



Esperance Port Authority

P.O. Box 35 Esperance Western Australia 6450

TELEPHONE (08) 9072 3333

FACSIMILE (08) 9071 1312

EMAIL esppa@esperanceport.com.au

WEB PAGE www.esperanceport.com.au



Annual Report 2007





functions of the Esperance Port Authority

The Port Authorities Act 1999 prescribes that the Esperance Port Authority will –

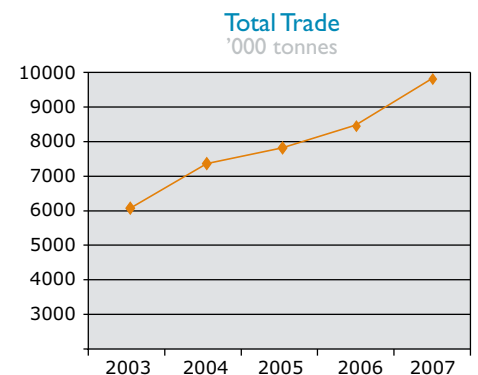
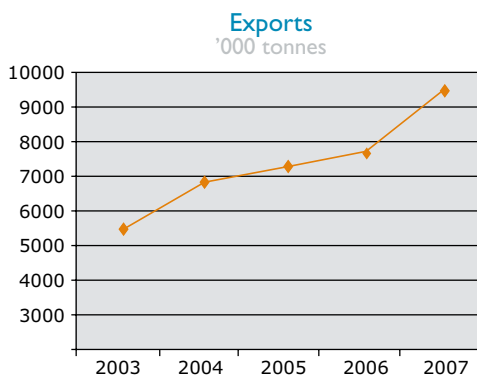
- Facilitate trade within and through the Port and plan for future growth and development
- Undertake or arrange for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the State through the use of the Port and related facilities
- Control business and other activities in the Port or in connection with the operation of the Port
- Be responsible for and promote the safe and efficient operation of the Port
- Be responsible for maintaining and preserving property vested in the Port and other property held by the Port
- Protect the Port environment and minimise the impact Port activities have on the environment

The Esperance Port Authority must also –

- Act in accordance with prudent commercial principles
- Endeavour to make a profit

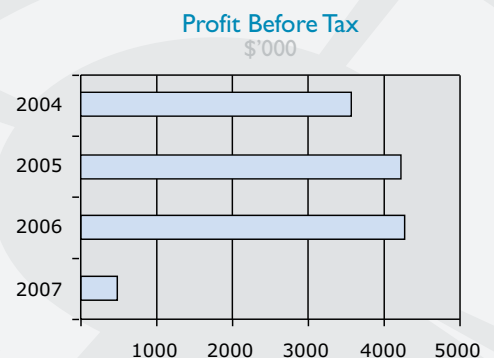
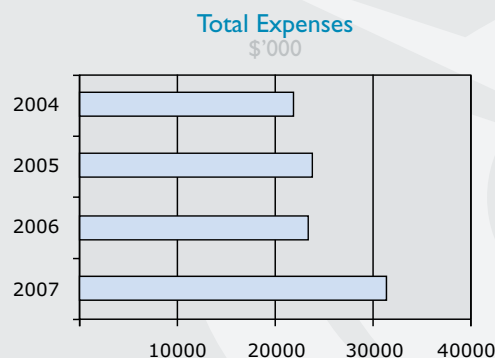
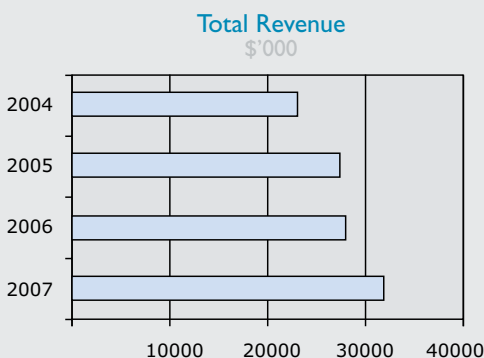
highlights of 2006-07

- >> Total Port trade more than 9.949 million tonnes – a record
- >> Total Port exports more than 9.451 million – a record
- >> Total iron ore exports more than 7.572 million tonnes – a record
- >> Total grain exports more than 1.625 million tonnes
- >> Total number of ships visiting Esperance Port 181 – a record
- >> Total gross tonnage of vessels visiting Esperance more than more than 7.404 million tonnes – a record
- >> No significant accidents or incidents recorded at the Port
- >> No lost time through industrial relations matters



financial highlights

- >> Revenue for the year more than \$32.513 million – a record
- >> Profit for the year more than \$0.476 million
- >> Expenditure for the year more than \$32.04 million – a record
- >> Capital expenditure for the year more than \$25 million
- >> More than \$14.148 million spend on purchases in the Goldfields-Esperance Region
- >> Employees benefits totalled more than \$8.124 million



The Esperance Port Authority is a profitable, cost effective and efficient organisation that facilitates trade and provides efficient logistics through the use of existing and new infrastructure.



Esperance Port Authority

POSTAL ADDRESS

P.O. Box 35
Esperance WA 6450

STREET ADDRESS

The Esplanade
Esperance WA 6450

TELEPHONE

(STD Area Code 08) 9072 3333

FACSIMILE

(08) 9071 1312

EMAIL

esppa@esperanceport.com.au

WEB PAGE

www.esperanceport.com.au

COVER PHOTOGRAPH: THE ESPERANCE PORT'S SHORE-BASED GANTRY CRANE IS DELIVERED TO THE PORT ON THE DECK OF THE MV ZHEN HUA 22 IN LATE SEPTEMBER 2007



table of contents

Functions of the Esperance Port Authority.....	inside cover	Finance.....	17
Highlights 2006-07	1	Trade	18
Contents	3	Performance Indicators.....	20
Chairman's Report.....	4	Port Developments.....	22
CEO's Report.....	6	Shipping.....	25
Directors and Port Executives.....	7	Environmental Management.....	27
Corporate Governance	8	Community Relations.....	28
Directors' Report.....	9	Employee Relations.....	30
Colin Stewart Retires.....	13	Financial Statements.....	31
Esperance Port Staff.....	14	Directors' Declaration.....	59
Regulatory Requirements.....	16	Auditor's Declaration.....	60

chairman's report



2006-07 HIGHLIGHTS

The record turnover in revenue and trade by the Esperance Port for the 2006-07 financial year was overshadowed by the problems the Port experienced with the handling of lead concentrate during the year.

As a result of lead dust escaping from the Port boundary, the Port Authority Board initially suspended and later announced it would no longer handle bulk lead at the Port.

Investigations into the reasons for the environmental issue are continuing as of 30 June, 2007, but the Port had identified a number of concerns with the handling of heavy metals and had started working with the mining companies in January 2007 to rectify these problems. This work continues with the nickel producers that ship nickel concentrate through the Port and relates to the moisture content and pH level of the products leaving the mines.

The Port Board has taken a strong stance on the quality of the products being exported through Esperance.

The environmental concerns, which lead to the State Government undertaking an inquiry into the lead issues, diminished the outstanding year the Port has experienced in terms of revenue and exports.

REVENUE AND EXPENDITURE

Revenue for the year was a record \$32.513 million, up from the previous year's record of \$27.581 million. The revenue reflected the record 9.949 million tonnes of trade handled during the year; with iron ore exports increasing by 26 percent over the previous year to a record 7.75 million tonnes. Operational expenditure also increased to \$32.04 million.

CAPITAL WORKS PROGRAM

Capital expenditure of \$25 million related to the extensive capital works program being undertaken at the Port in preparation for the commissioning of BHP Billiton's Ravensthorpe Nickel Project (RNO), which is expected to start shipping nickel hydroxide out of Esperance in the first quarter of 2008.

This work included the construction of a \$19 million sulphur storage and handling facility, which was completed in March 2007, with the first sulphur arriving at the Port in May from Vancouver, Canada. Currently more than 70,000 tonnes of sulphur is stored in the shed, which has a storage capacity of 120,000 tonnes. When RNO is in full production, 500,000 tonnes of sulphur will be handled at the Port every year during the 25-year life of the mine.

A \$12 million dual purpose shore-based gantry crane is at an advanced stage of construction in Shanghai, China, and is expected to be transported to Esperance



THE MV AZUL INTEGRA IS THE LONGEST VESSEL TO BERTH AT THE PORT

and installed at the Port's berth two in October this year. The crane will be used to handle more than 12,000 containers a year for the RNO Project, with nickel hydroxide being exported in containers to the Yabulu Refinery in Queensland for refining.

The crane will also have a grab that will be used to discharge sulphur.

NEW PRODUCTS

The Port handled its first cargo of sulphur for RNO in May this year, and when the mine is in full production, 500,000 tonnes of the product will be discharged and stored at the Port before being transported to the mine. A further 40,000 tonnes of magnesia will be imported in containers for RNO and used in the processing of the laterite nickel ore.

Integrated Tree Cropping (ITC) is progressing with its plans to establish a woodchip storage and handling facility at the Port and plans its first exports in the second half of 2008. When in full production about 800,000 tonnes of woodchips will be shipped out of Esperance annually.

Iron Ore miner, Portman Ltd is expected to reach its target eight million tonnes of exports annually by the end of 2007, and has indicated it will further increase its exports in the future.

Along with the potential of increased nickel concentrate shipments in 2007-08 and possibly rare earth ores from Lynas Corporation's Mt Weld mine near Laverton next year, the Port is expected to see and increase in the number of ships visiting the Port next financial year.

TRANSPORT CORRIDOR

The Port Authority recognises the ongoing issues associated with the transport corridor into the Port and the local residents concerns with increased transport activity into and out of the Port, and has been working with the Department of Planning and Infrastructure, Main Roads Western Australia, and the Esperance Shire Council to address the issues.

As a result of the ongoing work of a committee comprising the authorities, MRWA has prepared a number of concept plans that will separate local traffic from Port traffic, improve amenity and address noise issues. The plans will be presented to the local Esperance community for comment later this year.

COMMUNITY RELATIONS

The Port continued to support the local community and during the financial year providing \$78,000 in sponsorship and donations to various organisations.

HUMAN RESOURCES

A recruiting program in early 2007 saw the Port increase its workforce numbers to cope with the increase in trade, particularly the handling of sulphur for RNO. A number of specialists positions were also filled during the year and a number of others were being recruited at the end of the year.

COLIN STEWART

The Port's Chief Executive Officer for the past 23 years, Colin Stewart, announced his retirement before the end of the financial year, and finished work at the Port on 31 July 2007. Colin oversaw the development of the Esperance Port from a small regional facility handling less than one million tonnes of cargo a year in 1984, to a major regional Port servicing the resource rich and booming Goldfields-Esperance Region.

The Port Board and employees thank Colin for his efforts over many years and wish him well in his retirement.

I would also like to thank all of the Port's Board members and the dedicated and conscientious employees for their efforts in what has been a very difficult year.

I am sure that 2007-08 will see the Port overcome its current problems, regain the confidence of the local community, and provide the infrastructure and services that will give its current and future customers great confidence in the Port.

JIM MATIJASEVICH
CHAIRMAN

ESPERANCE PORT AUTHORITY

CEO's report



The 2006-07 financial year has been one of the most challenging faced by the Esperance Port Authority. A major storm, lead contamination issues, the start of activities for BHP Billiton's Ravensthorpe Nickel Project as well as record trade has kept the Port very busy.

STORM EVENT

On 4 January 2007, Esperance experienced a major storm event that resulted in more than 200 millimetres of rain falling on the town in just over 24 hours. The immediate impact was major flooding, not only in the town, but also at the Port, which led to operations being halted for about 36 hours while the stormwater receded and the storm damage cleaned up.

Of major concern was the terminal damage to four of the town's power station's six gas turbines, resulting in the Port's power being rationed and the Authority having to declare force majeure.

The main impact was the Port's inability to unload iron ore trains and delays to shipping. Horizon Power's sourcing of temporary generators for the town and the efforts of the Port's power provider to acquire replacement gas turbines from the United States enabled the Port to return to near normal operations 10 days after the storm.

LEAD CONTAMINATION

In December 2006, a number of bird deaths were reported in Esperance in the vicinity of the Port. The initial reaction from the regulatory authorities was that the deaths were probably associated with the drinking of contaminated water as a result of the drought conditions being experienced by the region and the driest spring ever experienced in Esperance.

Further bird deaths occurred in early March again after dry spells and hot weather. Four of the eight birds tested from the second batch of deaths showed signs of lead in their organs. Upon receiving this advice the Esperance Port Authority Board immediately suspended all shipments of lead concentrate.

This issue is the subject of a Parliamentary Inquiry and a Department of Environment and Conservation prosecution.

TRADE

The Esperance Port has again experienced a record year: One hundred and 81 vessels berthed at the Port, an increase of eight over the previous year's record. Total trade was 9.955 million tonnes, a 1.65 million increase over the previous year's record.

BHP Billiton imported their first shipment of bulk sulphur for the Ravensthorpe Nickel Project in April. Production from the mine is expected to start in the first quarter of 2008 and ramp up to full production by early 2009.

INFRASTRUCTURE

As of 30 June, the infrastructure required by the Ravensthorpe Nickel Project to move products through the Port has been in large completed. The sulphur receipt and storage facility has been commissioned and is in use, and roads, electrical systems and container hardstand areas have been installed or upgraded.

The multi-purpose container crane being constructed in China is due for delivery to Esperance in October 2007. The crane will be capable of using a grab to discharge bulk sulphur while also being able to handle containers.

Work on the bulk minerals storage facility started in February 2007 and is expected to be completed by the end of the year.

