



Albany Port Authority

2012-2013
Annual Report





Annual Report 2011-2012

To the Hon Troy Buswell MLA
Minister for Transport; Housing

In accordance with section 68 and clauses 34 and 35 of Schedule 5 of the Port Authorities Act 1999, I hereby submit for your information and presentation to Parliament, the annual report of the Albany Port Authority for the year ended 30 June 2013.

A handwritten signature in black ink that reads "P West".

Peter West
Chairman

ALBANY PORT AUTHORITY CONTACTS

| | |
|----------------|--|
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CHAIRMAN'S REPORT

An overall robust performance was achieved by the Albany Port in 2012/13.

- Port employees continued their excellent safety record; now over six years without any lost time injuries.
- A good grain crop and reduced port costs led to a record profit of \$6M, which is a 9.8% return (ROI).
- Not unexpected but disappointing, was the announcement that the Southdown Joint Venture project is on hold. However, all approvals, easements and port infrastructure plans are in place and ready to roll if the economic climate allows financial feasibility.

The long term (5 year rolling) return on investment is at 5% and is now considered to be sustainable at above 5% for the foreseeable future.

My respect goes to the management and staff of the Port for their continuing focus and professional output. As always, thanks to my fellow Board members for their contribution.



Peter West
Chairman



Albany Port Authority Board and CEO (from left):

*Brad Williamson (CEO), Sally Malone, Peter West (Chairman), Cass Porter, Wynne Jones
Absent: Russell Harrison (Deputy Chairman)*



CEO'S REPORT

Despite a much weaker year for woodchip exports, the Port recorded strong results, with a record profit of \$6.353M (before tax and dividends) and a rate of return of 9.75%*. Port trade was up by 7.9% on budget at 4.101 million tonnes, just shy of the record trade result in 2008/9 of 4.168 million tonnes. Total revenue was above budget by 22% and expenditure was 4% less than budget.

The increased trade was due to a strong grain year, with exports of grain at 2.682 million tonnes, 52% higher than the previous year. Grain production is related to rainfall, and it was a good growing season for the Great Southern region. Woodchips at 1.01 million tonnes were 21% less than the same period last year. The woodchip industry is going through a difficult time, but there are encouraging signs of a new market developing in China, with 34% of woodchips now destined for China, compared to 17% the previous year.



The Port's safety records continues to be strong, with the number of days since time a lost time injury (LTI) being 2,463 at 30 June 2013.

In November 2012 the Southdown Joint Venture announced a significant reduction in expenditure on the Southdown magnetite project, and in June 2013 a further announcement was made on closing the Perth office and reducing staff. Although not unexpected, the announcement was a major blow to the aspirations of the Port and community. The Port had spent over 7 years working on the project and it had the potential to triple the trade of the port and inject significant revenue into the subdued Albany economy. During this time the Port had obtained dredging approval, assisted with detailed channel and berth design, negotiated complex legal agreements and devoted considerable time to community issues. As this year's financial results attest, the Port can still achieve robust trade and financial returns without a mining trade, so the loss of the project will not harm the Port, albeit being disappointing.

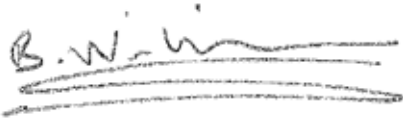
During the year an Enterprise Bargaining Agreement was finalised with the Maritime Union of Australia (MUA). Industrial agreements on the waterfront are never easy, but Albany has enjoyed a better relationship with the maritime unions than many ports, and it was pleasing to see this continue with the gaining of more workforce flexibility, particularly obtaining full 24 hour port operations.

A significant development has been the entry of a new grain handler. Last year Plantation Energy ceased exporting Biomass Fuel Pellets due to problems with currency appreciation and production issues. The lease for the Biomass Fuel Pellet terminal was assigned to Vicstock Grain Pty Ltd, which will be handling grain for Chinese owned farms and other local farmers, using the woodchip loader. This is the first new grain handler for the past 80 years. Relations with our largest customer, CBH, still remain very strong.

In April external crisis consultants were used to run an emergency response exercise with the Police, Fire Brigade, Department of Transport and industry participants. The exercise scenario was based on a collision between two bulk carriers resulting in a fatality, one ship sinking adjacent to the channel and an oil spill. The scenario required the Incident Management Team to implement a multi-agency response to coordinate multiple emergency tasks along with business continuity and reputation issues. This is the first time we have run such a sophisticated exercise and I can attest that it was hard going, with the consultants putting the port team under considerable pressure. We learnt a lot out of the exercise and I am confident that we are much better prepared for emergencies.

Personally I have spent considerable time on working with the Department of Transport and other stakeholders on the Ports Governance Review Steering Committee, which is guiding the merger of a number of ports, and in particular, the ports of Bunbury, Albany and Esperance, to form the Southern Ports Authority. This is a complex task but I am pleased to note the continued support by government for strong local management of ports such as Albany.

The success of the year is due to the very capable team at the Port in all areas; maintenance, pilot boat operations, environment, engineering, business development, safety and security, finance, pilotage and administration. In particular I wish to thank the Board for their continued guidance and counsel.



Brad Williamson
Chief Executive Officer

* the formula for the rate of return calculation was modified and standardised across all state ports during the year



The Port's new pilot boat Mokare was delivered in August 2012

COMMUNITY SPONSORSHIP PROGRAM

The Albany Port Authority's Community Sponsorship Program was able to provide \$69,222 in funding to a variety of community groups and events in 2012/13. The number of applications received for the two sponsorship rounds continued to grow and while not all projects could be funded, the Port was pleased to be able to provide assistance to the following:

| GROUP | EVENT | AMOUNT |
|--|--|-----------------|
| ACCI | Business Awards | \$3,000 |
| AEG Ogden | Harbourside Concert Series | \$1,000 |
| Albany Boating and Fishing Club | Southern Ocean Spectacular | \$500 |
| Albany Bowling Club | Forestry Classic Triples | \$250 |
| Albany Little Athletics | 2012 WA Little Athletics Country Championships | \$600 |
| Albany Maritime Foundation | Festival of the Sea 2013 | \$1,000 |
| Albany Photographic Society | Special Photo Category Prize 2012 | \$200 |
| Albany Photographic Society | Special Photo Category Prize 2013 | \$200 |
| Albany Playgroup Association | Construction of Patio | \$999 |
| Albany Speedway Club | World Series Sprintcars - Albany | \$1,000 |
| Albany Surf Life Saving Club | Surf Craft Challenge | \$1,000 |
| Albany Tennis Academy | 2013 Junior Tennis Tour of Vic / NSW | \$500 |
| Amity Badminton Club | Badminton Tournament 18 - 19 August | \$100 |
| City of Albany | Walk Trail Sign Upgrade | \$3,000 |
| City of Albany | New Year's Eve Fireworks Display | \$2,500 |
| Community Living Association | Shade Sails for Outdoor Area | \$900 |
| Creative Albany | Bendigo Film Festival | \$1,000 |
| Denmark Tourism Incorporated | Taste Great Southern | \$1,000 |
| DS Events | Albany Half Triathlon | \$3,000 |
| Great Southern Factor Inc | Youth Film and Media Workshops | \$2,500 |
| Great Southern Grammar School | Student Exchange | \$5,000 |
| Great Southern Grammar School | Book prizes for school graduation ceremonies | \$150 |
| Green Skills Inc | Kite Festival | \$2,000 |
| Hidden Treasures | Great Southern Bloom Festival | \$3,000 |
| Ian Brayshaw | Stan Austin Biography | \$5,000 |
| Individual Disability Advocacy Service | Activities for People with Disabilities | \$1,000 |
| Lower King Community Kindy | Mural | \$730 |
| Masters Swimming Albany | Albany Harbour Swim | \$2,000 |
| Multiple Sclerosis Society of WA | MS Swimathon 2013 | \$5,400 |
| Musica Viva | Live Performance Plus - Education in Schools | \$2,500 |
| Narrakup Netball Club | Have a Go Coaching Program | \$250 |
| PIAF | Ed Smidt Photo Exhibition | \$5,000 |
| Princess Royal Sailing Club | Sailability - Shelter in Car Park | \$5,709 |
| Relay for Life | Relay for Life | \$500 |
| Roger Cunnington | Manuscript Review – ANZAC Convoys | \$300 |
| Royals Football Club | Mentoring Program | \$2,000 |
| Spencer Park Early Childhood Centre | Outdoor Play Space | \$834 |
| WA Seabird Rescue Inc | Operating Costs | \$3,000 |
| Woodbury Boston School | PFDs for Canoeing Excursion | \$600 |
| TOTAL | | \$69,222 |

