, an increase of 9.9% over the 2012 financial year. The projected increase in trade is mainly as a result of forecast growth in exports of alumina, woodchips, copper concentrate and iron oxide. There is also a forecast increase in imports of caustic soda and mineral sands. The current trend in the reduction of mineral sands exports below what has been budgeted is expected to be compensated by an increase in spodumene exports.

The targeted financial performance for 2012/13 is based on achieving total revenue of \$36.331 million, expenditure of \$24.765 million resulting in a budgeted operating profit before tax of \$11.566 million.

Port users were advised of increases in port charges for 2012/13 which ranged from 3.7% for Port Infrastructure, 4.4% for Pilotage, 4.9% for Navigational Services and further step changes to Berth Hire charges ranging from 23.3% for Berths 1 and 3 to 30.0% for Berths 2, 5 and 8 to recover budgeted cost increases in maintenance and capital improvements. These increases in charges will become effective in the new financial year.

6. Significant Changes In The State Of Affairs

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

7. Events Subsequent To Reporting Date

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

8. Likely Developments

The Authority is forecasting that trade volumes for the 2012/2013 financial year are to increase to 15.680 million tonnes. This is a projected increase of 9.9% above the 2011/2012 year trade figure of 14.274 million tonnes.

The increase in trade in the new financial year is based on achieving incremental growth in exports of alumina, woodchips, copper concentrate and iron oxide, and imports of caustic soda, mineral sands and general cargo.

As was identified in prior annual reports the next major development in the Inner Harbour will be the conversion of the Authority's existing Berth 3 dedicated woodchip export berth, into a multi user berth by converting the dolphin style berth into a land-backed berth. The Authority continues to work closely with the State Government in the development of the business cases to advance this project.

The signing of the Port Services and Licence Agreement with Perdaman Chemicals and Fertilisers is a step closer to the realisation of the development of Berth 5 to cater to the needs of the proponent.

The Port continues to receive requests from new proponents requiring land and berthing facilities. Negotiations between Lanco Resources Australia Pty Ltd and the Authority have resulted with the signing of the non-binding Heads of Agreement setting the framework for ongoing consultation to continue in the development of a coal export facility at Berth 14 to be constructed at the proponent's expense.

Other trade developments that the Authority is pursuing include bulk trades, project cargo and container trade. Discussion continues with prospective new clients on the understanding that the projects will only proceed if they are found to be financially viable.

The Authority's approved asset investment program for 2012/2013 of \$1.550 million is for minor works items such as replacement of mobile plant and equipment, improvement to the Port's infrastructure and other civil works including upgrades to roads and buildings.

The Authority plans for major capital works projects which are still subject to State Government approval include the land backing of Berth 3, the purchase of freehold land in the Glen Iris area and a waste water management system to be developed at Berth 5 in preparation for the proposed urea exports by Perdaman Chemicals and Fertilisers at that berth.

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

9. Directors' Emoluments

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

Directors of the Bunbury Port Authority

| Name | Directors Base Fee \$ | Superannuation \$ | Other Benefits \$ | Total \$ |
|--------------------------------|-----------------------------|----------------------|----------------------|-------------|
| N Premji – Chairperson | 45,000 | 4,050 | 0 | 49,050 |
| R Frisina – Deputy Chairperson | 25,000 | 2,050 | 0 | 27,050 |
| D Brennan-Jesson – Director | 16,500 | 1,485 | 0 | 17,985 |
| G Wood – Director | 16,500 | 1,485 | 0 | 17,985 |
| T Brennan – Director | 16,500 | 1,485 | 0 | 17,985 |

| Name | Base Salary \$ | Superannuation \$ | Other Benefits \$ | Total \$ |
|--|-------------------|----------------------|----------------------|-------------|
| K L Schellack – Chief Executive Officer | 200,035 | 21,286 | 48,465* | 269,786 |
| R Liley – Marine Manager/Harbour Master | 199,940 | 19,671 | 28,454** | 248,065 |
| L Turner – Marine Pilot | 200,390 | 18,034 | 7,676*** | 224,765 |

* Includes bonus of \$36,474 & fringe benefits of \$11,991.

** Includes bonus of \$18,627 & fringe benefits of \$9,827.

*** Includes fringe benefits of \$7,676.

Indemnification of Directors and Officers

During the financial year the Directors' and Officers' Liability Insurance Policy was renewed to ensure that Directors and Officers of the Authority had adequate coverage. The policy provides insurance against all liabilities and expenses arising as a result of work performed in their capacities, to the extent permitted by law. The Authority paid an insurance premium of \$28,414.84 in respect of the Directors' and Officers' Liability Insurance Policy for the reporting period.

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

10. Environmental Regulation

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

11. Environmental Management

The Authority is committed to demonstrating that it is an environmentally responsible organisation and this commitment is reflected in its values and corporate priorities. In order to comply with environmental responsibilities and objectives, the Authority maintains an environmental management system to the international standard ISO14001. The Authority has engaged a consultant to undertake a GAP analysis of our systems and procedures and is currently aiming to achieve the ISO 14001 accreditation by June 2012.