PORT DIRECTORS (FROM LEFT) PHIL THICK, TONI HAWKINS, JIM MATIJASEVICH, MEGAN ANWYL AND MICHAEL JACKSON

directors & port executives

EMPLOYEES

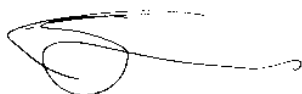
The 2006-07 financial year has been a difficult one for all employees. The attention that the Port has received from the lead issue has impacted on all who work at the Port.

Regardless of the increased scrutiny, employees have gone about their duties with a level of performance and professionalism that has been appreciated by management and the Port's clients.

The scrutiny that we have been under by the regulators, media, politicians and community has been intense and has led to a commitment by all employees well beyond all expectations. I thank them one and all for their efforts in difficult circumstances.

This is my last annual report, as I will be retiring as Chief Executive Officer of the Esperance Port Authority on 31 July. I have had 23 wonderful years at the Port during a time that it has grown and developed into a significant component in the State's infrastructure.

It has been an absolute privilege to lead a team of great employees, and I wish them all the best for the future and the challenges ahead.



COLIN STEWART
CEO

ESPERANCE PORT AUTHORITY

DIRECTORS	Jim Matijasevich (Chairman) Toni Hawkins (Deputy Chairman) Megan Anwyl Rusty Lee Ian Mickel (until April 2006) Michael Jackson (from April 2007)
CHIEF EXECUTIVE OFFICER	Colin Stewart
HARBOUR MASTER	Captain Ian Harrod
DEPUTY HARBOUR MASTER	Captain Greg Tonnison
ASSISTANT HARBOUR MASTER	Captain Jordi Oakley
CHIEF FINANCIAL OFFICER	Kevin Fernance
PORT OPERATIONS MANAGER	Brant Grundy
RISK AND IT MANAGER	Bill Cutten
COMMUNITY RELATIONS MANAGER	Richard Grant
HUMAN RESOURCES MANAGER	Narelle Matthews
OPERATIONS COORDINATOR	Phil Humbles
MECHANICAL SERVICES MANAGER	Ian Handley
ELECTRICAL SERVICES MANAGER	Tony Leeson

corporate governance

ROLE OF BOARD

The role of the Port Authority Board is to perform the functions, determine the policies and control the affairs of the Esperance Port Authority. These include developing strategic business plans for the Authority, monitoring management's performance in implementing plans, and reviewing the Port Authority's investment philosophies and strategies. The Board appoints the Chief Executive Officer and reviews performance and remuneration. It also ensures regulatory and ethical standards are met and risks are appropriately managed.

BOARD COMPOSITION

The Esperance Port Authority consists of a Board of Directors comprising five people appointed by the Minister for Planning and Infrastructure. In appointing a person as Director, the Minister must have due regard to all relevant guidelines published, approved, endorsed or administered by the Minister for Public Sector Management. A member of staff is not eligible to be appointed as a Director. A Director may hold office for up to three years, and is eligible for re-appointment.

DIRECTORS' RIGHTS

Directors have access to independent legal or financial advice as an approved Authority expense, and access to Esperance Port Authority records for a period of up to seven years upon retirement from the Board. In addition, they have Directors' and Officers' Liability insurance cover.

CODES OF CONDUCT

The Esperance Port Authority's Codes of Conduct define standards of ethical and professional conduct that apply to Directors and Employees. The Codes are designed to assist Directors and Employees of the Authority to fully understand their rights, responsibilities and obligations in their respective roles. The Code of Conduct relating to Employees also constitutes part of the Esperance Port Authority's Human Resources Manual, which is accessible to all staff.

LEGISLATION

The activities of the Esperance Port Authority are governed by the

Port Authorities Act 1999. The Act has modernised Port Authority legislation and provides a clear trade facilitation role for Western Australian Port Authorities, with a commercial focus on operations. Under the Act, Port Authorities are established as commercialised entities and are governed by Boards of Directors appointed by the Minister.

The Esperance Port Authority operates under established principles to ensure that business is carried out in the best interests of all stakeholders.

RISK MANAGEMENT

The Board has established a Risk Management Policy for the Authority, which is designed to identify specific sources of risk and alternative controls to mitigate those risks. A Risk Management Committee, comprising senior personnel from a range of operational areas, has been delegated with the Authority to address respective issues raised and is responsible for regular progress reporting to the Board in attending to these issues.

The Port's insurer, RiskCover, has provided a Riskbase Database System to assist identify and rank risks according to likelihood and effect of occurrence. The Risk Management Committee compiles the information for the Riskbase System and undertakes the ranking and review process.

EXTERNAL AUDIT

The Office of the Auditor General (OAG) has contracted out the annual external audit of the Port's functions to KPMG Chartered Accountants. In accordance with the Port Authorities Act 1999, the Esperance Port Authority is required to submit an audited Annual Report on its most recently completed financial year to the Minister within ten days of the receipt of the first audit opinion from the OAG on the financial accounts of the Port.

INTERNAL AUDIT

The Internal Audit of the Esperance Port Authority is conducted on an annual basis by Stantons International. This firm replaced KPMG Chartered Accountants, who were awarded the contract for the External Audit of the Port's functions. The Internal Audit Plan has a specific focus on the review of accounting procedures and related internal controls.



directors' report

SEAMEN HANDLING MOORING LINES DURING BERTHING AT BERTH THREE

The Directors present their report for the Esperance Port Authority for the year ended 30 June 2007.

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:

M.I. Anwyl T. Hawkins G. C. Lee

J. Matijasevich was appointed as a Director on 1 August 2006 and is continuing in this office at the date of this report.

R. Nulsen was a Director from the beginning of the financial year until his retirement on 31 July 2006.

M. Jackson was appointed as a Director on 1 April 2007 and is continuing in this office at the date of this report.

I. Mickel was a Director from the beginning of the financial year until his resignation on 31 March 2007.

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 \$236,155 be paid for the year ended 30 June 2007.

REVIEW OF OPERATIONS

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

<i>In thousands of AUD</i>	2007	2006
Revenue from vessels	9,132	7,256
Revenue from cargo	6,766	5,828
Revenue from Port services	12,035	9,506
Equipment hire, power and water revenue	1,335	1,290
Other revenues	3,245	3,701
TOTAL REVENUE	32,513	27,581
LESS EXPENSES		
Administration	2,878	1,661
Shipping Handling Costs	9,955	7,954
Power and Water	1,688	1,539
General Maintenance	6,456	4,267
Depreciation	2,708	2,573
Interest	3,965	3,275
Other Expenditure	4,387	2,102
TOTAL EXPENDITURE	32,037	23,371
Profit from ordinary activities before income tax	476	4,210
Income tax expense relating to ordinary activities	4	1,201
Profit from ordinary activities after income tax	472	3,009

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

(a) Revenue from Vessels

Total Port trade was 9,949,729 tonnes. This was 1,640,566 tonnes greater than the previous year of 8,309,163 tonnes, a 19.7 percent increase, and a new record trade for the year. The Authority did not vary its charges during the year. Total revenue from the berthage charge increased by \$254,398 on the previous year, an increase of 25.2 percent, while revenue from the vessel charge increased \$1,621,475 on the previous year, an increase of 26 percent.

directors' report

(b) Revenue from Cargo

Revenue from cargo increased by \$937,552 or 16.1 percent on the preceding year with total trade increasing by 19.7 percent. The revenue earned is dependent on the mix of cargoes. Exports of iron ore increased 1,573,766 tonnes or 26.2 percent on the previous year. Exports of grain decreased by 1.2 percent or 20,604 tonnes on the preceding year. Nickel exports fell by 39,309 tonnes or 18.4 percent. Imports of petroleum increased 101,406 tonnes, or 35.6 percent, while fertiliser imports remained steady.

(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 26.6 percent on the previous year. There were increases in revenue from handling charges of 30 percent, labour hire recovery of 7.7 percent and pilotage of 5.8 percent, while pipeline service charge increased by 35.6 percent.

(d) Equipment Hire, Power and Water

Revenue from these sources increased by 3.5 percent during the year. Sales of electricity to Co-operative Bulk Handling increased 2.3 percent commensurate with grain exports being similar to the previous year.

(e) Other Revenues

Other revenues decreased by \$456,000 from the previous year owing to reduced interest revenue, infrastructure charge revenue and a loss on Foreign Exchange Hedging. These reductions were offset by increased rental revenue and quarantine waste disposal revenue.

(f) Administration

Administration expenses increased \$1,217,000 during the year, or 73.3 percent. There were significant increases in legal expenses arising from lead contamination issues, as well as preparation of RNO operating agreements. In addition, staff training costs and travel expenditure increased by \$54,886 (80 percent), and \$102,417 (79.6 percent) respectively.

(g) Shipping Handling Costs

Shipping handling costs increased by 25 percent on the previous year owing to increased handling costs for iron ore and nickel, which

is in line with additional cargo throughput. Maintenance costs on the bulk handling facilities increased by 15.8 percent, recoverable labour by 10.7 percent, and pilotage costs by 32.8 percent for the year.

(h) Power and Water

Expenditure on power increased by 8.1 percent on the previous year, which is consistent with an increase in the cargo turnover through the Port.

(i) General Maintenance

General maintenance expenditure increased by 51.3 percent on the previous year. General maintenance costs increased by \$1,691,021, or 96.7 percent for the year, with rainwater tank cleaning contributing \$1,122,405 to this figure. In addition, maintenance wages increased by 20 percent, reflecting the ongoing recruitment of shift employees to meet shipping and maintenance requirements.

(j) Depreciation

Depreciation expense decreased 5.2 percent on the previous year.

(k) Interest

Interest costs increased by \$690,000, or 21.1 percent for the year owing to increased borrowings for capital items. Loans drawn down during the year totalled \$24.1 million, while repayments to principal amounted to \$2.8 million.

(l) Other Expenditure

Other expenditure has increased by 109 percent owing to a significant provision for rainwater tank cleaning totalling \$1,380,354, a hedging loss of \$341,966, and an increase in superannuation provisions of \$103,002.

RATE OF RETURN

The Minister for Planning and Infrastructure set this Authority a target of 6 percent rate of return for the year ended 30 June 2007. The target achieved was 3.7 percent. The target rate of return is a return on assets, before tax and interest but after depreciation, with assets and depreciation valued on a deprival value basis.

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 \$25 million on capital works during the year ended 30 June 2007.



PORT EMPLOYEES TROY KERR AND JASON RIGGS INSPECT THE PORT'S ROTARY CAR DUMPER

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no matters occurring subsequent to the end of the financial year.

CAPITAL EXPENDITURE

During the year the Authority completed work on a sulphur storage and handling facility and associated roads at a cost of \$21.3 million, the purchase of container handling equipment at \$1.99 million and minor works at \$1.8 million. Significant capital works to be completed in the coming financial year include the container crane and a bulk storage facility. Expenditure during the year on the container crane was \$9.5 million (budgeted cost of the crane is \$12 million) and \$4.98 million was spent on the bulk storage facility (budgeted cost is \$8.9 million).

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's Department of Environmental Protection's Conditions of License, License Number: 5099/10.

INFORMATION ON DIRECTORS

Director	Experience	Responsibilities
J. Matijasevich	Director since 2006 Chairman since 2006 Retired business man.	Chairman of Directors
T. Hawkins	Director since 2003 Self employed business woman	Deputy Chairman of Directors
M.I. Anwyl	Director appointed February 2003 Director Hawker Britton WA (Perth) Since 2001	Director
G.C. Lee	Director appointed October 2005 Farming Interests Ravensthorpe Shire Councillor	Director
M. Jackson	Director appointed April 2007 Adjunct Associate Professor Division of Health Sciences Curtin University of Technology	Director

MEETINGS OF DIRECTORS

The numbers of meetings of the Authority's Board of Directors and the numbers of meetings attended by each Director were:

DIRECTOR	MAXIMUM NO. OF MEETINGS	NUMBER ATTENDED
R.J. Nulsen	1	1
J. Matijasevich	13	13
M.I. Anwyl	13	12
T. Hawkins	13	13
I.S. Mickel	9	8
G.C. Lee	13	11
M. Jackson	4	3

Details of the nature and amount of each element of the emoluments of each Director of Esperance Port Authority and of three officers of the Port receiving the highest emoluments are set out in the following tables.

NON-EXECUTIVE DIRECTORS OF THE ESPERANCE PORT AUTHORITY

NAME	DIRECTORS FEE \$	SUPER- ANNUATION\$	TOTAL \$
R.J. Nulsen, Chairman (Ret)	1,983	178	2,161
J. Matijasevich, Chairman	21,817	1,964	23,781
M.I. Anwyl	11,000	990	11,990
T. Hawkins, Deputy Chairman	11,000	990	11,990
I.S. Mickel (Resigned)	8,250	742	8,992
G.C. Lee	11,000	990	11,990
M. Jackson	2,750	248	2,998

directors' report

SENIOR EXECUTIVES OF ESPERANCE PORT AUTHORITY

NAME	BASE SALARY \$	MOTOR VEHICLE \$	BONUS \$	SUPER- ANNUATION \$	OTHER BENEFITS \$	TOTAL \$
C.A. Stewart Chief Executive Officer	167,967	18,142	2,054	30,245	401	218,809
I.R. Harrod, Harbour Master	165,994	12,281	2,054	17,169	602	198,127
G Tonnison Deputy Harbour Master	151,998	14,681	613	12,235	974	180,501

REAPPOINTMENT OF DIRECTORS

The Minister for Planning and Infrastructure appoints Directors for terms not exceeding three years.

INSURANCE OF OFFICERS

During the financial year the Authority paid a premium of \$29,601 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 and 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.



