



Esperance Port Authority
Annual Report 2008

Vision

To be the world's preferred land and sea port gateway to Western Australia

Mission

- Providing vertically integrated logistics solutions that are competitive, innovative and customer focused.
- Working with our people and our partners to deliver economic growth to the region.
- Operating in a socially responsible and sustainable manner.

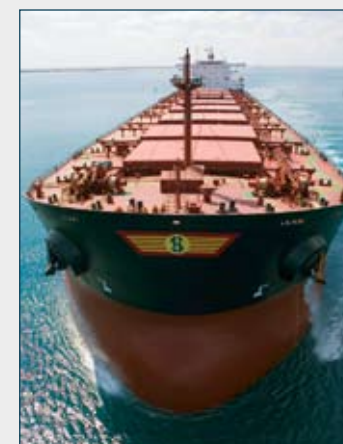
Values

Esperance Ports Values -

1. The importance of customers to success and seeks to build long-term relationships with those customers who share our values.
2. Our responsibility to provide sustainable commercial returns to our shareholders.
3. Our ability to operate and compete in a global environment.
4. Operating in a highly commercial manner, with competitive pricing, delivering sustainable returns.
5. Efficiency, supported with an expectation of technical excellence and an environment of continuous improvement.
6. High standards of governance and an expectation of open and honest communication with all stakeholders.
7. Developing innovative and supportive logistics management capability.
8. Its operating environment, and acknowledges responsibility for behaving in a sustainable manner, preserving the health of the water, land and air in which we operate.
9. Its employees and strives to offer a family friendly employment lifestyle within the parameters of operating a 24/7 port business.



The shore-based gantry crane arrives at the Port on the deck of the MV Zhen Hua 22 in late September 2007



A Cape Class vessel enters the Port of Esperance

Highlights 2007-08

- > Total Port trade more than **9.930 million tonnes.**
- > Total Port exports more than **9.224 million tonnes.**
- > Total Grain exports more than **1.559 million tonnes.**
- > Total Port imports **705,918 tonnes** – a record.
- > Total number of ships berthing at Esperance Port **192** – a record.
- > Total gross tonnage of vessels visiting Esperance more than **7.345 million tonnes.**
- > **No significant accident** or incidents recorded at the Port.
- > **No lost time** through industrial relations matters.

Financial Highlights

- > Revenue for the year was more than **\$40.696 million** – a record.
- > Expenditure for the year was more than **\$38.76 million** – a record.
- > Profit for the year before tax totalled **\$1.940 million.**
- > Capital expenditure for the year totalled more than **\$6.383 million.**
- > Purchases in the Goldfields-Esperance Region totalled **\$13.76 million.**
- > Employee benefits totalled more than **\$9.4 million** for the year.

Achievements 2007-08

The Esperance Port Authority has recently begun to measure its financial performance in relation to revenues, expenses and profitability per employee as well as added value to its shareholder. A full study on the direct and indirect economic value of the Port is expected to be undertaken in 2009. Some metrics of general interest relating to the first six months of the 2008 calendar year are:

- The Port returned a monthly shareholder value added result in the order of \$500 million in the first half of the calendar year.
- Revenue per employee in the first half of the 2008 averaged \$279,355, while expenses per employee averaged \$238,762.
- The earnings before income tax and depreciation per employee averaged \$58,215 per month and the net operating profit after tax per employee was \$22,302 per month.
- The Port averaged a commercial return of 4.79 percent against its assets and a return of 6.19 percent over the period.
- Our cost to customer varied between \$3.58 and \$3.90 per tonne of product handled.

Other achievements for the year included:

Strategic

- Developed a strategic plan to take the Port forward to 2014-15.
- Identified a 300 percent increase in trade facilitation capability.
- Participated in the transport corridor steering committee.
- Entered into a memorandum of understanding with bulk and logistic partners.
- Finalised the sub division of the Shark Lake Industrial Park.

Operations

- Slowed the rate of increase in planned and corrective maintenance.
- Introduced a planned maintenance system and integrated the management control system.
- Developed a more rigorous and disciplined approach to capital works in keeping with current industry standards.
- Appointed a full-time engineer.

Shipping

- Upgraded the Harbour Master's skills.
- Trained and licensed two marine pilots bringing to three the number of pilots working at the Port.
- Port pilots took part in an oil spill commander course.

Business Development

- Began process of addressing outstanding issues in Port service contracts.
- Commercial Manager appointed.

Risk and Assurance

- Risk and Assurance Manager appointed.
- Started health risk assessments for all cargoes handled at the Port.

Environment

- Developed an air quality management plan for the Port and its surrounds.
- Improved dust monitoring and sampling.
- Responded to a Section 73 notice.
- Developed a lead removal plan.
- Delivering required outcomes for two Environmental Protection Notices.
- Employed two full-time environmental staff.

Human Resources

- Increased number of employees from 85 to 101.
- Developed and implemented an Equal Employment Opportunity Policy and Workplace Directory.
- Increased hours of training for employees to more than 5600 during the year.

Community Relations

- Conducted surveys to determine community issues with the Port's operations and acted on any concerns.
- Merged the Port Development Consultative Committee and the Esperance Community Response Group to form an expanded Port Consultative Committee.
- Addressed local community service groups, local government and special interest organisations.
- Upgraded the Port's community newsletter and increased the number of times a year it will be published to keep local people informed about Port activities.

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Esperance tug Shoal Cape tied-up in the foreground of the Port's two land backed berths

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Cover: Esperance Port's gantry crane loading containers onto the Spirit of Esperance



Jim Matijasevich
Chairman



Unloading bulk sulphur at night

Chairman's Report

The 2007-08 financial year was one of consolidation for the Esperance Port following the issues experienced with the handling of lead concentrate the previous year. The lead incident resulted in the Minister for Planning and Infrastructure restructuring the Port Authority's Board following a number of resignations during the year and the Port Board appointing a new Chief Executive Officer.

The Board welcomed the appointment of Phil Thick in August 2007 and Phil Chalmers in November 2007. Mr Thick is a former non-executive director with Shell Australia and brings extensive experience in transport, distribution, logistics and occupational health and safety to the Board. Mr Chalmers is one of Western Australia's most experienced marine biologists and his appointment introduced a much stronger management focus on the environmental aspects of the Port's operations.

The appointment of Captain Dennis Parsons as CEO in October 2007 has brought a wealth of experience to the Port with his intimate knowledge of the shipping and logistics industries following recent appointments as General Manager Marine Operations with the Port Kembla Port Corporation in NSW and as Marine Business Unit Manager with the Geraldton Port Authority. Captain Parsons has already

revamped the Port's senior management structure and set new strategic planning goals that will see Esperance develop from a second to a third generation port.

Another initiative undertaken during the year was the restructuring of the Port Development Consultative Committee to form the Port Consultative Committee (PCC). The membership of the PCC was expanded to include a number of government agencies along with representatives from the Shire of Esperance, Esperance Chamber of Commerce and Industry, WA Farmers Federation, Esperance Regional Tourism Authority and local action groups. Community members can also be appointed at the discretion of the committee. The PCC provides a forum that augments the communications strategy and process and improves the interface between the Port and the Esperance community.

Issues relating to the export of 9000 tonnes of lead carbonate at the Port were a source of ongoing debate between the Port, relevant government agencies, the exporter (Magellan Metals) and the community during the year. The Board is confident that all parties are now in a position to have the lead removed from the Port before the end of the 2008 calendar year.

The Port Authority also has been an active participant in the planning for the upgrade of the transport corridor into the Port. The Port is a member of the committee established to expedite the project, which included consulting with the community during the year on a number of options to improve the corridor to support the Port and develop the Esperance townsite, as well as to separate the local transport and freight tasks in the interest of community safety.

In May this year, I was a member of a delegation of regional Port Authority Chairmen that visited China. The delegation was led by the Minister for Planning and Infrastructure, Alannah MacTiernan, and its aim was to build trade and investment links with the Chinese. The visit included an inspection of key Chinese Ports and the Zhenhua Port Machinery Company's (ZPMC) facilities in Shanghai. ZPMC is the world leader in bulk export and container handling technology and manufacture, and the company built the Esperance Port's gantry crane.

During the year the Port has made significant improvements to its environmental monitoring infrastructure, and is currently aligning the business with the international standard for environmental

management – ISO 14001. Furthermore, an Air Quality Management Plan has been developed and its implementation is underway, which includes installing an extensive range of dust monitoring equipment both inside the Port boundary and in the local community. The results of the monitoring are made available to the government regulators and the local community.

While the total trade for the year was slightly less than last year's record, the Port has continued to grow with revenue of \$40.69 million being recorded for the year, up from the previous year's record of \$32.513 million. Total operating expenditure also increased significantly from \$32.04 million last year to \$38.76 million this year, which reflects investment in improved operating systems and acquisition of new resources and skills to grow and develop the business.

With BHP Billiton's Ravensthorpe Nickel Project expected to reach full production during 2010, the Port has increased its employee numbers from 85 last year to 101 at the end of the 2007-8 financial year.

This number is likely to increase again this financial year as the Port develops a number

of potential new customers, particularly junior iron ore companies. An important part of the organisation's ability to continue to deliver quality service to its customers has been the training and development of its staff. To this end, more than 5600 hours of training was conducted during the year using both external and internal training providers.

Finally, I would like to thank my fellow Board members for their continued support and diligence during a difficult year, and acknowledge the efforts of the Port Authority's managers, staff and contractors in dealing with the ongoing issues and their efforts to re-establish the Port's credibility in the local community and give our customers confidence in the Port.

Jim Matijasevich
Chairman

Esperance Port Authority



Captain Dennis Parsons
Chief Executive Officer

CEO's Report

Esperance Port Authority continues to plan for continued growth to deal with the current resources boom being experienced in the Goldfields-Esperance Region, while at the same time re-establish its credentials in the wake of the lead incident. An essential element in dealing with the impact of both of these matters has been the development of a new and bold business strategy that will transform the Port from a second generation to a third generation Port as well as instil the virtues of quality Port management into the customer service area.

The Port's Directors, managers and staff met on a number of occasions in April this year to develop the new strategic direction, first identifying a new vision, mission and values that will guide the Port forward over the next decade, and then re-branding the Port Esperance Ports Land and Sea. A further outcome of the process aligned the organisational culture with the strategy to ensure that the reason for the Port's existence is understood and embraced by all valued employees. The new plan has been initiated and becomes fully effective in July 2009. The new plan will be initiated in July 2009.

