



ESPERANCE  
PORT  
AUTHORITY

ANNUAL REPORT  
2001 — 2002

## **ESPERANCE PORT AUTHORITY DIRECTORS REPORT**

The directors present their report for the Esperance Port Authority for the year ended 30 June 2002.

### **Directors**

The following persons were directors of the Esperance Port Authority during the whole of the financial year and up to the date of this report:

R.J. Nulsen  
G.D. Males  
I.F. Burston  
J.H. Gray  
R.J. Thorp

### **Principal Activities**

During the year the principal activities of the Port consisted of:

1. Port planning for future development,
2. Trade promotion and facilitation,
3. Asset maintenance and construction,
4. Provision of services power supply and labour as required for stevedoring, pilotage, mooring and maintenance activities.

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

### **Dividend**

The Authority has recommended to the Minister for Planning and Infrastructure that a dividend of \$1,096,476 be paid for the year ended 30 June 2002 and also an Efficiency Dividend as required of \$138,000 for the year.

### **Review of Operations**

A summary of revenues according to significant operating areas is set out below:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from vessels	5,451	3,371
Revenue from cargo	4,938	3,902
Revenue from port services	7,331	5,576
Equipment hire, power and water revenue	1,179	1,284
Other revenues	<u>2,247</u>	<u>963</u>
	21,146	15,096
Less unallocated expenses:		
Administration	1,552	1,275
Shipping Handling Costs	4,431	3,502
Power and Water	1,463	1,359
General Maintenance	2,219	2,160
Depreciation	3,160	2,209
Interest	3,595	1,312
Other Expenditure	<u>1,617</u>	<u>1,187</u>
Total Expenditure	18,037	13,004
Operating profit before income tax	3,109	2,092
Income tax attributable to operating profit	<u>916</u>	<u>651</u>
Operating profit after income tax	<u>2,193</u>	<u>1,441</u>

Comments on the operations and the results of those operations are set out below:

- (a) **Revenue from Vessels**  
The Port has had a record trade year with almost 6.2 million tonnes of cargo being handled. This is 1.893 million tonnes greater than the previous year. The vessel charge was increased by 10 cents a tonne from 1 July 2001. Total revenue from the vessel charge increased by \$1,858,942 on the previous year an increase of 65.7%. While revenue from the berthage charge increased \$220,719 on the previous year an increase of 40.8%.
- (b) **Revenue from Cargo**  
Revenue from cargo increased by \$1,035,789 or 26.5% on the preceding year with total trade increasing by 44.1%. The revenue earned is dependent on the mix of cargoes. Exports of iron ore and nickel increased 1,630,602 and 28,674 tonnes or 64 and 11.8% respectively on the previous year. Exports of grain increased by 14.3% or 159,288 tonnes on the preceding year. Imports of petroleum increased 14,478 tonnes or 5.3% on the previous year. Fertiliser imports were up 36,566 tonnes or 36.9%. There was a one shipment of superphosphate exported to the eastern states of 27,258 tonnes.
- (c) **Revenue from Port Services**  
Included under port services were cargo handling revenue, labour hire recovery, pilotage revenue and pipeline service charge. Total revenue from port services increased by 31.5% on the previous year. There were increases in revenue from all sources. Handling charges increased by 37.9%, pipeline service charge by 6.1%, pilotage by 17.4% and labour hire recovery by 4.5%.
- (d) **Equipment Hire, Power and Water**  
Revenue from these sources decreased by 8.2% during the year. Electricity sales revenue decreased by 7.6% on the previous year due to reduced fuel costs and improved power house efficiencies being reflected in the unit cost to Co-operative Bulk Handling.
- (e) **Other Revenues**  
Other revenues increased by 133.3% on the previous year. This increase was because of the introduction of an infrastructure charge for Portman Mining who are underwriting \$35m of the Port's capital expenditure.
- (f) **Administration**  
Administration expenses increased 21.7% during the year. There were increases in most areas of administration expenditure during the year. Environmental assessment expenditure was nil as compared to \$178,716 the previous year while environmental monitoring increased during the year from \$34,495 to \$410,743.
- (e) **Shipping Handling Costs**  
Shipping handling costs increased by 26.5% on the previous year due to increased tonnage through put for iron ore of 64% and nickel exports of 11.8%. Handling revenues from these products increased 37.9%.
- (g) **Power and Water**  
Expenditure on power and water increased by 7.7% on the previous year. This increase reflects the increase in port activity and is significantly less than the preceding year due to the reduced cost of diesel fuel used to power the generating plant.
- (h) **General Maintenance**  
General maintenance expenditure increased by 2.7% on the previous year. Maintenance wages increased 17.3% due to increased employee numbers. Maintenance expenditure decreased by 16.5% due to a decrease in breakwater maintenance expenditure on the previous year of \$241,687.

- (i) Interest  
Interest expense increased 174% on the previous year due to increased borrowings from the Western Australian Treasury Corporation to fund the development program during the year.
- (k) Other Expenditure  
Other expenditure has increased due increases in insurance, payroll tax, rates and taxes, provisions for staff entitlements and an asset revaluation decrement of \$188,463 on land and houses owned by the Authority .

