Esperance Port Authority

Annual Report 2009

2008-09 Highlights

Loading bags of Xstrata nickel concentrate aboard the MC Admiral Engracht

Cliffs' iron ore arrives at the Port in wagons from the companys' Koolyanobbing operations

> Total Port trade more than **9.948 million tonnes**

> Total Port exports more than **9.452 million tonnes**

> Total grain exports more than **1.697 million tonnes**

> Total Port imports – **496,627 tonnes**

> Number of ships to berth at Esperance **207** – *a record*

> Gross tonnages of vessels **7,628,856 tonnes** – *a record*

> No significant accident or incident recorded at the Port

> No lost time recorded through industrial relations matters

Financial Highlights

> Revenue more than **$42.29 million** – *a record*

> Expenditure more than **$45.36 million** – *a record*

> An operating loss of **$3.069 million** before tax recorded

> Capital expenditure more than **$5.748 million**

> Purchases in the Goldfields Esperance Region more than **$14.87 million**

> Employee benefits more than **$11.06 million**

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Stevedores position half height containers of Xstrata nickel concentrate in preparation for shipment to Quebec

Esperance Port tug Shoal Cape

Postal Address
PO Box 35
Esperance WA 6450

Street Address
The Esplanade
Esperance WA 6450

Telephone
(STD Area Code 08) 9072 3333

Facsimile
(08) 9071 1312

Email
admin@epsl.com.au

Web Page
www.epsl.com.au

Chairman's Report

Jim Matijasevich
Chairman

During my period as Chairman of the Esperance Port Authority I have presided over the most difficult period in the Port's history. The challenges that we faced included:

- The lead contamination issue;
- The need to restructure the Port's management and systems;
- The need to upgrade the Port's concentrate handling facilities to meet environmental standards;
- The need to develop a strategy for the future; and
- The loss of the community's trust and support

Over the past two years I believe all these challenges have either been met or are being addressed.

A significant achievement during 2008-09 has been the removal of 8,925 tonnes of lead carbonate that had been stored at the Port since the handling of Magellan's product was halted in March, 2007. Following the removal of the lead, work started on cleaning the shed in preparation for its demolition. A contract was awarded for the removal of the shed and work started on the three-month contract on 12 June, 2009. At the end of the financial year more than half of the shed had been demolished with the material removed being disposed of appropriately.

Significant progress was made to restructure the Port's management and its systems during the year. New senior personnel were introduced into the Port including a new Business Development Manager, Terminal Manager, Port Engineer, a permanent Master Scheduler and an IT Manager. All these appointments form part of the long-term strategy the Port has developed to take the Esperance Port forward in the future and have it recognised as a world-class facility.

In regards to its environmental systems, at the start of the 2007-08 financial year the air quality network consisted of four sites on the Port's boundary and four sites within the Port. Two more units were installed in January, 2009 for the lead removal project, one of which was relocated into the community following completion of that project. Furthermore, two weather stations were installed at the Port. These stations determine wind direction for compliance with the wind arc used for loading nickel concentrate.

I am also pleased to report on the improvement to Port safety systems, safety monitoring and protocols. The Port's safety record has been greatly improved. This is an area the Board has placed significant emphasis on during the 2008-09 year and for the future.

Esperance Port at night

The need to upgrade the Port's mineral concentrate handling infrastructure was identified following the Board's decision to stop loading bulk nickel at the Port because of concerns about fugitive dust emissions. The State Government has made a commitment to meet the cost of upgrading the circuit in two stages. Significant progress was made on the stage one upgrade of the Port's mineral concentrate circuit to enable the continued handling of bulk nickel through the Port. These works will better manage or eliminate dust emissions during the handling of nickel concentrates.

In regards to stage two of the upgrade, the Port established a task force to look into the various options relating to the second stage of the concentrate circuit upgrade, which includes construction of new nickel handling and storage facilities, and possibly a new concentrate specific berth. A business case is being prepared and will be presented to the State Government early in the new financial year.

The Port commissioned Engineering Consultants URS to undertake a study of the infrastructure and facilities the Port would require to meet future growth. While the Port has a capacity to handle about 18 million tonnes of cargo annually and with the current figure just below 10 million tonnes of trade annually, the State Government requires the Port to prepare plans for the future. URS looked at retaining the existing Port footprint and establishing land-based facilities from which bulk products would be conveyed into the Port for export. The Port Board is looking at the various options presented.

For the year we have posted a trading loss of $3 million which was inevitable under the operating circumstances.