12. Rounding Off

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

This report is made with a resolution of the directors on 24 August 2012.

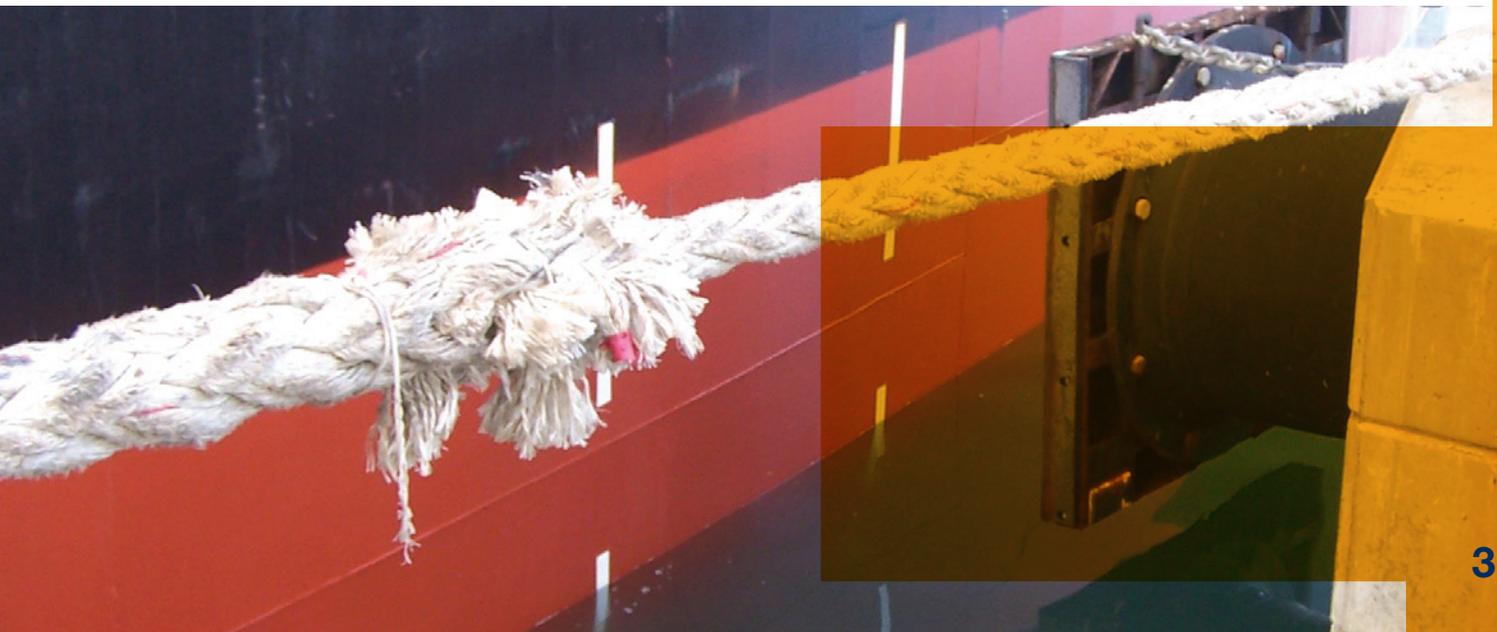


N B Premji
Chairperson



R Frisina
Deputy Chair

Bunbury, Western Australia



Statement of Comprehensive Income

for the year ended 30 June 2012

| | Notes | 2012 \$'000 | 2011 \$'000 |
|--|----------|----------------|----------------|
| Revenue | 4 | 27,238 | 25,368 |
| Other income | 5 | 5,919 | 5,146 |
| Depreciation expense | 6 | (3,911) | (5,484) |
| Impairment expense | 15 | (599) | - |
| Marine expenses | | (1,965) | (1,816) |
| Port operations expenses | | (1,149) | (1,189) |
| General administration | | (4,278) | (3,805) |
| Asset maintenance | | (6,486) | (5,108) |
| Environmental expenses | | (699) | (654) |
| Port utilities | | (2,923) | (2,760) |
| Security and safety | | (1,011) | (727) |
| Finance costs | 8 | (523) | (689) |
| Other expenses | 9 | (22) | (27) |
| Profit before income tax | | 9,591 | 8,255 |
| Income tax expense | 10 | (2,862) | (2,466) |
| Profit for the period | | 6,729 | 5,789 |
| OTHER COMPREHENSIVE INCOME | | | |
| Total other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 6,729 | 5,789 |