JIM MATIJASEVICH
CHAIRMAN



TONI HAWKINS
DEPUTY CHAIRMAN

31 AUGUST 2007



FORMER ESPERANCE PORT CEO COLIN STEWART

Colin Stewart retires

Esperance Port's long serving Chief Executive Officer Colin Stewart retired in July this year after more than 23 years service. Colin joined the Esperance Port Authority in 1984 as Managing Secretary and when he retired was the longest serving CEO of any Western Australian Port Authority.

When Colin started work at the Port about one million tonnes of cargo a year was being handled, mainly grain, fuel and fertiliser. At the time the Port employed about 14 people. This financial year Esperance Port handled nearly 10 million tonnes of trade and employed 90 people.

In 1984 the Port handled 84 ships; this year's figure was 181.

During his time as CEO, the Esperance Port experienced unprecedented development, which reflected the economic growth of the Goldfields Esperance Region.

Since 1990 new infrastructure has been installed at the Port to handle increased grain shipments, nickel concentrate, iron ore and, more recently, products for BHP Billiton's Ravensthorpe Nickel Project.

Colin oversaw the planning and construction of the infrastructure to handle this increase in trade, which included the reclamation of 23 hectares of land, construction of the dolphin berth at the Port, the deepening of the harbour to enable both cape and panamax class ships to berth, and the construction of two 300,000 tonne iron ore storage facilities.

Today the industry views the iron ore circuit at the Port world's best practice.

He was also responsible for implementing a \$31 million capital works program that has seen a \$19 million sulphur storage and handling facility constructed and a \$12 million gantry crane

purchased from China. This infrastructure will facilitate the handling of commodities for the Ravensthorpe nickel project

Colin also played an important role in lobbying both the Federal and State Governments to jointly fund a \$16.5 million upgrade of the Esperance to Leonora railway to enable Portman Mining to ship iron ore from its Koolyanobbing operations through Esperance to Asian markets.

During his time as CEO, the Esperance Port experienced unprecedented development...

The highlight of his 23 years as the CEO came in 2002 when the Port received the Golden Gecko Award for Environmental Excellence and the following year was announced the Australian Port of the Year.

These achievements were under Colin Stewart's stewardship.

esperance

port staff



CHIEF EXECUTIVE OFFICER:
COLIN STEWART

Colin has been the CEO of the Port for more than 20 years. He has seen Esperance grow from a minor regional Port to one that handled more than nine million tonnes of cargo this year.



HARBOUR MASTER:
CAPTAIN IAN HARROD

Ian was appointed Esperance's Harbour Master in December 1989 by the then Department of Transport. He transferred to the Esperance Port Authority in August 1993.



CHIEF FINANCIAL OFFICER:
KEVIN FARNANCE

Kevin began working with the Port in August 1980 as Chief Clerk. As the Port has grown, so have the requirements of his position to meet the increasing regulatory and reporting requirements of government.



DEPUTY HARBOUR MASTER:
CAPTAIN GREG TONNISON

Greg has over 25 years experience in the maritime industry including time in the oil and gas and bulk trades, and as a Master on training vessels.



RISK AND IT MANAGER:
BILL CUTTEN

Bill has been working for the Port since April 1979. Bill oversees the implementation of risk management strategies and deals with legislative and statistical requirements.



ASSISTANT HARBOUR MASTER:
CAPTAIN JORDI OAKLEY

Jordi comes to the Port from Perth, with an Australian and International shipping background in dry bulk, oil and gas tankers.



COMMUNITY RELATIONS MANAGER:
RICHARD GRANT

Richard joined the Port in November 2004. He is responsible for dealing with the relationship between the local community and the Port.



PORT OPERATIONS MANAGER:
BRANT GRUNDY

Brant started with Port in July 1994. He was previously employed as the Port's Electrical Supervisor until his appointment as Operations Manager in July 2006.



EMPLOYEE RELATIONS MANAGER:
NARELLE MATTHEWS

Narelle started working with the Port in April 2005. At the Port she is in charge of Employee Relations, which includes performance reviews, policy and procedure reviews and OH&S.



OPERATIONS COORDINATOR:
PHILLIP HUMBLE

Phil started at the Port in February 1985. He provides suitable skilled labor to meet the Port's diverse day-to-day activities.



MECHANICAL FITTER PAUL WATERS AND APPRENTICE AARON TUCKER ON BERTH THREE



MECHANICAL SERVICES MANAGER:
IAN HANDLEY

Ian started with the Port in February 2002 as a mechanical fitter. He was appointed leading hand and later day shift team leader before his current appointment in July 2005.



ELECTRICAL SERVICES MANAGER:
TONY LEESON

Tony started when iron ore exports began at the Port in 1994 to assist with the increase in electrical work. He moved to his current position this year and was previously a team leader and maintenance planner.



MAINTENANCE PLANNER:
ROSS GRAHAM

Ross started work at the Port as an electrician in 1999. He was appointed deputy Team C leader in 2000, and maintenance planner in 2006.



SHIPPING SUPPORT OFFICER:
DAVID JAMIESON

Dave started at the Port in September 2001. He supervises the Port's stevedoring projects and oversees the loading of iron ore and nickel.



PURCHASING OFFICER:
PETER RUSBRIDGE

Peter has been with the Port since August 1994. He is responsible for purchasing specialist equipment and parts to maintain the Port's two ship loaders, rotary car dumper and conveyor systems.



TEAM A LEADER:
PETER FLOOD

Peter started at the Port in August 1994 when iron ore shipments began. Peter has proved himself to be a valuable employee in leading Team A.



TEAM B LEADER:
KARL WITT

Karl started at the Port in February 1994 as an apprentice electrician. He achieved very high standards in all his studies and was promoted to lead Team B.



TEAM C LEADER:
STEVE HAWKINS

Steve started at the Port in August 1994. Steve has proved to be an excellent Team Leader who meets the demanding Port operating requirements.



TEAM D LEADER:
SHANE GUY

Shane started at the Port in February 2002 as a general hand where he proved to be a skilled plant operator before being promoted to Team D Leader.

regulatory requirements



ELECTORAL ACT 1907

Section 175Ze of the Electoral Act 1907 requires the Authority to include a statement in its annual report detailing expenditure incurred by or on behalf of the Agency during the current reporting period over the classes of expenditure set out below.

CLASS OF EXPENDITURE	ORGANISATION/COMPANY	TOTAL EXPENDITURE 2006-07
Advertising agencies		Nil
Market research agencies	Coakes Consulting	\$16,862
Polling organisations		Nil
Direct mailing agencies		Nil
Media, for advertising	Esperance Holdings Pty. Ltd.	\$12,141
	Hocking and Company Pty. Ltd.	\$2,863
	West Australian Newspapers	\$9,210
	Espire Magazine	\$1,209

RECORD KEEPING

The Esperance Port Authority recognises the importance of proper and adequate record keeping practices.

The following are required to be reported upon under the State Records Act 2000.

1. The efficiency and effectiveness of the Esperance Port Authority's record keeping system has been evaluated to be within the requirements of the Act.
2. The Esperance Port Authority conducts record keeping training as required.
3. The efficiency and effectiveness of the Esperance Port Authority's record keeping training program is reviewed within the requirement of the Act.
4. New employees are inducted in their responsibility with regard to compliance with Esperance Port Authority's record keeping system and the Esperance Port Authority's responsibility in regard to the Act.

DISABILITY SERVICES PLAN

This Authority has a Disability Services Plan in place and all aspects of the plan are operational. Periodic reviews take place to ensure it complies with both State and Federal disability legislation.



STORAGE OPERATIONS IN THE SULPHUR STORAGE SHED

finance

The Port Authority's profit for the year before income tax expense was \$0.476 million. Income tax expense of \$0.004 million has been calculated giving an after tax profit of \$0.472 million. Income tax is paid to the Western Australian State Government under a National Tax Equivalent Regime (NTER) as agreed between the State and Federal Governments. Provision for a dividend of \$0.236 million has been declared.

REVENUE

Total revenue increased from \$27.581 million in 2005-06 to \$32.513 million in 2006-07. Total trade increased 19.7 percent on the previous year and total revenue increased 17.9 percent. Revenue from wharfage increased 16.1 percent as a result of the change in the mix of cargoes passing through the Port. Vessel charges increased 25.9 percent as a result of increased trade and vessel numbers, and the introduction of a security charge. Revenue from pipeline service charge increased in line with the increase in petroleum imports. Revenue from labour recoup increased 7.8 percent on the previous year as a result of an increase in shipping services. Quarantine waste disposal, pilotage and rental revenue all increased while revenues from interest earned and infrastructure charges decreased. All other revenue areas were on a par with the previous year.

EXPENDITURE

Total expenditure for the year was \$32.04 million, \$8.67 million greater than the preceding year and \$6.31 million greater than budget. Nearly all areas of expenditure exceeded budget except for insurance premiums, salaries and maintenance on mineral handling facilities. Increases in expenditure occurred in handling charges, administration expenditure, payroll tax, pilotage expenses, electricity purchases, depreciation, interest charges and rates and taxes. Lead and nickel issues contributed to increases in administration and maintenance expenditure, and \$1.38 million was provided to clean rainwater tanks.

A \$0.341 million allowance was made for a hedging loss. Provision for staff entitlements totalling \$1.0 million was made along with a dividend provision of \$0.236 million.

CAPITAL

The Authority borrowed \$24.146 million from the Western Australian Treasury Corporation during the year, and capital repayments of \$2.844 million were made to the Corporation to reduce the debt.

Capital expenditure during the year was \$25 million. The Authority completed work on a sulphur storage and handling facility and associated road works at a cost of \$21.3 million, purchased container handling equipment worth \$1.99 million and carried out minor works valued at \$1.8 million. Expenditure during the year on the container crane was \$9.5 million and \$4.98 million was spent on the new bulk storage facility. Work in progress at 30 June 2007 was valued at \$14.6 million.



DISCHARGING CONTAINERS ON BERTH TWO FOR THE RAVENSTHORPE NICKEL MINE

trade

Esperance Port handled a record 9,949,729 tonnes of trade during the 2006-07 financial year, an increase of 1,640,560 tonnes over the previous year's record of 8,309,163 tonnes.

The greatest increase was in the export of iron ore, up from 5,998,309 tonnes in 2005-06 to 7,572,075 tonnes this year, and Portman Ltd is expected to reach its targeted eight million tonnes a year during 2007-08.

Grain exports decreased 20,604 tonnes during the past year from 1,646,154 tonnes to 1,625,550 tonnes, a fall of 1 percent. Despite the overall decrease, wheat exports rose from 712,128 tonnes last year to 1,032,801 tonnes for 2006-07. The grain outlook for the 2007-08 season looks promising and is expected to improve on the previous year's results.

Nickel exports fell from 213,110 tonnes last year to 173,801 tonnes in 2006-07, a decrease of 18 percent. With nickel prices remaining relatively high on the world markets and with BHP Billiton to start exporting nickel hydroxide through Esperance in the first quarter of 2008, nickel exports are expected to rise.

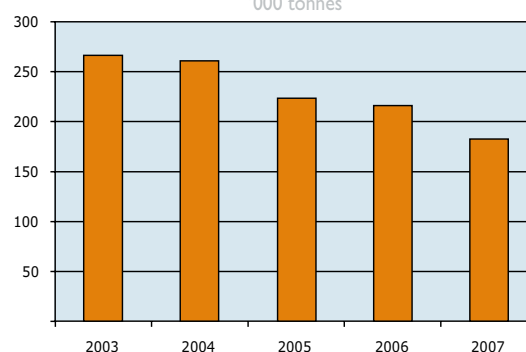
Lead exports through Esperance were suspended in February this year after 79,588 tonnes were exported, slightly less than last year's figure of 86,262 tonnes.

Imports of fertiliser and petroleum products both rose during the year. 112,835 tonnes of fertiliser were imported, up by 39 percent on the previous year's figure of 80,854 tonnes. Petroleum product imports increased by 35 percent, up from 284,474 tonnes in 2005-06 to 385,880 tonnes in 2006-07.