In relation to engaging the community and regaining their trust, in June, 2009 the Port pleaded guilty to six charges relating to the handling and export of lead carbonate through the Port in December, 2006 and March, 2007. The Port had earlier pleaded not guilty to the charges, but changed the plea after the Department of Environment and Conservation (DEC) dropped the charge of causing pollution with criminal negligence and agreed to significant changes to the level of alleged pollution that the department had claimed was caused by the Port.

Following the acknowledgement of these facts, the Board believed it was in the best interest of the Port for the pleas to be changed to enable both the Port and the town of Esperance to move on from the past.

Furthermore, the Port is very mindful of its commitment to the community and in keeping with this ran a very successful Community Open Day in October, 2008, which was attended by more than 2,000 people. The Port also continued to support the local community during the 2008-09 financial year by providing $67,000 in sponsorship and donations.

These initiatives outlined could not have been carried out and achieved without the cooperation of the Port management and staff, Board members and the community. I wish to sincerely thank these groups for their dedication and support during this trying period and look to their continued support in the 2009-10 financial year.

In particular, I thank my fellow Board members for their continued support.

Jim Matijasevich
Chairman

CEO's Report

Captain Dennis Parsons
Chief Executive Officer

The 2008-09 financial year commenced with a prospective solution to the lead incident within reach with the negotiated position between the Esperance Port and Magellan Metals transcended into a settlement solution involving the Port, Magellan Metals and the State.

During this time a "world first" Lead Removal Plan was written in consultation with cargo owners Magellan Metals and accepted by the Department of Environment and Conservation (DEC) to enable them to lift the prohibition and permit export under strict process and audited conditions. The Lead Removal Plan was actuated in January, 2009 and the product exported in May, 2009 without incident.

Development of the Shark Lake Industrial Park (SLIP) continued with the remaining land divided between the Port and Shire of Esperance for nil consideration and subsequent receipt of the Deeds.

The "Sea and Land" development concept continues with the Esperance Port now positioning itself to benefit from the following wider freight tasks:

1. National Freight Task - Delivering coastal shipping links over sea and land hubs at Esperance and Kalgoorlie
2. State Freight Task - Providing the least cost pathway to markets for the Goldfields, Esperance and Yilgarn over existing infrastructure with minimum intervention
3. Regional Freight Task - Integration with Kalgoorlie Intermodal Terminal facilities utilising SLIP
4. Local Freight Task - Development of SLIP will deliver revenue, operational and technology growth to the Esperance area

In order to support the significant project mix contemplated by the Port's Strategic Development Plan a "Governance" Project Control Group consisting of a Director, the CEO, Business Development Manager and Port Engineer was formed. This group interfaces project endeavours with day-to-day business.

The ESP Alliance between Bilfinger Berger Services and Esperance Port was formed to facilitate the Mineral Concentrate Circuit Upgrade (MCCU).

Projects actioned during the year were the MCCU and the expansion of Cliffs Natural Resources (formerly Portman's) tonnage to 8.5-8.8 million tonnes per annum. Previous proposals considered in relation to the Mineral Concentrate Circuit could not be sustained financially nor could they guarantee the environmental performance required. The Board resolved in September, 2008 that, in

MV Bulk Africa is escorted into the Esperance Port where it loaded iron ore for China

the absence of an acceptable and sustainable alternative, future mineral concentrate shipments would be required to be bagged or containerised. The State Government responded by announcing support of the short and long-term upgrades, which are now the MCCU project.

The ITC woodchip facility, while scoped, was suspended while an alternative solution could be delivered to match projected throughput in the post Global Financial Crisis (GFC) market conditions.

The Port actively participated in the steering committee for the proposed access corridor upgrade. Importantly, URS Australia was engaged to deliver the pre-feasibility study for an optimal expansion of Port capacity to match the Port's strategic intent. The outcome was a range of flexible expansion "stages" to deliver growth with minimum intervention across existing infrastructure as volumes increase.

The URS study identified inter alia the need for an additional rail loop with remote iron ore storage, simplify the Port corridor access, and identify requirements for rail infrastructure as well as future Port expansion.

Despite the Ravensthorpe Nickel Operation's closure and the impact of the GFC, had it not been for significant extraordinary expenditure contributing to a trading loss of $3 million for fiscal 2008-09, the Port would have delivered a positive and profitable result. A pricing review will be undertaken at the end of quarter one in 2009-10 to ensure that the requisite rates of return are being delivered. Improving rigour in licensing of Port services to ensure sustainable and correct industry practice outcome has commenced in order to ensure that adequate service delivery standards are maintained to support growth.

Beyond project, trade development and environmental compliance considerations, significant trade facilitation initiatives have been commenced to ensure that the business grows and transforms. Rebranding was concluded seamlessly on 1 July, 2009. The Port has worked successfully to attract potential new business in iron and manganese ore exports, expanding the future mineral concentrate task from one to five products, growing, developing and delivering a dedicated customer service and growing the potential critical mass of import and export customers.