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

Statement of Financial Position

as at 30 June 2012

| | Notes | 2012 \$'000 | 2011 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 12 | 31,616 | 28,608 |
| Trade and other receivables | 13 | 3,863 | 3,258 |
| Inventories | 14 | 367 | 355 |
| Total Current Assets | | 35,846 | 32,221 |
| Non-Current Assets | | | |
| Deferred tax assets | 10 | 4,360 | 3,220 |
| Property, plant and equipment | 15 | 73,337 | 75,351 |
| Total Non-Current Assets | | 77,697 | 78,571 |
| TOTAL ASSETS | | 113,543 | 110,792 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 16 | 1,615 | 1,606 |
| Interest bearing borrowings | 17 | 1,733 | 566 |
| Current tax liabilities | 10 | 1,564 | 1,409 |
| Provisions | 18 | 605 | 473 |
| Total Current Liabilities | | 5,517 | 4,054 |
| Non-Current Liabilities | | | |
| Interest bearing borrowings | 17 | 7,129 | 8,862 |
| Provisions | 18 | 416 | 361 |
| Total Non-Current Liabilities | | 7,545 | 9,223 |
| TOTAL LIABILITIES | | 13,062 | 13,277 |
| NET ASSETS | | 100,481 | 97,515 |
| EQUITY | | | |
| Reserves | 19 | 14,815 | 14,815 |
| Retained earnings | 19 | 85,666 | 82,700 |
| TOTAL EQUITY | | 100,481 | 97,515 |

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

Statement of Changes in Equity

as at 30 June 2012

| | Notes | Reserves | Retained Earnings | Total Equity |
|--|-------|---------------|-------------------|----------------|
| Balance at 1 July 2010 | | 14,815 | 78,588 | 93,403 |
| Total comprehensive income for the year | 19 | - | 5,789 | 5,789 |
| Transactions with owners in their capacity | | | | |
| Dividends paid | 11 | - | (1,677) | (1,677) |
| Balance at 30 June 2011 | | 14,815 | 82,700 | 97,515 |
| Balance at 1 July 2011 | | 14,815 | 82,700 | 97,515 |
| Total comprehensive income for the year | 19 | - | 6,729 | 6,729 |
| Transactions with owners in their capacity | | | | |
| Dividends paid | 11 | - | (3,763) | (3,763) |
| Balance at 30 June 2012 | | 14,815 | 85,666 | 100,481 |

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

Statement of Cashflows

for the year ended 30 June 2012

| | Notes | 2012 \$'000 | 2011 \$'000 |
|---|-----------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 33,566 | 32,088 |
| Cash paid to suppliers and employees | | (21,161) | (17,792) |
| Cash generated from operations | | 12,405 | 14,296 |
| Interest paid | | (521) | (732) |
| Income taxes paid | | (3,847) | (3,059) |
| Net cash from operating activities | 20 | 8,037 | 10,505 |
| Cash flows from investing activities | | | |
| Interest received | | 1,708 | 1,655 |
| Proceeds from sale of property, plant and equipment | | 178 | 83 |
| Acquisition of property, plant and equipment | | (2,586) | (6,057) |
| Net cash used in investing activities | | (700) | (4,319) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (566) | (1,603) |
| Dividends paid | | (3,763) | (1,677) |
| Net cash used in financing activities | | (4,329) | (3,280) |
| Net increase in cash and cash equivalents | | 3,008 | 2,906 |
| Cash and cash equivalents at 1 July | | 28,608 | 25,702 |
| Cash and cash equivalents as at 30 June | 20 | 31,616 | 28,608 |

Notes to the financial statements

for the year ended 30th June 2012

Note 1

Basis of preparation

(a) Statement of compliance

Bunbury Port Authority ("The Authority") is a not for profit entity that prepares general purpose financial statements 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 24 August 2012 by the Board of Directors of Bunbury Port Authority.

(b) Presentation of the statement of comprehensive income

Expenses have been classified by nature and this is considered to provide more relevant and reliable information than classification by function due to the nature of the Authority's operations.

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

The directors have concluded that the financial statements present fairly the Authority's financial position, financial performance and cash flows and that it has complied with applicable standards and interpretations, except that it has departed from AASB 101, paragraph 99, to achieve a fair presentation. Total employee benefits expenses are disclosed in note 7 to the financial statements.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgments

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

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

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

Defined benefit plans

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

Note 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.

(a) Revenue recognition

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

(i) Rendering of services

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

(ii) Interest

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

(iii) Rental income

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

(b) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings and finance charges payable under finance leases. All borrowing costs are recognised in profit or loss using the effective interest rate 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 WA Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

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

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

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

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

Notes to the financial statements

for the year ended 30th June 2012

Note 2 (continued)

(c) **Income tax** (continued)

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.

(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.

Note 2 (continued)

(f) Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

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

(iv) Impairment

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

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

Intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

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

(g) 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.

Notes to the financial statements

for the year ended 30th June 2012

Note 2 (continued)

(h) Non Derivative Financial instruments

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

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

Refer to Note 21(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.