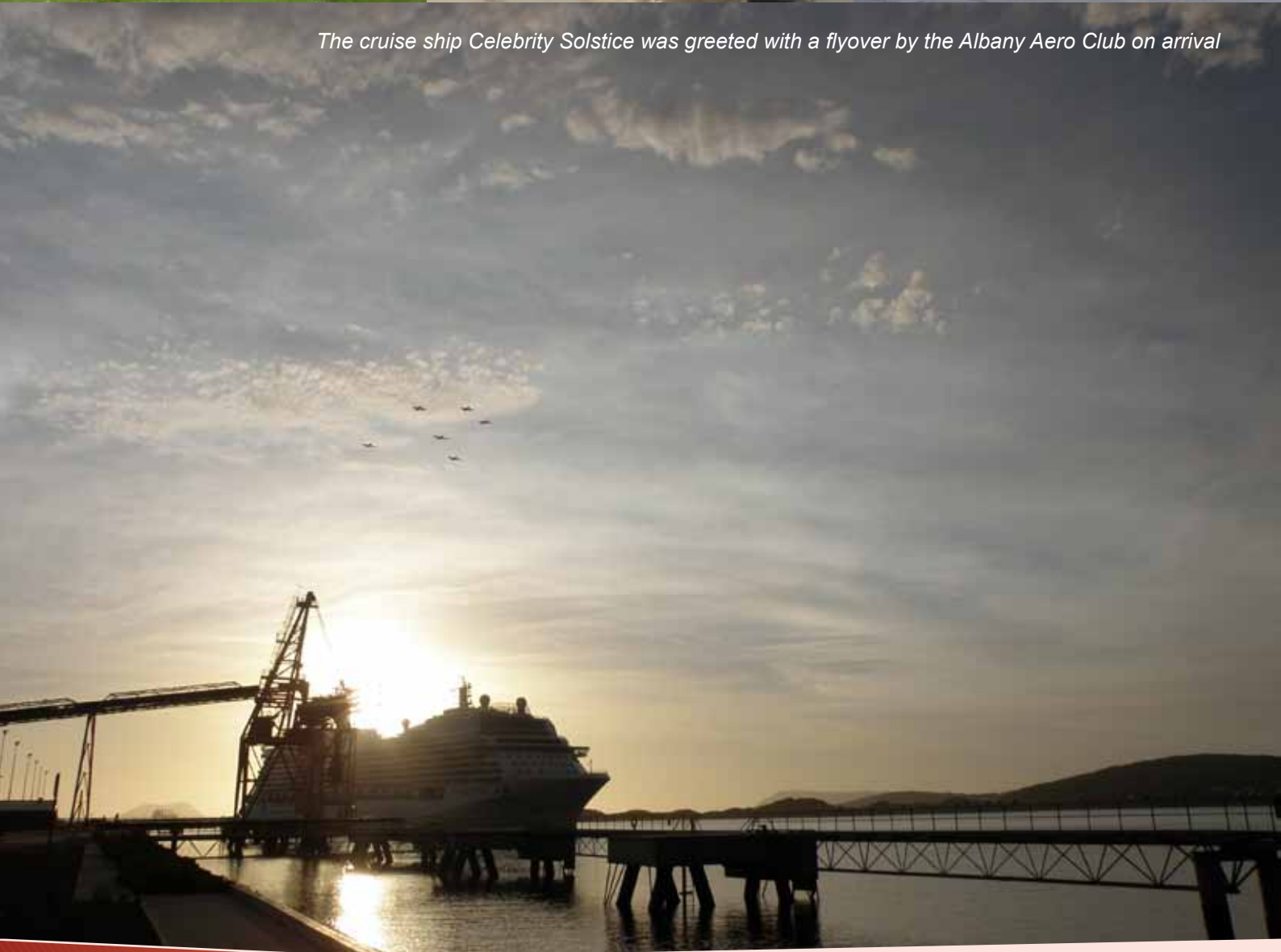
CRUISE SHIP SEASON 2012/13

The 2012/13 cruise ship season was reduced to six ship visits after four scheduled visits by the Athena were cancelled. The highlight of the season was the maiden visit of the Celebrity Solstice. At 315m long, with capacity for 2,800 passengers and 1,600 crew, this is the largest ship to have ever visited the port. The weather conditions were perfect for the early morning arrival and the ship was greeted with a fly over by the local Aero Club.

The Port's free shuttle bus service for all cruise ship visits was welcomed by passengers and very well patronised. In partnership with the City of Albany and Albany Chamber of Commerce, the Port also supported the successful trial of a new tour bus circuit, running on a continuous loop between some of the main attractions in central Albany.



The cruise ship Celebrity Solstice was greeted with a flyover by the Albany Aero Club on arrival



OCCUPATIONAL SAFETY, HEALTH AND INJURY MANAGEMENT

The Albany Port Authority's Board and Management Team are committed to maintaining a high standard of occupational safety and health and injury management.

The CEO is a member of the Port's Occupational Safety and Health Committee, which meets quarterly, and allows staff to have direct access to senior management to resolve occupational safety and health issues.

The Port has enhanced internal consultation on safety and health through the election of an extra workplace safety and health representative for the administration section, in addition to a representative for the maintenance team. These two representatives provide a focal point for employee safety issues and also assist with monitoring of safety and health processes in the workplace.

Consultation is further enhanced through regular documented toolbox meetings in both the maintenance and administration areas. The Port Stakeholder Safety Committee continues to provide a consultative mechanism for port users.

The Port has a documented Injury Management Policy and System in accordance with the *Workers Compensation and Injury Management Act 1981*. The system details steps towards the development of return to work programs for any staff affected by injury.

Continued strong commitment by all Port staff to maintaining and improving occupational safety and health management resulted in the Lost Time Injury free period standing at 2,463 days as at 30 June 2013.

Occupational Safety & Health and Injury Management data is represented in the table below:

| Measure | Port Result 2010/11 | Port Result 2012/13 | WA State Government Target | Comment 2012/13 Year |
|--|----------------------------|----------------------------|--|---|
| Number of fatalities | 0 | 0 | 0 | Achieved |
| Lost time injury or disease incidence rate No. of LTI / full time equivalent employees x 100 | 0 | 0 | 0 or 10% reduction on previous 3 years | Achieved |
| Lost time injury severity rate No. or severe injuries (60 days or more lost) / No. of LTI/D x 100 | 0 | 0 | 0 or 10% reduction on previous 3 years | Achieved |
| Percentage of injured workers returned to work within 13 weeks | N/A | N/A | Actual result to be stated | No LTIs recorded |
| Percentage of injured workers returned to work within 26 weeks | N/A | N/A | Actual greater than or equal to 80% | No LTIs recorded |
| Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities | 30% | 100% | Greater than or equal to 80% | Operational manager and supervisors trained in 2011 |

STATE RECORDS ACT 2000

The Albany Port Authority has a Recordkeeping Plan and applies recordkeeping procedures in accordance with the State Records Act 2000.

An electronic document management system (Synergy Records) is utilised and is available to all staff requiring records access. New staff are given an induction, including records training and ongoing training/assistance as required.

The Port's Recordkeeping Plan was endorsed by the State Records Office in August 2011, with the next review due in August 2016.

Mission

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

Vision Statement

“To be an efficient participant in the state's logistics chain,
with our contribution valued by our customers and the community.”