The Port entered guilty pleas in relation to the six charges laid against it in 2007 in order to close out the matter and accept its share of responsibility for which regrets have been expressed.

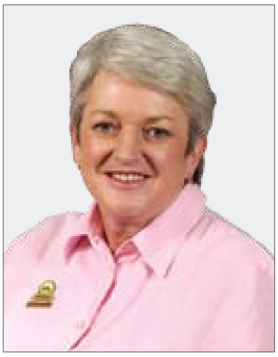
Negotiation of the Enterprise Bargaining Agreement was commenced early with the MUA in the hope that the needs of the business and customer service delivery ethic going forward be aligned with the process. The implementation of a closed loop integrated management processes has commenced and this will ultimately support the proposed EBA outcomes to ensure flexibility to customers while maintaining a dedicated multi skilled workforce.

I would like to recognise and thank the Port Consultative Committee for their contribution to ongoing community matters in relation to the environment and also the proposed Port Expansion Plans. Finally to the Board, Management and Staff in the final trading year prior to being re-branded Esperance Ports - Sea and Land, thank you for your loyalty and support during a tumultuous period of the Port's proud history.

Dennis Parsons
Chief Executive Officer

Directors & Port Executives

Tim Shanahan
Deputy Chairman



Kathy Finlayson
Director

Directors	Jim Matijasevich (Chairman)
	Tim Shanahan (Deputy Chairman)
	Kathy Finlayson
	Phil Thick
	Phil Chalmers
Chief Executive Officer	Dennis Parsons
Acting Harbour Master	Captain Julian Thomas
Deputy Harbour Master	Captain Paul Webster
Chief Financial Officer	Kevin Fernance
Business Development Manager	Devinder Grewal
Corporate Relations Manager	Richard Grant
Environmental Manager	Alex Leonard
Human Resources Manager	Narelle Matthews
Port Terminal Manager	Pieter Kross
Maintenance Manager	Brant Grundy

Corporate Governance

Role of Board

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

Board Composition

The Esperance Port Authority consists of a Board of Directors comprising five people appointed by the Minister for Transport. 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 Transport. 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.

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

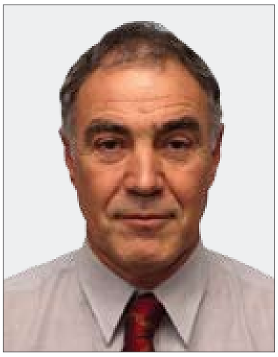
The Office of the Auditor General (OAG) has contracted out the annual external audit of the Port's functions to Grant Thornton Australia Limited. In accordance with the Port Authorities Act 1999, the Esperance Port Authority is required to submit an audited Annual Report on its most recently completed 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.

Directors' Report

Phil Thick
Director



Phil Chalmers
Director

The Board of Directors of the Esperance Port Authority ("the Authority") has pleasure in submitting its report for the financial year ended 30 June, 2009.

1. Directors

J. Matijasevich
BE Civil
Appointed August, 2006

T. Hawkins
Diploma of Business
Appointed 2003 and Resigned March, 2009

M.I. Anwyl
BA (Criminology), LLB
Appointed 2003 and Resigned March, 2009

P. Thick
BE Civil (Hons.) GAICD
Appointed August, 2007

P. Chalmer
B.Sc (Hons.), Ph.D
Appointed November, 2007

K. Finlayson
JP CitWA
Appointed March, 2009

T. Shanahan
LLB PSM
Appointed March, 2009

2. Directors' Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Authority during the financial year are listed below.

Number of Directors' Meetings and Number Attended

Director	Maximum Number Of Meetings	Number Attended
J. Matijasevich	9	9
T. Hawkins	6	6
M.I. Anwyl	6	4
P. Thick	9	8
P. Chalmer	9	9
K. Finlayson	3	3
T. Shanahan	3	3

Aerial View of Esperance Port

3. Principal Activities

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

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

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

4. Dividends

The Authority has not declared a dividend for 2008-09 and has not paid dividends for the years 2005-06, 2006-07 and 2007-08. Unpaid dividends total $1.741 million. The Authority is seeking exemption from paying these dividends as part of an equity restoration plan to restore the Authority's financial position following the abnormal expenditure resulting from lead related issues during the past two years.

5. Operating and Financial Review

Review of operations

The global financial crisis and the resulting decline in nickel prices saw the closure of BHP Billiton's Ravensthorpe Nickel mine during the year. The subsequent loss of trade was partially off set by gains in other commodities, and resulted in the Port falling short by 883 tonnes of a record year, achieving a total trade of 9,948,846 tonnes.