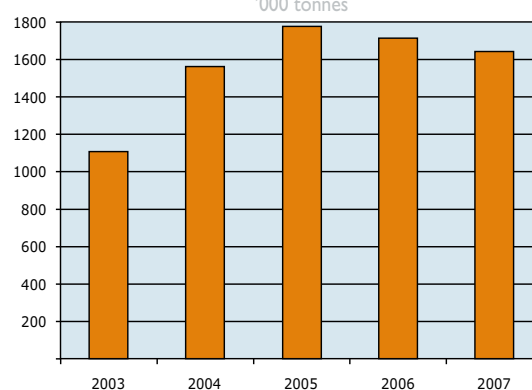
COMPARATIVE RESULTS OF PRINCIPAL CARGOES

PRODUCT	2006 TONNES	2007 TONNES	PERCENT CHANGE
Petroleum	284,474	385,880	35.64
Fertiliser	80,854	112,835	39.55
Grain	1,646,154	1,625,550	-1.25
Nickel	213,110	173,801	-18.45
Iron Ore	5,998,309	7,572,075	26.24
Lead	86,262	79,588	-7.73

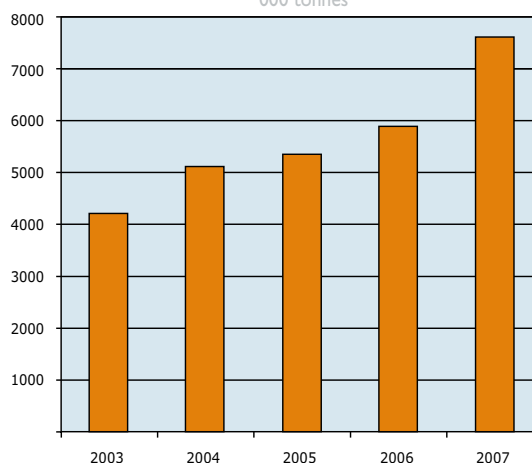
Nickel
'000 tonnes



Grains
'000 tonnes



Iron Ore
'000 tonnes





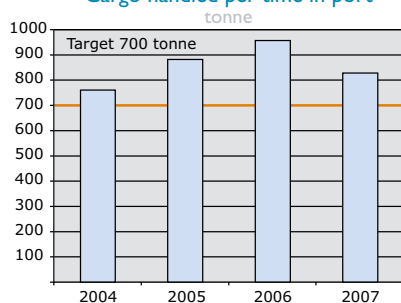
ESPERANCE PORT TUGS – CAPE PASLEY AND SHOAL CAPE

IMPORTS-EXPORTS YEAR ENDED JUNE 30, 2007

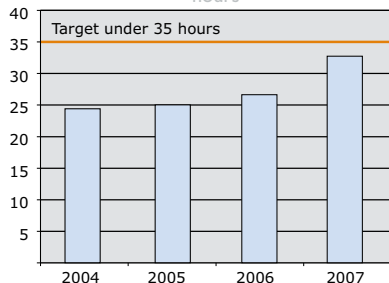
CARGO (Tonnes)	2007	2006	2005	2004	2003
IMPORTS					
Petroleum	385,880	284,474	268,358	274,017	301,777
Phosphate	-	-	-	4,504	18,210
Manufactured Fertilisers	78,001	78,290	111,610	87,561	111,260
Sulphur	29,496	-	-	-	-
Ammonium Nitrate	-	-	-	-	-
Sundry	5,338	2,564	-	1,469	-
TOTAL IMPORTS	498,715	365,328	379,968	367,551	431,247
EXPORTS					
Iron Ore	7,572,075	5,998,309	5,374,973	5,107,886	4,205,182
Nickel	173,801	213,110	221,936	260,771	266,247
Lead	79,588	86,262	-	-	-
Barley	337,003	715,930	793,919	574,179	388,761
Wheat	1,032,801	712,128	812,030	802,562	616,620
Oats	271	4,524	7,157	-	808
Lupins	33,598	-	34,649	12,306	26,587
Peas	24,962	47,169	34,167	21,476	351
Canola	196,915	166,403	115,324	150,400	74,092
Granite	-	-	-	-	-
Sundry	-	-	-	-	-
TOTAL EXPORTS	9,451,014	7,943,835	7,394,155	6,929,580	5,578,288
TOTAL TRADE	9,949,729	8,309,163	7,774,123	7,297,131	60,09,535
GROSS TONNAGE	7,404,800	6,488,064	5,790,356	5,399,980	4,928,200
NO. OF TRADE VESSELS	181	173	151	152	144

performance indicators 2007

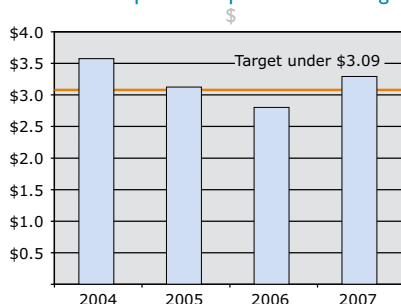
Cargo handled per time in port



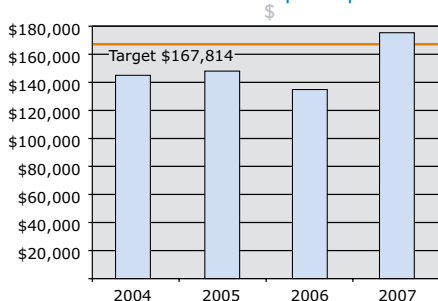
Berth Occupancy



Total expenditure per tonne of cargo



Total costs per ship



OUTCOME

Provide efficient and reliable services that meet the needs of Port users.

EFFECTIVENESS

Time at berth

TARGET	2007	2006	2005	2004
40 Hours	48.2	40.0	43.5	42.2

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 a increase in the average size of cargo handled per vessel visit from 48030 to 54967 tonnes.

Total Time

TARGET	2007	2006	2005	2004
60 Hours	66.7	50.4	58.4	63.1

This is the average time elapsed from the arrival of a ship at the Port boundary to departure from the Port. This indicator has increased and reflects an increase in waiting times for berth access and also increased alongside time due to an increases in average cargo size.

EFFICIENCY

Cargo handled per time in Port

TARGET	2007	2006	2005	2004
700 Tonne	823.9	953.1	881.6	760.2

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.

Cargo handled per hour at berth

TARGET	2007	2006	2005	2004
1,100 Tonne	1139.6	1,199.7	1,183.1	1,138.6

This is the average cargo handled per ship hour at berth. The higher this figure the more

productive are cargo handling operations. This figure decreased because of longer loading / discharging times for all berths.

Cargo handled per shift hour

TARGET	2007	2006	2005	2004
1,600 Tonne	1913.3	1,978.4	1,905.4	1,698.6

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 this has been offset by slower general cargoes during the year.

OUTCOME

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

EFFECTIVENESS

Berth occupancy

TARGET	2007	2006	2005	2004
35 Hours	33.2	26.4	25	24.4

Average berth occupancy measures the time ships are actually along side the berth as a percentage of the total time available. Time alongside increased on the previous year because record tonnes handled with over 7.5 million tonnes of iron ore and total trade being in excess of 9.9 million tonnes.

Time awaiting berth

TARGET	2007	2006	2005	2004
25 Hours	18.5	10.4	14.9	20.9

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



ESPERANCE PORT INFRASTRUCTURE

occupied. Waiting time decreased even though the number of vessels increased.

Average ship along side time

TARGET	2007	2006	2005	2004
Petroleum 30 Hours	18.1	18.3	24.1	32.4
Fertiliser 45 Hours	46.9	44.3	36.0	46.2
Grain 40 Hours	47.4	49.5	49.0	35.6
Nickel 30 Hours	47.5	35.0	31.0	31.4
Iron Ore 59 Hours	57.1	47.7	41.6	42.8
Other 00 Hours	40.5	30.0	00.0	0.00

The period of time alongside for each of the cargoes is dependent on the nature of the cargo, cargo size, 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.

TARGET	2007	2006	2005	2004
\$3.09	\$3.22	\$2.81	\$3.14	\$3.55

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.

TARGET	2007	2006	2005	2004
\$167,814	\$176,998	\$135,090	\$150,884	\$148,015

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

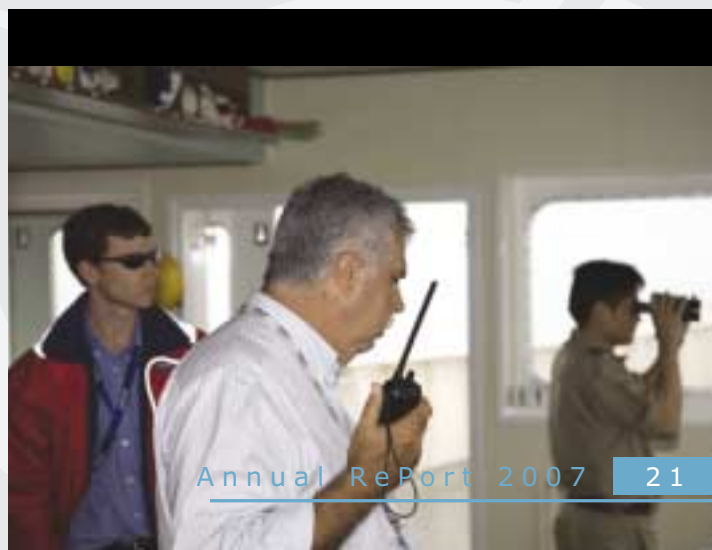
Year	percent change on previous year	Volume-Tonnes
2007	+19.7 percent	9,949,729
2006	+6.9 percent	8,309,163
2005	+6.5 percent	7,774,123
2004	+21.4 percent	7,297,131
2003	-2.8 percent	6,009,535
2002	+44.1 percent	6,184,212
2001	+24.4 percent	4,291,021
2000	+10.7 percent	3,449,883
1999	+1.2 percent	3,116,911

The Port has had another successful trading year with trade increasing by 19.7 percent on the previous year and setting a new trade record, indicating that the Authority has been very effective in promoting trade.

SAFETY INDICATOR

TARGET	2007	2006	2005	2004
Number of significant incidents	nil	nil	nil	nil

Again there were no significant incidents 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.



port developments



SHORE-BASED GANTRY CRANE

The shore-based gantry crane that will handle products for BHP Billiton's Ravensthorpe nickel project is expected to be delivered and installed on berth two in October 2007.

Shanghai-based Zhenhua Port Machinery Co Ltd (ZPMC) was awarded a contract in July 2006 to design, construct and deliver to Esperance a multi-purpose rail mounted gantry crane that could perform the dual role of handling containers and discharging bulk sulphur.

The \$12 million crane will be delivered on a purpose built vessel, rolled off the ship onto berth two, jacked up and placed on rails installed on the berth. ZPMC technicians will take about two months to commission the crane and they will be at the Port for a further three months to deal with operating issues.

Port staff will operate and maintain the crane.

The crane is required to meet the logistical requirements of the nickel project which will produce and export up to 210,000 tonnes of nickel hydroxide a year through the Port in containers, and import 500,000 tonnes of sulphur a year from Canada.

BERTH TWO UPGRADE

Major works were undertaken during the financial year on berth two to accommodate the installation of the shore-based gantry crane.

This work included analysis of the berth's structural characteristics to determine its load carrying capabilities as the new crane weighs more than 1200 tonnes.

Other work included upgrading the berth's high voltage electrical supply, installing cable ladders on CV40 to accommodate cable reelers for the new crane as well as the berth's existing crane, and upgrading the berth's water supply.

The existing shiploader rails on the berth have been upgraded to accommodate the new crane and the wheels on the old berth two shiploader have been replaced.

Two buffers were installed on the eastern end of the berth to retain the crane on the berth, two sets of stowage pins installed – one in the crane's park position and another midway along berth two. – and two storm tie downs installed in the park position.

The land-backed section of the berth was reconstructed to accommodate the handling of containers, and a new security fence installed around the berth.



SULPHUR STORAGE FACILITY

A \$19 million sulphur storage facility was completed in February this year and the first sulphur arrived by ship from Vancouver, Canada, in March.

The facility has a storage capacity of 120,000 tonnes and BHP Billiton will import 500,000 tonnes of the product annually for its Ravensthorpe nickel project.

The shed is 210 metres long, 80 metres wide and 23 metres high, and the associated conveyor system can handle about 2000 tonnes of sulphur an hour. Kerman Contracting Limited, the company that has built all of the storage facilities at the Port, started work on the facility in October 2005.

Between eight and 12 ships will discharge sulphur annually at the Port, and the product will be road transported to the mine site.

The sulphur is formed, has excellent handling qualities, minimal dust, is almost odourless and does not degrade easily.

Sulphur is used to produce sulphuric acid at the mine site and dissolve the nickel out of the nickel laterite ore. Excess heat from this process is used to produce electricity for the mine and process plant.

CONTAINERS

BHP Billiton's 2000 stainless steel containers were delivered to the Port over a six-month period with the final delivery in February this year.

The containers will be used to export up to 210,000 tonnes of nickel hydroxide from the Ravensthorpe nickel mine to the Yabulu Refinery, which is located north of Townsville in Queensland.

The Port has established a dedicated container storage area and has purchased stackers and forklifts to handle up to 12,000 container movements a year.

The first containers are expected to be shipped out of Esperance in the first quarter of 2008.

CONCENTRATE STORAGE FACILITY

Work on a new \$9 million concentrate storage facility built over the old WMC shed at the Port has been suspended until a decision is made on how to remove 9000 tonnes of lead carbonated that is stored in the old shed.

Construction of the shed is completed, but the internal fittings and associated conveyor systems need to be installed.

The new shed is 100 metres long, 30 metres wide and 17 metres high and has a storage capacity of 60,000 tonnes.

Once completed the new shed will include noise attenuation and dust extraction facilities and will be negative pressured.

WOODCHIP EXPORTS

Integrated Tree Cropping (ITC) has taken an option on 3.6 hectares of land at the Port and plans to start exporting woodchips through Esperance to Japan in 2008.

ITC has submitted a proposal to the Port Authority to construct a woodchip storage site capable of receiving, storing and reclaiming 80,000 tonnes of woodchips, as well as the transport of woodchips into the Port by road, and the loading of the woodchips onto vessels berthed on berth three.

ITC will also address environmental impacts relating to dust control, noise attenuation, stormwater and process water management and visual amenity.

The company manages about 50,000 hectares of bluegum (*Eucalyptus globulus*) plantations in the Esperance region. Initial production will start at about 100,000 tonnes next year and reach a maximum production of 800,000 tonnes a year by 2015.

The plantations will be harvested every 10 to 15 years to maintain annual sustainable exports. The bluegums will be chipped on site by a mobile facility and trucked to the Port and stockpiled until loaded onto dedicated woodchip carriers.

The shiploader on berth three, which is currently used to load iron ore, has the capacity to handle a number of commodities including woodchips.

port developments



PORT PERSONNEL ON LINE DUTIES
DURING THE BERTHING OF A SHIP

RARE EARTHS

Rare earths miner Lynas Corporation is developing its Mt Weld mine near Laverton in the northern goldfields and plans to ship rare earth ores out of Esperance next year.