The value of the provision for impairment loss is assessed using an analysis of historical data to determine the level of risk and subsequent recovery of debts based on the age of amounts outstanding. Bad debts are written off when formally recognised as being irrecoverable.

Trade and other receivables are stated at their cost less impairment losses.

(i) 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.

(j) 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.

(k) Employee benefits

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

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

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

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

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

Note 2 (continued)

(l) 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 2012.

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.

From 30 March 2012, existing members of the WSS or GESB and new employees became able to choose their preferred superannuation fund. The Authority makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. Contributions to these accumulation schemes extinguish the Authority's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

Defined benefit plan

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

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

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

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

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

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

(m) Dividends

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

(n) 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.

Notes to the financial statements

for the year ended 30th June 2012

Note 2 (continued)

(n) Provisions (continued)

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

(o) Cash and cash equivalents

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

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

(p) 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 Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or part of the expense.

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

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

(q) Future impact of Australian Accounting Standards not yet operative

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

| | |
|---------------------|---|
| AASB 2009-11 | <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].</i> The revised Standard introduces a number of changes to the accounting for financial assets. |
| AASB 2009-12 | <i>Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].</i> This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. |
| AASB 9 | <i>Financial Instruments.</i> This Standard includes the requirement for the classification and measurement of financial assets resulting from the first part of phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>). |
| AASB 1053 | <i>Application of Tiers of Australian Accounting Standards.</i> This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements. |
| AASB 1054 | <i>Australian Additional Disclosures.</i> This Standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. It relocates all Australian specific disclosures from other standards to one place and revises disclosure. |
| AASB 2010-2 | <i>Amendments to Australian Accounting Standards arising from reduced disclosure requirements.</i> This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053. |

Note 2 (continued)

| | |
|--------------------|--|
| AASB 2010-4 | <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 1, 7, 101, 134 and Interpretation 13]. This Standard emphasis the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</i> |
| AASB 2010-5 | <i>Amendments to Australian Accounting Standards [AASBs 1, 3, 4, 101, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]. This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</i> |
| AASB 2010-6 | <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]. This Standard amends the disclosure requirements for transactions involving the transfers of financial assets.</i> |
| AASB 2010-7 | <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19, 127]. This Standard includes the requirement for classifying and measuring financial liabilities added to AASB 9.</i> |

Note 3

Expenses by nature

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

Note 4

Revenue

Revenue consists of the following items:

Rendering of services

Charges on ships

| | | |
|------------------------|-------|-------|
| Navigational services | 8,941 | 8,754 |
| Berth hire | 2,233 | 1,424 |
| Waste disposal & water | 128 | 119 |

Charges on cargo

| | | |
|-----------------------------------|-------|-------|
| Port infrastructure & stevedoring | 8,229 | 7,599 |
|-----------------------------------|-------|-------|

Shipping services

| | | |
|----------|-------|-------|
| Pilotage | 2,338 | 2,259 |
|----------|-------|-------|

Interest revenue

| | | |
|-------------------------|-----|-----|
| Bankwest | 186 | 446 |
| National Australia Bank | 770 | 660 |
| Westpac | 321 | 343 |
| ANZ | 480 | 144 |
| Treasury | - | 59 |

Rentals and leases

| | |
|-------|-------|
| 3,612 | 3,561 |
|-------|-------|

Total revenue

| | |
|---------------|---------------|
| 27,238 | 25,368 |
|---------------|---------------|

Notes to the financial statements

for the year ended 30th June 2012

Note 5

Other income

Other income consists of the following Items:

Net gain/(loss) on sale of property, plant and equipment

Sale of electricity and water

Miscellaneous charges

| 2012 | 2011 |
|--------|--------|
| \$'000 | \$'000 |

| | |
|--------------|--------------|
| 43 | (10) |
| 4,280 | 3,566 |
| 1,596 | 1,590 |
| 5,919 | 5,146 |

Note 6

Depreciation expense

Channels, dredging, breakwaters and navigation aids

Buildings and improvements

Plant and equipment

Berths, jetties and infrastructure

Total depreciation

| | |
|--------------|--------------|
| 962 | 2,835 |
| 753 | 746 |
| 444 | 290 |
| 1,752 | 1,613 |
| 3,911 | 5,484 |

Note 7

Employee benefits expense

Employee benefits

Wages and salaries

Superannuation – defined contribution plans

Increase/(decrease) in:

Accrued wages

Accumulated days off

Annual leave

Long service leave

Personal leave

Total employee benefits

| | |
|--------------|--------------|
| 3,391 | 2,833 |
| 287 | 251 |
| 24 | 26 |
| (5) | 5 |
| 92 | 73 |
| 69 | 42 |
| (28) | (23) |
| 3,830 | 3,207 |