### **Rate of Return**

The Minister for Infrastructure and Planning set this Authority a target of 6% for the year ended 30 June 2002. The target actually achieved was 8.1% The target rate of return is calculated on profit as per historical cost adjusted for the difference between deprival cost valuation depreciation and historical cost depreciation plus interest divided by the written down deprival cost of total assets.

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

Significant changes in the state of affairs of the Esperance Port Authority during the financial year were as follows:

- (a) The Authority spent \$24,794,761 on capital works during the year ended 30 June 2002 plus \$31,282,240 the previous year deepening the harbour, extending the breakwater, building berth No.3 and ship loader and iron ore shed No.3 and facilities.

### **Matters subsequent to the end of the financial year**

There is a dispute between Dredeco, the dredging contractors who deepened the Ports harbour, and the Authority over contractual claims these could eventuate into a further payment of up to \$0.75m

### **Environmental regulation**

The Authority is subject to significant environmental regulation in respect of its cargo handling operations as set out below.

The mineral handling operations of the Authority are subject to Western Australia, Department of Environmental Protection, Conditions of Licence, Licence Number: 5099/4.

### **Information on Directors**

<b>Director</b>	<b>Experience</b>	<b>Special Responsibilities</b>
R.J. Nulsen	Director since 1990 Chairman since 1996 Self employed business man.	Chairman of Directors
G.D. Males	Director since 1990 Farming interests. Self employed.	Director
I.F. Burston	Director since 1993, Managing Director of Portman Mining Limited.	Director
J.H. Gray	Director since 1996 Self employed farmer.	Director
R.J. Thorp	Director since 1998 Self employed business man.	Deputy Chairman of Directors

**Meetings of directors**

The numbers of meetings of the Authority's board of directors and the numbers of meetings attended by each director were:

<b>Director</b>	<b>Maximum Number of Meetings</b>	<b>Number Attended</b>
R.J. Nulsen	11	11
G.D. Males	11	11
I.F. Burston	11	8
J.H. Gray	11	10
R.J. Thorp	11	10

**Reappointment of Directors**

The Minister for Planning and Infrastructure appoints Directors for terms not exceeding 3 years. During the year there were no appointments to the board of the Authority.

**Insurance of officers**

During the financial year the Authority paid a premium of \$15,420 to insure the directors and the chief executive officer and the divisional managers of the Authority.

The liability insured are costs and expenses that may be incurred in defending civil and criminal proceedings that may be brought against the officers in their capacity as officers of the Authority.

**Rounding of amounts**

The Authority is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

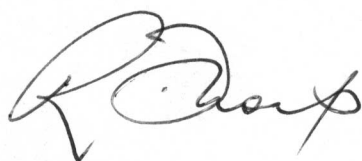
**Auditor**

The Auditor General continues in office in accordance with Schedule 5 Section 37 (2) of the Port Authorities Act 1999.

This report is made in accordance with a resolution of the directors.



R.J. Nulsen  
Chairman



R.J. Thorp  
Deputy Chairman  
9 September 2002

**ESPERANCE PORT AUTHORITY**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2002**

	Notes	<b>2002 \$'000</b>	<b>2001 \$'000</b>
<b>CURRENT ASSETS</b>			
Cash Assets	5	767	767
Receivables	6	3,960	2,499
Inventories	7	668	170
Total Current Assets		<u>5,395</u>	<u>3,436</u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	8	83,244	61,947
Deferred Tax Asset	4 (a)	548	477
Total Non-Current Assets		<u>83,792</u>	<u>62,424</u>
<b>TOTAL ASSETS</b>		<u><b>89,187</b></u>	<u><b>65,860</b></u>
<b>CURRENT LIABILITIES</b>			
Payables	9	3,344	5,405
Interest Bearing Liabilities	10	1,902	1,116
Provisions	11	1,972	1,606
Total Current Liabilities		<u>7,218</u>	<u>8,127</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest Bearing Liabilities	12	56,128	33,445
Provisions	13	1,372	778
Total Non-Current Liabilities		<u>57,500</u>	<u>34,223</u>
<b>TOTAL LIABILITIES</b>		<u><b>64,718</b></u>	<u><b>42,350</b></u>
<b>NET ASSETS</b>		<u><b>24,469</b></u>	<u><b>23,510</b></u>
<b>EQUITY</b>			
Retained Profits	14	18,117	17,158
Asset Revaluation Reserve	14	4,143	4,143
Contributed Equity	15	2,209	2,209
<b>TOTAL EQUITY</b>		<u><b>24,469</b></u>	<u><b>23,510</b></u>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**ESPERANCE PORT AUTHORITY**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2002**