The company is also progressing with the construction of a rare earths concentration and processing plant at Kemaman in Malaysia, and plans an initial shipment of about 20,000 tonnes by the middle of the year.

The company will transport the ore by road to the railhead at Leonora and rail the product to the Port where it will be stored in sheds before export.

Lynas plans to export about 200,000 tonnes of rare earth ores a year from Esperance in shipments of up to 40,000 tonnes.

The company has carried out extensive exploration to define a rich carbonatite system containing various high value specialty metals. The Mt Weld deposit is believed to be the largest and highest grade of its type with proven reserves of rare earth oxides of nearly one million tonnes.

The mine has a life of about 20 years.

Rare Earths are used in a variety of applications including plasma televisions screens, digital cameras, MRI imaging, rechargeable batteries and pharmaceutical applications.

DESALINATION PLANT

The Economic Regulation Authority is supporting United Utilities Australia (UUA) plans to establish a \$450 million desalination plant

in Esperance and provide 70 megalitres of fresh water a day to the Goldfields and Esperance.

UUA is confident it can provide water to Kalgoorlie-Boulder at a lower cost to Government than the current supplier and also meet the increasing demand from the mining industry for potable water.

The company has taken an option over land at the Port behind the number three iron ore shed and adjacent to Esperance's power station where it plans to build its plant.

If given the go ahead by the State Government the project will save more than 10 gigalitres of water each year that is currently being pumped to Kalgoorlie-Boulder from Perth.

During construction more than 200 jobs will be created, and it will generate more than \$2.5 billion of economic activity in the region.

The Port Authority has signed a memorandum of understanding with UUA to buy water from the company if the project goes ahead. Currently the Port uses about 54,000 tonnes of water a year.

A decision on the project is expected before the end of 2007.

WASTEWATER TREATMENT

A storm in January this year that flooded the Port's heavy metals catchment causing rainwater to overflow into stormwater drains and escape into the ocean has led to a major upgrade of the Port's handling of wastewater.

Wastewater Systems Australia and SLS Technology were contracted to design, construct and commission a closed circuit wastewater treatment facilities to capture, treat and recycle wastewater from the Port's operations.

Four filtering systems have been designed and the first has been installed and commissioned on the Port's heavy metals circuit. This will filter heavy metals from the water, which will be stored on site before being recycled.

During the 2007-08 financial year, other wastewater treatment facilities will be installed on the Port's sulphur handling circuit, in the workshop area and where vehicles are washed down.



shipping

LOADING IRON ORE ON BERTH THREE

SHIPPING MILESTONES

Greatest Number of Ships

For the 2006-2007 financial year, the Esperance Port Authority handled a record 181 ships, an increase of four over the previous year.

Record Shipping Movements

On Sunday, 25 March, 2006, six shipping movements were made in the Port for that day. With only three operational berths, this is a record for Esperance that is expected to stand for some time.

Longest and Widest Vessels

MV AZUL INTEGRA & MV AZUL CIELO

The sister ships Azul Integra and Azul Cielo are the largest vessels to visit the Port. Each vessel is 299.95 metres length overall and 50.0 metres beam, being the longest and widest vessels to load in Esperance.

Deepest Draft

MV GRAND CLIPPER

The Grand Clipper was built in South Korea in 1996 and loaded 164,194 tonnes of iron ore (74,677 tonnes of fines and 89,517 tonnes of lump) for discharge in Shanghai, China. This vessel loaded to 18.03 metres, which is the deepest draft of a vessel that has sailed from the Port. Its under keel clearance was 1.57 metres.

Smallest Underkeel Clearance

MV OCEANIS

The Oceanis was built in South Korea in 2001 and loaded 17,167 tonnes of nickel concentrate for discharge in Quebec. This vessel sailed from berth two with a draft of 13.91 metres on a tide of 0.5 metres, giving an under keel clearance of 1.09 metres.

Largest Iron Ore Cargo

MV CAPE ROSA

MV Cape Rosa loaded a cargo of 200,972 tonnes of lump iron ore for Japan in November 2006. This was the first vessel to load more than 200,000 tonnes and eclipsed the previous record by 22,816 tonnes set by the Hebei Wisdom in October 2005.

Largest Wheat Cargo

MV IVS MERLOT

The IVS MERLOT loaded 73,500 tonnes of wheat in Esperance for discharge in Sudan. This record was 2,642 tonnes more than the previous largest wheat cargo.

Largest Barley Cargo

MV CORONIS

The Coronis was on its maiden voyage from China and loaded 66,000 tonnes of barley for Jeddah, Saudi Arabia. This was 2,969 tonnes more than the previous record.

Largest Pea Cargo

MV SONG SHI HAI

The Song Shi Hai was built in Japan in 1985 and loaded 25,169 tonnes of peas for Penang, Malaysia. This record was 5,369 tonnes more than the previous largest pea cargo.

Largest Nickel Cargo

MV PORT VICTORIA

The Port Victoria loaded 30,990 tonnes of nickel concentrate for Pori, Finland. This was arguably the most valuable single cargo to be handled at the Port with an estimated value in excess of \$250 million.

Largest Lead Carbonate Cargo

MV EDAMGRACHT

The Edamgracht loaded 11,220 tonnes of lead carbonate for China. Exports of this product were suspended during the year because of environmental concerns.

CRUISE SHIPS

No cruise ships visited Esperance during the year.

PILOTAGE

The Deputy Harbour Master, Captain Greg Tonnison, resigned at the end of June 2007 to join Fremantle Pilots. The Assistant Harbour Master, Captain Jordi Oakley, was promoted to Deputy Harbour Master.

The Harbour Master, Captain Ian Harrod, and Captain Oakley went to Broome in April 2007 to commission the simulation of Esperance Port on the Ship Handling Simulator at Kimberley TAFE. This facility is regarded as probably the best of its type in Australia, and Esperance pilots have been scheduled to visit the facility twice a year for training.

shipping



PORT SECURITY

Esperance Port Authority continues to upgrade its facilities in order to comply with Department of Transport and Regional Services (DOTARS) requirements. Ongoing training and upgrades to monitoring equipment ensure Esperance Port continues to remain a safe and secure Port.

TOWAGE

Mackenzie's Tugs Services have purchased a Damen 65 tonne bollard pull Azimuth drive tug "Shoal Cape". This tug arrived from China in mid September 2006 and replaces the "Cape Arid" which has been chartered out. The advent of two 65 tonne bollard-pull tugs has greatly improved ship-handling at the Port, particularly the handling of Cape size vessels. It will also further add to the safe and effective operation of the Port.

For nearly 40 years Mackenzie's Tugs have provided a highly effective service and the Port looks forward to their continued support in the future.

HYDROGRAPHIC SURVEYS

The Port was surveyed in December 2005 with all depths in the channels and berths meeting the prescribed requirement. The next survey will be in December 2007.

FUTURE CHALLENGES

The Port is preparing for an increase in shipping over the coming years.

BHP-Billiton's Ravensthorpe Nickel Project will export nickel cobalt hydroxide through Esperance over the 25-year life of the mine. This will require a container crane and grab system to be installed and operational on berth two by the last quarter of 2007. The grab will discharge sulphur and the container crane will load the containerised hydroxide. The Port anticipates handling another 40 ships a year when this project begins.

The iron ore trade is also expected to increase in the near future with Portman Ltd aiming to ship up to eight million tonnes a year by the end of 2007, and there is the possibility of Golden West Resources also exporting iron ore from the Port of Esperance in the future.

Woodchip exports are anticipated to start in 2008, which will also increase shipping movements by between 10 and 15 ships a year.

TROY REYNOLDS WORKS ON THE PORT'S PILOT BOAT



environmental management

Esperance Port is committed to continually improving its environmental management. The Port's environmental management plan guides overall environmental management and environmental management has been successfully integrated into all Port activities. The Port is working towards certification to ISO14001, the International Environmental Management Standard. The goal for certification is by the end of the financial year 2007-2008.

Each year the Port develops an environmental management program covering the key areas of community, environmental dust, environmental management system, environmental noise, marine environment, odour, and other emissions. This program identifies various activities in each of these areas that are to be completed throughout the year.

The Port is required to operate under the requirements of its environmental license 5099/10, and its three Ministerial Statements, MS325, MS570, MS681. The Port is audited by the Department of Environment and Conservation for compliance with its Environmental License, and is required to report regularly to the Environmental Protection Authority on compliance with its Ministerial Statements.

Esperance Port is committed to continually improving its environmental management.

ENVIRONMENTAL ISSUES

In the third quarter of 2006, the Port began experiencing problems with the various mineral concentrates arriving from the mine sites. Nickel concentrates from some mines were odorous, and the lead concentrate was dry.

The Port began working with the various mining companies to improve the quality of the product arriving at the Port. This included holding a workshop with the mining companies called "Beyond the Mine Site", designed to get the mining companies to realise that product issues do not stop once the product leaves the mine site. The issues with product quality unfortunately appeared to have led to lead dust escaping from the Port's boundary and the community

being impacted by nickel odour during the summer months when winds are onshore. The Port relies on the mining companies to provide a quality product in terms of moisture content to minimise dust emissions during handling, and to ensure that odour does not impact on the local community while the product is being stored and handled at the Port.

Although the Port has been working closely with the concentrate producers to address these product quality issues, it appears that actions being taken to address these issues may not have been timely enough to prevent lead dust leaving the Port boundary. The Port continues to work closely with the concentrate producers to put in place rigorous procedures to ensure product quality.

In response to these unfortunate events, the Port has had to take a stronger stance towards the exporting mining companies in relation to product quality. The Port has put in place measures to ensure that the product received is at acceptable moisture content.

ENVIRONMENTAL MONITORING

Regular environmental monitoring for dust and noise is undertaken both inside and outside of the Port, and for marine sediments to monitor spillage into the marine environment.

Dust monitoring is conducted quarterly, with results reported to the Department of Environment on an annual basis. This monitoring includes checking levels of lead, nickel, iron ore and sulphur in the dust.

Increased environmental dust monitoring commenced in February 2007 to better quantify dust emissions from the Port. This included real-time dust monitoring equipment being installed at locations inside and outside of the Port boundary.

Offsite environmental noise levels are monitored annually by a noise consultant to ensure the Port complies with the Environmental Protection (noise) Regulations.

Marine sediment monitoring is conducted on an annual basis to identify any spillage from the loading of nickel and lead. The Port has developed a detailed sampling and analysis plan for monitoring lead and nickel contamination in the inner harbour.

community relations



COMMUNITY SPONSORSHIP

The Port Authority provided more than \$78,000 in sponsorship and donation to local groups and organisations during the 2006-07 financial year. Under the terms of the Port's Sponsorship Policy, funding is provided to organisations whose activities benefit the wider community.

Major recipients included the Esperance Seafarers Centre (\$25,000), Apex for the weekend bus tours (\$18,830), the Royal Flying Doctor Service (\$10,000), the Festival of the Wind (\$5000) and the Esperance Senior High School and Esperance Primary School's Tournament of the Minds teams (\$5000).

Other local organisations to receive financial support included Escare, the Esperance Musical Festival, Rotary Handicamp, Esperance Music Festival and the Esperance Table Tennis Club.

SULPHUR SHED CONCERT

The Port Authority held a family Open Day at the Port on Sunday, March 4, that incorporated a concert to celebrate the recently completed \$19 million sulphur storage facility.

More than 2000 people attended the concert that featured the iconic Sydney band Mental As Anything as well as other local and Perth performers.

The concert raised \$10,000 for the Royal Flying Doctor Service.

AGRICULTURAL SHOW

Esperance Port participated in the 2006 Esperance and Districts Agricultural Show. The theme for the show was the development of the Port since the 1890s, particularly the modern Port following the opening of the first land-backed berth in 1965.

The Port also took the opportunity to remind show goers of the developments being undertaken at the Port to accommodate BHP Billiton's Ravensthorpe Nickel Project. This included the construction of a \$19 million sulphur storage and handling facilities, the purchase and delivery of a shore-based gantry crane, and road, electrical and berth upgrades.

PDCC

During 2006-07, the Esperance Port Development Consultative Committee (PDCC) met to discuss issues relating to the proposed export of woodchips through Esperance from 2008 by Integrated Tree Cropping. PDCC members joined Port staff in touring and inspecting woodchip handling facilities at Albany, and discussed concerns with the handling and storage of the product at the Esperance Port with the Albany Port Authority.

PDCC members also inspected the ongoing works at the Port on a number of occasions including the sulphur storage and handling facilities, the upgrade to berth two to accommodate the shore-based gantry crane and the construction of a \$9 million heavy metals storage facility.

The PDCC members represent a broad cross section of the community, including the Esperance Shire Council, Chamber of Commerce and Industry, tourism, environmental groups, industry and special interest groups. It provides line of communication between



ESPERANCE SENIOR HIGH SCHOOL STUDENTS AT THE PORT

the Port and the various organisations represented on the committee and the wider community.

The Port keeps the PDCC informed about its current and future activities and the PDCC passes on its concerns and issues to management for discussion and resolution.

COMMUNICATION STRATEGY

The Port has engaged Coakes Consulting to help identify and address social and community issues and develop a long-term community relations plan that will enable the Port and the local community to work together.

Coakes has considerable experience in undertaking social impact assessment programs for a range of projects across Australia.

Coakes staff started work in Esperance in June and have consulted with a wide variety of groups in Esperance including Port Authority employees, local government representatives, environmental groups, local businesses, health providers, and educators.

The Esperance program will help facilitate the flow of information between the Esperance community and the Port Authority.

Coakes will undertake a telephone survey in August to gather views of the broader Esperance community, and then further explore and develop the strategies required for a long-term sustainable community relations program.