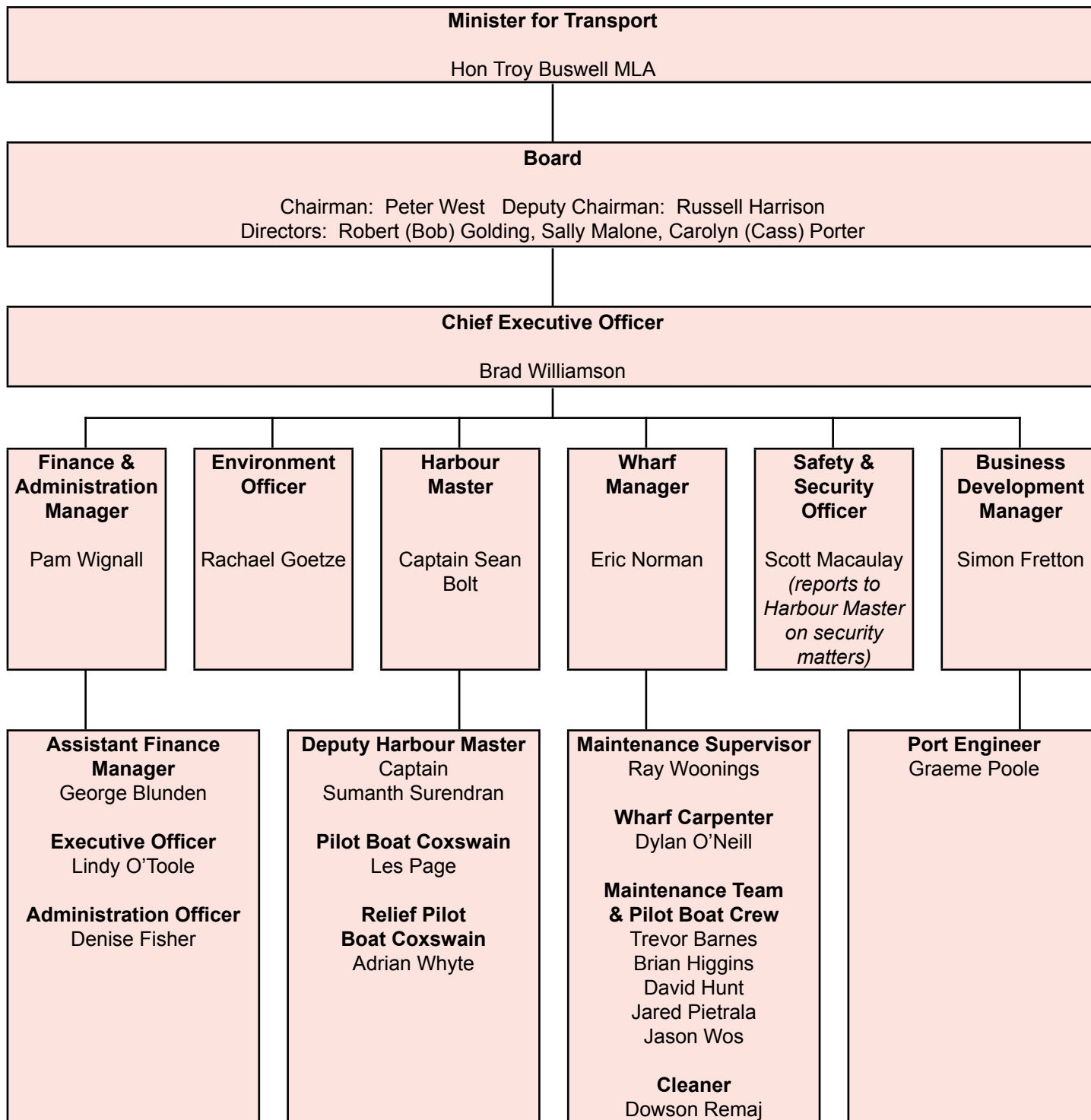
Values

- Demonstrate efficiency and business acumen to our shareholders
- Show respect and integrity in dealings with our staff
- Provide service and act professionally and responsively to our customers
- Be open and engaging with members of our community
- Recognise our role in preserving our heritage and environment



Silica sand and stockpiles at Albany Port

ORGANISATION STRUCTURE



**Trade Statistics for Year Ended 30th June (Metric Tonnes)
1 July 2012 to 30 June 2013**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| IMPORTS | | | | | |
| C.A.N | 5,233 | | | | |
| D.A.P | 14,153 | 2,952 | 6,082 | | |
| Fertiliser | 3,970 | 29,707 | 4,017 | 25,457 | 83,760 |
| Fish | 767 | | 38 | | |
| General Cargo | | | 502 | | 230 |
| MAPS | 15,590 | | 4,543 | | |
| MPZL | 1,502 | 2,042 | 7,045 | | |
| Petroleum Products | 30,538 | 45,301 | 50,591 | 54,957 | 37,422 |
| Potash | 18,929 | | | 6,515 | |
| Single Super | 15,105 | 22,025 | 8,111 | | |
| Triple Super | 6,347 | | | | |
| Urea | 23,022 | 28,262 | 33,878 | 20,406 | |
| Vigor | 853 | | | | |
| Wheat | 8,358 | | | | |
| TOTAL IMPORTS | 144,368 | 130,289 | 114,807 | 107,335 | 121,412 |
| EXPORTS | | | | | |
| Barley | 566,141 | 677,330 | 193,334 | 535,690 | 665,190 |
| Biomass Pallets | | 26,531 | 76,782 | 43,138 | |
| Canola | 409,693 | 319,518 | 196,998 | 300,736 | 369,491 |
| Lupins | 3,883 | 1,800 | | | |
| Oats | 55,551 | 40,147 | 1,050 | 44,650 | 48,622 |
| Pine Logs | 97,950 | 65,918 | | | |
| Silica Sand | 89,650 | 160,875 | 175,522 | 169,599 | 206,569 |
| Wheat | 1,174,906 | 802,966 | 928,520 | 881,473 | 1,598,463 |
| Woodchips | 1,626,537 | 1,197,443 | 1,382,398 | 1,373,491 | 1,090,886 |
| TOTAL EXPORTS | 4,024,311 | 3,292,527 | 2,954,604 | 3,348,777 | 3,979,222 |
| Bunkers | | 350 | 45 | | |
| TOTAL PORT TRADE | 4,168,679 | 3,423,166 | 3,069,456 | 3,456,112 | 4,100,634 |
| VESSELS | | | | | |
| Number of Vessels Entered Port | 138 | 126 | 105 | 115 | 130 |
| Gross Registered Tonnage | 4,613,321 | 4,287,370 | 3,827,738 | 3,780,034 | 4,249,580 |
| Deadweight Tonnage | 6,419,922 | 5,381,711 | 5,196,531 | 5,919,801 | 6,898,859 |

Origin and Destination of Cargo (Metric Tonnes)
1 July 2012 to 30 June 2013

| Country | Fertiliser | General | Grain | Petroleum | Sand | Woodchips | Total | Previous |
|--------------|---------------|------------|------------------|---------------|----------------|------------------|------------------|------------------|
| Australia | 13,970 | | 57,620 | 18,234 | | | 89,825 | 169,396 |
| Bangladesh | | | 47,998 | | | | 47,998 | 0 |
| Belgium | | | | | | | 0 | 48,668 |
| China | 6,542 | | 321,614 | | | 374,608 | 702,764 | 410,732 |
| Dubai | | | 26,775 | | | | 26,775 | 0 |
| Ethiopia | | | 43,650 | | | | 43,650 | 0 |
| Europe | | | 179,303 | | | | 179,303 | 84,700 |
| Fiji | | | 22,000 | | | | 22,000 | 0 |
| Germany | | 230 | | | | | 230 | 0 |
| Indonesia | | | 292,655 | | | | 292,655 | 86,272 |
| India | | | 53,900 | | | | 53,900 | 0 |
| Iran | | | 145,300 | | | | 145,300 | 31,800 |
| Iraq | | | 183,273 | | | | 183,273 | 104,763 |
| Israel | | | | | | | 0 | 3,423 |
| Japan | | | 138,044 | | 181,940 | 673,697 | 993,681 | 1,465,616 |
| Lithuania | 5,039 | | | | | | 5,039 | 0 |
| Malaysia | 3,113 | | 21,310 | | | | 24,423 | 0 |
| Mexico | | | 48,622 | | | | 48,622 | 33,000 |
| Netherlands | | | | | | | 0 | 154,021 |
| New Zealand | 6,647 | | | | | | 6,647 | 0 |
| Pakistan | | | 120,328 | | | | 120,328 | 22,469 |
| Phillippines | | | 225,688 | | | | 225,688 | 96,015 |
| Qatar | 12,125 | | 28,620 | | | | 40,745 | 10,444 |
| Saudi Arabia | 15,076 | | 177,848 | | | 42,581 | 235,505 | 188,338 |
| Singapore | | | | 19,188 | | | 19,188 | 81,944 |
| South Africa | | | | | | | 0 | 20,500 |
| South Korea | | | 304,335 | | 24,629 | | 328,964 | 225,704 |
| Sudan | | | 55,000 | | | | 55,000 | 24,900 |
| Thailand | | | | | | | 0 | 104,291 |
| U.S.A | 21,247 | | | | | | 21,247 | 13,529 |
| Vietnam | | | 187,884 | | | | 187,884 | 75,586 |
| TOTAL | 83,760 | 230 | 2,681,767 | 37,422 | 206,569 | 1,090,886 | 4,100,634 | 3,456,112 |

Financial Statements

30 June 2013

Albany Port Authority

Director's Report

For the year ended 30 June 2013

The Board of Directors of the Albany Port Authority ("the Authority") has pleasure in submitting its report for the financial year ended 30 June 2013.

1. Directors

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

| | |
|---|----------------------------|
| Mr Peter West Chairman | Appointed: 31 March 2008 |
| Mr Russell Harrison B.Comm, F.T.I.A., A.C.A. Deputy Chairman | Appointed: 18 October 1993 |
| Mr Robert (Bob) Golding Dip Man | Appointed: 10 January 2002 |
| Captain Wynne Jones Masters Cert. of Competency (Class1), F.N.I. | Appointed: 1 July 2013 |
| Ms Sally Malone BA (Design) Hons., M(Phil) Urban Studies | Appointed: 26 March 2007 |
| Ms Carolyn (Cass) Porter B.Ed (Hons) | Appointed: 2 October 2007 |

2. Directors' meetings

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

| Director | Number of Board Meetings | Number of Board Meetings Attended | Number of Committee Meetings | Number of Committee Meetings Attended |
|---------------------|--------------------------|-----------------------------------|------------------------------|---------------------------------------|
| Mr Peter West | 6 | 5 | 2 | 2 |
| Mr Russell Harrison | 6 | 6 | 1 | 1 |
| Mr Bob Golding | 6 | 5 | 1 | 1 |
| Ms Sally Malone | 6 | 5 | 0 | 0 |
| Ms Cass Porter | 6 | 4 | 2 | 2 |

Albany Port Authority

Director's Report

For the year ended 30 June 2013

3. Principal activities

The principal activities of the Authority during the course of the financial year were:

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

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

Objectives

The Authority's objectives and targets are:

- To ensure the provision of facilities to meet user demands for a safe, speedy, reliable and cost effective transfer point for ships and cargo (Operations):

| | Actual | Target | | | | |
|--|--------|--------|------|------|------|------|
| | 2013 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Diversification of Trade <i>(Proportion to Total Trade)</i> | | | | | | |
| Grain | 65% | 53% | 53% | 54% | 55% | 56% |
| Woodchips | 27% | 37% | 36% | 36% | 35% | 34% |
| Other | 8% | 10% | 11% | 10% | 10% | 10% |
| Average Turn Around Time (Hours) <i>(Total Time in Port / Number of Cargo Vessels)</i> | 182 | 102 | 103 | 104 | 104 | 104 |
| Berth Occupancy Rate <i>(Total Berth Hours / Total Available Hours)</i> | | | | | | |
| No3 Berth | 64% | 47% | 48% | 50% | 51% | 52% |
| No6 Berth | 18% | 28% | 28% | 28% | 28% | 28% |

Diversification of trade: A greater proportion of the Port's trade related to grain in 2012/13 due to higher harvest volumes.