	Notes	<b>2002 \$'000</b>	<b>2001 \$'000</b>
<b>Revenue from Ordinary Activities</b>	2	<u>21,295</u>	<u>15,155</u>
		21,295	15,155
Depreciation	3	(3,160)	(2,209)
Borrowing costs	3	(3,595)	(1,312)
Employee benefits		(4,154)	(3,491)
General administration		(1,075)	(780)
General maintenance		(851)	(994)
Power and water		(1,463)	(1,359)
Bulk handling facilities maintenance		(974)	(959)
Insurance		(243)	(196)
Asset revaluation decrement		(188)	-
Other expenses from ordinary activities		<u>(2,483)</u>	<u>(1,763)</u>
<b>Profit from Ordinary Activities Before Income Tax Expense</b>		3,109	2,092
Income tax expense	4	<u>(916)</u>	<u>(651)</u>
<b>Net Profit</b>		<u>2,193</u>	<u>1,441</u>

*The above Statement of Financial Performance should be read in conjunction with the accompanying notes.*

**ESPERANCE PORT AUTHORITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2002**

	Notes	<b>2002 \$'000</b>	<b>2001 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		15,835	12,449
Interest received		95	149
GST received on sales		2,228	1,320
Other receipts		4,665	1,909
GST Receipts from taxation authority		1,680	1,954
GST paid on purchases		(3,128)	(3,294)
Payments to suppliers		(9,645)	(7,345)
Payments to employees		(2,544)	(1,661)
Borrowing costs		(3,478)	(1,182)
Income tax paid		(687)	(1,089)
GST paid to taxation authority		(780)	(240)
<b>Net cash from operating activities</b>	22	<b>4,241</b>	<b>2,970</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(27,841)	(28,219)
Proceeds from sale of property, plant and equipment		131	105
<b>Net cash used in investing activities</b>		<b>(27,710)</b>	<b>(28,114)</b>
<b>Cash flows from financing activities</b>			
Proceeds of borrowings from West Australian Treasury Corporation		25,083	23,800
Repayment of borrowings from West Australian Treasury Corporation		(1,614)	(626)
<b>Net cash from financing activities</b>		<b>23,469</b>	<b>23,174</b>
Net (decrease) in cash held		-	(1,970)
Cash at beginning of the financial year		767	2,737
<b>Cash at the end of the financial year</b>	5	<b>767</b>	<b>767</b>

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the financial reporting provisions of the Port Authorities Act 1999 which generally reflects the relevant sections of the Corporations Act 2001.

It is prepared on the accruals basis and in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

### (a) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

From 1<sup>st</sup> July 2001 the Authority became subject to a National Tax Equivalent Regime (NTER) that was negotiated between the various State Governments and the Commonwealth Government. The NTER agreement does not override previously entered into arrangements that were in accordance Western Australian Governments Income Tax and Wholesale Sales Tax Equivalent Regime (TER). In preparing the financial statements for NTER purposes, the Authority has complied with the requirements of the previous TER where applicable, the Income Tax Assessment Act 1936 (as amended) except where they may be expressly modified by the Treasurer's Directions which have been specifically prepared to apply to the State Government Trading Enterprises (GTE's).

### (b) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowings rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (c) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

- (1) *Revenue from Vessels*  
This revenue is recognised as from the time of arrival of the Vessel.
- (2) *Revenue from Cargo*  
This revenue is recognised as from the time of arrival of the Vessel.
- (3) *Revenue from Port Services*  
This revenue is recognised as from the time of arrival of the Vessel.
- (4) *Equipment Hire, Power and Water Revenue*  
This revenue is recognised upon the delivery of service to the customer.

- (5) *Rentals*  
Revenue from rentals is recognised as the period of occupancy.
- (6) *Other Revenues*  
Revenues from all other sources is recognised on delivery of goods and services to the customer.

**(d) Receivables**

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 60 days from the date of recognition. Collectibility of trade debtors is viewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

**(e) Inventories**

Inventories are valued at lower of cost or net realisable value. When issued, stores are costed at the actual cost based on first in first out.

**(f) Recoverable Amount of Non-Current Assets**

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write down occurs.

**(g) Revaluation of Non-Current Assets**

Non-Current Assets are measured at cost. AASB 1041 Revaluation of Non Current Assets was adopted with effect from 1 July 2000, with the carrying value of the classes of assets at the date of adoption being deemed their cost. The previous policy was to revalue land and buildings at fair value at three yearly intervals.

**(h) Depreciation of Property, Plant and Equipment**

Depreciation is calculated on a straight line basis so as to write off the cost of the asset or the revalued amount over their estimated useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives by class of asset are as follows:

Channels	80 years
Breakwater	50 years
Buildings and Ancillaries	7.69 – 50 years
Berths	20 – 25 years
Oil Pipeline	20 years
Electrical Services	7.69 – 40 years
Office Equipment	2 – 14.28 years
Motor Vehicles	5 – 6.67 years
Plant and Equipment	3.7 – 20 years
Bulk Loading Facilities	5 – 40 years
Berth Stabilisation and Fenders	10 – 25 years

Where items of plant and equipment have separately identified components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

**(i) Trade and Other Creditors**

These amounts represent liabilities for goods and services provided to the Authority prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(j) Interest Bearing Liabilities**

Borrowings are recognised and carried at the amount of net proceeds received. Interest is recognised as it accrues.