Note 8

Finance costs

Interest paid

Finance costs expensed

| | |
|------------|------------|
| 523 | 689 |
| 523 | 689 |

Note 9

Other expenses

Employee on-costs:

| | |
|-----------|-----------|
| 22 | 27 |
| 22 | 27 |

Note 10

Income tax expense

Recognised in the income statement

Current tax expense

| | 2012 \$'000 | 2011 \$'000 |
|------------------------------|----------------|----------------|
| Current income tax charge | 4,021 | 3,291 |
| Adjustment for prior periods | (19) | 20 |
| | 4,002 | 3,311 |

Deferred tax (income)

| | | |
|---|----------------|--------------|
| Origination and reversal of temporary differences | (1,140) | (845) |
| | (1,140) | (845) |

Total income tax expense

| | | |
|--|--------------|--------------|
| | 2,862 | 2,466 |
|--|--------------|--------------|

Numerical reconciliation between tax expense and pre-tax net profit

| | | |
|--|--------------|--------------|
| Profit for the period | 6,729 | 5,789 |
| Total income tax expense | 2,862 | 2,466 |
| Profit excluding income tax | 9,591 | 8,255 |
| Income tax using the statutory tax rate of 30% (2011: 30%) | 2,877 | 2,476 |
| Non-deductible expenses | 4 | (30) |
| Other | - | - |
| | 2,881 | 2,446 |
| Under (over) provision in prior years | (19) | 20 |
| Income tax expense | 2,862 | 2,466 |

| | Statement of Financial Position | | Statement of Comprehensive Income | |
|--|------------------------------------|----------------|--------------------------------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Deferred income tax | | | | |
| Deferred tax liabilities | | | | |
| Accelerated depreciation for tax purposes | (3,200) | (3,400) | (200) | (554) |
| Others | (70) | (53) | 17 | 14 |
| Gross deferred tax liabilities | (3,270) | (3,453) | | |
| Deferred tax assets | | | | |
| Employee benefits | 307 | 251 | (56) | (20) |
| Accelerated depreciation for accounting purposes | 6,638 | 6,422 | (216) | (292) |
| Others | 685 | - | (685) | 7 |
| Gross deferred tax assets | 7,630 | 6,673 | | |
| Set-off of deferred tax liabilities pursuant to set-off provisions | | | | |
| Net deferred tax assets | 4,360 | 3,220 | | |
| Deferred tax income | | | (1,140) | (845) |

Current tax liabilities

The current tax liability of \$1.564 million (2011: \$1.409 million) represents the amount of income taxes payable in respect of current and prior financial periods.

Note 13 (continued)

Trade and other receivables (continued)

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

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

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

| | Gross 2012 | Impairment 2012 | Gross 2011 | Impairment 2011 |
|---|---------------|--------------------|---------------|--------------------|
| Not more than 3 months | 824 | - | 105 | - |
| More than 3 months but less than 6 months | - | - | 202 | - |
| More than 6 months but less than 1 year | - | - | - | - |
| More than 1 year | 4 | 1 | 10 | 7 |
| | 828 | 1 | 317 | 7 |

Note 14

Inventories

Current

Material stores, spares for maintenance – at cost

| 2012 \$'000 | 2011 \$'000 |
|----------------|----------------|
| 367 | 355 |
| 367 | 355 |

Notes to the financial statements

for the year ended 30th June 2012

Note 15

Property, Plant and Equipment

| | Channels, breakwaters, dredging and navigation aids | | Land | | Buildings and improvements | | Plant and equipment | | Berths, jetties and infrastructure | | Work in Progress | | Total | |
|--------------------------|---|---------------|---------------|---------------|----------------------------|--------------|---------------------|--------------|------------------------------------|---------------|------------------|-------------|---------------|---------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| At cost | 55,304 | 54,967 | 18,412 | 18,412 | 17,044 | 16,925 | 3,076 | 2,615 | 51,542 | 50,398 | 1,128 | 969 | 146,506 | 144,287 |
| Accumulated depreciation | (38,948) | (37,985) | - | - | (9,081) | (8,328) | (1,505) | (1,340) | (23,036) | (21,283) | - | - | (72,570) | (68,936) |
| Impairment | - | - | - | - | - | - | - | - | (599) | - | - | - | (599) | - |
| | 16,356 | 16,982 | 18,412 | 18,412 | 7,963 | 8,597 | 1,571 | 1,275 | 27,907 | 29,115 | 1,128 | 969 | 73,337 | 75,351 |

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

| | | | | | | | | | | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|------------|---------------|---------------|
| Carrying amount at 1 July | 16,982 | 19,817 | 18,412 | 18,412 | 8,597 | 9,249 | 1,275 | 976 | 29,115 | 24,640 | 969 | 2,023 | 75,350 | 75,117 |
| Additions | - | - | - | - | 119 | 56 | 844 | 568 | 129 | 534 | 1,524 | 4,645 | 2,616 | 5,803 |
| Write off | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers from work in progress | 336 | - | - | - | - | 37 | 15 | 96 | 1,014 | 5,566 | (1,365) | (5,699) | - | - |
| Depreciation for the year | (962) | (2,835) | - | - | (753) | (746) | (444) | (290) | (1,752) | (1,613) | - | - | (3,911) | (5,484) |
| Impairment | - | - | - | - | - | - | - | - | (599) | - | - | - | (599) | - |
| Disposals | - | - | - | - | - | - | (119) | (74) | - | (11) | - | - | (119) | (85) |
| Carrying amount at 30 June | 16,356 | 16,982 | 18,412 | 18,412 | 7,963 | 8,597 | 1,571 | 1,275 | 27,907 | 29,115 | 1,128 | 969 | 73,337 | 75,351 |

Note 15 (continued)

Property, Plant and Equipment (continued)

Valuation of land and buildings.