During the year the organisation has been restructured following an internal review of processes and efficiencies, and a management control system developed to manage the delicate balance between maintenance and operations required in a vertically integrated business. Risk and assurance processes are being developed as an integral business process, and the Port has secured the services of a full time engineer as well as appointed Risk and Assurance and Environmental managers.

The revised structure delivers a networked organic management structure reliant on relationships and process flows as opposed to a strict mechanical hierarchy. There have been a number of promotions and new positions created to facilitate terminal management and customer service delivery as well as scheduling and efficiency.

The Port also continues to experience an accelerated organic growth. The establishment of the Shark Lake Industrial Park provides the "land-port" footprint component of the Esperance Ports Land and Sea strategy, and will facilitate capacity for activities that cannot be accommodated within the sea port's limited footprint.



A Cape Class vessel loading iron ore at the Port's Berth Three

The Port commenced delivering services to BHP Billiton's Ravensthorpe Nickel Project in 2007 with the import of bulk sulphur, commissioning of the associated infrastructure and facilitating the transfer of nickel hydroxide and magnesium oxide containers. Negotiations and discussion regarding the most optimal conditions for the Integrated Tree Cropping's woodchip project continued with an alternative, more environmentally and socially acceptable site chosen. Woodchip shipments are expected to start in late 2009-10.

In other service areas significant improvements have been delivered. These include major improvements in our interface with iron ore exporter Portman Ltd as well as significant variations and improvements to the handling of concentrates. Scheduling labour to operations and maintenance has been streamlined and now functions for the common good of all parties and processes at any one time. The process of streamlining Port service provision contracts and non-exclusive licenses began during the year and is expected to continue into 2009.

Capital works continued with the container crane and sulphur circuit being

commissioned, negative pressure being installed in the concentrate circuit, the WMC shed being prepared ahead of bagging the remaining lead carbonate for export, as well as a number of minor works. Operational works of major significance included the lead clean-up within the Port, improved environmental monitoring and recording equipment being installed, and the town beach remediation work continuing to protect the fuel pipeline that runs between the Port and the tanker farm.

Environmental management and, in particular, the concept of 'future-proofing' all works and activities undertaken by the Port has been a high priority, and the Port has established a small civil works team to facilitate good housekeeping, and has embarked on a major clearing of all non-useable items.

Despite ongoing pressures the Port has also maintained its commitment to Ports Australia, WAAPA and other working groups and committees in which it proudly participates.

Esperance Port Authority pleaded not guilty to six charges laid against it by the Department of Environment and Conservation for matters relating to the

handling of lead and concentrates, and will defend the charges in the Kalgoorlie Magistrates Court in June 2009.

It is with pride that I able to report that despite tensions relating to the lead incident, a measurable improvement in community relations has been achieved. Matters of concern to the community relate to the handling of nickel concentrates, the foreshore, communications and trust, consultation and engagement. I would like to express particular thanks to the members of the Port Consultative Committee which also dealt with these and other important issues.

Finally, I would like to thank the Port Authority Board for its ongoing support and all Port employees who continue to work efficiently and effectively, and provide quality services to our customers during a time of intense scrutiny and change.

Captain Dennis Parsons
Chief Executive Officer

Esperance Port Authority



Kevin Fernance
Chief Financial Officer



Bill O'Reilly
Commercial Manager



Esperance Port Authority Board (from right) Phil Thick, Toni Hawkins, Jim Matijasevich, Megan Anwyl, and Phil Chalmer with Port CEO Dennis Parsons (far left)

Directors and Port Executives

DIRECTORS

Jim Matijasevich (Chairman)
Toni Hawkins (Deputy Chairman)
Megan Anwyl
Phil Thick
Phil Chalmers

CHIEF EXECUTIVE OFFICER

Dennis Parsons

HARBOUR MASTER

Captain Jordi Oakley

DEPUTY HARBOUR MASTER

Captain Julian Thomas

ASSISTANT HARBOUR MASTER

Captain Paul Webster

CHIEF FINANCIAL OFFICER

Kevin Fernance

COMMERCIAL MANAGER

Bill O'Reilly

PORT TERMINAL MANAGER

Brant Grundy

CORPORATE RELATIONS MANAGER

Richard Grant

HUMAN RESOURCES MANAGER

Narelle Matthews

ENVIRONMENTAL MANAGER

Gaylene Taylor

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 standard 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. The Internal Audit Plan has a specific focus on the review of accounting procedures and related internal controls.

Port employee Kevin Robinson operates a ship loader control box during iron ore loading operations





Deb Storm
Executive Officer



Sue-Ellen Stanton
Administration Assistant



Esperance Port from the Don Mackenzie Gardens

Directors' Report

The Directors present their report for the Esperance Port Authority for the year ended 30 June 2008.

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:

J. Matijasevich
M.I. Anwyl
T. Hawkins

P. Thick was appointed as a Director on 13 August 2007 and is continuing in this office at the date of this report.

P. Chalmer was appointed as a Director on 26 November 2007 and is continuing in this office at the date of this report.

M. Jackson was an ex-officio Director from the beginning of the financial year until his retirement on 25 November 2007.

G. Lee was a Director from the beginning of the financial year until his resignation on 12 August 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, and
5. Enhancement of environmental services

No significant changes in the nature of the activities carried out by the Authority occurred during the year.

Dividend

The Authority has recommended to the Minister for Planning and Infrastructure that a dividend of \$879,040 be paid for the year ended 30 June 2008.

Review of Operations

Information on the operations and financial position of the Port and its business strategies and prospects is set out in the review of operations and activities on pages 14 -33 of this annual report.

Rate of Return

The Minister for Planning and Infrastructure set this Authority a target of six percent for the year ended 30 June 2008. The target achieved was 3.3 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.

Matters Subsequent to the End of the Financial Year

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

Environmental Regulation

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

The mineral handling operations of the Authority are subject to Western Australia, Department of Environmental Protection, Conditions of Licence, Licence Number: 5099/10.

Information on Directors

DIRECTOR	EXPERIENCE	RESPONSIBILITIES
J. Matijasevich	Director since 2006 Chairman since 2006 Retired businessman	Chairman of Directors
T. Hawkins	Director since 2003 Self employed business woman until January 2008	Deputy Chairman of Directors
M.I. Anwyl	Director since 2003 Director Hawker Britton WA (Perth) since 2001	Director
P. Thick	Director appointed August 2007 Businessman	Director
P. Chalmer	Director appointed November 2007 Farming Interests	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 NUMBER OF MEETINGS	NUMBER ATTENDED
J. Matijasevich	10	10
M.I. Anwyl	10	9
T. Hawkins	10	10
P. Thick	9	9
G.C. Lee	2	2
M. Jackson	5	5
P. Chalmer	5	5

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 Esperance Port Authority


NAME	DIRECTORS' FEE \$	SUPERANNUATION \$	TOTAL \$
J. Matijasevich, Chairman	45,000	4,050	49,050
M.I. Anwyl	16,500	1,485	17,985
T. Hawkins, Deputy Chairman	25,000	2,250	27,250
P Thick	15,125	1,361	16,486
G.C. Lee	2,750	248	2,998
M. Jackson	4,125	371	4,496
P. Chalmer	11,000	990	11,990

Senior Executives of Esperance Port Authority

NAME	BASE SALARY \$	MOTOR VEHICLE \$	BONUS \$	SUPERANNUATION \$	OTHER BENEFITS \$	TOTAL \$
D. A. Parsons#, Chief Executive Officer	137,177	3,404		12,346		152,927
J. Oakley, Harbour Master	152,157	19,927	2,053	13,879	473	188,489
J. Thomas, Deputy Harbour Master	143,636			12,909		156,545

Captain Parsons commenced as CEO on 29 October 2008.


Jim Matijasevich
Chairman


Toni Hawkins
Deputy Chairman
September 2008

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.



Bill Cutten
Assurance and Risk Manager



Ernie Castens
OH&S Officer

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 2007-08
Advertising agencies		Nil
Market research agencies	Coakes Consulting	\$292,960
Polling organisations	UMR Research	\$36,766
Direct mailing agencies		Nil
Media, for advertising	Esperance Holdings Pty. Ltd.	\$4,273
	Hocking and Company Pty. Ltd.	\$1,472
	West Australian Newspapers	\$9,025
	Espire Magazine	\$300
	Seek Limited	\$2,265
	Marketforce Express	\$6,763

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

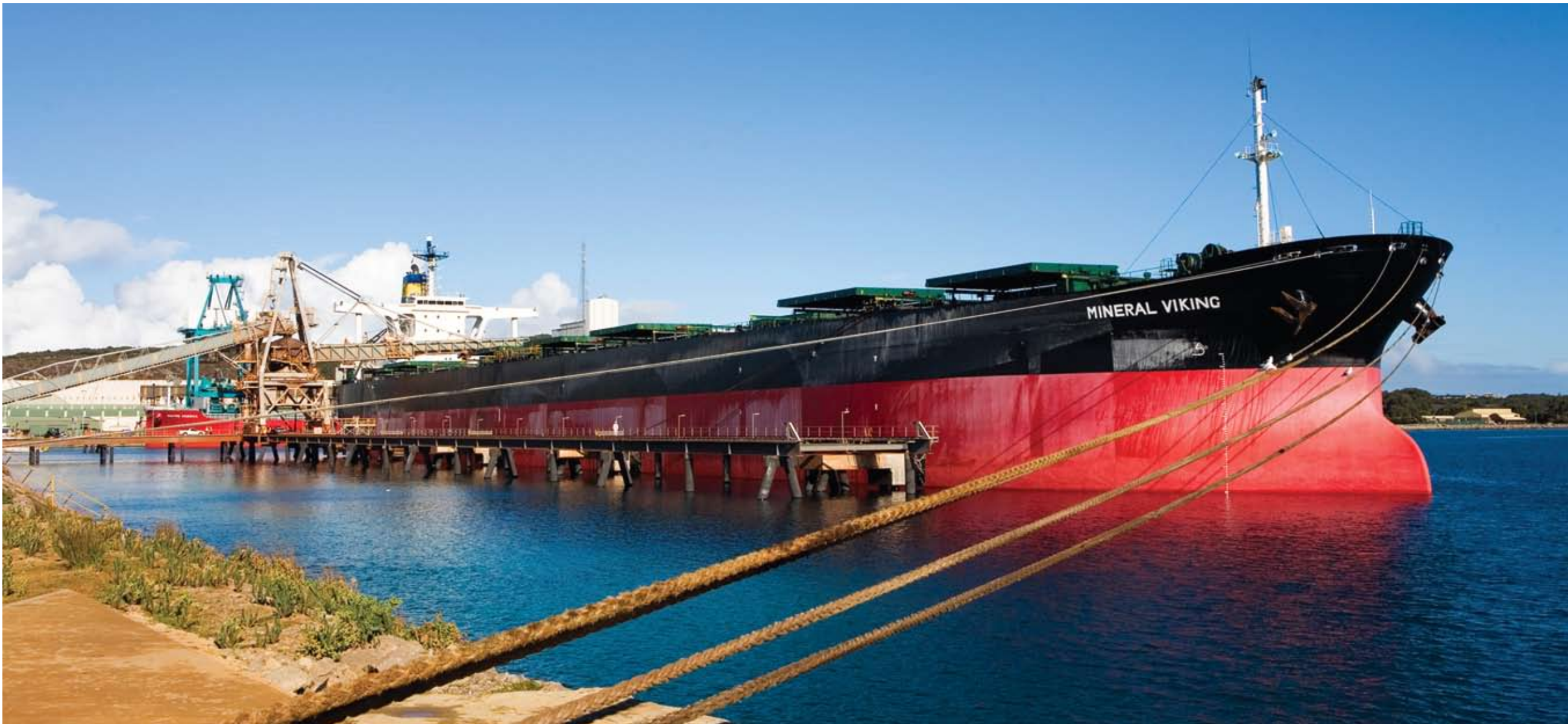
This Authority has a Disability Services Plan in place and all aspects of the plan are operational. Periodic reviews take place to ensure it complies with both State and Federal Disability Legislation.