The Authority is seeking an equity injection to compensate it for the abnormal expenditure incurred over the two past trading years in relation to lead issues. Part of this package to restore the financial position includes to waiver of payment of dividends for the years 2005-06 through to 2007-08.

The Authority has received approval to spend $38 million for the provision of new and upgraded facilities to handle mineral concentrates. Work has commenced on this and to 30 June, 2009, $4.7 million had been spent. Currently a study is being under taken by Evans and Peck as to the options available to handle mineral concentrates and the economic cost of each option.

Commentary on Operating Results

The Authority recorded a loss for the year before income tax expense of $3.069 million. Income tax credit of $1.331 million has been calculated giving an after tax loss of $1.738 million.

Port trade was 9,948,846 tonnes up 18,563 tonnes on the previous year and 267,000 tonnes below budget. Total revenue was $42.29 million and 1 percent below budget and $1.6 million up on the previous year's $40.69 million. Revenue earned is dependent on the mix of cargoes also additional revenue was recovered from major Port users to cover increased electricity costs.

Total expenditure was $45.36 million being 23 percent above budget and a $6.56 million increase on the previous year. Additional expenditure not budgeted was for lead cleanup $2.25 million, a study by URS on future development options for the Port $1.24 million, and additional power costs $2.4 million due to increase in power costs resulting from increased gas price when the Veranus Island supply was cut off in June, 2008. Other expenditure impacting the Port are increased environmental monitoring and compliance costs to meet Department of Environment and Conversation (DEC) requirements.

Strategy and Future Performance

During the coming financial year the Authority will be closely monitoring operating costs and reviewing existing Port charges and their structure.

6. Significant Changes in the State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Authority that occurred during the financial year under review other than those already mentioned above.

7. Events Subsequent to Reporting Date

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

8. Likely Developments

The Authority is waiting on the response of government to the Evans and Peck Report on which options will be chosen for future exports of mineral concentrates. This will inform further investment in the development of infrastructure related to that circuit.

The Authority is currently seeking approval to spend $3 million on the iron ore circuit to enable the expansion of this trade to 8.5 million tonnes per annum.

The Authority is also seeking approval to obtain funding to provide infrastructure to enable ITC to proceed with the development of a facility to handle the export of woodchips.

9. Directors' Emoluments

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

10. Environmental Regulation

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

11. Environmental Management

The Authority is complying with two Environmental Protection Notices (EPN). EPN DEC 02 of 2007 relates to lead cleanup of the Port site, and EPN DEC 03 of 2007 the installation of air quality monitoring equipment. In order to comply with environmental responsibilities and objectives, the Authority is working towards achieving environmental management system certified to the international standard ISO14001.

The Authority has under taken a comprehensive cleaning project to remove lead residues to the standard set by the Department of Conservation and Environment (DEC).

The Authority received six infringement notices from the DEC relating to lead and nickel incidents at the Port. These infringements carry potential fines to the Port of $1.325 million. The Authority has pleaded guilty to the infringements.

12. Rounding Off

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

This report is made with a resolution of the Directors:

T. Shanahan
Deputy Chairman
Esperance,
24 September, 2009

Non-Executive Directors of Esperance Port Authority

Name	Directors' Fee	Superannuation	Total
	$	$	$
J. Matijasevich, Chairman	45,000	4,050	49,050
M.I. Anwyl	11,577	1,042	12,619
T. Hawkins	17,243	1,552	18,795
P. Thick	16,500	1,485	17,985
P. Chalmer	16,500	1,485	17,985
K. Finlayson	4,923	443	5,366
T. Shanahan	4,923	443	5,366

Senior Executives of Esperance Port Authority

Name	Base Salary	Motor Vehicle	Bonus	Superannuation	Total
	$	$	$	$	$
D. A. Parsons *Chief Executive Officer*	226,084	20,706	572	20,116	267,478
J.C.W. Thomas *Acting Harbour Master*	161,085	10,289	798	14,498	186,670
B.H. Grundy *Maintenance Manager*	146,379	11,900	852	17,565	176,696

Regulatory Requirements

Bill Cutten
Assurance and Risk Manager

Electoral Act 1907

Section 175Ze of the Electoral Act 1907 requires Esperance Port Aurthority 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 2008-09
Advertising agencies		Nil
Market research agencies		Nil
Polling organisations		Nil
Direct mailing agencies		Nil
Media, for advertising	Esperance Holdings Pty. Ltd	$17,086
	Hocking and Company Pty. Ltd	$846
	West Australian Newspapers	$15,314
	Seek Limited	$2,304
	Marketforce Express	$2,693
	Adcorp Australia Ltd	$14,743
	Market Creations	$638
	Benin Pty. Ltd	$550
	Fairfax Media	$4,715
	Lloyds List Daily Commercial News	$3,764

Record Keeping

Esperance Port recognises the importance of proper and adequate record keeping practices. The State Records Act 2000 requires Esperance Port to report on the following:

1. Evaluate the efficiency and effectiveness of Esperance Port's record keeping system to ensure it meets the requirements of the Act.
2. Conduct record keeping training as required.
3. Review the efficiency and effectiveness of Port's record keeping training program to ensure it meets the requirement of the Act.
4. Induct new employees with regard to compliance with the Esperance Port's record keeping system and the Port's responsibility in regard to the Act.