Berth occupancy rate: The occupancy of berth 3 was higher than target due to increased grain shipping movements. Berth 6 was affected by lower than expected shipments of woodchips.

Albany Port Authority

Director's Report

For the year ended 30 June 2013

- To maintain the Authority as an independent, financially viable corporate body by charging competitive and transparent rates, satisfactory to both users and shareholders (Finance):

| | Actual | Target | | | | |
|--|--------|--------|--------|--------|--------|--------|
| | 2013 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Total Charges per Tonne <i>(Total Ship & Cargo Charges / Total Cargo Tonnes)</i> | \$2.68 | \$2.43 | \$2.50 | \$2.57 | \$2.64 | \$2.71 |
| Total Expenditure per Tonne <i>(Total Expenditure / Total Cargo Tonnes)</i> | \$1.74 | \$1.96 | \$1.96 | \$1.99 | \$2.02 | \$2.05 |
| Rate of Return (Deprival) <i>(Adjusted Profit / Average Asset Base)</i> | 9.75% | 4.00% | 4.36% | 4.71% | 4.95% | 5.19% |
| Debt Ratio <i>(Total Liabilities / Total Assets)</i> | 9% | 11% | 8% | 8% | 8% | 8% |

Total port charges per tonne: The charges per tonne were increased by 2.8% for 2012/13. Revenue from Port Charges has been positively impacted by unbudgeted revenue from take or pay tonnage surcharges.

Total expenditure per tonne: Expenditure per tonne was lower than target due to a 4% reduction in expenditure against budget.

Rate of return: The rate of return was higher than targeted due to higher revenue associated with a good grain harvest and the application of a revised methodology to calculate the Deprival Rate of Return. The revised methodology is consistent with the Department of Transport mandated methodology and will be applied in future years. The above targeted returns are therefore expected to be revised upwards on completion of the 2014/15 to 2018/19 Strategic Development Plan.

Debt ratio: The debt ratio is slightly lower than targeted due to an increase in total assets and a decrease in total liabilities.

- To facilitate and co-ordinate port development as necessary to ensure the satisfaction of clients on the basis of user pays (Investment):

| | Actual | Target | | | | |
|--|--------|--------|-------|-------|-------|-------|
| | 2013 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Development Costs (\$'000s) | 412 | 420 | 431 | 444 | 456 | 469 |
| Maintenance Costs (\$'000s) | 1,753 | 1,698 | 1,765 | 1,835 | 1,906 | 1,979 |
| Land Availability <i>(Land Available / Total Land Available)</i> | 33% | 33% | 33% | 33% | 33% | 33% |

- To work with the local and regional community to achieve our mutual aspirations (Community):

| | Actual | Target | | | | |
|-----------------------------|--------|--------|------|------|------|------|
| | 2013 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Publications | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Complaints | 2 | - | - | - | - | - |

Albany Port Authority

Director's Report

For the year ended 30 June 2013

- To ensure the provision of a safe, healthy and fulfilling workplace environment (Personnel):

| Actual | Target | | | | |
|--------|--------|------|------|------|------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| - | - | - | - | - | - |

LTI Incident Rate

(Lost Time Injuries per Million Man Hours Worked)

- To operate the port in an environmentally responsible manner and fully comply with or exceed all relevant legislation (Environment); and

| Actual | Target | | | | |
|--------|--------|------|------|------|------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| 1 | - | - | - | - | - |

Environmental Incident Rate

(Incidents per Million Tonnes of Cargo)

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

4. Dividends

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

| | 2013 \$'000s | 2012 \$'000s |
|----------------|-----------------|-----------------|
| Dividends Paid | 1,700 | 1,002 |

Albany Port Authority

Director's Report

For the year ended 30 June 2013

5. Operating and financial review

Review of operations – Port Trade

| | Target 2013 000's Tonnes | Actual 2013 000's Tonnes | Actual 2012 000's Tonnes |
|-------------------------|-----------------------------|-----------------------------|-----------------------------|
| Grain | 2,000 53% | 2,682 65% | 1,763 51% |
| Woodchips | 1,400 37% | 1,091 27% | 1,373 40% |
| Other | 400 10% | 328 8% | 320 9% |
| Total Port Trade | 3,800 100% | 4,101 100% | 3,456 100% |
| Variation (%) | | 7.9% | |

Commentary on operating results

Total port trade was up by 7.9% on budget.

In 2012/13, grain trade was up by 52.1% when compared to 2011/12 due to much higher than expected volumes from a good harvest. Woodchip trade was less than the previous year as a result of unfavourable market conditions.

Review of operations – Financial Results

| | Target 2013 \$000's | Actual 2013 \$000's | Actual 2012 \$000's |
|------------------------------|------------------------|------------------------|------------------------|
| Revenue & Income | 11,024 | 13,500 | 11,314 |
| Expenditure | 7,458 | 7,147 | 7,554 |
| Net Profit before Tax | 3,566 | 6,353 | 3,760 |
| Taxation Expense | (1,070) | (1,882) | (1,144) |
| Net Profit after Tax | 2,496 | 4,471 | 2,616 |

Commentary on financial results

As a result of higher than budgeted trade, the port's revenue from port charges increased by 19% on budget and 18% on the previous year. Total revenue (including rental and other income) was above budget by 22% and 19% higher than the previous year.

Total expenditure for the year was 4% less than budget. Expenditure was 5% less than the previous year. The Authority continues to focus on efficiency savings as directed by the State Government.

Albany Port Authority

Director's Report

For the year ended 30 June 2013

Strategy and future performance

It is anticipated that woodchip tonnages shipped will be sustainable at approximately 1.1 million tonnes per annum, which is a lower level than originally anticipated by the respective shippers.

The Southdown Joint Venture project was deferred indefinitely during the 2012/13 year. The project had aimed to develop an iron ore deposit approximately 90 kilometres east of Albany, and when fully operational, had aimed to ship up to 10 million tonnes of iron ore per annum through the Port.

The Port continues to work with a number of parties to develop and diversify its trade base.

As usual, grain shipments continue to be subject to seasonal vagaries with more tonnes being shipped in 2012/13 than originally anticipated.

Port users were advised of a 2.0% increase in port charges, which will become effective for the 2013/14 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 Port continues to investigate the possibility of providing a bridge over the existing rail line, which will go some way to overcoming the current congestion in the woodchip precinct. Applications are being submitted for additional funding to support this project.

Subject to the passing of new legislation, Albany Port Authority will amalgamate with Bunbury and Esperance Ports on 1 July 2014 to become part of the Southern Ports Authority. It is anticipated that local port management will continue to represent the interests of port users and the local community in Albany.

Albany Port Authority

Director's Report

For the year ended 30 June 2013

9. Directors' emoluments

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

Directors

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

Executive Officers

| | Base Salary | Superannuation | Other Benefits | Total |
|---|-------------|----------------|----------------|-----------|
| BR Williamson Chief Executive Officer | \$233,526 | \$21,017 | \$39,413* | \$293,956 |
| S Bolt Harbour Master | \$204,668 | \$18,294 | \$23,096 ** | \$246,058 |
| S Surendran Deputy Harbour Master | \$183,234 | \$16,365 | \$24,097 *** | \$223,696 |
| * Includes a fringe benefit of \$25,269 and a bonus of \$14,144 | | | | |
| ** Includes fringe benefits of \$21,696 and a bonus of \$1,400 | | | | |
| *** Includes fringe benefits of \$22,697 and a bonus of \$1,400 | | | | |

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".

Albany Port Authority

Director's Report

For the year ended 30 June 2013

11. Environmental management

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

12. Rounding off

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

This report is made with a resolution of the directors:



Peter West
Chairman



Sally Malone
Director

Place: Albany, Western Australia

Date: 22 August 2013

Albany Port Authority

Statement of Comprehensive Income

For the year ended 30 June 2013

| | <i>Note</i> | 2013 \$'000 | 2012 \$'000 |
|---------------------------------------|-------------|------------------------------|------------------------------|
| Revenue | 4 | 13,260 | 11,125 |
| Other income | 5 | 240 | 189 |
| Expenditure | | | |
| Depreciation and amortisation expense | 6 | (1,278) | (1,136) |
| Marine expenses | | (649) | (699) |
| Port operations expenses | | (382) | (395) |
| General administration | | (2,031) | (1,326) |
| Asset maintenance | | (1,814) | (2,515) |
| Asset impairment loss | 15 | - | (451) |
| Environmental expenses | | (220) | (183) |
| Port utilities | | (353) | (364) |
| Safety and security | | (240) | (273) |
| Finance costs | 8 | (25) | (65) |
| Other expenses | 9 | (155) | (147) |
| Profit before income tax | | 6,353 | 3,760 |
| Income tax expense | 10 | (1,882) | (1,144) |
| TOTAL PROFIT FOR THE YEAR | | 4,471 | 2,616 |
| TOTAL COMPREHENSIVE INCOME | | 4,471 | 2,616 |

The notes on pages 26 to 60 are an integral part of these financial statements.