Freedom of Information

Esperance Port received one Freedom of Information request during the 2007-08 financial year.



Kelly Walsh
Master Scheduler



Loading iron ore onto the Mineral King at Berth three

New Strategic Direction

The Esperance Port Authority undertook a strategic planning initiative in April 2008 to provide a new direction for the Port as it develops from its current Generation Two status to a Generation Three facility.

The vision adopted for the Port during this process – “to be the world’s preferred land and sea port gateway to Western Australia” – is both bold and innovative, and reflects the opportunities being presented as the economy of the mineral-rich Goldfields- Esperance Region continues to flourish.

The pressures and the opportunities for growth are both related to the need to change the generation status for the Esperance Port, which can be achieved by implementing Quality Port Management principles.

The adoption of these principles will facilitate a diverse trade base and services, introduce a logistics interface philosophy, connect the Port’s land and sea capability, integrate the Port to efficiently serve the Goldfields-Esperance Region, and expand the Port’s footprint while canvassing and developing trade.

A Generation Three port embraces in its operations the following:

- A market and logistics oriented development strategy with no geographical limitations.
- Distribution of merchandises, logistic activities and a distribution centre integrated between the business mixes.
- Disciplined rationalisation of Port space.

- Coordination of all activities to deliver sustainable regional economic benefits.
- A strong and active Port stakeholder group.
- A strong relationship between the Port and the local community.

Successful implementation of the strategy will see the Port develop in three distinct stages: stage one delivers a trade volume of 12.9 million tonnes annually from 200 ships berthing at the Port’s three existing berths; stage two delivers a conservative 35.8 million tonnes annually by 2014-15; and stage three delivers 43.5 million tonnes of trade annually from 700 ships.

The development of the Port’s 100 hectares of land at the Shark Lake Industrial Park along with enlarging the

Port’s existing footprint to accommodate four new berths and storage facilities are integral to this three-stage growth.

The challenges in delivering the strategy relate to –

- Connecting the Port directly with niche logistics applications through business partnerships.
- Developing a Port business model that supports service diversification either directly or by third parties.
- Modifying the existing knowledge and skills base within the business.
- Connecting road, rail and sea transport facilities and providing a distribution facility at the Shark Lake Industrial Park.
- Connecting to remote logistics nodes and networks such as Kalgoorlie’s intermodal terminal.

- Supporting access corridors, buffers and efficient land use.

The strategy is closely aligned to global shipping trends that are vertically integrating bulk cargo handling, towage and stevedoring services, and introducing a service philosophy that is moving away from economies of scale and marketing myopia towards developing logistic hubs and introducing least-cost pathways for doing business. This is particularly relevant for a regional port such as Esperance Port.



Rebecca Eeles
Accounts Officer



Julie Nelson
Office Administrator



Ravensthorpe Nickel containers are loaded onto trailers and moved from Berth Two

Business Development and Finance

Business Development activities involved negotiations aimed at progressing the development of facilities associated with the Ravensthorpe Nickel Operation, with milestones including the opening and commissioning of the sulphur shed, and delivery of the container crane.

The sulphur shed is a purpose built storage facility with enclosed conveyors delivering the sulphur from the berth to the stockpile within the shed. The container crane provides the Port with the flexibility to handle containers and also converts for use of grabs to enable bulk unloading of product.

Negotiations continued with ITC to reach agreement on an acceptable stockpile location for their woodchip product, along with a means of handling the product that will not adversely impact on Port operations or the environment.

The result is anticipated to be a state-of-the-art circular stockpile with automatic stacking and reclaiming, in a location that is virtually invisible from the town. The proposed handling method will incorporate world's best practice and remove many of the objections to

handling the product that had been raised by interested parties.

Discussions have also been held with iron ore juniors interested in exporting through the Port of Esperance. The recent iron ore price increases have accelerated the development of several projects within the Port's catchment area, to the extent that development to full production is progressing.

Subdivision of the Shark Lake Industrial Park also took place during the 2007-08 financial year, with one third of the area being sold to CBH. The Port and the Shire of Esperance now own 100 hectares each of the property.

The Port is looking to further develop the site to stimulate trade and provide opportunities to customers.

Finance

The Port Authority's profit for the year before income tax expense was \$1.940 million. Income tax expense of \$0.543 million has been calculated giving an after tax profit of \$1.397 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. A provision for dividend of \$0.698 million has been declared.

Revenue

Total revenue increased from \$32.513 million for 2006-07 to \$40.695 million in 2007-08. Total trade decreased 0.2 percent on the previous year and total revenue increased 25.4 percent. Revenue from wharfage increased 3.7 percent as a result of the change in the mix of cargoes and increase in wharfage rates.

Vessel charges increased 5.4 percent as a result of increased vessel numbers and a five percent increase in the vessel charge. Revenue from pipeline service charge increased in line with the increase in petroleum imports. Handling charge revenue increased 51.5 percent on the previous year as a result of an increase in iron ore handling charges, these being back dated six months into the previous year.

Also new handling revenues were received for container handling and sulphur imports. Revenue from labour

recoup increased 4.6 percent on the previous year as a result of an increase in shipping services. Infrastructure charge revenue increased 72 percent with the start of an agreement with BHP Billiton to recover capital charges for infrastructure provided. There were increases in quarantine waste disposal revenue, pilotage, interest received and rental revenue. All other revenue areas were on a par with the previous year.

Expenditure

Total expenditure for the year was \$38.76 million. This is \$6.4 million greater than the preceding year and \$5.3 million greater than budget. There were increases on budget in nearly all areas of expenditure with the exception of salaries, staff training and provision for sick leave. Expenditure increased on handling charges, administration, payroll tax, pilotage expenses, electricity purchases, depreciation, interest charges and rates and taxes.

Lead and nickel issues contributed to significant increases in administration expenditure through legal and environmental costs. The Port spent \$1.609 million on rain water tank cleaning

during the year. There was also \$0.341 million allowance made for a hedging loss. Provision for staff entitlements totalling \$0.954 million were made during the year. A recommended dividend of \$0.698 million will be made to the Minister for Planning and Infrastructure, being fifty percent of the after tax profit for the year.

Capital

The Authority borrowed \$6.93 million from the Western Australian Treasury Corporation during the year. Capital repayments of \$7.56 million were made to reduce the debt owed to the Western Australian Treasury Corporation.

Capital expenditure during the year was \$6.383 million. The Authority completed work on a bulk minerals storage and handling facility at a cost of \$0.443 million, the total cost of the facility being \$5.43. Other expenditure during the year was on the container crane \$2.509 million and minor works of \$3.431 million. Work in progress at 30 June 2008 was \$12.207 million being \$12.05 million on the container crane and \$0.157 million in minor works.



Brant Grundy
Technical Manager



Eddie Wierobie
Team A

Trade

Total trade for the Esperance Port for the 2007-08 year fell from a record 9,949,729 tonnes the previous year to 9,930,283 tonnes, a fall of about 0.2 percent.

Exports of grain and iron ore were lower than the previous year, while 35,639 tonnes of nickel hydroxide from BHP Billiton's Ravensthorpe nickel project were exported in containers from the Port. Nickel concentrate exports rose from 173,801 tonnes last year to 193,490 tonnes with further increases expected in the coming years.

While the overall grain crop fell from 1,625,550 tonnes to 1,559,536 tonnes, the export of canola rose from 196,915 tonnes to 218,467 tonnes, with local farmers taking advantage of the higher prices being paid for the product.

Wheat exports fell from more than 1.30 million tonnes last year to 677,153 tonnes, while barley exports rose from 337,003 tonnes to 620,905 tonnes.

The outlook for the harvest for 2008-09 season is not looking as promising as earlier predicted with rainfall across the southeast lower than normal.

Iron ore exports from Portman Ltd's operations near Koolyanobbing fell by 136,376 tonnes from 7,572,075 tonnes in 2007-08 to 7,435,699 tonnes this year, below the anticipated eight million tonnes for the year.

Comparative Results of Principal Cargoes

PRODUCT	2007 TONNES	2008 TONNES	PERCENT CHANGE
Petroleum	385,880	404,472	+4.8
Fertiliser	83,339	85,952	+3.1
Sulphur	29,496	201,162	+582.2
Grain	1,625,550	1,559,536	-4.1
Nickel	173,801	193,491	+11.3
Iron Ore	7,572,075	7,435,699	-1.8

Imports for the year totalled 705,918 tonnes, up from the previous year's figure of 498,715 tonnes.

Petroleum products rose from 385,880 tonnes last year to 404,472 tonnes and manufactured fertiliser imports also rose, from 78,001 tonnes to 84,663 tonnes.

Sulphur imports for the Ravensthorpe nickel mine also increased significantly, up from 29,496 tonnes in 2006-07 to 201,162 tonnes this year as the mine ramps up to full production in 2009. More than 14,300 tonnes of magnesia oxide was also imported for the nickel producer this year.