NICKEL CONFERENCE

Esperance Port is the largest exporter of nickel concentrate in the Southern Hemisphere. In 2006-07 more than 173,800 tonnes of the product were shipped from Esperance to refineries in Finland and Canada. This figure is about 40,000 tonnes less than the previous year.

The Port has a long relationship with the industry following the discovery of nickel at Kambalda by Western Mining Corporation in the 1960s and the first exports of concentrate through Esperance in 1967.

Today the Port's major customers include Lionore and Jubilee Mines, and BHP Billiton plans to start shipping nickel hydroxide from its Ravensthorpe nickel mine to the Yabulu refinery in Queensland from 2008.

Owing to the long association with the major nickel producers, Esperance Port has been a sponsoring delegate at the annual Australian Nickel Conference that is held in Perth in October each year for more than 10 years. The conference is attended by Australian and international producers and stockbroking companies.

The conference showcases the industry, and outlines new developments in the mining and treatment of nickel ore and exploration activities.

EDUCATION PROGRAM

After significant planning in the previous financial year, the Port's education program started in the last term of 2006 when year 9 and 10 society and environment students from the Esperance Senior High School studied the operations and activities of the Port.

The curriculum developed by the school's teachers looked at management structures, health and safety, industrial relations, business activities, shipping, loading operations and careers at the Port.

The program developed is believed to be a first in Western Australia, providing students with the opportunity to carry out academic studies by studying the working of a busy, expanding port.

AUTOCLAVES

Two 400 tonne autoclaves for the Ravensthorpe Nickel Project were landed at the Esperance Port in July and August 2006. The two titanium lined high-pressure vessels use acid and heat to leach the nickel out of the laterite ore.

They were built in Coffs Harbour in NSW, towed on a barge across the Great Australian Bight to Esperance and landed in the Port viewing area and car park.

The autoclaves were placed on a heavy lift trailer and road transported to the mine site, about 150km east of Esperance.

The landing of the two vessels and their transport created considerable public and media interest.

employee relations

RECRUITMENT

Although recruitment was ongoing over the course of the year, a major recruitment program commenced in early 2007 to increase operational manning numbers to cope with the additional demands of BHP's sulphur operations onsite. Recruitment for specialist positions included the areas of health and safety, pilotage, engineering, commercial management, and environmental management.

The Port Authority continues to be very successful in attracting and retaining skilled professionals, including a large body of qualified tradespeople, despite the current demand for these skills and Esperance's relative proximity to some major resources projects.

The Port continued to do its part to assist with the current skills shortage by hosting as many apprentices, trainees, structured workplace learning students, and work experience students as possible during the year.

INDUSTRIAL RELATIONS

The Workchoices compliant Enterprise Bargaining Agreement 2006 was lodged with the Office of the Employment Advocate in October 2006 and will operate for a three-year term.

TRAINING

During the year the Port conducted approximately 4175 hours of formal training, primarily to Port employees but also to contractors, visitors and other Port users. This total consisted of 1825 hours of internally provided training and 2350 hours delivered by external providers.

As with the focus for recruitment during the year, the training emphasis was also on preparing for the new skill and competency requirements associated with the BHP operation. This included training in the heavy forklifts required to move the containers, sulphur handling and housekeeping practices, and six operators attending container crane training at DPWorld in Adelaide before the commissioning of the Port's new dual-purpose gantry crane.

OCCUPATIONAL HEALTH AND SAFETY

Owing to intense public scrutiny of heavy metals handling practices at the Port, ongoing biological monitoring and education continued to be important issues during the year. Several visiting experts provided Port employees, Port contractors and local residents with

PORT EMPLOYEES UNDERTAKE
FIRE-FIGHTING TRAINING



additional information concerning the properties and potential health effects of heavy metals. The Port also engaged consulting occupational hygiene specialists to assist Port management with onsite product and contaminant sampling and monitoring.

Construction and development works on berth two and the old WMC shed during the year contributed to pedestrian and vehicular traffic management issues, however no accidents were recorded, which was a credit to the vigilance and efforts of the many people working at the Port.

Several worker's compensation claims were made during the year, however all persons involved were able to return to work on full or restricted duties. The Port also assisted several employees with non-work related health conditions or injuries to allow their safe return to work.

financial statements

+ notes to the financial statements

for the year ended 30 June 2007



Income Statement

for the year ended 30 June 2007

<i>In thousands of AUD</i>	NOTES	2007	2006
Revenue	2	31,445	26,360
Other income	3	917	751
Employee Benefits Expense	4	(8,124)	(6,647)
Depreciation and Amortisation Expense	8,9	(2,709)	(2,573)
General Administration		(2,197)	(982)
General Maintenance		(3,439)	(1,748)
Power and Water		(1,688)	(1,539)
Bulk Handling Facilities		(1,972)	(1,522)
Cargo Handling		(5,092)	(3,946)
Insurance		(261)	(349)
Net loss on disposal of property, plant and equipment		(7)	-
Government Charges		(765)	(693)
Rainwater tank cleaning provision		(1,380)	
Other Expenses		(103)	(97)
Results from operating activities		4,625	7,015
Financial income		158	470
Financial expenses		(4,307)	(3,275)
Net financing costs	5	(4,149)	(2,805)
Profit before income tax		476	4,210
Income tax expense	6	(4)	(1,201)
Profit for the period		472	3,009
<i>The notes on pages 35 to 58 are an integral part of the financial statements.</i>			

balance sheet

as at 30 June 2007

<i>In thousands of AUD</i>	NOTES	2007	2006
ASSETS			
Cash and cash equivalents	12	6,823	3,489
Trade and other receivables	11	5,935	6,371
Income tax receivable	10	314	-
Non-current assets held for sale	7	769	-
Inventories		1,420	1,354
Total current assets		15,261	11,214
Other receivables	11	24,696	26,721
Property, plant and equipment	8	81,279	58,799
Intangible assets	9	61	85
Total non-current assets		106,036	85,605
Total assets		121,297	96,819
LIABILITIES			
Trade and other payables	16	4,751	3,285
Loans and borrowings	14	3,864	2,522
Employee benefits	15	1,552	1,122
Current tax payable	10	-	380
Provisions	17	2,975	62
Total current liabilities		13,142	7,371
Loans and borrowings	14	72,136	52,177
Employee benefits	15	627	837
Provisions	17	39	42
Deferred tax liabilities	10	5,093	5,100
Total non-current liabilities		77,895	58,156
Total liabilities		91,037	65,527
Net assets		30,260	31,292
Equity			
Contributed equity	13	2,209	2,209
Retained earnings	13	28,051	29,083
Total equity	13	30,260	31,292
<i>The notes on pages 35 to 58 are an integral part of the financial statements.</i>			

Statement of changes in equity

for the year ended 30 June 2007

<i>In thousands of AUD</i>	NOTES	2007	2006
Balance of equity at the start of the period		31,292	29,846
Dividends		(1,504)	(1,563)
Profit for the period		472	3,009
Balance of equity at the end of the period	13	30,260	31,292

Other movements in equity arising from transactions with owners as owners are set out in note 13
The notes on pages 35 to 58 are an integral part of the financial statements.

statement of cash flows

for the year ended 30 June 2007

<i>In thousands of AUD</i>	NOTES	2007	2006
Cash flows from operating activities			
Cash receipts from customers		34,826	30,415
Cash paid to suppliers and employees		(20,485)	(18,879)
Cash generated from operations		14,341	11,536
Interest paid		(3,813)	(3,275)
Income taxes paid		(705)	(321)
Net cash from operating activities	12a	9,823	7,940
Cash flows from investing activities			
Interest received		158	414
Proceeds from sale of property, plant and equipment		140	106
Acquisition of property, plant and equipment	8	(28,089)	(16,303)
Net cash from investing activities		(27,791)	(15,783)
Cash flows from financing activities			
Proceeds from borrowings		24,146	4,921
Repayment of borrowings		(2,844)	(2,232)
Dividends paid	13	-	(1,563)
Net cash used in financing activities		21,302	1,126
Net increase in cash and cash equivalents		3,334	(6,717)
Cash and cash equivalents at 1 July		3,489	10,206
Cash and cash equivalents at 30 June	12	6,823	3,489

The notes on pages 35 to 58 are an integral part of the financial statements.



BERTHING A CAPE CLASS VESSEL

Esperance Port Authority

notes to the financial statements

for the year ended 30 June 2007

NOTE 1.	Summary of significant accounting policies	36	NOTE 12.A	Reconciliation of Cash Flows from Operating Activities	50
NOTE 2.	Revenue	43	NOTE 13.	Capital and Reserves	50
NOTE 3.	Other Income	43	NOTE 14.	Loans and Borrowings	51
NOTE 4.	Employee Benefits.....	44	NOTE 15.	Employee Benefits	52
NOTE 5.	Finance Income and Expense	44	NOTE 16.	Trade and other Payables.....	54
NOTE 6.	Income Tax Expense	45	NOTE 17.	Provisions	54
NOTE 7.	Non-current assets held for sale	45	NOTE 18.	Financial Instruments.....	54
NOTE 8.	Property, plant and equipment.....	46	NOTE 19.	Capital and other Commitments	57
NOTE 9.	Intangible Assets.....	48	NOTE 20.	Related Parties for non-disclosing entities.....	57
NOTE 10.	Tax Assets and Liabilities.....	48	NOTE 21.	Subsequent Event	58
NOTE 11.	Trade and Other Receivables	49	NOTE 22.	Contingencies	58
NOTE 12.	Cash and Cash Equivalents	49	NOTE 23.	Auditor's Remuneration	58

notes to the financial statements

for the year ended 30 June 2007



DECK CREW PREPARING MOORING LINES FOR BERTHING

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue on 19 September 2007 by the Board of Directors of Esperance Port Authority ('the Authority'). The following significant accounting policies have been adopted in the preparation of the financial statements for the year ended 30 June 2007.

1.1 Statement of compliance

These financial statements have been prepared as a general purpose financial report 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.

The following standards and amendments were available for early adoption but have not been applied by Esperance Ports in these financial statements:

- *AASB 7 Financial Instruments: Disclosures.* This Standard requires new disclosures in relation to financial instruments and is required to be applied to annual reporting periods beginning on or after 1 January 2007. It is not expected to have any financial impact when the Standard is first applied.
- *AASB 2005-10 Amendments to Australian Accounting Standards arising from AASB 7 [AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 & 1038].* These amendments are as a result of the issue of AASB 7 Financial Instruments: Disclosures which amends the financial instrument disclosure requirements in these standards. It is required to be applied to annual reporting periods beginning on or after 1 January 2007 and it is not expected to have any financial impact when the Standard is first applied.
- *AASB 101 Presentation of Financial Statements.* This Standard was revised so that AASB 101 has the same requirements as IAS 1 Presentation of Financial Statements. It is applicable for annual reporting periods beginning on or after 1 January 2007 and it is not expected to have any financial impact when the Standard is first applied.
- *AASB 123 Borrowing Costs.* This Standard was revised to remove the option of expensing borrowings costs on qualifying assets. Such borrowings costs are now required to be capitalised. This Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009 and it is not expected to have any financial impact when the Standard is first applied.
- *AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038].* These amendments arise as a result of the AASB decision that all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered relevant in the Australian reporting



VESSEL ON THE LEADS HEADING INTO THE PORT

environment. This Standard is applicable for annual reporting periods beginning on or after 1 July 2007 and it is not expected to have any financial impact when the Standard is first applied.

- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, 101, 107, 111, 116 & 138 and interpretations 1 & 12]. These amendments are as a result of the issue of AASB 123 *Borrowing Costs*. The amendment removes references to expensing borrowings costs on qualifying assets as AASB 123 was revised to require such borrowing costs be capitalised. This Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009 and it is not expected to have any financial impact when the Standard is first applied.
- AASB 2007-7 *Amendments to Australian Accounting Standards* [AASB 1, 2, 4, 5, 107 & 128]. These amendments follow the issuance, in April 2007, of AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*. This Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007 and it is not expected to have any financial impact when the Standard is first applied.

1.2 Basis of preparation

The financial statements have been prepared on an accrual accounting basis and in accordance with the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

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

1.3 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 amount recognised in the financial statements are:

Operating lease commitments – as lessor

The Authority has entered into commercial property leases on some of its land and buildings and has determined that it retains all the significant risks and rewards of ownership of these land and buildings and has thus classified the leases as operating leases.

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 1.15.

1.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured.

The Authority derives revenue from charges made on ships and cargos in respect of services provided and are recognised upon the



notes to the financial statements

for the year ended 30 June 2007 (continued)

delivery of the service to the customers.

The Authority is also a large owner of waterfront land, which is allocated to various industry users in consideration for long-term tenancies. The lease rental is charged in advance and recognised as revenue on a pro rata basis for the period of the lease.

Interest revenue is recognised as it accrues using the effective interest method.

1.5 Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested.

Interest receivable on funds invested includes interest on short-term investments and term deposits and is recognised as it accrues 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. This is in accordance with the allowed alternative benchmark accounting treatment under 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.

1.6 National Tax Equivalent Regime (Income tax)

The Authority is subject to the National Tax Equivalent Regime (NTER).

The NTER is an administrative arrangement under which relevant Commonwealth Taxation laws are applied nationally to the NTER entities as if they were subject to those laws. Income tax equivalent liabilities are paid to the State Government.

1.7 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 profit for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that

CONTRACTORS CLADDING THE PORT'S NEW STORAGE SHED





BERTH TWO LOADER

sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

1.8 Receivables

Trade receivables

Trade debtors are recognised and carried at the original amounts due 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 of receivables is assessed using an analysis of historical data to determine the level of risk and subsequent recovery of debts based on the age of amounts outstanding. Bad debts are written off when formally recognised as being irrecoverable.