**(k) Maintenance and Repairs**

Maintenance, repair costs and minor renewals are charged as expenses as incurred. Where maintenance involves the replacement of a major component of an asset, then the costs are capitalised and depreciated in accordance with note 1(h).

**(l) Web Site Costs**

Costs in relation to the Authority's web site are charged as an expense in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit.

**(m) Employee Entitlements**

*(i) Wages and Salaries, annual leave and sick leave*

Liabilities for wages and salaries, annual and sick leave entitlements are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

*(ii) Long service leave*

Long service leave is calculated on a pro-rata basis from the commencement of service at the current rate of remuneration. The probability used for employees remaining in the employment until the expiry of the term is 1. The future cash outflows have not been discounted as the remuneration levels used are current rather than expected future. The requirements of AASB 1028 with regard to long service leave have been investigated and found not to be materially different to the method used.

*(iii) Superannuation*

Staff may contribute to the Superannuation and Family Benefits Act Scheme, a defined benefits pension scheme now closed to new members, to the Gold State Superannuation Scheme, a defined benefit and a lump sum scheme now closed to new members. Contributions are also made to SERF to satisfy existing workforce requirements for waterside employees who transferred to the Authority. New staff can nominate a superannuation scheme of their own, or join the non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.

The liability for superannuation under the Superannuation and Family Benefits Act pension scheme, together with the pre-transfer service liability for employees

who transferred to the Gold State Superannuation Scheme, are provided for at reporting date. This liability relates to employees covered under the original pension scheme.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by fortnightly payment of employer contributions to the Government Employees Superannuation Board.

The note disclosure as required by paragraph 14 (e) of AASB 1028 (being the employers share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for the Authority. Accordingly, deriving the information for the Authority is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

**(n) Borrowing Costs**

Borrowing costs are recognised as expenses in the period in which they are incurred.

**(o) Cash**

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(p) Rounding of amounts**

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(q) Comparatives**

Where the classification of an item in the financial statements has been changed in relation to the corresponding item in the financial statements for the immediate preceding financial year, the item for that immediate preceding financial year is similarly reclassified for the purpose of showing comparative figures.

**NOTE 2. REVENUE**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from Operating Activities</b>		
Revenue from Vessels	5,451	3,371
Revenue from Cargo	4,938	3,902
Revenue from Port Services	7,331	5,576
Equipment Hire, Power and Water Revenue	1,179	1,284
Infrastructure Charge (Refer note 24)	1,299	88
Other Operating Revenues	53	53
	<u>20,251</u>	<u>14,274</u>
<b>Revenue from Outside the Operating Activities</b>		
Rentals	785	627
Interest	95	149
Proceeds on Disposal of Assets	164	105
	<u>1,044</u>	<u>881</u>
Total Revenue	<u>21,295</u>	<u>15,155</u>

### NOTE 3. PROFIT FROM ORDINARY ACTIVITIES

#### (a) Net Gains and Expenses

Profit from ordinary activities before income tax includes the following specific net gains and expenses:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Gains</b>		
Proceeds on disposal of property, plant and equipment	164	105
Written down value of assets disposed of	(149)	(59)
Net gain on disposal of property, plant and equipment	<u>15</u>	<u>46</u>
<b>Expenses</b>		
Borrowing Costs	<u>3,595</u>	<u>1,312</u>
	<u>3,595</u>	<u>1,312</u>
<b>Depreciation</b>		
Channels	162	56
Breakwater	80	25
Buildings and Ancillaries	209	356
Berths 1 and 2	268	267
Berth 3 and Ship Loader	279	0
Oil Pipeline	18	18
Bulk Loading Facilities	1,316	728
Electrical Services	343	322
Office Equipment	67	43
Plant and Equipment	199	175
Berth Stabilization & Fenders	219	219
	<u>3,160</u>	<u>2,209</u>
<b>Provision for Employee Entitlements</b>		
Annual Leave	62	90
Long Service Leave	67	88
Superannuation	29	41
Sick Leave	35	56
	<u>193</u>	<u>275</u>

**NOTE 4. INCOME TAX**

- (a) The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:

	<b>2002</b> <b>\$'000</b>	<b>2001</b> <b>\$'000</b>
Profit from ordinary activities before income tax expenses	3,109	2,092
Income tax calculated at 30% (2001 34%)	<u>933</u>	<u>711</u>
Tax effect of permanent differences:		
Sundry items	(34)	(94)
Accounting depreciation on non-depreciable items	<u>17</u>	<u>20</u>
Income tax adjusted for permanent differences	<u>916</u>	<u>637</u>
Net adjustment to deferred income tax liabilities and assets due to decrease in company tax rate to 30%	0	21
Under (over) provision in prior year	<u>0</u>	<u>(7)</u>
Income tax attributable to profit	<u>916</u>	<u>651</u>
Income tax attributable to profit comprises:		
Current tax provision	489	673
Deferred income tax provision	498	59
Future income tax benefit	(71)	(74)
Under (over) provision in prior year	<u>0</u>	<u>(7)</u>
	<u>916</u>	<u>651</u>