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

The values determined were:

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

These values have not been recognised in the financial statements.

Impairment

During the period, the Board resolved to close the Shiploader at Berth 1 for both environmental and economic reasons. As a result of seeking a valuation for the Shiploader, it was determined that the likely value after deducting dismantling & removal costs was \$0. Accordingly an impairment charge of \$599,000, being the assets carrying value at that time, has been recorded.

Note 16

Trade and other payables

| | 2012 \$'000 | 2011 \$'000 |
|------------------|----------------|----------------|
| Trade payables | 1,013 | 907 |
| Other payables | 73 | 205 |
| GST payable | 136 | 31 |
| Accrued wages | 72 | 48 |
| Unexpired income | 321 | 415 |
| | 1,615 | 1,606 |

The Authority's exposure to liquidity risk related to trade and other payables is disclosed in note 21(i)

Notes to the financial statements

for the year ended 30th June 2012

Note 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 risk, see note 21(i).

Current liabilities

Direct borrowings

1,733 566

1,733 566

Non-current liabilities

Direct borrowings

7,129 8,862

7,129 8,862

Financing arrangements

The Authority has access to the following lines of credit:

Total facilities available:

Direct borrowings

8,900 10,800

8,900 10,800

Facilities utilised at reporting date:

Direct borrowings

8,862 9,428

8,862 9,428

Facilities not utilised at reporting date:

Direct borrowings

38 1,372

38 1,372

Significant terms and conditions

Borrowings of \$7.6 million (2011: \$8.1 million) from the WA Treasury Corporation's Portfolio Lending Arrangements (PLA) are repayable on fixed dates and bear interest at between 3.53% and 6.91% (30 June 2011: 5.08% and 6.91%). Repayments are based on quarterly installments with the capital and interest being repaid according to a fixed repayment schedule.

Borrowings of \$1.3 million (2011: \$1.3 million) from the WA Treasury Corporation's Portfolio Lending Arrangements (PLA) is an Interest only loan. Interest is charged and payable quarterly.

Note 17 (continued)

Interest rate risk exposure (continued)

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

| | 1 year or less \$'000 | Over 1 to 2 years \$'000 | Over 2 to 3 years \$'000 | Over 3 to 4 years \$'000 | Over 4 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|-----------------|
| 2012 | | | | | | | |
| Interest bearing borrowings: | | | | | | | |
| Fixed interest rate borrowings | - | - | - | - | - | - | - |
| Variable interest rate borrowings | 1,733 | 585 | 591 | 598 | 605 | 4,750 | 8,862 |
| | 1,733 | 585 | 591 | 598 | 605 | 4,750 | 8,862 |
| Weighted average interest rate: | | | | | | | |
| Fixed interest rate borrowings | - | - | - | - | - | - | - |
| Variable interest rate borrowings | 5.03% | 5.00% | 5.16% | 5.06% | 5.01% | 4.85% | 5.02% |
| 2011 | | | | | | | |
| Interest bearing borrowings: | | | | | | | |
| Fixed interest rate borrowings | - | - | - | - | - | - | - |
| Variable interest rate borrowings | 566 | 1,879 | 587 | 593 | 600 | 5,203 | 9,428 |
| | 566 | 1,879 | 587 | 593 | 600 | 5,203 | 9,428 |
| Weighted average interest rate: | | | | | | | |
| Fixed interest rate borrowings | - | - | - | - | - | - | - |
| Variable interest rate borrowings | 5.90% | 6.02% | 6.06% | 6.07% | 6.01% | 5.99% | 6.01% |

Notes to the financial statements

for the year ended 30th June 2012

Note 18

Provisions

Current

Employee benefits provision

Accumulated days off

Annual leave(a)

Long service leave(b)

Sick leave

Superannuation (d)

Time in lieu

Other provisions

Accrued wages

Employment on-costs(c)

Non-current

Employee benefits provision

Long service leave(b)

Superannuation(d)

Other provisions

Employment on-costs(c)