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

Lease receivables

A lease receivable is recognised for leases of property, plant and equipment which effectively transfers to the lessee substantially all of the risks and benefits incidental to legal ownership of the leased asset. The lease receivable is initially recognised at the amount of the present value of the minimum lease payments receivable at the reporting date plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease with interest revenue calculated using the interest rate implicit in the lease and recognised directly in the income statement.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the

inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1.10 Property, plant and equipment

Property, plant and equipment purchased or constructed for Port operations is recorded at the cost of acquisition less accumulated depreciation and impairment losses. This includes incidental costs directly attributable to the acquisition.

Property, plant and equipment, excluding freehold land, are depreciated at rates based on the expected useful lives using the straight line method. Depreciation on assets under construction commences when the assets are ready for use. Depreciation is charged to the income statement.

The useful lives for various classes of property, plant and equipment are as follows:

	Years
Channels	20 – 80
Breakwater	50
Buildings and ancillaries	5 – 50
Berths	20 – 25
Oil pipeline	20
Electrical services	5 – 40
Office equipment	2 – 15
Motor vehicles	4 – 7
Plant and equipment	2 – 20
Bulk loading facilities	3 – 40
Berth stabilisation and fenders	10 - 25

Depreciation methods, useful lives and residual values are reassessed at the reporting

1.10 Intangible assets

Intangible assets that are acquired by the Port Authority, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Computer software

Items of software that are acquired by the Port Authority, costing less than \$1000, are expensed in the year of acquisition. Where software

notes to the financial statements

for the year ended 30 June 2007 (continued)



CAPTAIN GREG TONNISON

is an integral part of the related hardware, it is treated as property, plant and equipment. Where software is not an integral part of the related hardware, it is treated as an intangible asset.

Licenses

Licenses have a finite useful life and are treated as described above.

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

(ii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Licenses	3
Software	2 – 5

1.11 Impairment

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

If a trigger 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 costs 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 the income statement.

1.12 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Port Authority's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on an asset will continue to be measured in accordance with the Port Authority's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.



DISCHARGING SULPHUR ON BERTH TWO

1.13 Leased assets

Leases are classified as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased asset to the Authority are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Finance leased assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability so as to achieve a consistent rate of interest on the remaining balance of the liability with interest expense calculated using the interest rate implicit in the lease and recognised directly against income.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term as this represents the pattern of benefits derived from the leased assets.

1.14 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. Trade creditors are unsecured and are usually paid within 30 days of recognition.

1.15 Interest bearing borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest 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.

1.16 Employee benefits

Annual Leave benefits represent present obligations resulting from employees' services provided to reporting date and are provided at nominal amounts calculated on the basis of remuneration rates expected to be paid when the liability is settled.

Sick Leave entitlements for staff who work under the Esperance Port Authority Award/Agreement 2005 are calculated on a pro rata basis for the amount owing at the reporting date and have been included at nominal rates of pay.

Long Service Leave liabilities have been measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted by the Commonwealth Government Bonds rates estimated to be applicable to the relevant period.

The liability in all provisions covers entitlements from the date the employee commences in accordance with the conditions of employment.

Provisions are made for long service leave even though in some cases such amounts are currently not vesting.

1.17 Employee superannuation

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

notes to and forming part of the financial statements

for the year ended 30 June 2007 (continued)



PORT EMPLOYEE, JASON RIGGS,
INSPECTS GEARS FOR THE PORT'S
GANTRY CRANE IN SHANGHAI, CHINA

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 and who have transferred between State Government agencies to the Authority.

The liabilities for superannuation charges under the Gold State Superannuation Scheme, West State Superannuation Scheme and the SERF Superannuation Fund are extinguished by monthly payment of employer contributions.

The Authority's net obligation in respect of defined benefit pension plans is calculated separately for each plan 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 any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on AA credit-rated Commonwealth Government bonds that have maturity dates approximating the terms of the Authority's obligations. The calculation is performed by a qualified actuary using the actuarial cost method.

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

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

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

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

1.18 Dividends

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

1.19 Provisions

A provision is recognised in the balance sheet when the Authority has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, 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.

1.20 Cash and cash equivalents

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

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

1.21 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances,



AERIAL VIEW OF BERTHS ONE AND TWO AND STORAGE FACILITIES

the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

Cash flows are included in the cash flow statement 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.

1.22 Contributed equity

The Authority receives support from the WA Government (See Note 13). The amount received is recognised directly as a credit to contributed equity.

1.23 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in

foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

1.24 Derivative financial instruments

The Authority uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Authority does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.25 Jointly controlled operations and assets

The interest of the Authority in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

NOTE 2. REVENUE

<i>In thousands of AUD</i>	2007	2006
Revenue from vessels	9,132	7,256
Revenue from cargo	6,766	5,828
Revenue from port services	12,035	9,506
Equipment hire, power and water revenue	1,335	1,290
Infrastructure charge	2,047	2,316
Other operating revenue	130	164
Total revenues	31,445	26,360

NOTE 3. OTHER INCOME

<i>In thousands of AUD</i>	2007	2006
Rentals	917	751
Total other income	917	751

notes to the financial statements

for the year ended 30 June 2007 (continued)

NOTE 4. EMPLOYEE BENEFITS

<i>In thousands of AUD</i>	NOTES	2007	2006
Wages and salaries		7,144	6,019
Other associated personnel expenses		41	4
Contributions to defined contribution superannuation funds		550	158
Expenses related to defined benefit superannuation funds	15	38	327
Increase (decrease) in liability for annual leave	15	(16)	62
Increase in liability for long-service leave	15	315	47
Increase in liability for sick leave	15	52	30
Total depreciation and amortisation		8,124	6,647

NOTE 5. FINANCE INCOME AND EXPENSE

<i>In thousands of AUD</i>	2007	2006
Interest income	158	414
Net gain on hedging of foreign currency	-	56
Finance income	158	470
Interest expense on borrowings	(3,965)	(3,275)
Net loss on hedging of foreign currency	(342)	-
Finance expense	(4,307)	(3,275)
Net finance income and expense	(4,149)	(2,805)

ESPERANCE PORT VIEWED FROM THE PORT BEACH





SHOAL CAPE TESTS HER FIRE FIGHTING EQUIPMENT

NOTE 6. INCOME TAX EXPENSE

<i>In thousands of AUD</i>	2007	2006
Current tax expense		
Current period	-	460
Adjustment for prior periods	25	(62)
	25	398
Deferred tax expense		
Origination and reversal of temporary differences	(21)	803
	(21)	803
Income tax expense from continuing operations	4	1,201
Total income tax expense	4	1,201
NUMERICAL RECONCILIATION BETWEEN TAX-EXPENSE AND PRE-TAX NET PROFIT		
Profit for the period	472	3,009
Total income tax expense	4	1,201
Profit excluding income tax	476	4,210
Income tax using the Port Authority's domestic tax rate of 30% (2006: 30%)	143	1,263
Non-assessable expenses	(164)	-
Under (over) provided in prior periods	25	(62)
	4	1,201

NOTE 7. NON-CURRENT ASSETS HELD FOR SALE

<i>In thousands of AUD</i>	2007	2006
Property, plant and equipment	769	-
	769	-

The non-current assets held for sale represent a portion of land (part of the Shark Lake Industrial Park Development) which is ready for sale and is expected to be sold in the 2007/08 financial year.

notes to the financial statements

for the year ended 30 June 2007 (continued)

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

<i>In thousands of AUD</i>	LAND	BUILDINGS AND ANCILLARIES	BERTHS 1 AND 2	BERTH 3 AND SHIP LOADER	BERTH STABILISATION AND FENDERS	BREAK-WATER
Cost or deemed cost						
Balance at 1 July 2005	1,627	4,898	6,140	544	3,911	10,482
Additions	-	412	-	17	-	-
Disposals	-	-	-	-	-	-
Balance at 30 June 2006	1,627	5,310	6,140	561	3,911	10,482
Balance at 1 July 2006	1,627	5,310	6,140	561	3,911	10,482
Additions	-	1,369	-	11	-	-
Disposals	-	-	-	-	-	-
Transfers to Non-current assets held for sale	(304)	(465)	-	-	-	-
Balance at 30 June 2007	1,323	6,214	6,140	572	3,911	10,482
Depreciation and impairment loss						
Balance at 1 July 2005	-	1,403	2,426	88	1,111	1,415
Depreciation for the year	-	158	274	30	218	210
Impairment loss	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 30 June 2006	-	1,561	2,700	118	1,329	1,625
Balance at 1 July 2006	-	1,561	2,700	118	1,329	1,625
Depreciation for the year	-	225	274	32	219	210
Disposals	-	-	-	-	-	-
Balance at 30 June 2007	-	1,786	2,974	150	1,548	1,835
Carrying Amount						
At 1 July 2005	1,627	3,495	3,714	456	2,800	9,067
At 30 June 2006	1,627	3,749	3,440	443	2,582	8,857
At 1 July 2006	1,627	3,749	3,440	443	2,582	8,857
At 30 June 2007	1,323	4,428	3,166	422	2,363	8,647



BULK LOADING FACILITIES	CHANNELS	ELECTRICAL SERVICES	OFFICE EQUIPMENT	OIL PIPELINE	PLANT AND EQUIPMENT	ASSETS IN COURSE OF CONSTRUCTION	TOTAL
16,206	16,119	447	332	360	3,170	-	64,236
32	-	-	95	-	567	15,180	16,303
-	-	-	(4)	-	(409)	-	(413)
16,238	16,119	447	423	360	3,328	15,180	80,126
16,238	16,119	447	423	360	3,328	15,180	80,126
140	-	-	84	-	3,259	23,226	28,089
-	-	-	(23)	-	(160)	(2,053)	(2,236)
-	-	-	-	-	-	-	(769)
16,378	16,119	447	484	360	6,427	36,353	105,210
8,394	1,896	188	222	162	1,771	-	19,076
945	218	36	63	18	370	-	2,540
-	-	-	-	-	-	-	-
-	-	-	(4)	-	(285)	-	(289)
9,339	2,114	224	281	180	1,856	-	21,327
9,339	2,114	224	281	180	1,856	-	21,327
923	218	35	64	18	452	-	2,670
-	-	-	(13)	-	(53)	-	(66)
10,262	2,332	259	332	198	2,255	-	23,931
7,812	14,223	259	110	198	1,399	-	45,160
6,899	14,005	223	142	180	1,472	15,180	58,799
6,899	14,005	223	142	180	1,472	15,180	58,799
6,116	13,787	188	152	162	4,172	36,353	81,279

Property, plant and equipment under construction

The Esperance Port Authority has under construction a dual purpose shore based container crane, costs incurred up to the reporting date were \$9,541,409 (2006: \$1,095,337). The Esperance Port Authority also has under construction a new bulk storage facility costs incurred up to the reporting date totalled \$4,983,313 (2006: \$372,963). The Port Authority is constructing a sulphur storage shed, and enhancing Port infrastructure around this shed, costs at balance date were \$20,656,925 (2006: \$12,404,215). The Port Authority also had other minor works going on which amounted to \$1,171,353 (2006: \$1,309,236).

notes to the financial statements

for the year ended 30 June 2007 (continued)



ANDREAS MAER MAINTAINING WASTE WATER TREATMENT PLANT

NOTE 9. INTANGIBLE ASSETS

<i>In thousands of AUD</i>	Computer Software	Total
Cost		
Balance at 1 July 2005	164	164
Acquisitions	66	66
Balance at 30 June 2006	230	230
Balance at 1 July 2006	230	230
Acquisitions	15	15
Balance at 30 June 2007	245	245
Amortisation and impairment losses		
Balance at 1 July 2005	112	112
Amortisation for the year	33	33
Impairment loss	-	-
Balance at 30 June 2006	145	145
Balance at 1 July 2006	145	145
Amortisation for the year	39	39
Impairment loss	-	-
Balance at 30 June 2007	184	184
Carrying amounts		
At 1 July 2005	52	52
At 30 June 2006	85	85
At 1 July 2006	85	85
At 31 June 2007	61	61

NOTE 10. TAX ASSETS AND LIABILITIES

Current tax assets and liabilities

The current tax liability for the Port Authority of \$nil (2006: \$380,000) represent the amount of income taxes payable in respect of current and prior financial periods. The Port Authority had an income tax receivable of \$314,000 (2006: \$nil) in the current year.



FIRE-FIGHTING DRILL AT THE PORT

NOTE 10. TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in temporary differences during the year

<i>In thousands of AUD</i>	BALANCE 1 JULY 05	RECOGNISED IN PROFIT OR LOSS	BALANCE 30 JUNE 06	RECOGNISED IN PROFIT OR LOSS	BALANCE 30 JUNE 07
Property, plant and equipment	(4,608)	(726)	(5,334)	(683)	(6,017)
Inventories	(381)	(25)	(406)	(39)	(445)
Provisions	521	42	563	485	1,048
Other items	167	(90)	77	73	150
Tax loss carry-forwards	-	-	-	171	171
	<u>(4,301)</u>	<u>(799)</u>	<u>(5,100)</u>	<u>7</u>	<u>(5,093)</u>

NOTE 11. TRADE AND OTHER RECEIVABLES

<i>In thousands of AUD</i>	NOTES	2007	2006
Current			
Trade receivables		4,197	4,419
Finance lease receivables	19	2,025	1,896
Fair value derivatives		(287)	56
		<u>5,935</u>	<u>6,371</u>
Non-current			
Finance lease receivables	19	24,696	26,721
		<u>24,696</u>	<u>26,721</u>

As at 30 June 2007 there was no provision for doubtful debts in trade receivables (2006: nil).