Discharging containers from the Spirit of Esperance

Imports-Exports Year Ended June 30, 2008

CARGO (Tonnes)	2008	2007	2006	2005	2004
IMPORTS					
Petroleum	404,472	385,880	284,474	268,358	274,017
Phosphate	-	-	-	-	4,504
Manufactured Fertilisers	84,663	78,001	78,290	111,610	87,561
Sulphur	201,162	29,496	-	-	-
Magnesia Oxide	14,331	-	-	-	-
Sundry	1,290	5,338	2,564	-	1,469
TOTAL IMPORTS	705,918	498,715	365,328	379,968	367,551
TEU's IN	1,607				
EXPORTS					
Iron Ore	7,435,699	7,572,075	5,998,309	5,374,973	5,107,886
Nickel	193,491	173,801	213,110	221,936	260,771
Lead	-	79,588	86,262	-	-
Barley	620,905	337,003	715,930	793,919	574,179
Wheat	677,153	1,032,801	712,128	812,030	802,562
Oats	-	271	4,524	7,157	-
Lupins	10,011	33,598	-	34,649	12,306
Peas	33,000	24,962	47,169	34,167	21,476
Canola	218,467	196,915	166,403	115,324	150,400
Nickel Hydroxide	35,639	-	-	-	-
TOTAL EXPORTS	9,224,365	9,451,014	7,943,835	7,394,155	6,929,580
TEU's OUT	2,071				
TOTAL TRADE	9,930,283	9,949,729	8,309,163	7,774,123	7,297,131
GROSS TONNAGE	7,345,228	7,404,800	6,488,064	5,790,356	5,399,980
NO. OF VESSELS	192	181	177	153	153
NO. OF TRADE VESSELS	185	181	173	151	152
TOTAL TEU'S	3,678				



Ross Graham
Maintenance Planner



Darren James
Team C

Performance Indicators

OUTCOME

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

EFFECTIVENESS

Time at berth

TARGET	2008	2007	2006	2005
40 Hours	59.0	48.2	40.0	43.5

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 the slower discharging loading vessels such as bulk sulphur imports and container vessels.

Total Time

TARGET	2008	2007	2006	2005
60 Hours	86.9	66.7	50.4	58.4

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 increase in the number of vessels with cargoes with slower handling properties.

EFFICIENCY

Cargo handled per time in port

TARGET	2008	2007	2006	2005
700 Tonne	617.4	823.9	953.1	881.6

This is the average cargo handled for total time from port arrival to departure. The reduction in this number is a result of an increase in cargoes with slower handling properties.

Cargo handled per hour at berth

TARGET	2008	2007	2006	2005
1100 Tonne	909.8	1139.6	1199.7	1183.1

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	2008	2007	2006	2005
1600 Tonne	1564.7	1839.2	1910.6	1905.4

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 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	2008	2007	2006	2005
35 Percent	41.5	33.2	26.4	25

Average berth occupancy measures the time ships are actually along side the berth



Spirit of Esperance berthed alongside Berth Two

as a percentage of the total time available. Time alongside increased on the previous year because of an increase in tonnes and number of vessels discharging / loading cargoes with slower handling properties.

Time awaiting berth

TARGET	2008	2007	2006	2005
25 Hours	27.9	18.5	10.4	14.9

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 occupied.

Average ship along side time

TARGET	2008	2007	2006	2005
Petroleum 30 Hours	22.5	18.1	18.3	24.1
Fertiliser45 Hours	47.6	46.9	44.3	36.0
Grain 40 Hours	56.9	47.4	49.5	49.0
Nickel 30 Hours	81.3	47.5	35.0	31.0
Iron Ore59 Hours	60.4	57.1	47.7	41.6
Sulphur 180 Hours	213.5	0.0	0.0	0.0
Containers 50 Hours	61.9	0.0	0.0	0.0
Other 00 Hours	40.5	40.5	30.0	0.0

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	2008	2007	2006	2005
\$3.09	\$3.87	\$3.22	\$2.81	\$3.14

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	2008	2007	2006	2005
\$167,814	\$207,796	\$176,998	\$135,090	\$150,884

A reduction in this figure indicates either reduced expenditure or increased vessel visits.

OUTCOME

To promote the development of trade through the Port.

EFFECTIVENESS

Total trade comparison

Year	% change on previous year	Volume-Tonnes
2008	-0.2%	9,930,283
2007	+19.7%	9,949,729
2006	+6.9%	8,309,163
2005	+6.5%	7,774,123
2004	+21.4%	7,297,131
2003	-2.8%	6,009,535
2002	+44.1%	6,184,212
2001	+24.4%	4,291,021
2000	+10.7%	3,449,883

The Port has had another successful trading year with trade decreasing by 0.2% on the previous record year.

	TEU's In	TEU's Out	Total
2008	1,607	2,071	3,678

The Port handled containers for the first time in large numbers using the Ports container crane.

SAFETY INDICATOR

	2008	2007	2006	2005	2004
Number of significant incidents	nil	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.



Travis Campbell
Dayshift Team



Discharging sulphur into the storage facility at the Esperance Port

Port Developments

The \$12 million shore-based gantry crane that handles products for BHP Billiton's Ravensthorpe Nickel Project was delivered to the Port in October 2007.

Built by Shanghai-based Zhenhua Port Machinery Company Ltd (ZPMC), the multi-purpose crane was delivered to Esperance on the deck of a ZPMC vessel and landed on berth two at the Port.

ZPMC technicians have been at the Port commissioning the crane and dealing with operating issues.

The crane is currently used to load and offload containers, and a purpose fitted grab discharges bulk sulphur imported for the Ravensthorpe project from Canada.

Port staff operate and maintain the crane.

The crane will handle up to 13,000 containers a year through the export of 210,000 tonnes of nickel hydroxide from the Ravensthorpe mine, and 500,000 tonnes of bulk sulphur imported from Canada.

Review of Operating Efficiencies

Esperance Port along with Portman Ltd commissioned a management consulting company to undertake a review of the Port's operations with the objective of implementing effective systems to manage the operations and maintenance functions.

This review was comprehensive and rigorous and was done in collaboration with relevant Port personnel, including managers, team leaders and operators.

The principle outcome was the implementation of a Management Control System (MCS). The introduction of the MCS provides the necessary tools to successfully forecast, plan, schedule and control anticipated work volumes while putting in place the required reporting, feedback and review loops to highlight areas that require timely management attention.

The project was undertaken over a period of about six months and was completed in July of 2008. Key components of the project were:

- Redefined roles and responsibilities for line managers and team leaders.
- A master schedule of resource requirements developed that is dynamic and is capable of reacting to changes in the business environment within the Port operations.

- Rigorous planning and resource allocation processes for all operational and maintenance tasks.
- Agreed redefined standards and operating practices applied by new planning and scheduling tools.
- Reporting of daily operating performance, aggregating to weekly and monthly reporting to give a clear picture of operating performance.
- An escalation process to resolve ongoing issues affecting performance.
- Implementation of an effective maintenance planning system.
- Development of an effective stock management system.

The project also was tasked with modifying the chart of accounts to facilitate better accounting information by lines of business.

As a result of the project and the phasing in of the management control system the Port will be better able to service the needs of our customers.

The Port has subsequently appointed a Master Scheduler and this has allowed the Port to work with its customers to more accurately forecast and track changes to shipping volumes and times. This in turn has made the alignment of resources to meet the changing workload of shipping and maintenance tasks more efficient.

The Master Scheduler will work to established business rules to achieve better planning and scheduling outcomes for Port users.

Shipping

Shipping Milestones

Greatest Number of Ships

For the 2007-08 financial year, the Esperance Port Authority handled a record 192 ships, an increase of eleven over the previous year's record.

Longest and Widest Vessels

MV Azul Integra and MV Azul Cielo

The sister ships Azul Integra and Azul Cielo are the largest vessels to have visited 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. MV Azul Integra last called at Esperance in September 2006.

Deepest Draft

MV Pacific Yuangeng

The Pacific Yuangeng was built in Poland in 1996 and loaded 164,696 tonnes of iron ore (88,220 tonnes of fines standard and 76,476 tonnes of fines low grade) for discharge in Rizhao, China. This vessel loaded to 18.03 metres, which is equal to the deepest draft of a vessel that has sailed from the Port. Its under keel clearance was 1.67 metres for departure on 11 February 2008.

Second Largest Iron Ore Cargo

MV Cape Enterprise

MV Cape Enterprise loaded a cargo of 183,436 tonnes of lump iron ore bound for Japanese ports on 14 November, 2007. This was the second heaviest lift from the Port.

Largest Pea Cargo

MV Shao Shan

The Shao Shan was built in Japan in 1984 and loaded 33,000 tonnes of peas bound for Tuticorin, India, in May of 2008. This record was 7831 tonnes more than the previous largest pea cargo.

Largest Sulphur Cargo

MV Bulk Japan

On 29 April, 2008, MV Bulk Japan arrived from Canada to discharge 65,023 tonnes of formed sulphur to be used at the Ravensthorpe Nickel Operations. This was the largest load of sulphur to be imported at Esperance to date.

Cruise Ships

MV Superstar Gemini

Superstar Gemini called at Esperance on 2 December 2007 for one day with 557 passengers on board. The vessel is 164 metres in length with a maximum capacity for 800 passengers.

MV Funchal

Funchal arrived in Esperance on 9 January 2008 with 328 passengers on board. The vessel is 154 metres in length.

Naval Ships

French Naval Ship Floreal

The 94 metre FNS Floreal visited Esperance on 20 March 2008 for four days of rest and recreation before resuming patrol operations near the Philippines.

Pilotage

Long serving Harbour Master, Captain Ian Harrod, resigned at the end of August 2007 to join Woodside Pilots, at which time the Deputy Harbour Master, Captain Jordi Oakley, was promoted to Harbour Master.

Captain Julian Thomas commenced employment with the Port at the end of July 2007 and is now the Deputy Harbour Master. Captain Paul Webster commenced employment as Assistant Harbour Master in February 2008.

Port Security

Esperance Port Authority continues to upgrade its facilities in order to comply with requirements of the Department of Infrastructure, Transport, Regional Development and Local Government. Ongoing training and upgrades to monitoring equipment ensure Esperance Port continues to remain a safe and secure Port.

Chris Cassam commenced employment with the Port in November 2007 as Port Security Officer. Chris has completed all training required to fulfil his role alongside Port Security Manager, John Stuart.

The orderly supervision and transportation of cruise ship passengers through the



The French Frigate FNS Floreal alongside Berth One at the Esperance Port

Port limits was well managed when both MV Superstar Gemini and MV Funchal called at Esperance. This was a big achievement without incident considering the number of personnel involved. Buses were engaged to transport passengers from the vessel into the centre of town and back to vessel.