Disability Services Plan

Esperance Port 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 Government disability legislation.

Freedom of Information

Esperance Port received one Freedom of Information request during the 2008-09 financial year.

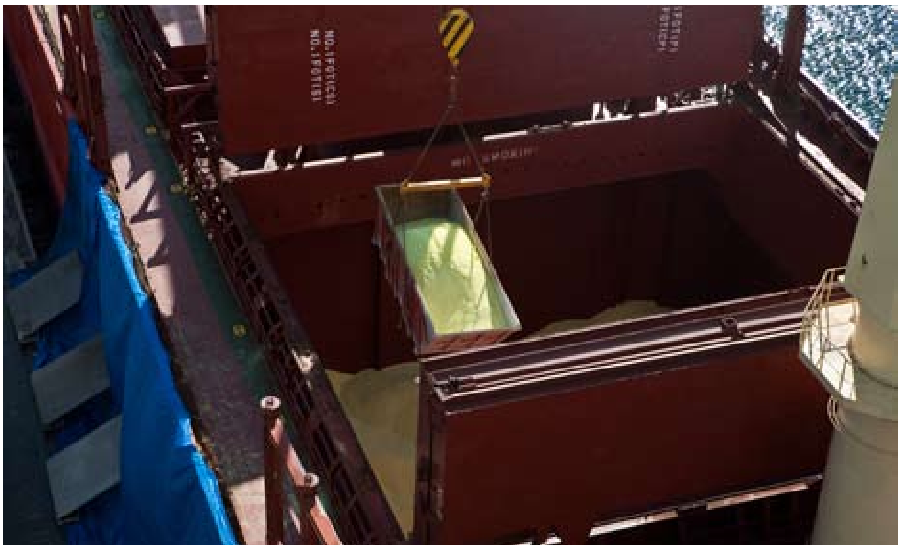
Finance

Kevin Fernance
Chief Financial Officer

The Esperance Port Authority's loss for the year before income tax expense was $3.069 million. Income tax credit of $1.331 million has been calculated giving an after tax loss of $1.738 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. No provision for a dividend has been made.

Revenue

Total revenue increased from $40.69 million for 2007-08 to $42.29 million in 2008-09. Total trade increased 0.2 percent on the previous year and total revenue increased 3.9 percent. Revenue from Wharfage increased 5.7 percent as a result of the change in the mix of cargoes. Vessel charges increased 2.2 percent as a result of increased vessel numbers. Revenue from Pipeline Service Charge decreased in line with the decrease in petroleum imports. Handling charge revenue decreased 7.2 percent on the previous year partly as a result of a change in the mix cargoes and in the previous year arrears in iron ore handling charges were received. Revenue from labour recoup decreased 11 percent on the previous



Sulphur being shipped out of the Esperance following the closure of BHP Billiton's Ravensthorpe Nickel Project

Loading sulphur for export

Esperance Chamber of Commerce and Industry members inspect the Port's sulphur storage and handling facilities

year as a result of a decrease in supplying labour for third party shipping services. Infrastructure charge revenue increased 13.2 percent with the commencement of an agreement with BHP Billiton to recover capital charges for infrastructure provided. Recovery of power costs increased 179 percent on the previous year. Major Port power users contributed towards the additional cost of power when a third party gas supplier had to be arranged after the loss of gas from the Veranus Island supply. There were increases in quarantine waste disposal revenue, pilotage, and interest received.

Expenditure

Total expenditure for the year was $45.36 million. This is $6.56 million greater than the preceding year and $8.3 million greater than budget. There were increases on budget in nearly all areas of expenditure with the exception of staff training, interest charges and employee leave provisions. Expenditure increased on handling charges, administration, payroll tax, pilotage expenses, electricity purchases, depreciation and rates and taxes. Lead and nickel issues contributed to significant increases in administration and maintenance expenditure through legal, environmental and lead removal costs. A Port strategic development study by URS added $1.24 million to administration costs. Power costs were $4.69 million over budget and totalled $7.49 million. There was also $0.202 million allowance made for a hedging loss. Provision for staff entitlements totalling $1.027 million were made during the year. A nil dividend has been recommended to the Minister for Transport in light of the $3.069 million loss.