**NOTE 4(a) DEFERRED TAX ASSET**

Deferred tax asset opening balance	477	403
Change in future income tax benefit	<u>71</u>	<u>74</u>
Deferred tax asset closing balance	<u>548</u>	<u>477</u>

**NOTE 5. CURRENT ASSETS - CASH ASSETS**

Cash at bank and on hand	767	549
Deposits at call	<u>0</u>	<u>218</u>
	<u>767</u>	<u>767</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>767</u>	<u>767</u>
Balances per statement of cash flows	<u>767</u>	<u>767</u>

Short Term deposits at call bearing fixed interest rates between 5.24% - 5.46%.

**NOTE 6. CURRENT ASSETS - RECEIVABLES**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade debtors	3,891	1,985
GST refundable	0	514
Income tax in advance	69	0
	<u>3,960</u>	<u>2,499</u>

There were no debts considered to be doubtful.

There were no Bills of Exchange or Loans to Directors.

**(i) Significant Terms and Conditions**

Trade debtors are generally settled within 30 days.

**(ii) Net Fair Values**

The Authority considers the carrying amounts of trade debtors approximate their net fair values.

**(iii) Credit Risk****Trade Debtors**

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to this industry risk is the carrying value of the trade debtors.

**NOTE 7. CURRENT ASSETS – INVENTORIES**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Stores on Hand		
Plant and Equipment - at cost	641	118
Fuel Stocks – at cost	27	52
	<u>668</u>	<u>170</u>

**NOTE 8. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Freehold land at cost	255	556
Freehold land at recoverable amount	310	0
	<u>565</u>	<u>556</u>
Channels at cost	15,151	4,451
Less Accumulated Depreciation	1,248	1,086
	<u>13,903</u>	<u>3,365</u>
Breakwater at cost	9,562	1,228
Less Accumulated Depreciation	788	707
	<u>8,774</u>	<u>521</u>

	<b>2002</b> <b>\$'000</b>	<b>2001</b> <b>\$'000</b>
Buildings and Ancillaries at cost	3,934	4,189
Buildings and Ancillaries at recoverable amount	445	0
Less Accumulated Depreciation	906	697
	<u>3,473</u>	<u>3,492</u>
Berths 1 and 2 at cost	6,031	6,031
Less Accumulated Depreciation	1,608	1,340
	<u>4,423</u>	<u>4,691</u>
Berth 3 and ship loader at cost	17,482	0
Less Accumulated Depreciation	279	0
	<u>17,203</u>	<u>0</u>
Oil Pipeline at cost	360	360
Less Accumulated Depreciation	108	90
	<u>252</u>	<u>270</u>
Bulk Loading Facilities at cost	33,781	15,486
Less Accumulated Depreciation	5,894	4,578
	<u>27,887</u>	<u>10,908</u>
Electrical Services at cost	3,462	3,060
Less Accumulated Depreciation	1,056	712
	<u>2,406</u>	<u>2,348</u>
Office Equipment at cost	353	275
Less Accumulated Depreciation	225	158
	<u>128</u>	<u>117</u>
Plant and Equipment at cost	1,857	1,674
Less Accumulated Depreciation	1,083	935
	<u>774</u>	<u>739</u>
Berth Stabilization & Fenders at cost	3,911	3,911
Less Accumulated Depreciation	455	236
	<u>3,456</u>	<u>3,675</u>
Work in progress	-	31,265
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b><u>83,244</u></b>	<b><u>61,947</u></b>

### **Reconciliations**

Reconciliations of carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Carrying amount 1 July 2001	Work in Progress Transfers	Additions	Disposals / Assets write down	Depreciation	Carrying amount 30 June 2002
Channels	3,365	9,343	1,357		(162)	13,903
Breakwater	521	5,019	3,314		(80)	8,774
Buildings and Ancillaries	3,492		293	(103)	(209)	3,473
Berths 1 and 2	4,691				(268)	4,423
Berth 3 and Ship loader	0	8,760	8,722		(279)	17,203
Land at Cost	556		95	(86)		565
Oil Pipeline	270				(18)	252
Bulk Loading Facilities	10,908	8,143	10,152		(1,316)	27,887
Electrical Services	2,348		401		(343)	2,406
Office Equipment	117		78		(67)	128
Plant and Equipment	739		383	(149)	(199)	774
Berth Stabilization	3,675				(219)	3,456
Work in Progress	31,265	(31,265)				0
<b>Total</b>	<b>61,947</b>	<b>0</b>	<b>24,795</b>	<b>(338)</b>	<b>(3,160)</b>	<b>83,244</b>

**NOTE 9. CURRENT LIABILITIES –PAYABLES**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade Creditors	378	4,752
Dividends Payable	835	0
Accruals	793	598
Income in Advance	1,338	55
	<u>3,344</u>	<u>5,405</u>

**(i) Significant Terms and Conditions**

Trade creditors payable are settled within 30 days.