NOTE 12. CASH AND CASH EQUIVALENTS

<i>In thousands of AUD</i>	NOTES	2007	2006
Bank balances		6,823	3,489
Cash and cash equivalents		<u>6,823</u>	<u>3,489</u>

notes

to and forming part of the
financial statements
for the year ended 30 June 2007 (continued)

NOTE 12.A RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>In thousands of AUD</i>	NOTES	2007	2006
Cash flows from operating activities			
Profit for the period		472	3,009
Adjustments for:			
Depreciation	8	2,670	2,540
Amortisation of intangible assets	9	39	33
(Gain) / loss on currency hedging		342	(56)
(Gain) / loss on sale of property, plant and equipment		7	(50)
Income tax expense	6	4	1,201
Operating profit before changes in working capital and provisions		3,534	6,677
Change in trade and other receivables	11	2,461	330
Change in inventories		(66)	(84)
Change in trade and other payables	16	1,466	1,611
Change in employee benefits	15	220	141
Change in provision	17	2,913	-
Interest earned		-	(414)
Income taxes paid		(705)	(321)
Net cash from operating activities		9,823	7,940

NOTE 13. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders

<i>In thousands of AUD</i>	CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 July 2005	2,209	27,637	29,846
Profit for period		3,009	3,009
Dividends paid or declared to equity holders		(1,563)	(1,563)
Balance at 30 June 2006	2,209	29,083	31,292
Balance at 1 July 2006	2,209	29,083	31,292
Profit for period		472	472
Dividends paid or declared to equity holders		(1,504)	(1,504)
Balance at 30 June 2007	2,209	28,051	30,260



STAN UREN ON THE PORT'S PILOT BOAT

NOTE 13. CAPITAL AND RESERVES (CONTINUED)

Dividends

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 50 percent of after tax profits. Dividends recognised in the current year by the Port Authority are:

<i>In thousands of AUD</i>	TOTAL AMOUNT	DATE OF PAYMENT
2007		
Final 2006 ordinary	1,504	31 December 2007
Total amount	1,504	
2006		
Final 2005 ordinary	1,563	31 December 2005
Total amount	1,563	
After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.		
Final ordinary	236	31 December 2007
Total amount	236	
The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2007 and will be recognised in subsequent financial reports.		

NOTE 14. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Port Authority's interest-bearing loans and borrowings. For more information about the Port Authority's exposure to interest rate and foreign currency risk, see note 18.

<i>In thousands of AUD</i>	2007	2006
Current liabilities		
Loan from WA Treasury Corporation	3,864	2,522
	3,864	2,522
Non-current liabilities		
Loan from WA Treasury Corporation	72,136	52,177
	72,136	52,177
Total	76,000	54,699

Loan with the WA Treasury Corporation are repayable on fixed dates and bear fixed interest rates at between 5.56% and 7.35% (2006: 5.56% and 7.9%).

notes

to and forming part of the
financial statements
for the year ended 30 June 2007 (continued)

NOTE 15. EMPLOYEE BENEFITS

<i>In thousands of AUD</i>	2007	2006
Current		
Salaries and wages accrued	194	185
Liability for accumulated days off	146	105
Liability for sick leave	370	56
Liability for annual leave	471	486
Liability for long service leave	367	286
Liability for superannuation	4	4
Total employee benefits - current	1,552	1,122
Non-Current		
Present value of unfunded obligations	104	286
Liability for long-service leave	452	218
Liability for sick leave	71	333
Total employee benefits – non-current	627	837

Movement in the present value for defined benefit obligations Pension and Gold State Superannuation Schemes

<i>In thousands of AUD</i>	2007	2006
Present value for defined benefit obligations at 1 July	286	287
Benefits paid by the plan	(216)	(3)
Current service costs and interest (see below)	11	14
Actuarial (gains) losses recognised in profit and loss (see below)	27	(12)
Present value for defined benefit obligations at 30 June	108	286

Expense recognised in profit or loss

<i>In thousands of AUD</i>	2007	2006
Current service costs	-	-
Interest on obligation	11	14
Actuarial loss/(gain)	27	(12)
	38	2



AERIAL VIEW OF THE PORT

NOTE 15. EMPLOYEE BENEFITS (CONTINUED)

Scheme assets

There are no assets in the Pension Scheme to support the State Share of the Benefit. Hence, there are:

- No fair value of Scheme assets;
- No asset allocation of scheme assets;
- No assets used by the employer;
- No expected return of scheme assets;
- No actual return on Scheme assets.

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):



PORT CONTRACTOR DANIELLE PLAISTED

<i>In thousands of AUD</i>	2007	2006
Discount rate (active members)	6.06%	5.81%
Discount rate (pensioners)	6.06%	5.81%
Expected salary increase rate	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%

The discount rate is based on the 10-year Government bond. The decrement rates used (eg mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes

Historical information

<i>In thousands of AUD</i>	2007	2006
Present value of the defined benefit obligation	108	286
Fair value of plan assets	-	-
Deficit in the plan	108	286
Experience adjustments arising on plan liabilities	29	(9)
Experience adjustments arising on plan assets	-	-

The Port Authority expects to pay \$4000 in contributions to defined benefit plans in 2008.

notes

to and forming part of the
financial statements
for the year ended 30 June 2007 (continued)

NOTE 16. TRADE AND OTHER PAYABLES

In thousands of AUD	Company	
	2007	2006
Trade payables	2,466	2,333
Accrued expenses	699	557
Income in advance	535	395
Liability arising from interest in jointly controlled asset	1,051	-
	<u>4,751</u>	<u>3,285</u>

NOTE 17. PROVISIONS

In thousands of AUD	2007	2006
Current liabilities		
Provision for dividend	1,504	-
Provision for rainwater tank cleaning	1,380	-
Provision for employee on-costs	91	62
	<u>2,975</u>	<u>62</u>
Non-current liabilities		
Provision for employee on-costs	39	42
	<u>39</u>	<u>42</u>

NOTE 18. FINANCIAL INSTRUMENTS

The Port Authority's principal financial instruments comprise of interest bearing borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Port Authority's operations. The Port Authority has other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Port Authority's financial instruments are interest rate risk, liquidity risk and credit risk. Port Authority's policies for managing each of these risks are summarised below.

Credit risk

The Port 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.

It is the Port Authority's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Port Authority's exposure to bad debts is not significant.

With respect to credit risk arising from the cash and cash equivalents, the Port 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 Port Authority only deals with a counter party approved through the tender process.



A CAPE CLASS VESSEL PREPARES TO BERTH

NOTE 18. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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

Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicates their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, reprice.

		2007						
<i>In thousands of AUD</i>	NOTE	AVERAGE EFFECTIVE INTEREST RATE	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Fixed rate instruments								
Cash and cash equivalents	12	5.61%	6,823	6,823				
Accounts receivable	11	-%	4,198	4,198				
Accounts payable	16	-%	(2,466)	(2,466)				
Borrowings from WATC		6.3%	(7,764)	(2,740)	(411)	(822)	(2,235)	(1,556)
Borrowings from WATC		6.49%	(68,236)	(2,085)	(1,662)	(3,487)	(11,891)	(49,111)
			(67,445)	3,730	(2,073)	(4,309)	(14,126)	(50,667)
2006								
Cash and cash equivalents	12	5.41%	3,489	3,489				
Accounts receivable	11	-%	4,419	4,419				
Accounts payable	16	-%	(2,333)	(2,333)				
Borrowings from WATC		6.5%	(8,322)	(2,907)	(411)	(822)	(2,365)	(1,817)
Borrowings from WATC		6.56%	(46,377)	(1,108)	(1,413)	(2,101)	(7,163)	(34,592)
			(49,124)	1,560	(1,824)	(2,923)	(9,528)	(36,409)

notes to the financial statements

for the year ended 30 June 2007 (continued)

The Port Authority adopts a policy of ensuring one hundred percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Foreign currency risk

The Port Authority is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Port Authority. The currencies giving rise to this risk are primarily US Dollars.

The Port Authority hedges at least 98 percent of all trade payables denominated in a foreign currency. The Port Authority uses forward exchange contracts to hedge its foreign currency risk. One of the forward exchange contracts has a maturity of less than one year after the reporting date. Where necessary, the forward exchange contracts are rolled over at maturity.

Sensitivity analysis

The Esperance Port Authority has all loans and borrowings financed at fixed rates of interest, therefore changes in the interest rates will not have an impact on the profitability of the Esperance Port Authority.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:



SHOAL CAPE ALONGSIDE A CAPE CLASS VESSEL

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 1.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at 30 June 2007 plus an adequate constant credit spread, and are as follows:

	2007	2006
Loans and borrowings	5.56% - 7.35%	5.56% - 7.9%

In thousands of AUD	NOTE	2007		2006	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Receivables (non-current)	11	24,696	24,696	26,721	26,721
Trade and other receivables	11	5,937	5,937	6,371	6,371
Cash and cash equivalents	12	6,823	6,823	3,489	3,489
Fixed rate borrowings	18	68,236	66,755	46,377	47,053
Variable rate borrowings	18	7,764	7,797	8,322	8,472
Trade and other payables	16	4,751	4,751	3,285	3,285
		118,207	116,759	94,565	95,391
Unrecognised (loss) gain			1,448		(826)



PORT EMPLOYEE BRAD MCLEAN

NOTE 19. CAPITAL AND OTHER COMMITMENTS

<i>In thousands of AUD</i>	2007	2006
Capital expenditure commitments		
Plant and equipment		
<i>Contracted but not yet provided for and payable:</i>		
Within one year	3,056	17,411
One year later and no later than five years	-	2,730
Later than five years	-	-
	<u>3,056</u>	<u>20,141</u>
Finance lease receivable		
Amounts receivable under finance leases		
Within one year	3,738	3,738
One year later and no later than five years	18,690	18,690
Later than five years	13,704	17,443
	<u>36,132</u>	<u>39,871</u>
Unearned finance income	(9,411)	(11,564)
Present value of minimum lease payments receivable	<u>26,721</u>	<u>28,307</u>
Finance lease receivable		
Current	2,025	1,896
Non-current	24,696	26,411
	<u>26,721</u>	<u>28,307</u>

Finance leases receivable are in respect of storage and ship loading facilities. The lease agreement expires on 1 April 2017. Interest is charged at 6.598 percent per annum.

NOTE 20. RELATED PARTIES FOR NON-DISCLOSING ENTITIES

Transactions with key management personnel

In addition to their salaries, the Port Authority contributes to a post-employment superannuation fund on their behalf.

<i>In thousands of AUD</i>	2007	2006
Short-term employee benefits	67,800	67,800
Post-employment benefits	6,102	6,102
	<u>73,902</u>	<u>73,902</u>

notes to the financial statements

for the year ended 30 June 2007 (continued)

NOTE 21. SUBSEQUENT EVENT

The Port Authority is negotiating with Ravensthorpe Nickel Operations Pty Ltd (RNO), part of the BHP Billiton Group to finalise agreements whereby the Port Authority will build storage and handling facilities (including a container crane) and to manage the dispatch of products (the unloading sulphur and magnesia and loading for export nickel hydroxide via containers) on behalf of the RNO. Construction of the sulphur shed storage facility has been completed but work continues on the installation of the container crane and other handling facilities. The final terms of the agreements have yet to be finalised, however the arrangement entered is expected to be in the form of a finance lease.

The Port Authority was issued with six infringement notices from the Department of the Environment and Conservation with a maximum fine potential being \$2 million.

Apart from the above, 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 or unusual nature likely, in the opinion of the Directors of the Port Authority, to effect significantly the operations of the Port Authority, the results of those operations, or the state of affairs of the Port Authority, in future financial years.

NOTE 22. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

GARDENER SHANE ROTHNIE
MAINTAINS THE PORT'S
PARKS AND GARDENS



NOTE 23. AUDITORS' REMUNERATION

<i>In thousands of AUD</i>	2007	2006
Audit services		
Auditors of the Company		
Office of the Auditor General:		
Audit and review of financial reports	55	32
	55	32

<i>In thousands of AUD</i>	2007	2006
Contingent liabilities not considered remote		
Litigation		
The Port Authority has received an infringement notice from the Department of the Environment and Conservation. While liability has not been admitted, if the defence against the action is unsuccessful, fines and legal costs could amount to \$2 million. The Port Authority's insurance policy would reimburse any fines and legal costs. Based on legal advice, the Directors do not expect the outcome of the action to have a material effect on the Port Authority's financial position.		
	2,000	-
In the Directors' opinion, disclosure of any further information would be prejudicial to the interests of the Port Authority.		



LOADING IRON ORE

directors' declaration

In the opinion of the Directors of the Esperance Port Authority:

- (a) the financial statements and notes, set out on pages 32 to 58 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 Esperance Port Authority as at 30 June 2007 and its performance, as represented by the results of its operations and its 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 Esperance Port Authority will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Directors on (date).

JAMES MATIJASEVICH
CHAIRMAN

19 SEPTEMBER 2007

TONI HAWKINS
DEPUTY CHAIRMAN



AUDITOR GENERAL

INDEPENDENT AUDIT REPORT ON ESPERANCE PORT AUTHORITY

To the Parliament of Western Australia

I have audited the financial report of the Esperance Port Authority, which comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

Summary of my Role

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

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

Audit Opinion

In my opinion, the financial report of the Esperance Port Authority is in accordance with schedule 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 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

COLIN MURPHY
AUDITOR GENERAL
25 September 2007