Albany Port Authority

Statement of Financial Position

For the year ended 30 June 2013

| | <i>Note</i> | 2013 \$'000 | 2012 \$'000 |
|--------------------------------------|-------------|-----------------------|-----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 12 | 12,147 | 10,205 |
| Trade and other receivables | 13 | 1,444 | 1,551 |
| Other | 14 | 198 | 190 |
| Total Current Assets | | 13,789 | 11,946 |
| Non-Current Assets | | | |
| Property, plant and equipment | 15 | 32,375 | 32,900 |
| Total Non-Current Assets | | 32,375 | 32,900 |
| TOTAL ASSETS | | 46,164 | 44,846 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 16 | 438 | 577 |
| Interest bearing borrowings | 17 | - | 1,250 |
| Current tax payable | 10 | 587 | 867 |
| Provisions | 18 | 662 | 877 |
| Other | 19 | 855 | 612 |
| Total Current Liabilities | | 2,542 | 4,183 |
| Non-Current Liabilities | | | |
| Provisions | 18 | 742 | 812 |
| Deferred tax liabilities | 10 | 737 | 479 |
| Total Non-Current Liabilities | | 1,479 | 1,291 |
| TOTAL LIABILITIES | | 4,021 | 5,474 |
| NET ASSETS | | 42,143 | 39,372 |
| EQUITY | | | |
| Contributed equity | 20 | 5,171 | 5,171 |
| Retained earnings | 20 | 36,972 | 34,201 |
| TOTAL EQUITY | | 42,143 | 39,372 |

The notes on pages 26 to 60 are an integral part of these financial statements.

Albany Port Authority

Statement of Changes in Equity

For the year ended 30 June 2013

| | <i>Note</i> | Contributed equity \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------------|--|---|--------------------------------|
| Balance at 1 July 2011 | | 5,171 | 32,587 | 37,758 |
| Total comprehensive income for the year | | - | 2,616 | 2,616 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends paid | 11 | - | (1,002) | (1,002) |
| Balance at 30 June 2012 | | 5,171 | 34,201 | 39,372 |
| Balance at 1 July 2012 | 20 | 5,171 | 34,201 | 39,372 |
| Total comprehensive income for the year | | - | 4,471 | 4,471 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends paid | 11 | - | (1,700) | (1,700) |
| Balance at 30 June 2013 | | 5,171 | 36,972 | 42,143 |

The notes on pages 26 to 60 are an integral part of these financial statements.

Albany Port Authority

Statement of Cash Flows

For the year ended 30 June 2013

| | <i>Note</i> | 2013 \$'000 | 2012 \$'000 |
|---|-------------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 14,761 | 11,724 |
| Cash paid to suppliers and employees | | (7,701) | (7,311) |
| Cash generated from operations | | 7,060 | 4,413 |
| Interest paid | | (25) | (80) |
| Income taxes paid | | (1,903) | (923) |
| Net cash from operating activities | 21 | 5,132 | 3,410 |
| Cash flows from investing activities | | | |
| Interest received | | 434 | 472 |
| Proceeds from sale of property, plant and equipment | | 102 | 60 |
| Acquisition of property, plant and equipment | 15 | (776) | (2,066) |
| Net cash used in investing activities | | (240) | (1,534) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 17 | - | 1,250 |
| Repayment of borrowings | 17 | (1,250) | (1,250) |
| Dividends paid | 11 | (1,700) | (1,002) |
| Net cash used in financing activities | | (2,950) | (1,002) |
| Net increase in cash and cash equivalents | | 1,942 | 874 |
| Cash and cash equivalents at 1 July | | 10,205 | 9,331 |
| Cash and cash equivalents at 30 June | 12 | 12,147 | 10,205 |

The notes on pages 26 to 60 are an integral part of these financial statements.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

1. Basis of preparation

(a) Statement of compliance

Albany 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 22 August 2013 by the Board of Directors of the Authority.

(b) Presentation of the statement of comprehensive income

The Statement of Comprehensive Income classifies expenses by nature as it 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, 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, para 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.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

1. Basis of preparation (continued)

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

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

Defined benefit plans

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

Provision for remediation

Various assumptions are required in determining the Authority's remediation obligations, including the extent of remediation to be undertaken in relation to dismantling and removing assets no longer deemed fit for use.

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 profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(b) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings and finance charges payable under finance leases. All borrowing costs are recognised in profit or loss using the effective interest method. The interest expense component of finance lease payments is also recognised in the Statement of Comprehensive Income 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 accordance with AASB 123 *Borrowing Costs*.

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.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

2. Summary of significant accounting policies (continued)

(c) Income tax

The Authority operates within the National Tax Equivalent Regime (“NTER”) whereby an equivalent amount in respect of income tax is payable to the State Government. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

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

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 in respect of 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 for temporary differences 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 temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

(d) Receivables

(i) Trade receivables

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

The 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 accounts outstanding. Bad debts are written off formally when recognised as being irrecoverable. Trade and other receivables are stated at their cost less impairment losses.

2. Summary of significant accounting policies (continued)

(d) Receivables (continued)

(ii) Lease receivables

A finance 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 Statement of Comprehensive Income.

(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 selfconstructed 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.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

2. Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straightline basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

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

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

(g) Impairment

The carrying value of the assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of assets is the greater of fair value less the cost to sell and value in use. As the Authority is a not for profit entity, the value in use is the asset's depreciated replacement cost.

Impairment losses are recognised in profit or loss.

(h) Leases

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

2. Summary of significant accounting policies (continued)

(h) Leases (continued)

Other leases are operating leases and the leased assets are not recognised in the Authority's Statement of Financial Position.

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

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

(i) Financial instruments

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

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

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

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

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

(j) Payables

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

2. Summary of significant accounting policies (continued)

(k) Borrowings

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

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

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

(l) Employee benefits

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

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 Statement of Financial Position date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

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

(m) Employee superannuation

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

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.

2. Summary of significant accounting policies (continued)

(m) Employee superannuation (continued)

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 2013.

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

Defined benefit plan

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

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

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

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

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

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

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

2. Summary of significant accounting policies (continued)

(n) Dividends

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

(o) Provisions

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

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

(p) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank, at call deposits and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

For the purpose of the Statement of Cash Flows, cash equivalents consist of cash and cash equivalents as defined above.

(q) Goods and services tax

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

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

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

(r) Contributed equity

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

2. Summary of significant accounting policies (continued)

(s) Initial application of an Australian Accounting Standard

The Authority has applied the following Australian Accounting Standards effective for annual reporting periods on or after 1 July 2012 that impacted on the Authority.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This standard requires to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss subsequently (re-classification adjustments). There is no financial impact.

Other than AASB 2011-9, the Authority was not impacted by any newly issued Australian Accounting Standards that were effective for annual reporting periods beginning on or after 1 July 2012.

(t) New standards and interpretations not yet adopted

The following standards and amendments were available for early adoption but have not been assessed for application by the Authority in these financial statements:

| | Operative for reporting periods beginning on/after |
|---|---|
| <p>AASB 9 <i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i> amended the mandatory application date of this Standard to 1 January 2015. The Authority has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2015 |
| <p>AASB 10 <i>Consolidated Financial Statements</i></p> <p>This Standard supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i> and Int 112 <i>Consolidation – Special Purpose Entities</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments</i>. The Authority has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2014 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

2. Summary of significant accounting policies (continued)

(t) New standards and interpretations not yet adopted (continued)

| | | Operative for reporting periods beginning on/after |
|------------------|---|---|
| <i>AASB 11</i> | <i>Joint Arrangements</i> | 1 Jan 2014 |
| | <p>This Standard supersedes AASB 131 <i>Interests in Joint Ventures</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. The Authority has not yet determined the application of the potential impact of the Standard.</p> | |
| <i>AASB 12</i> | <i>Disclosure of Interests in Other Entities</i> | 1 Jan 2014 |
| | <p>This Standard supersedes disclosure requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i>.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. The Authority has not yet determined the application or the potential impact of the Standard.</p> | |
| <i>AASB 13</i> | <i>Fair Value Measurement</i> | 1 Jan 2013 |
| | <p>This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. There is no financial impact.</p> | |
| <i>AASB 119</i> | <i>Employee Benefits</i> | 1 Jan 2013 |
| | <p>This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.</p> <p>The Authority anticipates some impact from the introduction of this standard but has not yet determined the application or the potential impact of the Standard.</p> | |
| <i>AASB 1055</i> | <i>Budgetary Reporting</i> | 1 Jul 2014 |
| | <p>This Standard specifies the nature of budgetary disclosures, the circumstances in which they are to be included in the general purpose financial statements of not-for-profit entities within the GGS. The Authority will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p> | |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