**(ii) Net Fair Values**

The Authority considers the carrying amounts of trade creditors approximate their net fair values.

**NOTE 10. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Borrowings – Western Australian Treasury Corporation	1,902	1,116
	<u>1,902</u>	<u>1,116</u>

**NOTE 11. CURRENT LIABILITIES- PROVISIONS**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividends	1,234	835
Income tax	0	130
Employee Entitlements		
Annual Leave	356	294
Long Service Leave	80	78
Sick Leave	300	265
Superannuation	2	4
	<u>1,972</u>	<u>1,606</u>

**NOTE 12. NON CURENT LIABILITIES – INTEREST BEARING LIABILITIES**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Borrowings</b>		
Borrowings Western Australian Treasury Corporation	<u>56,128</u>	<u>33,445</u>

**(i) Significant Terms and Conditions**

All borrowings are unsecured.

**(ii) Interest Risk**

Interest on the 20 year fixed interest loans ranged from 5.97 to 7.0% and the weighted average interest rate on other borrowings was 7.15% per annum (2001: 7.76%).

**(iii) Net Fair Values**

The Authority considers the carrying amounts of borrowings approximate their net fair values.

**(iv) Maturing Loans**

Borrowings to the value of \$3,946,566 are due to mature within 12 months. The majority of this amount will automatically be rolled over into new borrowings. Only the amount of capital due to be repaid is shown as current.

**NOTE 13. NON CURRENT LIABILITIES – PROVISIONS**

	<b>2002</b> <b>\$'000</b>	<b>2001</b> <b>\$'000</b>
Employee Entitlements		
Long Service Leave	318	253
Superannuation	235	204
Deferred Income Tax	819	321
	<u>1,372</u>	<u>778</u>

**NOTE 14. RESERVES AND RETAINED PROFITS**

	<b>2002</b> <b>\$'000</b>	<b>2001</b> <b>\$'000</b>
<b>Asset Revaluation Reserve</b>		
Reserve from revaluation of assets	4,143	4,143
	<u>4,143</u>	<u>4,143</u>
(i)The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets as described in accounting policy 1(g).		
<b>Retained Profits</b>		
Retained Profits at the beginning of the financial year	17,158	16,129
Net profit for year	2,193	1,441
Less dividends provided for or paid	1,234	412
	<u>18,117</u>	<u>17,158</u>

**NOTE 15. CONTRIBUTED EQUITY**

State government equity contributions	<u>2,209</u>	<u>2,209</u>
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**NOTE 16. DIVIDENDS**

Dividend to Government	<u>1,234</u>	<u>412</u>
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The directors intend to make a recommendation to the Minister, that dividends amounting to \$1,234,476 (2001: \$432,375) be declared in respect of the year ended 30 June 2002. The provision for dividends comprise an amount of \$1,096,407 (2001: \$412,228) being 50 percent of after tax profits for the year and an “efficiency dividend” of \$138,000.

#### 17. REMUNERATION OF DIRECTORS

	<b>2002 \$'000</b>	<b>2001 \$'000</b>
The total fees and allowances paid to directors	<u>35</u>	<u>36</u>

The number of directors of the Authority whose total of fees and allowance received, fall within the following bands:

		2002	2001
\$0 - \$9 999		4	4
\$10 000 - \$19 999		1	1

#### 18. REMUNERATION OF EXECUTIVES

	<b>2002 \$'000</b>	<b>2001 \$'000</b>
Remuneration to senior executives whose remuneration was at least \$100 000:	<u>158</u>	<u>158</u>

	2002	2001
\$150 000 - \$159 999	1	1

#### 19. REMUNERATION OF AUDITOR

	<b>2002 \$'000</b>	<b>2001 \$'000</b>
The total fees paid to the Auditor General for the financial year, is as follows:	<u>20</u>	<u>20</u>

#### 20. CONTINGENT LIABILITIES

At 30 June 2002 the Authority was in dispute with the dredging company, Dredeco, over contractual claims which could require the Authority to pay up to \$0.75m above what has already been paid for dredging works.

#### 21. WRITE OFFS

	<b>2002 \$'000</b>	<b>2001 \$'000</b>
The Authority wrote off minor assets during the year	<u>Nil</u>	<u>15</u>

## 22. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	2002 \$'000	2001 \$'000
Profit from ordinary activities after tax	2,193	1,441
Depreciation	3,160	2,209
Net profit on sale of non-current assets	(15)	(46)
Provision for superannuation liability	29	41
Provision for annual leave & long service leave	129	178
Provision for sick leave	35	55
Income tax expense	916	651
Income tax paid	(687)	(1,089)
Changes in assets and liabilities		
Increase in receivables	(1,905)	(597)
Increase in inventories	(498)	(37)
Decrease in payables	2,625	675
Increase in income in advance	(1,283)	2
Increase in net GST receivable	(458)	(513)
Net cash from operating activities	4,241	2,970