In January of 2008 a major desktop security exercise was run by the Port and included representatives from the Port, Esperance Police, Esperance Customs, Mackenzie's Tug Service and a number of marine industry participants. A number of drills and exercises were run during the year as required by the International Ships and Port Facilities Code.

Upgrades to the Port Authority main office security have been completed now requiring all staff to swipe their security passes to gain access and automatic gates over the rail access to the Port are due to be installed and operating by the end of the this year.

Port Security remains effective with only one reportable incident occurring in the last financial year.

Towage

Mackenzie's Tug Service owns and operates three tugs in Esperance. The 'Shoal Cape' is a 68 tonne bollard pull Azimuth drive tug, 'Cape Pasley' is a 65 tonne bollard pull Azimuth drive tug and the 'Cape Le Grande II' is a 30 tonne bollard pull conventional twin screw tug.

Hydrographic Surveys

The Port was surveyed in February 2008. Some depths were determined to be less than the prescribed depths. Appropriate notices have been issued and a plan devised to restore the prescribed depths. The next survey is due in February 2010.

Container Operations

On the 25 September, 2007 MV Zhen Hua 22 arrived in Esperance with the Port's new, dual purpose container crane

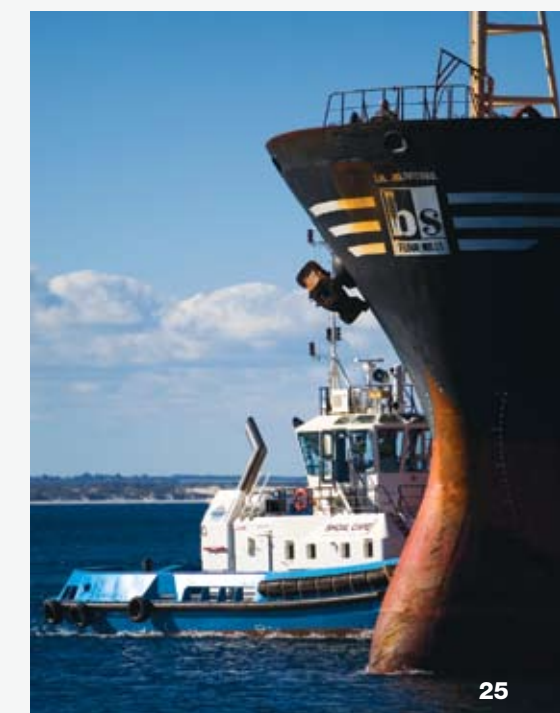
and discharge grab on board. MV Maruba Cotopaxi was hired on a long term charter agreement to service Ravensthorpe Nickel Operations' container transport requirements between Esperance, Gladstone and Townsville. This vessel has now been renamed the MV Spirit of Esperance and calls at the Port about every three weeks to discharge empty containers and full magnesite containers, and to back load containers of mixed hydroxide precipitate.

Maritime Casualty

MSC Lugano

In April, 2008, the 241 metre, fully cellular container vessel MSC Lugano suffered a large engine room fire en route from Melbourne to Fremantle about 70 nautical miles south, south east of Esperance. The vessel was adrift with its main propulsion system rendered inoperable by the fire. The incident was under the jurisdiction of, and controlled by, the Rescue Coordination Centre (RCC) of the Australian Maritime Safety Authority (AMSA) in Canberra. The resources of the Esperance Port Authority Harbour Master's office, the Western Australian Department for Planning and Infrastructure (DPI) and other vessels in the area were called upon for assistance until the casualty was safely under tow. MSC Lugano was successfully towed to Fremantle to discharge cargo, and conduct repairs.

Esperance Port Tug manouvers a ship during berthing operations



Environmental Management

Esperance Port is committed to delivering best practice environmental management and is currently implementing quality systems across the business that aligns with ISO14001, an international standard for Environmental Management.

The Port has two full time environmental staff to implement a comprehensive environmental management system, covering the areas of community, dust, noise, odour, marine environment, and any other potential emissions or impacts.

Environmental management at the Port is about ensuring the Port is compliant with relevant environmental legislation and regulations. This applies to all existing operations and also any new proposals. One of the Port's missions is to operate in a socially responsible and sustainable manner. It achieves this by integrating environmental issues into the Port's day-to-day operations. The Port has in place operational procedures for all activities, and these procedures include health, safety and environmental considerations and controls.

Lead Clean-Up

During late 2007, the Port undertook an extensive sampling campaign to identify areas within its boundary that still may be contaminated with lead and to what level the lead was present. Since then clean-up activities have been ongoing in all those areas where lead contamination was found to be greater than 300 mg/kg – the national standard applying to kindergartens and vegetable gardens. (In comparison, the national standard applying to an industrial site is 1,500 mg/kg.)

The Port used a wet-vacuum method to undertake the cleaning to ensure that dust was controlled during the cleaning process. While the wet-vacuuming method reduced lead concentrations, in some areas repeat cleaning was required to achieve the stringent clean up standards required. Furthermore, lead was detected where rain had washed loose soil into potholes in sealed roads. In order to achieve and maintain

high housekeeping standards, the Port will re-clean and seal the potholes to prevent re-contamination.

Rail track clean up started on 3 July 2008 following extensive planning and coordination of all safety, environmental and logistical components. Cleaning of the rail track was largely successful and achieved clean-up levels below 300 mg/kg though some areas still exceeded the stringent kindergarten standard after initial cleaning and needed re-cleaning.

Clean-up of all areas identified as greater than 300 mg/kg is scheduled to be completed by 31 August 2008 with a final report to be prepared and presented to the Department of Environment and Conservation by 30 September 2008.

Lead removal

Negotiations were nearing completion at the end of the 2007-08 financial year for the removal of 9000 tonnes of lead from the Port. The Lead Removal Plan is expected to be finalised by September 2008, and the bagging and containerising of the product for shipping to China should be completed by the end of 2008. Work on dismantling the lead shed should start in early 2009.

Air Monitoring

Following a review of the Port's historic air quality monitoring data, an Air Quality Monitoring Plan (AQMP) was developed. The plan outlines the environmental activities to be undertaken to monitor the impact of Port operations on local air quality, the environment and the community.

The AQMP is being implemented, and includes extensive dust monitoring with a range of equipment, including dust deposition gauges, High Volume Air Samplers (HVAS) and Tapered Element Oscillating Microbalances (TEOM). This monitoring is undertaken at various frequencies (monthly, weekly and continuous real-time) to assess an array of parameters at a number of sites.

Dust deposition monitoring is undertaken monthly at 10 community and two onsite locations with all samples analysed for total solids, soluble and insoluble solids, ash and combustible matter, iron, lead, nickel and sulphur. Particulate matter sampled by this method is predominantly dust particles which, because of their size, rapidly settle from the air. Dust deposition monitoring is undertaken for the purpose of determining long-term trends in localised dust deposition and assessing dust nuisance associated with soiling property.

Four co-located HVAS and TEOM monitoring locations have also been chosen to form an arc to intercept dust that may be carried from the Port towards the town and known hot-spot locations. HVAS are operated over a 24-hour period. Air is drawn through a filter paper with the paper then analysed in a laboratory for dust (Total Suspended Particles or TSP), metals and sulphur. TEOMs operate continuously and measure real time fine dust particles of 10 µm or less (PM₁₀).

In addition to the boundary and community monitoring, the Port has an operational dust monitoring network that monitors real-time dust levels near dust generating activities, and prompts a response to elevated dust levels. The operational dust monitoring network consists of a mobile DustTrack and three fixed E-samplers that provide dust concentrations available via a telemetry system.

Monitoring is undertaken to check the Port's compliance against relevant standards and to determine trends in results so that proactive environmental responses can be implemented.

Monitoring data is made readily available to the Esperance community by being reporting in the bimonthly rePORT, presented at the Port Consultative Committee meetings and listed on the web site. Real time dust data has also been made publicly available on the web site.

Nickel

Over the last 12 months a number of nickel odour complaints were received and investigated, and nickel customers

were informed and challenged with respect to product specifications. The Port's commitment to enforcing high environmental standards was demonstrated when on more than one occasion nickel trains were not unloaded and side tipper deliveries of nickel concentrates were suspended.

During the year, significant progress was made with nickel customers towards achieving nickel concentrate specifications that reduce odour and dust, and further progress was made towards eliminating any impact on the community by implementing strict handling protocols such as restricting

nickel ship loading if there was a risk of unreasonable odour emissions.

Looking Forward

Before any new project is undertaken at the Port, a risk assessment is conducted to identify potential environmental impacts and ensure appropriate management has been implemented.

Customers are required to demonstrate that their proposed activities are in accordance with industry best practice and will not cause environmental emissions in excess of guidelines.

Contractors use a vacuum to clean lead dust inside the Port





Environmental Manager Gay Taylor checking dust samples

The Port liaises with regulatory agencies to obtain all necessary environmental approvals.

Some enhancements and expansions to the Port operations that are currently being considered include:

- A five-stage mineral concentrate circuit enhancement project to improve current nickel handling facilities and significantly reduce the potential for dust and odour and spillage.
- Integrated Tree Cropping (ITC) is proposing to develop a woodchip terminal including receipt, storage and dispatch facilities at the Port of Esperance. The Port and the Shire of Esperance have been discussing the project with ITC to address concerns about potential noise and air quality emissions. ITC is proposing to install an Automatic Stacker Reclaimer System, which will go a long way towards addressing environmental issues.

Water Management and Waste Management studies were undertaken at the Port last year and a number of recommendations will be implemented over the next 12 months. This includes

a thorough spring clean of historic site laydown yards, and the preparation and implementation of a Water Efficiency Management Plan to identify and undertake water saving initiatives on site.

Ventilation Officer Andreas Maier



The Port is committed to operating in a socially responsible and sustainable manner. The lead issue has been the trigger to drive environmental change to surpass tomorrow's environmental performance standards.



Richard Grant
Corporate Relations Manager



Dave Jamieson
Shipping Support Officer



Commander Johann de Villars from the French frigate Floreal makes a presentation to Port CEO Dennis Parsons during a visit to Esperance

Community Relations

Community Sponsorship

Esperance Port provided more than \$95,000 in sponsorship and donation to local organisations during the 2007-08 financial year, up by more than \$12,000 on the previous year's contribution.

Major recipients included the Esperance Football Academy (\$25,000), Esperance Seafarers Centre (\$25,000) and Apex (\$23,500). Other organisations to receive financial support included Escare, the Esperance Music Festival, Rotary Handicap, and the Esperance Tournament of the Minds team.

Of the total, 34 percent went to community groups and events, 32 percent to sport and recreational activities, 21 percent to Apex, eight percent to schools and education purposes and 5 percent to children and youth activities.