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

Within 12 months of balance date

More than 12 months after balance sheet date

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

Within 12 months of balance date

More than 12 months after balance sheet date

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

| | 2012 \$'000 | 2011 \$'000 |
|--|----------------|----------------|
| | | |
| | 13 | 16 |
| | 308 | 228 |
| | 150 | 90 |
| | - | 24 |
| | 39 | 39 |
| | 12 | 11 |
| | | |
| | - | - |
| | 83 | 65 |
| | 605 | 473 |
| | | |
| | 133 | 134 |
| | 260 | 205 |
| | | |
| | | |
| | 23 | 22 |
| | 416 | 361 |
| | | |
| | 308 | 228 |
| | - | - |
| | 308 | 228 |
| | | |
| | 150 | 90 |
| | 133 | 134 |
| | 283 | 224 |

Notes to the financial statements

for the year ended 30th June 2012

Note 18 (continued)

Provisions (continued)

| | 2012 \$'000 | 2011 \$'000 | 2010 \$'000 | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|----------------|----------------|----------------|
| Historic summary: | | | | | |
| Pension scheme: | | | | | |
| Present value of unfunded obligation | 260 | 245 | 283 | 282 | 284 |
| Fair value of plan assets | - | - | - | - | - |
| Transferred defined benefit obligation | 39 | - | - | - | - |
| (Surplus)/Deficit in plan | 299 | 245 | 283 | 282 | 284 |
| Experience adjustments (gain)/loss – plan assets | - | - | - | - | - |
| Experience adjustments (gain)/loss – plan liabilities | 16 | (17) | 11 | 23 | 9 |

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

Movement in provisions

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

| | 2012 \$'000 | 2011 \$'000 |
|--|----------------|----------------|
| Retirement benefit obligations | | |
| Carrying amount at 1 July | 245 | 283 |
| Provisions made during the year | 54 | 1 |
| Amounts utilised in the year | (39) | (39) |
| Transferred defined benefit obligation | 39 | - |
| Carrying amount at 30 June | 299 | 245 |
| Employment on-cost provision | | |
| Carrying amount at 1 July | 87 | 60 |
| Provisions made during the year | 19 | 27 |
| Amounts utilised in the year | - | - |
| Carrying amount at 30 June | 106 | 87 |

Note 19

Equity

Reserves

| | | |
|----------------------------------|---------------|---------------|
| Asset revaluation reserve (a) | | |
| Balance at the start of the year | 14,815 | 14,815 |
| Movements | - | - |
| Balance at the end of the year | 14,815 | 14,815 |

Note 19 (continued)**Equity** (continued)**Retained earnings**

| | 2012 \$'000 | 2011 \$'000 |
|----------------------------------|----------------|----------------|
| Balance at the start of the year | 82,700 | 78,588 |
| Profit for the period | 6,729 | 5,789 |
| Dividends paid | (3,763) | (1,677) |
| Balance at the end of the year | 85,666 | 82,700 |

(a) Nature and purpose of reserves.

The Asset revaluation reserve was used to record historic increments and decrements on the revaluation of non-current assets. The balance relates to valuation of land and plant and equipment. All land and plant and equipment previously revalued are now carried at deemed cost.

Note 20**Notes to the Statement of Cash Flows****Reconciliation of cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | | |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 31,616 | 28,608 |
| | 31,616 | 28,608 |

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

| | | |
|---|---------------|---------------|
| Profit after income tax equivalents | 6,729 | 5,789 |
| Adjustments for: | | |
| Depreciation expense | 3,911 | 5,484 |
| Impairment expense | 599 | - |
| Interest income | (1,757) | (1,652) |
| Interest expense | 523 | 689 |
| Net (gain)/loss on sale of property, plant & equipment | (43) | 10 |
| Income tax expense | 2,862 | 2,467 |
| Operating profit before changes in working capital | 12,824 | 12,787 |
| Changes in assets and liabilities | | |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | (605) | 234 |
| Inventories | (12) | 21 |
| (Decrease)/increase in liabilities: | | |
| Trade and other payables | (94) | 1,188 |
| Current provisions | 132 | 86 |
| Non-current provisions | 55 | (21) |
| GST liability | 105 | 2 |
| | 12,405 | 14,297 |
| Interest paid | (521) | (732) |
| Income tax received | - | - |
| Income taxes paid | (3,847) | (3,059) |
| Net cash from operating activities | 8,037 | 10,506 |

Notes to the financial statements

for the year ended 30th June 2012

Note 21

Financial Instruments

(i) Financial Risk Management Objective and Policies

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

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments.

The Authority does not trade in foreign currency and is not materially exposed to other price risks.

The Authority's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities or at variable rates.

The risk is managed by WATC through portfolio diversification and variation in maturity dates.

Other than detailed in the interest rate sensitivity analysis table below, the Authority has limited exposure to interest rate risk because it has no borrowings other than WATC borrowings.

Sensitivity analysis

The Authority's policy is to manage its finance costs using a mix of fixed and variable debt with the objective of achieving optimum returns whilst managing interest rate risk to avoid uncertainty and volatility in the market place. At 30 June 2012 and 30 June 2011, the Authority holds variable interest rate borrowings.