Capital

The Authority borrowed $5.0 million from the Western Australian Treasury Corporation during the year. Capital repayments of $4.103 million were made to reduce the debt owed to the Western Australian Treasury Corporation.

Capital expenditure during the year was $5.748 million. The Authority spent $0.984 million on minor works, a further $0.045 million on the container crane, and work in progress at 30 June, 2009 was $4.718 million on the mineral concentrate circuit. The mineral concentrate circuit enhancement budget is $38 million.

Trucking sulphur to berth two for loading aboard the MV STS Queensland for shipment to South Australia

Business Development

Devinder Grewal
Business Development Manager

The closure of BHP Billiton's Ravensthorpe Nickel Project has brought significant challenges for the recovery of revenue as well as creating opportunities to develop new business with emerging iron ore juniors in the region. Export of the sulphur stored at the Port has commenced.

Discussions have continued with ITC to agree to financial and infrastructure modalities that will allow a woodchip exporting facility to be established at the Port.

Cliffs Resources remain Esperance Port Authority's principal client with a throughput of nearly 7.4 million tonnes last financial year. This is set to increase steadily. At least two other iron ore juniors have been in discussions with the intent of shipping through Esperance in the near future.

URS, with input from KPMG and Beyond Rail Solutions, delivered a pre-feasibility study, in the form of a Port master plan, for the growth of the Port. This includes options for use of the land within the Port's premises as well as developing new footprints off-site to hold inventory and convey it, using a transport corridor concept, into the Port on a just-in-time basis. This will considerably reduce the impact of heavy transport interaction with the community.

Memorandums of Understanding, as a preliminary to more formal and binding agreements that address commercial shipment arrangements through the Port, have been signed with Blackham Resources, Tectonic, Cazaly, Polaris Metals and Galaxy Resources.

Evening at the Esperance Port

Discharging fertiliser on berth two

Esperance Port Authority is working seriously to develop a dedicated container trade. Initially, this will be Xstrata nickel concentrate shipped in half height containers but there has been considerable interest from the farming sector for export of grains. Other commodities whose trade in containers the Port can facilitate include food stuffs, plantation produce and project cargo. The Port remains keen to develop this trade and has been in touch with ship operators to provide the service as soon as a base load can be established.

The removal of lead from the Port has been completed successfully and safely. The shed that contained lead will be demolished in keeping with strict environmental guidelines. Lessons learnt from the lead incident will be applied to other trades in keeping with our philosophy of continuous improvement.

A key initiative this year has been a decision to implement a quality management system, including closed-loop management, in the organisation. This will support reliability and risk management in delivering expected outcomes that meet both the customers' and the Port's expectations.

To complement this initiative, the IT infrastructure of the Port will be upgraded to meet emerging business needs and have the ability to support the implementation of a Port management system. New IT servers will be in place in the coming year to replace the current ones. The Port's information management system will also be upgraded.

A Pure Alliance has been set up with Bilfinger Berger Services (Australia) to upgrade the minerals concentrates loading circuit to meet the requirements imposed by the DEC operating licence. Definitive and tight timelines set in the licence have been met. The Alliance is independently audited for governance and financial processes by Stantons.

The short-term engineering works (up to 31 August, 2009), as required by the DEC Licence, are verified independently by CPC Engineering for completeness. The outcome of this project is expected to be a state-of-the-art mineral concentrate facility that will facilitate safe handling of these products, as well as other products like copper, zinc and spodumene, through the Port as global markets recover form the current financial crisis.

A contract to provide Front End Loader services in the iron ore loading circuit is currently being negotiated.

Bags of Xstrata nickel concentrate are prepared for loading on berth two

Engineering Report

Neil Pearson
Port Engineer

Mineral Concentrates Circuit Upgrade

Esperance Port has handled bulk nickel exports for more than 40 years. However, because of increasingly stringent environmental requirements the Board of Directors determined that the Port would only support containerised or bagged export of nickel concentrates but not bulk.

Following consideration of the economic value of the nickel industry to Western Australia, in early December, 2008 the State Premier announced the construction of a $100 million world-class bulk minerals concentrate facility that would enable the continued export of bulk nickel concentrates in an environmentally compliant method.