Esperance Port's Sponsorship Policy aims to assist organisations whose activities benefit the wider Esperance community.

Port Consultative Committee

The Port Development Consultative Committee had its activities and membership broadened during the year and was renamed the Port Consultative Committee (PCC). Its role included the activities of the Esperance Community Reference Group (ECRG) that was established by the State Government following lead contamination in Esperance.

The PCC comprises representatives from State Government agencies, Shire of Esperance, community and environmental organisations and the Esperance Port Authority.

The terms of reference include a forum to share information between the representatives; a conduit between the community and the State Government; and a forum to inform the community of progress in activities at the Port.

Discussions at meeting held during the year included the environmental clean-up of the Port following the lead incident;



Junior dinghy sailors compete in Port waters

cleaning of rainwater tanks, playground equipment and homes; the process for removing Magellan lead carbonate from the Port; engineering upgrades at the Port; and future nickel exports through Esperance.

Community Surveys

The Esperance Port Authority engaged Coakes Consulting in July 2007 to carry out a comprehensive community involved and social assessment program following the lead contamination issue. Coakes is an independent firm that undertakes social impact and community consultation.

The company carried out an extensive survey in August and September last year to determine community concerns about the Port and help the Port identify strategies to address these concerns.

The survey showed that the community was concerned about activities at the Port, either perceived or actual, and the lack of communication about its activities. The outcome has been a greater engagement with the Esperance community on matters relating to Port activities and a commitment to ongoing consultation with the community.

The Port has addressed these issues by publishing its community rePort bi-monthly; provides regular presentations to community groups such as Rotary,

Apex and Probus; distributes a bi-monthly Postcard to local residents of important activities; and has more actively engaged the media.

As a follow up to the Coakes survey, the Port engaged Sydney based UMR Research to conduct a community attitude survey in June this year.

The company contacted 500 local residents through a telephone survey which indicated that most residents had moved on from the lead issue with the Port being seen as playing a critical role in the life and economy of the town. Furthermore, a majority of residents see the Port as being vital to the local economy, offering good employment opportunities and contributing financially to the town.

Significantly, the Port's communications with the local community were seen as having greatly improved over the past 12 months.

The survey also indicated that the majority of Esperance residents favoured the Port expanding because of the economic and employment benefits this would bring to Esperance.

The survey also showed that some residents were still concerned that some of the environmental issues associated with the lead contamination had not been properly addressed.

Rainwater Tank Cleaning

The Esperance Port Authority, in collaboration with the Western Australia's Department of Health and the Shire of Esperance, cleaned 423 rainwater tanks located on properties within two kilometres of the Port boundary. The cleaning of the tanks followed contamination after lead carbonate dust escaped from the Port.

A contractor with the necessary equipment and experienced in waste management was employed to carry out the cleaning between August and November, 2007. The cleaning followed the sampling of rainwater tanks situated in the Esperance townsite, and the suburbs of West Beach, Nulsen and Sinclair.

Foreshore Remediation

The Esperance Port Authority is a member of the Foreshore Steering Committee that has been working towards a solution to the erosion of the Town Beach. The Port is concerned about its fuel pipeline that runs around the beach from Berth Two to the tanker farm near the Tanker Jetty, particularly the potential damage to the pipeline during winter storms.

The Committee comprises officers from the Department of Planning and Infrastructure, Esperance Foreshore Group and community representatives, and is chaired by a Shire of Esperance councillor.

The committee agreed that there was a possibility of the pipeline being breached during the Winter of 2008, which would have a disastrous environmental effect on Esperance Bay and a severe economic impact on the Goldfields Esperance Region which relies on its fuel supplies from shipments through Esperance.

The Foreshore Committee provided five options to the public to consider, and as a result of the community consultation,

the committee decided the best option would be to construct a headland around the base of the Tanker Jetty. This decision was made because the headland will protect the Town Beach; it will widen the beach and create a natural buffer for severe storm erosion; protect infrastructure, such as the Port's fuel pipeline and The Esplanade; and serve as a barrier to protect the Tanker Jetty, which was recently identified as a local tourism icon.

The Committee will also continue to investigate the longer term feasibility of implementing a mechanical sand passing system.

South-East Football Academy members at training. The Port is a major sponsor of the Academy





Narelle Matthews
Employee Relations Manager



John Stuart
Security Manager



Training Officer Gerry Truswell with rotary car controller Jeremy Pope

Employee Relations

Recruitment

Once again ongoing growth and expansion in the Port's operations required the undertaking of major recruitment programs during the year. The Esperance Port Authority continues to successfully attract and retain skilled employees despite the current strong competition between employers.

Permanent employee numbers increased from 85 at the end of 2006-07 to 101 at the end of 2007-08. This increase consisted of additional manpower for the operational shift teams and day maintenance teams as well as recruitment of professional, specialist and administrative positions. Fourteen permanent employees left the Port during 2006-07, including two retirements and one completed apprenticeship.

During the year the Esperance Port Authority also provided workplace learning opportunities to two school-based trainees, two structured workplace learning students, and two work experience students.

Industrial Relations

No lost time stoppages were experienced during the year.

Training

More than 5,600 hours of formal training were conducted with regard to the Port's operations over the 12 month period, comprised of about 2,600 hours of internally provided training and 3,000 hours of externally delivered training. Internal training is delivered to

contractors, visitors and other Port users in addition to training delivery to Port employees.

Once again the main training focus during the year was on competency development to sustain superior delivery of Port services to clients. In particular ongoing recruitment requires a significant training investment in new employees to familiarise them with Port operations and to develop their capabilities in multiple and diverse work tasks. This includes their certification to operate a range of mobile plant, resulting in a very skilled and qualified operational workforce.

The other major training and development focus for the year was in up-skilling shift Team Leaders and day maintenance Leading Hands to enable them to perform a greater supervisory role than in the past. With a 24/7 operation the Port is heavily dependent on the quality of its operational workforce and their supervisors to deliver services to clients around the clock.

Occupational Health and Safety

The Esperance Port Authority's Health and Safety Policy commits the Port to maintain a safe and healthy workplace for all employees, contractors and any other users of the Port as follows:

- Management Commitment - to commit the required resources to occupational health and safety management to ensure that all workplace hazards are addressed.
- Occupational Safety and Health Planning - develop and maintain comprehensive health and safety management policies, plans and procedures with senior managers aware of their responsibilities to implement them.
- Consultation - ensure mechanisms are in place for effective consultation between management and employees on matters of occupational health and safety.
- The Esperance Port Authority has a fulltime OHS Officer, five fully trained workplace OHS Representatives and an OHS Committee with management and workforce representation. During 2007-08 the Port's OHS Committee had seven



Port Administration Officer Sue-Ellen Stanton with office trainee Rebecca Rawlinson

meetings to discuss health and safety matters relating to the Port's working environment.

- Hazard Management - establish systems to identify hazards and to assess and control risks to ensure safe systems of work.
- Training - assess training needs and develop an ongoing schedule that will be regularly evaluated for effectiveness.
- Injury Management - the Esperance Port Authority is committed to providing injury management support to all employees who sustain an injury, illness or disability with a focus on safe and early return to meaningful work and in accordance with the Workers' Compensation and Injury Management Act 1981 in the event of a work related injury, illness or disability.

The Esperance Port Authority supports the injury management process and recognises that its effectiveness relies on the active participation and cooperation of all involved parties. The Port's Injury Management System outlines how the involved parties will work together to achieve successful return to work goals.

OHS Statistics 2007-08

Number of Fatalities - Nil
Lost Time Injury/Disease Incidence Rate - 2.88
Lost Time Injury Severity Rate - Nil
Lost Time Injury Frequency Rate - 17.86
Lost Time Injury Duration Rate - 2.67
Number of Workers Compensation Claims - 2
Number of Employees Participating in Return to Work Programs - 5



Esperance Port Authority
Financial Statements
(for the year ended 30 June 2008)

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Income Statement

For the year ended 30 June 2008

<i>In thousands of AUD</i>	NOTES	2008	2007
Revenue	2	38,722	31,445
Other income	3	1,700	917
Employee Benefits Expense	4	(9,410)	(8,124)
Depreciation and Amortisation Expense	8,9	(2,919)	(2,709)
General Administration		(5,142)	(2,197)
General Maintenance		(3,357)	(3,439)
Power and Water		(1,805)	(1,688)
Bulk Handling Facilities		(2,422)	(1,972)
Cargo Handling		(6,588)	(5,092)
Insurance		(362)	(261)
Net loss on disposal of property, plant and equipment		(38)	(7)
Government Charges		(917)	(765)
Rainwater tank cleaning provision		-	(1,380)
Impairment loss on Shark Lake investment		(280)	-
Other Expenses		(23)	(103)
Results from operating activities		7,159	4,625
Financial income		274	158
Financial expenses		(5,493)	(4,307)
Net financing costs	5	(5,219)	(4,149)
Profit before income tax		1,940	476
Income tax expense	6	543	(4)
Profit for the period		1,397	472

The notes on pages 39 to 61 are an integral part of the financial statements.

Balance Sheet

As at 30 June 2008

<i>In thousands of AUD</i>	NOTES	2008	2007
Assets			
Cash and cash equivalents	12	5,714	6,823
Trade and other receivables	11	9,067	6,222
Income tax receivable	10	458	314
Non-current assets held for sale	7	-	769
Inventories		1,603	1,420
Total current assets		16,842	15,548
Other receivables	11	42,085	24,696
Property, plant and equipment	8	64,515	81,279
Intangible assets	9	63	61
Total non-current assets		106,663	106,036
Total assets		123,505	121,584
Liabilities			
Trade and other payables	16	3,808	5,038
Loans and borrowings	14	9,398	3,864
Employee benefits	15	2,012	1,552
Provisions	17	1,849	2,975
Total current liabilities		17,067	13,429
Loans and borrowings	14	68,975	72,136
Employee benefits	15	367	627
Provisions	17	40	39
Deferred tax liabilities	10	5,636	5,093
Total non-current liabilities		75,018	77,895
Total liabilities		92,085	91,324
Net assets		31,420	30,260
Equity			
Contributed equity	13	2,209	2,209
Retained earnings	13	29,211	28,051
Total equity	13	31,420	30,260

The notes on pages 39 to 61 are an integral part of the financial statements.