## 23. INTEREST RATE EXPOSURE

The Authority's exposure to interest rate risk and the effective interest rates on Financial Instruments are:

	Weighted Average Effective Interest Rate	Floating Interest Rate	<u>Fixed interest rate maturities</u>			Non Interest Bearing	Total
30 June 2002	%	\$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	\$'000	\$'000
Assets							
Cash Assets	4.9	767					767
Receivables						3,891	3,891
Total financial assets		767				3,891	4,658
Liabilities							
Payables						2,509	2,509
Borrowings from WATC	7.15		3,946	3,287	3,183		10,416
WATC	6.5		1,391	8,446	37,777		47,614
Employee entitlements						1,291	1,291
Total financial liabilities			5,337	11,733	40,960	3,800	61,830
Net financial assets (liabilities)		767	(5,337)	(11,733)	(40,960)	91	(57,172)

	Weighted Average Effective Interest Rate	Floating Interest Rate	<u>Fixed interest rate maturities</u>			Non Interest Bearing	Total
	%	\$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	\$'000	\$'000
<b>30 June 2001</b>							
Assets							
Cash Assets	4.5	767					767
Receivables						1,986	1,986
Total financial Assets		767				1,986	2,753
Liabilities							
Payables						5,405	5,405
Borrowings from WATC	7.94		4,094	3,287	3,527		10,908
WATC	6.5		556	2,609	20,488		23,653
Employee entitlements						1,098	1,098
Total financial liabilities			4,650	5,896	24,015	6,503	41,064
Net financial assets (liabilities)		767	(4,650)	(5,896)	(24,015)	(4,517)	(38,311)

## 24. NEW FACILITIES CHARGE

The Port Authority has entered into an agreement with port users who will pay an infrastructure charge of \$934,437 per quarter in relation to usage of the Port's new facilities, for 60 quarters commencing 1 April 2002.

## 25. RELATED PARTIES

The following persons held the position of director during the financial year:

Mr. Richard Nulsen  
Mr. Geoff Males  
Mr. Ian Burston  
Mr. Jim Gray  
Mr. Richard Thorp

Information on remuneration received or receivable by directors is disclosed in Note 17.

A director, Mr. Richard Nulsen, is a director of South East Petroleum. The transactions with South East Petroleum for the supply of petroleum products to the Authority amounted to \$4,848 on 30 days credit terms.

A director, Mr. Richard Thorp, is principal and a director of Thorp Realty Pty Ltd. The transactions with Thorp Realty amounted to \$3,618 for monthly rentals paid in advance.

A director, Mr. Ian Burston, is the managing director of Portman Mining Limited. Portman Mining are the Authority's largest customer having exported over 4m tonnes of iron ore for the year ended 30 June 2002. The Authority has in place a number of operating agreements with Portman Mining and Portman Mining have underwritten \$35m of expenditure on the recent port upgrade.

## **26. SEGMENT REPORTING**

The Authority operates predominantly in the one business segment being the port services industry and in one geographical location being Esperance Western Australia.

## **DIRECTORS' DECLARATION**

The directors declare that the financial statements and notes set out on the preceding pages:

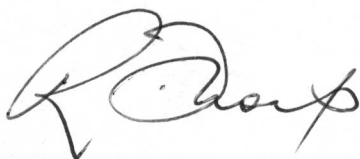
- (a) comply with Accounting Standards, other mandatory professional reporting requirements, and the financial reporting provisions of the Port Authorities Act 1999; and
- (b) the Statement of Financial Performance gives a true and fair view of the Authority's profit for the financial year 1 July 2001 to 30 June 2002;
- (c) the Statement of Financial Position gives a true and fair view of the Authority's state of affairs as at 30 June 2002.

In the directors opinion at the date of this declaration there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'R.J. Nulsen', with a long horizontal stroke extending to the right.

R.J. Nulsen  
Chairman

A handwritten signature in black ink, appearing to be 'R.J. Thorp', with a large, stylized 'R' and 'J'.

R.J. Thorp  
Deputy Chairman  
Esperance  
23 September 2002



## AUDITOR GENERAL

### INDEPENDENT AUDIT REPORT ON ESPERANCE PORT AUTHORITY

#### To the Parliament of Western Australia

#### Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of Esperance Port Authority for the year ended June 30, 2002 included on Esperance Port Authority's web site. The Authority's directors are responsible for the integrity of Esperance Port Authority's web site. I have not been engaged to report on the integrity of this web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

#### Scope

I have audited the financial statements of Esperance Port Authority for the year ended June 30, 2002 comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying Notes and Directors' Declaration. The Authority's directors are responsible for the financial statements. I have conducted an independent audit of the financial statements in order to express an opinion on them as required by the Port Authorities Act 1999.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Authority's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, the financial statements of Esperance Port Authority are properly drawn up:

- (a) so as to give a true and fair view of:
  - (i) the Authority's financial position at June 30, 2002 and of its performance for the financial year ended on that date; and
  - (ii) the other matters required by schedule 5 of the Port Authorities Act 1999 to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Port Authorities Act 1999; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