3. Expenses by nature

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

4. Revenue

Revenue consists of the following items:

| | 2013 \$'000 | 2012 \$'000 |
|-------------------------|----------------|----------------|
| Rendering of services | | |
| Charges on cargo | 6,910 | 5,778 |
| Charges on ships | 4,071 | 3,500 |
| Shipping services | 72 | 67 |
| Interest revenue | | |
| National Australia Bank | 343 | 321 |
| Bank of Queensland | 42 | 147 |
| Westpac | 49 | - |
| Rentals and leases | 1,773 | 1,312 |
| Total revenue | <u>13,260</u> | <u>11,125</u> |

5. Other income

Other income consists of the following items:

| | 2013 \$'000 | 2012 \$'000 |
|---|----------------|----------------|
| Net gain on sale of property, plant and equipment | 71 | 10 |
| Sale of electricity and water | 57 | 63 |
| Miscellaneous charges | 112 | 116 |
| | <u>240</u> | <u>189</u> |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

6. Depreciation and amortisation expense

| | 2013 \$'000 | 2012 \$'000 |
|-------------------------------------|----------------|----------------|
| Depreciation | | |
| Channels and breakwaters | 633 | 633 |
| Buildings and improvements | 17 | 36 |
| Plant and equipment | 399 | 229 |
| Berths, jetties and infrastructure | 221 | 222 |
| Total depreciation | 1,270 | 1,120 |
| Amortisation | | |
| Prepaid expenditure | 8 | 16 |
| Total amortisation | 8 | 16 |
| Total depreciation and amortisation | 1,278 | 1,136 |

7. Employee benefits expense

| | 2013 \$'000 | 2012 \$'000 |
|---|----------------|----------------|
| Wages and salaries ^(a) | 2,366 | 2,326 |
| Superannuation – defined benefit plans (see note 18(d)) | 213 | 200 |
| Personal leave | 13 | 6 |
| Long service leave ^(b) | 207 | (30) |
| Annual leave ^(b) | 10 | (1) |
| Accumulated days off | 6 | 1 |
| | 2,815 | 2,502 |

a. Includes the value of the fringe benefit to the employee plus the fringe benefit tax component.

b. Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance and payroll tax are included at note 9 'Other expenses'. The employment on-costs liability is included at note 18 'Provisions'.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

8. Finance costs

| | 2013 \$'000 | 2012 \$'000 |
|------------------------|----------------|----------------|
| Interest paid | 25 | 65 |
| Finance costs expensed | 25 | 65 |

9. Other expenses

| | 2013 \$'000 | 2012 \$'000 |
|----------------------------------|----------------|----------------|
| Reversal of doubtful debts | - | (6) |
| Employee on-costs ^(a) | | |
| Payroll tax | 107 | 105 |
| Income protection insurance | 8 | 9 |
| Workers compensation insurance | 40 | 39 |
| | 155 | 147 |

Includes workers' compensation insurance, payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 18 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employee on-costs.

10. Income tax expense

Recognised in profit or loss

| | 2013 \$'000 | 2012 \$'000 |
|---|----------------|----------------|
| Current tax expense | | |
| Current income tax charge | 1,833 | 1,564 |
| Adjustment for prior periods | (209) | 19 |
| | 1,624 | 1,583 |
| Deferred tax (benefit)/expense | | |
| Origination and reversal of temporary differences | 72 | (439) |
| Adjustment for prior period | 186 | - |
| | 258 | (439) |
| Total income tax expense | 1,882 | 1,144 |

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Notes to the Financial Statements

For the year ended 30 June 2013

10. Income tax expense (continued)

Reconciliation between tax expense and pretax net profit

| | 2013 \$'000 | 2012 \$'000 |
|--|----------------|----------------|
| Profit for the period | 4,471 | 2,616 |
| Total income tax expense | 1,882 | 1,144 |
| Profit excluding income tax | 6,353 | 3,760 |
| Income tax using the statutory tax rate of 30% (2011: 30%) | 1,905 | 1,128 |
| Non-deductible expenses | - | 5 |
| Non-assessable income | - | (8) |
| Adjustment in respect of prior year | (23) | 19 |
| | 1,882 | 1,144 |
| Income tax expense | 1,882 | 1,144 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

10. Income tax expense (continued)

Deferred income tax

| | 2013 Statement of Financial Position \$'000 | 2012 Statement of Financial Position \$'000 | 2013 Statement of Comprehensive Income \$'000 | 2012 Statement of Comprehensive Income \$'000 |
|---|---|---|---|---|
| Deferred tax liabilities | | | | |
| Accelerated depreciation for tax purposes | (9,886) | (9,564) | 322 | (88) |
| Future dredging | (703) | (723) | (20) | (20) |
| Others | (32) | (23) | 9 | (1) |
| Gross deferred tax liabilities | (10,621) | (10,310) | | |
| Deferred tax assets | | | | |
| Receivables | - | - | - | 2 |
| Other financial assets | 4 | 8 | 4 | (4) |
| Employee benefits | 414 | 357 | (57) | (43) |
| Accelerated depreciation for accounting purposes | 9,344 | 9,249 | (95) | (244) |
| Asbestos removal | 8 | 150 | 142 | (15) |
| Others | 114 | 67 | (47) | (26) |
| Gross deferred tax assets | 9,884 | 9,831 | | |
| Set-off of deferred tax assets pursuant to set-off provisions | | | | |
| Net deferred tax liability | (737) | (479) | | |
| Deferred tax (benefit) | | | 258 | (439) |

Current tax liabilities

The current tax liability of \$0.587 million (2012: Current tax liability of \$0.867 million) represents the amount of income taxes payable in respect of current and prior financial periods.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

11. Dividends

| | 2013 \$'000 | 2012 \$'000 |
|--------------------------------------|----------------|----------------|
| Dividends paid in the financial year | 1,700 | 1,002 |

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 65% (2012: 65%) of after tax profits. However, in accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June 2013 have not been provided as they are expected to be approved by Government and declared by the Board after balance date.

A dividend of \$1.700 million (2012: \$1.002 million) in respect of the financial results for the year ended 30 June 2012 (2011) was paid in January 2013 (2012).

12. Cash and cash equivalents

| | 2013 \$'000 | 2012 \$'000 |
|---|----------------|----------------|
| Bank balances | 2,945 | 4,251 |
| Call deposit | 9,176 | 5,931 |
| Term deposits | 26 | 23 |
| Cash and cash equivalents in the statements of cash flows | 12,147 | 10,205 |

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

13. Trade and other receivables

| | Note | 2013 \$'000 | 2012 \$'000 |
|---|------|----------------|----------------|
| Current | | | |
| Receivables | | 1,444 | 1,549 |
| Less: allowance for impairment of receivables | | - | - |
| | | 1,444 | 1,549 |
| Other debtors | | - | 2 |
| | | 1,444 | 1,551 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

13. Trade and other receivables (continued)

| | <i>Note</i> | 2013 \$'000 | 2012 \$'000 |
|---|-------------|------------------------------|------------------------------|
| Reconciliation of changes in the allowance for impairment of receivables: | | | |
| Balance at start of year | | - | 5 |
| Amount utilised during the year | | - | (5) |
| Balance at end of year | | - | - |

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

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

| | <i>Note</i> | 2013 \$'000 | 2012 \$'000 |
|---|-------------|------------------------------|------------------------------|
| Greater than 30 days and not more than 3 months | | 10 | 172 |
| More than 3 months but less than 6 months | | 7 | - |
| More than 6 months but less than 1 year | | - | - |
| More than 1 year | | - | - |
| | | 17 | 172 |

14. Other

| | 2013 \$'000 | 2012 \$'000 |
|---------------------|------------------------------|------------------------------|
| Current | | |
| Prepaid expenditure | 104 | 126 |
| Accrued income | 93 | 64 |
| | 198 | 190 |

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

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Notes to the Financial Statements

For the year ended 30 June 2013

15. Property, plant and equipment

| | Channels and breakwaters | | Land | | Buildings and improvements | | Plant and equipment | | Berths, jetties and infrastructure | | Work in progress | | Total | |
|--------------------|--------------------------|----------------|----------------|----------------|----------------------------|----------------|---------------------|----------------|------------------------------------|----------------|------------------|----------------|----------------|----------------|
| | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 |
| At cost | | | | | | | | | | | | | | |
| Balance 1 July | 29,374 | 29,374 | 2,551 | 2,966 | 4,097 | 4,152 | 3,884 | 3,853 | 21,770 | 21,511 | 2,060 | 621 | 63,736 | 62,477 |
| Additions | - | - | - | - | 2 | - | 227 | 238 | - | - | 547 | 1,828 | 776 | 2,066 |
| Disposals | - | - | - | - | - | (13) | (988) | (178) | - | - | - | - | (988) | (191) |
| Impairment | - | - | - | (415) | - | (43) | - | (29) | - | (130) | - | - | - | (617) |
| Transfer | - | - | - | - | - | - | 2,129 | - | - | 389 | (2,129) | (389) | - | - |
| Balance at 30 June | 29,374 | 29,374 | 2,551 | 2,551 | 4,099 | 4,096 | 5,252 | 3883 | 21,770 | 21,770 | 478 | 2,060 | 63,524 | 63,735 |