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

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

Interest rate risk

| | +0.5% Change | (0.25%) Change | |
|-----------------------------|-----------------|----------------|-------------|
| | Carrying Amount | Profit | Profit |
| | \$'000 | \$'000 | \$'000 |
| 2012 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 31,616 | 158 | (79) |
| Financial liabilities | | | |
| Interest bearing borrowings | (8,862) | (44) | 22 |
| | 22,754 | 114 | (57) |
| 2011 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 28,608 | 143 | (72) |
| Financial liabilities | | | |
| Interest bearing borrowings | (9,428) | (47) | 24 |
| | 19,180 | 96 | (48) |

Note 21 (continued)

Financial Instruments (continued)

Credit risk

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

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to creditor risk at balance sheet date in relation to each class of recognised financial asset is the gross carrying amount of those asset inclusive of any provisions for impairment, as shown in the table at Note 21 (ii).

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

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

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 | More than 5 years \$'000 |
|------------------------------|------------------------------|-------------------------------|--------------------------|------------------------|------------------------|--------------------------------|
| Financial liabilities | | | | | | |
| 2012 | | | | | | |
| Trade and other payables | 1,615 | 1,487 | 128 | | | |
| Interest bearing borrowings | 8,862 | 1,559 | 503 | 978 | 2,793 | 5,781 |
| | 10,477 | 3,046 | 631 | 978 | 2,793 | 5,781 |
| 2011 | | | | | | |
| Trade and other payables | 1,606 | 1,467 | 139 | - | - | - |
| Interest bearing borrowings | 9,428 | 560 | 542 | 2,364 | 2,948 | 6,582 |
| | 11,034 | 2,027 | 681 | 2,364 | 2,948 | 6,582 |

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

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

Note 24

Related parties

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

Chairperson

N B Premji

Deputy Chair

R Frisina

Directors

D J Brennan-Jesson

T Brennan

G N Wood

Related party transactions

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

Note 25

Contingent liabilities

Contaminated sites

Under the Contaminated Sites Act 2003, the Authority is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC) Contaminated Sites Branch.

In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environment values. Where sites are classified as “contaminated – remediation required” or possibly “contaminated – investigation required”, the Authority may have a liability with respect to investigation or remediation expenses if the polluter cannot be identified or hasn't the resources to undertake the investigation or remediation work.

Four lots within the Inner Harbour Port Reserve previously reported to the DEC's Contaminated Sites Branch have now been identified as contaminated at the date of this report.

Three of the lots comprise part of the land area previously occupied by a coal fired power station that was operated for approximately 40 years by Western Power. Verve Energy now continues to monitor this site.

The fourth and remaining lot contains an area shared by Alcoa and Worsley used for caustic soda storage and train out-loading activities. These port lease holders have undertaken monitoring activities as the caustic contamination has been caused by their combined activities.

At this stage, any future financial liability that may fall to the Authority to monitor or remediate contamination caused by the activities of the third parties referenced above, is uncertain.

Note 26

Events occurring after the end of the reporting period

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

Director's Declaration

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

- (a) the financial statements and notes are in accordance with the financial reporting provisions of the Port Authorities Act 1999, including:
 - (i) giving a true and fair view of the financial position of the Bunbury Port Authority as at 30 June 2012 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Port Authorities Act 1999; and
- (b) there are reasonable grounds to believe that the Bunbury Port Authority will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors on 24 August 2012.



N B Premji
Chairperson



R Frisina
Deputy Chair

Bunbury, Western Australia
24 August 2012



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

BUNBURY PORT AUTHORITY

I have audited the financial report of the Bunbury Port Authority. The financial report comprises the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, Notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the Bunbury Port Authority are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Port Authorities Act 1999, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Opinion

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

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Bunbury Port Authority for the year ended 30 June 2012 included on the Authority's website. The Authority's directors are responsible for the integrity of the Authority's website. I have not been engaged to report on the integrity of the Authority's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL ASSURANCE SERVICES
Delegate of the Auditor General for Western Australia
Perth, Western Australia
31 August 2012

Bunbury Port Authority

A.B.N. 30 044 341 250

Corporate Directory

Directors

N B Premji, Chairperson
R Frisina, Deputy Chairman
D J Brennan-Jesson
T Brennan
G N Wood

Chief Executive Officer

Kevin Schellack

Chief Financial Officer

John Barratt to 1 April 2012
Brian Granville from 2 April 2012

Address of Office

54 Casuarina Drive
Bunbury WA 6230
Telephone: 08 9729 7020

Auditors

Office of the Auditor General, Western Australia

Internal Auditors

AMD Chartered Accountants

Annual Report

To request an Annual Report:

- Telephone: 08 9729 7020
- Internet: www.byport.com.au
- Mail request to PO Box 4 Bunbury 6231





BUNBURY PORT AUTHORITY