Statement of changes in equity

For the year ended 30 June 2008

<i>In thousands of AUD</i>	NOTES	2008	2007
Balance of equity at the start of the period		30,260	31,292
Dividends		(237)	(1,504)
Profit for the period		1,397	472
Balance of equity at the end of the period	13	31,420	30,260

Other movements in equity arising from transactions with owners as owners are set out in note 13
The notes on pages 39 to 61 are an integral part of the financial statements.

Statement of cash flows

For the year ended 30 June 2008

<i>In thousands of AUD</i>	NOTES	2008	2007
Cash flows from operating activities			
Cash receipts from customers		35,877	34,826
Cash paid to suppliers and employees		(31,366)	(20,485)
Cash generated from operations		4,511	14,341
Interest paid		(5,034)	(3,813)
Income taxes paid		(144)	(705)
Net cash from operating activities	12a	(667)	9,823
Cash flows from investing activities			
Acquisition of intangibles		(19)	158
Proceeds from sale of property, plant and equipment		12,554	140
Acquisition of property, plant and equipment	8	(15,350)	(28,089)
Net cash from investing activities		(2,815)	(27,791)
Cash flows from financing activities			
Proceeds from borrowings		6,932	24,146
Repayment of borrowings		(4,559)	(2,844)
Dividends paid	13	-	-
Net cash from financing activities		2,373	21,302
Net increase (decrease) in cash and cash equivalents		(1,109)	3,334
Cash and cash equivalents at 1 July		6,823	3,489
Cash and cash equivalents at 30 June	12	5,714	6,823

Notes to the Financial Statements For the year ended 30 June 2008

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue on 23 September 2008 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 2008.

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 Port in these financial statements:

- AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASB's. The revised AASB 101 will become mandatory for the Authority's 30 June 2010 financial statements. The Authority does not expect any financial impact when the standard is first applied.
- AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Authority's 30 June 2010 financial statements. The Authority already capitalises borrowing costs directly attributable to qualifying assets, therefore there will be no impact on the financial statements when the standard is first applied.

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 1.17.

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 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 notionally 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 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 Inventory

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 date.

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 \$1,000, are expensed in the year of acquisition. Where software 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.

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 Financial Instruments

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

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

Refer to Note 18 for further information on the classification of financial instruments.

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

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

1.15 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.

1.16 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.

1.17 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.

1.18 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.

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.

1.19 Dividends

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

1.20 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.

1.21 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.

1.22 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, 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.

1.23 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.

1.24 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.

1.25 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.

1.26 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>	2008	2007
Revenue from vessels	9,621	9,132
Revenue from cargo	7,018	6,766
Revenue from port services	17,061	12,035
Equipment hire, power and water revenue	1,341	1,335
Infrastructure charge	3,527	2,047
Other operating revenue	154	130
Total revenues	38,722	31,445

Note 3. Other Income

<i>In thousands of AUD</i>	2008	2007
Profit on sale of land	280	-
Rental income	1,420	917
Total other income	1,700	917

Note 4. Employee Benefits

<i>In thousands of AUD</i>	NOTES	2008	2007
Wages and salaries		8,579	7,144
Other associated personnel expenses		18	41
Contributions to defined contribution superannuation funds		662	550
Expenses related to defined benefit superannuation funds	15	21	38
Increase (decrease) in liability for annual leave	15	221	(16)
Increase (decrease) in liability for long-service leave	15	(136)	315
Increase in liability for sick leave	15	45	52
		9,410	8,124

Note 5. Finance Income and Expense

<i>In thousands of AUD</i>	2008	2007
Interest income	274	158
Finance income	274	158
Interest expense on borrowings	(5,152)	(3,965)
Net loss on hedging of foreign currency	(341)	(342)
Finance expense	(5,493)	(4,307)
Net finance income and expense	(5,219)	(4,149)

Note 6. Income Tax Expense

<i>In thousands of AUD</i>	2008	2007
Current tax expense		
Current period	-	-
Adjustment for prior periods	-	25
	-	25
Deferred tax expense		
Origination and reversal of temporary differences	543	(21)
	543	(21)
Income tax expense from continuing operations	543	4
Total income tax expense	543	4
Numerical reconciliation between tax-expense and pre-tax net profit		
Profit for the period	1,397	472
Total income tax expense	543	4
Profit excluding income tax	1,940	476
Income tax using the Port Authority's domestic tax rate of 30% (2007: 30%)	582	143
Non-assessable expenses	(41)	(164)
Under (over) provided in prior periods	-	25
	543	4

Note 7. Non-Current Assets Held For Sale

<i>In thousands of AUD</i>	2008	2007
Property, plant and equipment	0	769
	0	769

The non-current assets previously held for sale represent a portion of land (part of the Shark Lake Industrial Park Development) which was sold in the 2007/08 financial year.

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	BULK LOADING FACILITIES	CHANNELS	ELECTRICAL SERVICES	OFFICE EQUIPMENT	OIL PIPELINE	PLANT AND EQUIPMENT	ASSETS IN COURSE OF CONSTRUCTION	TOTAL
<i>Cost or deemed cost</i>														
Balance at 1 July 2006	1,627	5,310	6,140	561	3,911	10,482	16,238	16,119	447	423	360	3,328	15,180	80,126
Additions	-	1,369	-	11	-	-	140	-	-	84	-	3,259	23,226	28,089
Disposals	-	-	-	-	-	-	-	-	-	(23)	-	(160)	(2,053)	(2,236)
Transfers to non-current assets held for sale	(304)	(465)	-	-	-	-	-	-	-	-	-	-	-	(769)
Balance at 30 June 2007	1,323	6,214	6,140	572	3,911	10,482	16,378	16,119	447	484	360	6,427	36,353	105,210
Balance at 1 July 2007	1,323	6,214	6,140	572	3,911	10,482	16,378	16,119	447	484	360	6,427	36,353	105,210
Additions	1,656	7,280	-	19	-	-	224	-	1,225	110	-	1,390	4,215	16,119
Disposals	(1,697)	(785)	-	-	-	-	-	-	-	(30)	-	(388)	(27,255)	(30,155)
Balance at 30 June 2008	1,282	12,709	6,140	591	3,911	10,482	16,602	16,119	1,672	564	360	7,429	13,313	91,174
<i>Depreciation and impairment loss</i>														
Balance at 1 July 2006	-	1,561	2,700	118	1,329	1,625	9,339	2,114	224	281	180	1,856	-	21,327
Depreciation for the year	-	225	274	32	219	210	923	218	35	64	18	452	-	2,670
Impairment loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	(13)	-	(53)	-	(66)
Balance at 30 June 2007	-	1,786	2,974	150	1,548	1,835	10,262	2,332	259	332	198	2,255	-	23,931
Balance at 1 July 2007	-	1,786	2,974	150	1,548	1,835	10,262	2,332	259	332	198	2,255	-	23,931
Depreciation for the year	-	284	273	34	218	209	710	219	40	71	18	826	-	2,902
Disposals	-	-	-	-	-	-	-	-	-	(19)	-	(155)	-	(174)
Balance at 30 June 2008	-	2,070	3,247	184	1,766	2,044	10,972	2,551	299	384	216	2,926	-	26,659
<i>Carrying Amount</i>														
At 1 July 2006	1,627	3,749	3,440	443	2,582	8,857	6,899	14,005	223	142	180	1,472	15,180	58,799
At 30 June 2007	1,323	4,428	3,166	422	2,363	8,647	6,116	13,787	188	152	162	4,172	36,353	81,279
At 1 July 2007	1,323	4,428	3,166	422	2,363	8,647	6,116	13,787	188	152	162	4,172	36,353	81,279
At 30 June 2008	1,282	10,639	2,893	407	2,145	8,438	5,630	13,568	1,373	180	144	4,503	13,313	64,515

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 \$13,156,975 (2007: \$10,636,746). The Port Authority also had other minor works going on which amounted to \$156,809 (2007: \$1,171,353).

Note 9. Intangible Assets

<i>In thousands of AUD</i>	COMPUTER SOFTWARE	TOTAL
Costs		
Balance at 1 July 2006	230	230
Acquisitions	15	15
Balance at 30 June 2007	245	245
Balance at 1 July 2007	245	245
Acquisitions	19	19
Balance at 30 June 2008	264	264
Amortisation and impairment losses		
Balance at 1 July 2006	145	145
Amortisation for the year	39	39
Impairment loss	-	-
Balance at 30 June 2007	184	184
Balance at 1 July 2007	184	184
Amortisation for the year	17	17
Impairment loss	-	-
Balance at 30 June 2008	201	201
Carrying amounts		
At 1 July 2006	85	85
At 30 June 2007	61	61
At 1 July 2007	61	61
At 31 June 2008	63	63

Note 10.Tax Assets and Liabilities

Current tax assets and liabilities

The income tax expense for the Port Authority of \$542,565 (2007: \$4,112) represent the amount of income taxes payable in respect of current and prior financial periods. The Port Authority had an income tax receivable of \$458,386 (2007: \$314,000) in the current year.

Movement in temporary differences during the year

<i>In thousands of AUD</i>	BALANCE 1 JULY 06	RECOGNISED IN PROFIT OR LOSS	BALANCE 30 JUNE 07	RECOGNISED IN PROFIT OR LOSS	BALANCE 30 JUNE 08
Property, plant and equipment	(5,334)	(683)	(6,017)	(1,106)	(7,123)
Inventories	(406)	(39)	(445)	(51)	(496)
Provisions	563	485	1,048	(386)	662
Other items	77	73	150	201	351
Tax loss carry-forwards	-	171	171	799	970
	(5,100)	7	(5,093)	(543)	(5,636)

Note 11. Trade and Other Receivables

<i>In thousands of AUD</i>	NOTES	2008	2007
Current			
Trade receivables		6,337	4,197
Finance lease receivables	19	2,730	2,025
		9,067	6,222
Non-current			
Finance lease receivables	19	42,085	24,696
		42,085	24,696

As at 30 June 2008 there was no provision for doubtful debts in trade receivables (2007: Nil).