15. Property, plant and equipment (continued)

| | Channels and breakwaters | | Land | | Buildings and improvements | | Plant and equipment | | Berths, jetties and infrastructure | | Work in progress | | Total | |
|---------------------------|--------------------------|----------------|----------------|----------------|----------------------------|----------------|---------------------|----------------|------------------------------------|----------------|------------------|----------------|----------------|----------------|
| | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 |
| Depreciation | | | | | | | | | | | | | | |
| Balance 1 July | 8,859 | 8,226 | - | - | 3,638 | 3,654 | 2,990 | 2,889 | 15,348 | 15,226 | - | - | 30,835 | 29,995 |
| Depreciation | 633 | 633 | - | - | 18 | 36 | 399 | 229 | 221 | 222 | - | - | 1,271 | 1,120 |
| Impairment | - | - | - | - | - | (41) | - | (25) | - | (100) | - | - | (957) | (166) |
| Disposals | - | - | - | - | - | (11) | (957) | (103) | - | - | - | - | (957) | (114) |
| Balance at 30 June | 9,492 | 8,859 | - | - | 3,656 | 3,638 | 2,432 | 2,990 | 15,569 | 15,348 | - | - | 31,149 | 30,835 |
| Carrying Amounts | | | | | | | | | | | | | | |
| 1 July | 20,515 | 21,148 | 2,551 | 2,966 | 458 | 498 | 894 | 963 | 6,422 | 6,285 | 2,060 | 621 | 32,900 | 32,481 |
| 30 June | 19,882 | 20,515 | 2,551 | 2,551 | 443 | 458 | 2,820 | 894 | 6,201 | 6,422 | 478 | 2,060 | 32,375 | 32,900 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

15. Property, plant and equipment (continued)

Impairment loss

The Depreciated Optimised Replacement Cost (DORC) values of the Authority's major asset classes are determined every three years. As a result of those valuations, any impairment losses are determined. The last valuation was undertaken in 2011/12. A scheduled valuation was therefore not undertaken in 2012/13 and no impairment losses were determined.

Security

There are no assets pledged as security.

16. Trade and other payables

| | 2013 \$'000 | 2012 \$'000 |
|----------------|----------------|----------------|
| Current | | |
| Trade payables | 413 | 579 |
| Other payables | 26 | 23 |
| GST payable | (1) | (25) |
| | <u>438</u> | <u>577</u> |

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

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

17. Interest bearing borrowings

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

| | 2013 \$'000 | 2012 \$'000 |
|--|----------------|----------------|
| Current liabilities | | |
| Direct borrowings | - | 1,250 |
| Special borrowings | - | - |
| | - | 1,250 |
| Financing arrangements | | |
| The Authority has access to the following lines of credit: | | |
| Total facilities available: | | |
| Direct and special borrowings | 2,100 | 2,100 |
| | 2,100 | 2,100 |
| Facilities utilised at reporting date: | | |
| Direct and special borrowings | - | 1,250 |
| | - | 1,250 |
| Facilities not utilised at reporting date: | | |
| Direct and special borrowings | 2,100 | 850 |
| | 2,100 | 850 |

Significant terms and conditions

There are no loans (2012: \$1.25 million) repayable to WA Treasury Corporation at 30 June 2013. The Authority has paid the remaining loan outstanding during the financial year. Fixed interest rates applicable to repayments made during 2012/13 were between 3.94% and 4.34% (2012: 5.02% and 5.14%).

Interest rate risk exposure

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

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Notes to the Financial Statements

For the year ended 30 June 2013

17. Interest bearing borrowings (continued)

Interest rate risk exposure (continued)

| 2013 | Fixed interest rate | | | | | | Total \$'000 |
|--|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------|
| | 1 year or less \$'000 | Over 1 to 2 years \$'000 | Over 2 to 3 years \$'000 | Over 3 to 4 years \$'000 | Over 4 to 5 years \$'000 | More than 5 years \$'000 | |
| Interest bearing borrowings: | | | | | | | |
| Direct borrowings | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| Weighted average interest rate: | | | | | | | |
| Direct borrowings | - | | | | | | |

| 2012 | Fixed interest rate | | | | | | Total \$'000 |
|--|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------|
| | 1 year or less \$'000 | Over 1 to 2 years \$'000 | Over 2 to 3 years \$'000 | Over 3 to 4 years \$'000 | Over 4 to 5 years \$'000 | More than 5 years \$'000 | |
| Interest bearing borrowings: | | | | | | | |
| Direct borrowings | 1,250 | - | - | - | - | - | 1,250 |
| | 1,250 | - | - | - | - | - | 1,250 |
| Weighted average interest rate: | | | | | | | |
| Direct borrowings | 4.04% | | | | | | |

18. Provisions

| | Note | 2013 \$'000 | 2012 \$'000 |
|-----------------------------------|------|----------------|----------------|
| Current | | | |
| Employee benefits provision | | | |
| Accumulated days off | | 14 | 8 |
| Annual leave ^(a) | | 232 | 221 |
| Long service leave ^(b) | | 292 | 64 |
| Personal leave | | 50 | 37 |
| Superannuation ^(d) | | 49 | 47 |
| Removal of asbestos | | 25 | 500 |
| | | 662 | 877 |
| Non-current | | | |
| Employee benefits provision | | | |
| Long service leave ^(b) | | 90 | 111 |
| Superannuation ^(d) | | 652 | 701 |
| Removal of asbestos | | - | - |
| | | 742 | 812 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

18. Provisions (continued)

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

| | 2013 \$'000 | 2012 \$'000 |
|--|----------------|----------------|
| Within 12 months of reporting date | 232 | 221 |
| More than 12 months after reporting date | - | - |
| | 232 | 221 |

- (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 the Statement of Financial Position date. Assessments indicate that actual settlement of the liabilities will occur as follows:

| | 2013 \$'000 | 2012 \$'000 |
|--|----------------|----------------|
| Within 12 months of reporting date | 292 | 64 |
| More than 12 months after reporting date | 90 | 111 |
| | 382 | 175 |

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

- (d) Defined benefit superannuation plans.

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

| | 2013 \$'000 | 2012 \$'000 |
|---|----------------|----------------|
| Amounts recognised in the Statement of Financial Position: | | |
| Present value of unfunded obligations | 701 | 748 |
| Fair value of plan assets | - | - |
| | 701 | 748 |
| Reconciliation of movement in the present value of the unfunded obligations recognised in the Statement of Financial Position: | | |
| Opening balance | 748 | 581 |
| Current service cost | | |
| Interest cost | 21 | 29 |
| Actuarial gain/(loss) on liabilities | (20) | 185 |
| Benefits paid (including expenses and taxes) | (48) | (47) |
| | 701 | 748 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

18. Provisions (continued)

(d) Defined benefit superannuation plans (continued)

| | 2013 \$'000 | 2012 \$'000 |
|--|----------------|----------------|
| Amounts recognised in profit or loss: | | |
| Current service cost | | |
| Interest cost | 21 | 29 |
| Actual gain recognised | (20) | 185 |
| | 1 | 214 |
| Historic summary: | | |
| Defined benefit plan obligation | 701 | 748 |
| Plan assets | - | - |
| | 701 | 748 |
| Experience adjustments arising on plan liabilities | 7 | 11 |
| Experience adjustments arising on plan assets | - | - |
| Principal actuarial assumptions: | | |
| Discount rate | 3.38% | 2.84% |
| Expected future salary increases | 5.00% | 5.50% |
| Expected future pension increases | 2.50% | 2.50% |
| Expected contributions | 49 | 48 |

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

Movements in provisions

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

| | 2013 \$'000 | 2012 \$'000 |
|---------------------------------------|----------------|----------------|
| Retirement benefit obligations | | |
| Carrying amount at 1 July | 748 | 581 |
| Provisions made during the year | 1 | 214 |
| Amounts utilised in the year | (48) | (47) |
| Carrying amount at 30 June | 701 | 748 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

18. Provisions (continued)

Movements in provisions (continued)

| | 2013 \$'000 | 2012 \$'000 |
|------------------------------------|----------------|----------------|
| Employment leave provisions | | |
| Carrying amount at 1 July | 441 | 465 |
| Provisions made during the year | 539 | 301 |
| Amounts utilised in the year | (302) | (325) |
| Carrying amount at 30 June | 678 | 441 |

| | 2013 \$'000 | 2012 \$'000 |
|---------------------------------------|----------------|----------------|
| Provision for asbestos removal | | |
| Carrying amount at 1 July | 500 | 450 |
| Provisions made during the year | 25 | 50 |
| Amounts utilised in the year | (500) | - |
| Carrying amount at 30 June | 25 | 500 |