D D R PEARSON  
AUDITOR GENERAL  
September 27, 2002

**ESPERANCE PORT AUTHORITY  
ANNUAL REPORT PERFORMANCE INDICATORS  
YEAR 2002**

**OUTCOME**

To provide efficient and reliable services that meet the needs of port users

**EFFECTIVENESS**

**Time at berth**

TARGET	2002	2001	2000	1999
50.0	42.0	40.4	47.9	57.2 Hours

This is the average period of time from the first line ashore to the last line off when departing from the port. The lower this figure the faster vessels are loaded and the more effective is the use of wharf space. This increase in time at the berth is due to an increase in the average size of cargo handled per vessel visit from 29,952 to 38058 tonnes.

**Total Time**

65.0	63.2	70.9	75.1	85.9 Hours
------	------	------	------	------------

This is the average time elapsed from the arrival of a ship at the port boundary to departure from the port. Again this indicator reflects improvements in handling times for cargoes and time waiting for berths decreased this year on average 9 hours per visit.

**EFFICIENCY**

**Cargo handled per time in port**

400.0	602.2	416.6	359.0	332.6 Tonne
-------	-------	-------	-------	-------------

This is the average cargo handled for total time from port arrival to departure. The higher this figure the more productive are cargo handling operations. Grain, iron ore, nickel and fertiliser have increased this number.

**Cargo handled per hour at berth**

500.0	906.8	732.0	562.8	499.6 Tonne
-------	-------	-------	-------	-------------

This is the average cargo handled per ship hour at berth. The higher this figure the more productive are cargo handling operations. This figure again increased because of faster loading times for iron ore and grain.

**Cargo handled per shift hour**

950.0	1307.1	1063.2	928.1	910.3 Tonne
-------	--------	--------	-------	-------------

This is the average tonnes of cargo, excluding fuel, handled per shift hour worked. Continuous loading and improved cargo handling capabilities of minerals and faster loading rates for grain contributed to this increase.

## OUTCOME

To provide and maintain port facilities such as wharves and associated infrastructure that will meet user needs.

## EFFECTIVENESS

### Berth occupancy

34.0	33.4	33.8	35.0	35.6 Hours
------	------	------	------	------------

Average berth occupancy measures the time ships are actually along side the berth as a percentage of the total time available. Time alongside reduced on the previous year in spite of a 44.1% increase in cargo handled and an increase in vessels from 147 to 164 indicating more efficient use of berth time. Berth No.3 came into operation from 21 February 2002.

### Time awaiting berth

11.0	21.2	30.57	27.2	28.7 Hours
------	------	-------	------	------------

Is that time from arrival at the port boundary to the first line ashore. This indicator can reflect berth congestion, however during the year vessels remained at anchor waiting for cargo, waiting for letters of credit for cargo, ships not choosing to work and the berth being occupied. Waiting time decreased even though the number of vessels increased also Berth No.3 became operational from 21 February 2002.

### Average ship long side time

Petroleum	30.0	29.1	28.6	27.9	38.7 Hours
Fertiliser	45.0	41.7	40.6	44.8	41.1 "
Grain	50.0	35.3	43.4	61.9	73.9 "
Nickel	30.0	27.9	28.4	37.0	40.7 "
Iron Ore	35.0	49.3	43.0	39.1	41.3 "
Other	00.0	45.1	42.3	36.9	32.2 "

The period of time alongside for each of the cargoes is dependent on the nature of the cargo, vessel size and equipment to load or discharge the cargo and in some instances whether the vessel needs to be fumigated or cleaned out to load grain. The lower these figures the more effective are cargo handling operations.

## EFFICIENCY

### Total expenditure per tonne of cargo

This is all expenditure items divided by the total trade.

\$3.00	\$2.92	\$3.03	\$2.84	\$2.85
--------	--------	--------	--------	--------

A reduction in this number equates to less expenditure per tonne of cargo.

### Total costs per ship visit

This is the total expenditure divided by the number of ship calls.

\$73 000	\$110 890	\$89 681	\$76 554	\$81 494
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A reduction in this figure indicates either reduced expenditure or increased vessel visits.

## **OUTCOME**

To promote the development of trade through the Port.

## **EFFECTIVENESS**

### **Total trade comparison**

Year	% change on previous year	Volume-Tonnes
2002	+44.1%	6,184,212
2001	+24.4%	4,291,021
2000	+10.7%	3,449,883
1999	+1.2%	3,116,911
1998	-00.08%	3,079,911
1997	+11.9%	3,082,361
1996	+29.3%	2,754,734

The Port has had another record trade year. Indicating that the Authority has been very effective in promoting trade.

## **SAFETY INDICATOR**

Number of significant incidents    nil        nil        nil        nil        nil

This is the fifth year that this indicator has been recorded. Significant Incidents are defined as those causing damage in excess of \$20,000 to the Port's assets or personal injury requiring hospitalisation or fatal accidents.