The Department of Environment and Conservation (DEC) issued a new operating licence in January 2009 that required a world-class bulk minerals concentrate facility to be developed by January, 2011. Furthermore, the licence prescribed a broad scope of Dust Emissions Reductions Works (DERW) to allow bulk exports to continue until the world-class facility was built. The Licence condition requires the DERW to be completed

Mechanical maintenance team members (from left) Glenn Bale, Tim Ammon and Gary Bielken replacing wear plates in the rotary car dumper

Contractors reclad the Black Swan nickel shed as part of the mineral concentrate circuit upgrade

Contractors replacing railway track inside the Port

by 31 August, 2009. Bulk nickel concentrates exports can not exceed an annual throughput of 200,000 tonnes until these short and long-term works are finished.

Esperance Port Authority and engineering services company, Bilfinger Berger Services (BBS) established the ESP Alliance in early 2009 as the project vehicle to deliver the short and long-term mineral concentrate enhancements anticipated by the Licence.

The Alliance achieved interim Licence deadlines in March, 2009 but could not complete works proposed for the shiploader. This was due to significant engineering challenges arising from the extra weight and windage of shiploader improvements which included the fitting of a telescopic chute and enclosure of the shiploader boom with wind guards. The shiploader improvements are scheduled for completion before the end of August, 2009.

As a result of significant delays in funding, the Alliance has had to drastically fast track the remaining DERW so Licence conditions can be met by 31 August, 2009. The anticipated project cost for the short-term works is $32 million.

In June, 2009, the Port commissioned engineering consultancy Evans and Peck to prepare a business case for the world-class bulk minerals concentrate facility. It is anticipated that a report on the Business Case Study will be presented to Government in August, 2009. The Business Case will identify the scope of the long-term development works together with the commercial structure that satisfies the interest of stakeholders. Development of the world-class facility will commence in 2009-10.

Lead Shed Demolition

Following the completion of the removal of the 9,000 tonnes of lead carbonate from the Port in May, 2009 contractor McMahons Services began dismantling and removing of the old Western Mining Corporation (WMC) shed which had held the lead carbonate.

Port Electrician Steve Jamieson servicing an electrical motor

Trade & Imports-Exports

Brant Grundy
Maintenance Manager

Trade for the 2008-09 financial year totalled 9,948,846 tonnes, slightly above the previous year's 9,930,283 tonnes but below the record of 9,949,729 tonnes of 2006-07.

While there was a fall in iron ore exports from 7,435,699 tonnes the previous year to 7,392,929 tonnes this year, there were increases in nickel concentrates exports – up from 193,491 to 273,635 tonnes - as well as wheat and barley.

Barley exports rose by 111,474 tonnes from 2007-08 to 732,379 tonnes this year, and wheat exports rose from 677,153 tonnes to 801,701 tonnes in the same period. Grain exports totalled 1,697,346 tonnes, an increase of 137,610 tonnes over the previous year. No lupins were exported from Esperance in 2008-09 and Canola exports were down from 218,467 tonnes last year to 139,581 tonnes. The outlook for the 2009-10 harvest is promising with early and sustained rainfall throughout most of Port's catchment area.

The significant increase in nickel concentrate exports was linked to the maintenance work being carried out on the Kalgoorlie Nickel Smelter. During the year 273,635 tonnes of nickel was shipped out of the Port, up from 193,431 tonnes the previous year.

Despite BHP Billiton mothballing its Ravensthorpe Nickel Operations, nickel hydroxide exports increased from 35,639 tonnes in 2007-08 to 54,384 tonnes this year although the number of container movements fell from 3,678 to 3,010 in the corresponding period.

Imports fell significantly from the record 705,918 tonnes last year to 496,627 tonnes this year. The biggest fall was in the importation of sulphur for the Ravensthorpe mine, down from 210,162 tonnes in 2007-08 to 74,149 this year. Magnesium oxide imports for the Ravensthorpe project were also down from 14,331 tonnes last year to 6728 tonnes.

Fuel imports fell from 404,472 tonnes to 340,637 tonnes this year, which reflects the effect of the economic downturn being experienced in the Goldfields-Esperance Region.

Comparative Results of Principal Cargoes

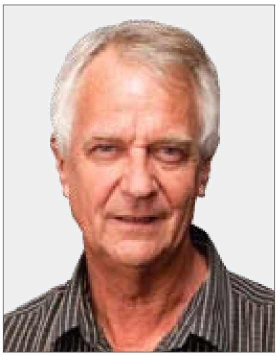
PRODUCT	2009 (TONNES)	2008 (TONNES)	PERCENT (CHANGE)
Petroleum	340,673	404,472	-15.7
Fertiliser	75,077	84,663	-11.3
Sulphur	74,149	201,162	-63.1
Grain	1,697,346	1,559,536	+8.8
Nickel	273,635	193,491	+41.4
Iron Ore	7,392,929	7,435,699	-0.5