19. Other liabilities

| | 2013 \$'000 | 2012 \$'000 |
|-----------------------------|----------------|----------------|
| Current | | |
| Prepaid rental income | 275 | 131 |
| Accrued expenses | 346 | 247 |
| Other | | |
| Future dredging expenditure | 234 | 234 |
| | 855 | 612 |

20. Equity

| | 2013 \$'000 | 2012 \$'000 |
|----------------------------------|----------------|----------------|
| Contributed equity | | |
| Balance at the start of the year | 5,171 | 5,171 |
| Balance at end of year | 5,171 | 5,171 |
| Retained earnings | | |
| Balance at start of year | 34,201 | 32,587 |
| Profit for the period | 4,471 | 2,616 |
| Dividends paid | (1,700) | (1,002) |
| Balance at end of year | 36,972 | 34,201 |

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Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

21. Reconciliation of cash flows from operating activities

| | <i>Note</i> | 2013 \$'000 | 2012 \$'000 |
|--|-------------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Profit for the period | | 4,471 | 2,616 |
| Adjustments for: | | | |
| Depreciation and amortisation | 6 | 1,278 | 1,136 |
| Impairment of assets | 15 | - | 451 |
| Provision for asbestos removal | | - | 50 |
| Finance expense | 8 | 25 | 65 |
| Interest income | 4 | (434) | (468) |
| Gain on sale of property, plant and equipment | 5 | (71) | (10) |
| Income tax expense | 10 | 1,882 | 1,144 |
| Operating profit before changes in working capital and provisions | | 7,151 | 4,984 |
| Change in trade and other receivables | 13 | 107 | (768) |
| Change in other assets | | (17) | (38) |
| Change in trade and other payables | 16 | (139) | (140) |
| Change in other liabilities | 19 | 243 | 182 |
| Change in provisions and employee benefits | 18 | (285) | 193 |
| | | 7,060 | 4,413 |
| Interest paid | | (25) | (80) |
| Income taxes paid | | (1,903) | (923) |
| Net cash from operating activities | | 5,132 | 3,410 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

22. Financial instruments

(i) Financial risk management objectives and policies

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

Market risk

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

The Authority's exposure to market risk for changes in interest rates relates primarily to cash and cash equivalents and long-term debt obligations. The Authority's borrowings (nil at 30 June 2013) are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities or at variable rates.

Cash on deposit is held in a mix of variable interest and fixed interest bank accounts.

Sensitivity analysis

Interest Rate Risk

| | Carrying Amount \$'000 | +0.50% change Profit \$'000 | (0.25%) change Profit \$'000 |
|----------------------------------|---------------------------|-----------------------------------|------------------------------------|
| 2013 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 12,147 | 61 | (30) |
| Financial Liabilities | | | |
| Interest bearing borrowings | - | - | - |
| Total Increase/(Decrease) | 12,147 | 61 | (30) |

| | Carrying Amount \$'000 | +0.50% change Profit \$'000 | (0.25%) change Profit \$'000 |
|----------------------------------|---------------------------|-----------------------------------|------------------------------------|
| 2012 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 10,205 | 51 | (26) |
| Financial Liabilities | | | |
| Interest bearing borrowings | (1,250) | (6) | 3 |
| Total Increase/(Decrease) | 8,955 | 45 | (23) |

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Notes to the Financial Statements

For the year ended 30 June 2013

22. Financial instruments (continued)

The Authority's policy is to manage its finance costs using fixed debt with the objective of achieving optimum returns whilst managing interest rate risk to avoid uncertainty and volatility in the market place.

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 Statement of Financial Position date, if interest rates had moved as illustrated in the table below, with all other variables held constant, the effect would be as follows:

Fair value sensitivity for fixed rate instruments

The Authority does not account for any fixed rate financial asset or liabilities at fair value through profit or loss. Therefore a change in interest rates at reporting date would not affect profit or loss.

Credit risk

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

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to credit risk at Statement of Financial Position date in relation to trade and other receivables is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 22(ii).

Trade and other receivables

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Authority's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances. During 2013, approximately 19 percent (2012: 15 percent) of the Authority's revenue is attributable to sales transactions with a single customer.

The credit quality of trade and other receivables is assessed based on a credit policy established by management.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

22. Financial instruments (continued)

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

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

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due.

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 Statement of Financial Position date. The table includes both interest and principal cash flows. An adjustment has been made where material.

| | Carrying amount | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|-----------------------------|-----------------|------------------|-------------|-----------|-----------|-------------------|
| Financial liabilities | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2013 | | | | | | |
| Trade and other payables | 438 | 438 | - | - | - | - |
| Interest bearing borrowings | - | - | - | - | - | - |
| | 438 | 438 | - | - | - | - |
| 2012 | | | | | | |
| Trade and other payables | 577 | 577 | - | - | - | - |
| Interest bearing borrowings | 1,282 | 562 | 720 | - | - | - |
| | 1,859 | 1,139 | 720 | - | - | - |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

22. Financial instruments (continued)

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

(ii) Categories of financial instruments

Set out below are the category and fair value of the Authorities financial instruments.

| | Note | 2013 \$'000 | 2012 \$'000 |
|------------------------------|------|----------------|----------------|
| Financial assets | | | |
| Cash and cash equivalents | | 12,147 | 10,205 |
| Trade and other receivables | | 1,444 | 1,551 |
| | | 13,591 | 11,756 |
| Financial liabilities | | | |
| Trade and other payables | | (438) | (577) |
| Interest-bearing borrowings | | - | (1,282) |
| | | (438) | (1,859) |

(iii) Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

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

The directors consider the carrying amount of the other financial instruments to represent their fair value.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

23. Commitments

Capital expenditure commitments

| | <i>Note</i> | 2013 \$'000 | 2012 \$'000 |
|---|-------------|------------------------|------------------------|
| Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows: | | | |
| Within 1 year | | 23 | 447 |
| Later than 1 year and not later than 5 years | | - | - |
| Later than 5 years | | - | - |
| | | 23 | 447 |

Operating leases receivable

| | 2013 \$'000 | 2012 \$'000 |
|---|------------------------|------------------------|
| Future minimum rentals receivable for operating leases at reporting date: | | |
| Within 1 year | 1,791 | 1,415 |
| Later than 1 year and not later than 5 years | 5,750 | 5,097 |
| Later than 5 years | 29,896 | 29,859 |
| | 37,437 | 36,371 |

Operating leases receivable are in respect of property rentals.

24. Remuneration of auditor

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

| | 2013 \$'000 | 2012 \$'000 |
|--|------------------------|------------------------|
| Remuneration for audit of the financial statements | 44 | 43 |

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

25. Related parties

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

26. Contingent liabilities

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

Contaminated sites

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

Previously, the Authority was advised by DEC of the identification of one suspected contaminated site. A contract was awarded in May 2012 for preliminary site investigation. The investigation has concluded and a report on the investigation was submitted to DEC in May 2013 for review. DEC has not yet determined that remediation is required or if any usage limitations will be placed on the land. Evidence has however indicated that the site is an affected site rather than a source site with the contamination migrating from another location. This determination will affect any potential financial effect on the Authority. Uncertainties relating to the amount or timing of any associated outflows remain.

In September 2012, the Authority received a DEC notice of another known or suspected contaminated site within the Authority's jurisdiction. The notice identifies that further investigations are required to adequately delineate and characterise the nature and extent of the contamination. Investigations have not commenced and therefore any potential financial effect on the Authority, and the amount and timing of any outflows is unknown. Under the Act, investigations are not required to commence until a timeframe has been specified by the DEC and the form of the investigation required to be undertaken has been described.

The Authority, being a Government Trading Entity, is not eligible for support from the Contaminated Sites Management Account.

Asbestos Removal

During the 2011/12 year, the Authority's Board gave in principle approval for the removal of asbestos cement on the roof and exterior of the Albany Port Theatre building. However, at 30 June 2013, there was no present obligation to perform this work. The estimated cost to remove the asbestos based on management estimates is \$320,000. No amount has therefore been included in the financial statements.

Albany Port Authority

Notes to the Financial Statements

For the year ended 30 June 2013

26. Contingent liabilities (continued)

During the 2012/13 year, the Authority demolished a building to remove any potential risks associated with asbestos contained in the building. The work has been completed. However, some aspects of the variations associated with the contract are in dispute. Any potential financial effect on the Authority, and the amount and timing of any outflows is unknown.

27. Subsequent Events

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.

Albany Port Authority

Directors' Declaration

For the year ended 30 June 2013

In the opinion of the Directors of the Authority:

- (a) the financial statements and notes, set out on pages 22 to 60, 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 Authority as at 30 June 2013 and its performance, as represented by the results of its operations and cash flows, for the 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 Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors on 22 August 2013:



Peter West
Chairman



Sally Malone
Director

Albany, Western Australia



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

ALBANY PORT AUTHORITY

I have audited the financial report of the Albany Port Authority. The financial report comprises the Statement of Financial Position as at 30 June 2013, 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 Albany 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 Albany Port Authority is in accordance with schedule 5 of the Port Authorities Act 1999, including:

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2013 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 Albany Port Authority for the year ended 30 June 2013 included on the Authority's website. The Authority's directors are responsible for the integrity of the Authority's website. This audit does not provide assurance 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
29 August 2013