Note 12. Cash and Cash Equivalents

<i>In thousands of AUD</i>	NOTES	2008	2007
Bank balances		5,714	6,823
Cash and cash equivalents		5,714	6,823

Note 12a. Reconciliation of Cash Flows From Operating Activities

<i>In thousands of AUD</i>	NOTES	2008	2007
Cash flows from operating activities			
Profit for the period		1,397	472
Adjustments for:			
Depreciation	8	2,902	2,670
Amortisation of intangible assets	9	17	39
(Gain) / loss on currency hedging		(340)	342
(Gain) / loss on sale of property, plant and equipment		(242)	7
Impairment (Gain) / loss Shark Lake investment		280	-
Income tax expense	6	543	4
Dividend declared		(237)	-
Operating profit before changes in working capital and provisions		4,320	3,534
Change in trade and other receivables	11	(2,845)	2,461
Change in inventories		(183)	(66)
Change in trade and other payables	16	(890)	1,466
Change in employee benefits	15	200	220
Change in provision	17	(1,125)	2,913
Income taxes paid		(144)	(705)
Net cash from operating activities		(667)	9,823

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 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
Balance at 1 July 2007	2,209	28,051	30,260
Profit for period		1,397	1,397
Dividends paid or declared to equity holders		(237)	(237)
Balance at 30 June 2008	2,209	29,211	31,420

Note 13. Capital and Reserves (continued)

Dividends

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 50% 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
<i>2008</i>		
Final 2007 ordinary	237	31 December 2008
Total amount	237	
<i>2007</i>		
Final 2006 ordinary	1,504	31 December 2008
Total amount	1,504	
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	699	31 December 2008
Total amount	699	
The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2008 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>	2008	2007
<i>Current liabilities</i>		
Loan from WA Treasury Corporation	9,398	3,864
	9,398	3,864
<i>Non-current liabilities</i>		
Loan from WA Treasury Corporation	68,975	72,136
	68,975	72,136
Total	78,373	76,000

Loans with the WA Treasury Corporation are repayable on fixed dates and bear fixed interest rates at between 5.97% and 7.86% (2007: 5.56% and 7.35%).

Note 15. Employee Benefits

<i>In thousands of AUD</i>	2008	2007
<i>Current</i>		
Salaries and wages accrued	321	194
Liability for accumulated days off	164	146
Liability for sick leave	425	370
Liability for annual leave	692	471
Liability for long service leave	406	367
Liability for superannuation	4	4
Total employee benefits - current	2,012	1,552
<i>Non-Current</i>		
Present value of unfunded obligations	29	104
Liability for long-service leave	277	452
Liability for sick leave	61	71
Total employee benefits – non-current	367	627

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

<i>In thousands of AUD</i>	2008	2007
Present value for defined benefit obligations at 1 July	108	286
Benefits paid by the plan	(100)	(216)
Current service costs and interest (see below)	6	11
Actuarial (gains) losses recognised in profit and loss (see below)	15	27
Present value for defined benefit obligations at 30 June	29	108

Expense recognised in profit or loss

<i>In thousands of AUD</i>	2008	2007
Interest on obligation	6	11
Actuarial loss/(gain)	15	27
	21	38

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.

Note 15. Employee Benefits (continued)

Actuarial assumptions

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

<i>In thousands of AUD</i>	2008	2007
Discount rate (active members)	6.64%	6.06%
Discount rate (pensioners)	6.64%	6.06%
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>	2008	2007
Present value of the defined benefit obligation	29	108
Fair value of plan assets	-	-
Deficit in the plan	29	108
Experience adjustments arising on plan liabilities	16	29
Experience adjustments arising on plan assets	-	-

The Port Authority expects to pay \$4 thousand in contributions to defined benefit plans in 2009.

Note 16. Trade and Other Payables

<i>In thousands of AUD</i>	2008	2007
Trade payables	208	2,466
Accrued expenses	1,920	699
Income in advance	1,053	535
Fair value derivatives	627	287
Liability arising from interest in jointly controlled asset	-	1,051
	3,808	5,038

Note 17. Provisions

<i>In thousands of AUD</i>	2008	2007
Current liabilities		
Provision for dividend	1,741	1,504
Provision for rainwater tank cleaning	1	1,380
Provision for employee on-costs	107	91
	1,849	2,975
Non-current liabilities		
Provision for employee on-costs	40	39
	40	39

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 various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the period under review, the Port Authority's policy that no trading in financial instruments shall be undertaken.

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

In managing interest rate, foreign currency and commodity risks, the Port Authority endeavours to reduce the impact of short term fluctuations on the Port Authority's earnings. Over the longer term, however, permanent changes in foreign exchange, commodity and interest rates will have an impact on Port Authority earnings with the extent of that impact dependent on the level of cash resources held by the Port Authority.

The Port Authority holds the following financial instruments

<i>In thousands of AUD</i>	2008	2007
Financial Assets		
Cash and cash equivalents	5,714	6,823
Trade and Other Receivables (Current)	9,067	6,222
Other Receivables (Non Current)	42,085	24,696
Financial Liabilities		
Trade and other payables (Current)	3,181	4,751
Borrowings (Current)	9,398	3,864
Borrowings (Non Current)	68,975	72,136
Derivative financial Instruments	627	287

Interest rate risk

The Port Authority's exposure to the risk of changes in market interest rates relates primarily to the Port Authority's 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. All other financial assets and liabilities are non-interest bearing and are not exposed to interest rate risk.

For the above stated reasons, no sensitivity analysis is made for the interest rate risk.

Note 18. Financial Instruments (continued)

Foreign currency risk

The Port Authority is exposed to foreign currency on purchases that are denominated in a currency other than the functional currency of the Port Authority i.e. Australian dollars. The currency giving rise to this risk is 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.

The overall foreign exchange exposure of the Port Authority not being significant; no sensitivity analysis is made for the foreign currency exposure.

Credit risk

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

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 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.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

<i>In thousands of AUD</i>	2008	2007
<i>Trade receivables</i>		
Counterparties without external credit ratings		
Group A	6,266	4,143
Group B	71	54
Group C	0	0
<i>Total Trade receivables</i>	<i>6,337</i>	<i>4,197</i>
Cash and Cash Equivalents		
AAA	5,714	6,823
AA	0	0
<i>Total Cash and Cash Equivalents</i>	<i>5,714</i>	<i>6,823</i>

Group A: Customers (Less than 60 days) with no defaults in the past.
Group B: Customers (More than 60 days) with no defaults in the past.
Group C: Customers (More than 60 days) with some defaults in the past. All defaults were fully recovered.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed loans from WATC. The Port Authority manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Note 18. Financial Instruments (continued)

Financing Arrangements

The Port Authority had access to the following undrawn borrowing facilities from WATC at the reporting date

<i>In thousands of AUD</i>	2008	2007
Fixed rate		
Expiring within one year	4,000,000	0
Expiring beyond one year	4,000,000	0

Sensitivity analysis

The Port Authority's loans and borrowings are financed at fixed rates of interest; therefore changes in the interest rates will have no impact on the profitability of the Port Authority.

The Port Authority's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	2008						
Financial Instruments		FIXED INTEREST RATE MATURING IN:				TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
	FLOATING INTEREST RATE	1 YEAR OR LESS	OVER 1 TO 5 YEARS	MORE THAN 5 YEARS	NON- INTEREST BEARING		
	\$	\$	\$	\$	\$	\$	%
(i) Financial assets							
Cash and cash equivalents		5,714				5,714	6.52
Trade and Other Receivables		9,067	13,567	28,518		51,152	0
Total financial assets		14,781	13,567	28,518		56,866	0
(ii) Financial liabilities							
Trade and Other Payables		3,181			3,181	3,181	0
Borrowing from WATC		3,263	2,874	2,002		8,139	7.16
Borrowing from WATC		4,092	16,385	49,756		70,233	6.51
Total financial liabilities		10,536	19,259	51,758	3,181	81,553	
		2007					
(i) Financial assets							
Cash and cash equivalents		6,823				6,823	5.61
Trade and Other Receivables		6,222	10,207	14,489		30,918	0
Total financial assets		13,045	10,207	14,489		37,741	0
(ii) Financial liabilities							
Trade and Other Payables		4,751			4,751	4,751	0
Borrowing from WATC		3,151	3,057	1,556		7,764	6.3
Borrowing from WATC		3,747	15,378	49,111		68,236	6.49
Total financial liabilities		11,649	18,435	50,667	4,751	80,751	

Note 18. Financial Instruments (continued)

Fair Values

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

<i>In thousands of AUD</i>	NOTE	2008		2007	
		AMOUNT	CARRYING FAIR VALUE	AMOUNT	CARRYING FAIR VALUE
Receivables (Non Current)		42,085	42,085	24,696	24,696
Trade and other Receivables		9,067	9,067	6,222	6,222
Cash and cash Equivalents		5,714	5,714	6,823	6,823
Fixed rate borrowings		70,233	67,649	68,236	66,755
Variable rate borrowings		8,139	8,123	7,764	7,797
Trade and other payables		3,808	3,808	5,038	5,038
		139,046	136,446	118,779	117,331
Unrecognised (loss) gain			2,600		1,448

Fair value Estimation

The Port Authority's methods used in determining the fair values of financial instruments are discussed in Note 1.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, where applicable are based on the government yield curve at 30 June 2008 plus an adequate constant credit spread, and are as follows.

	2008	2007
Loans and Borrowings	5.56%-7.86%	5.56%-7.35%

Note 19. Capital and Other Commitments

<i>In thousands of AUD</i>	2008	2007
<i>Capital expenditure commitments</i>		
<i>Plant and equipment</i>		
Contracted but not yet provided for and payable:		
Within one year	1,440	3,056
One year later and no later than five years	-	-
Later than five years	-	-
	1,440	3,056
<i>Finance lease receivable</i>		
Amounts receivable under finance leases		
Within one year	5,586	3,738
One year later and no later than five years	22,344	18,690
Later than five years	40,824	13,704
	68,754	36,132
Unearned finance income	(23,939)	(9,411)
Present value of minimum lease payments receivable	44,815	26,721
<i>Finance lease receivable</i>		
Current	2,730	2,025
Non-current	42,085	24,696
	44,815	26,721

Finance leases receivable are in respect of storage and ship loading facilities. One lease agreement expires on 1 April 2017 and is charged interest at 6.598% per annum. The other lease agreement expires on 1 July 2027 and is charged interest at 6.3% 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 AUD</i>	2008	2007
Short-term employee benefits	119,500	67,800
Post-employment benefits	10,755	6,102
	130,255	73,902

Note 21. Subsequent Event

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

<i>In thousands of AUD</i>	2008	2007
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.		
Contingent liabilities not considered remote		
<i>Litigation</i>		
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	2,000
In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Port Authority.		

Note 23. Auditors' Remuneration

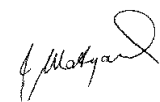
<i>In thousands of AUD</i>	2008	2007
<i>Audit services</i>		
Auditors of the Company		
<i>Office of the Auditor General:</i>		
Audit and review of financial reports	53	55
	53	55

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes, set out on pages 35 to 61, 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 2008 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 23 September 2008.



Chairman
James Matijasevich



Deputy Chairman
Toni Hawkins

23 September 2008



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 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors 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 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 2008 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 2008



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