Grain carrier alongside berth one

Imports-Exports Year Ended June 30, 2009

CARGO (Tonnes)	2009	2008	2007	2006	2005
IMPORTS					
Petroleum	340,673	404,472	385,880	284,474	268,358
Phosphate	-	-	-	-	-
Manufactured Fertilisers	75,077	84,663	78,001	78,290	111,610
Sulphur	74,149	201,162	29,496	-	-
Magnesia Oxide	6,728	14,331	-	-	-
Sundry	-	1,290	5,338	2,564	-
TOTAL IMPORTS	496,627	705,918	498,715	365,328	379,968
TEU's IN	1,565	1,607	-	-	-
EXPORTS					
Iron Ore	7,392,929	7,435,699	7,572,075	5,998,309	5,374,973
Nickel	273,635	193,491	173,801	213,110	221,936
Lead	8,925	-	79,588	86,262	-
Barley	732,379	620,905	337,003	715,930	793,919
Wheat	801,701	677,153	1,032,801	712,128	812,030
Oats	-	-	271	4,524	7,157
Sulphur	25,000	-	-	-	-
Lupins	-	10,011	33,598	-	34,649
Peas	23,685	33,000	24,962	47,169	34,167
Canola	139,581	218,467	196,915	166,403	115,324
Nickel Hydroxide	54,384	35,639	-	-	-
TOTAL EXPORTS	9,452,219	9,224,365	9,451,014	7,943,835	7,394,155
TEU's OUT	1,445	2,071	-	-	-
TOTAL TRADE	9,948,846	9,930,283	9,949,729	8,309,163	7,774,123
GROSS TONNAGE	7,628,856	7,345,228	7,404,800	6,488,064	5,790,356
NO. OF VESSELS	207	192	181	177	153
NO. OF TRADE VESSELS	202	185	181	173	151
TOTAL TEU'S	3,010	3,678	-	-	-

Performance Indicators



Pieter Kross
Terminal Manager

OUTCOME

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

EFFECTIVENESS

Time at berth

TARGET	2009	2008	2007	2006
40 Hours	52.5	59.0	48.2	40.0

This is the average period of time from the first line ashore to the last line off when departing from the Port. The lower this figure the faster vessels are loaded and the more effective is the use of wharf space. This increase in time at the berth is due to a slower discharging / loading vessels such as bulk sulphur imports and container vessels.

Total Time

TARGET	2009	2008	2007	2006
60 Hours	105.3	86.9	66.7	50.4

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

EFFICIENCY

Cargo handled per time in Port

TARGET	2009	2008	2007	2006
700 Tonne	467.8	617.4	823.9	953.1

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	2009	2008	2007	2006
1100 Tonne	938.3	909.8	1139.6	1199.7

This is the average cargo handled per ship hour at berth. The higher this figure the more productive are cargo handling operations. This figure has decreased because of longer loading / discharging times for all berths.

Cargo handled per shift hour

TARGET	2009	2008	2007	2006
1600 Tonne	1489.9	1564.7	1839.2	1910.6

This is the average tonnes of cargo, excluding fuel, handled per shift hour worked. Continuous loading and improved cargo handling capabilities of minerals and faster loading rates for grain 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	2009	2008	2007	2006
35 Percent	40.3	41.5	33.2	26.4

Average berth occupancy measures the time ships are actually alongside the berth 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	2009	2008	2007	2006
25 Hours	52.8	27.9	18.5	10.4

Is that time from arrival at the Port boundary to the first line ashore. This indicator can reflect berth congestion, however during the year a significant number of grain vessels arrived at once and remained at anchor waiting for cargo. Other factors causing ships to wait at anchor include, waiting for letters of credit for cargo and ships not choosing to work.

Average ship long side time

TARGET	2009	2008	2007	2006
Petroleum 30.0 Hours	23.7	22.5	18.1	18.3
Fertiliser 45.0 Hours	47.9	47.6	46.9	44.3
Grain 40.0 Hours	52.2	56.9	47.4	49.5
Nickel 30.0 Hours	53.6	81.3	47.5	35.0
Iron Ore 59.0 Hours	60.1	60.4	57.1	47.7
Sulphur 180.0 Hours	88.2	213.5	0.0	0.0
Containers 50.0 Hours	70.8	61.9	0.0	0.0
Other 00.0 Hours	35.2	40.5	40.5	30.0

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	2009	2008	2007	2006
$3.09	$4.55	$3.87	$3.22	$2.81

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	2009	2008	2007	2006
$167,814	$224,396	$207,796	$176,998	$135,900

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	precent change on previous year	Volume-Tonnes
2009	+0.2%	9,948,846
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

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

	TEU's In	TEU's Out	Total
2009	1,565	1,445	3,010
2008	1,607	2,071	3,678

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

SAFETY INDICATOR

	2009	2008	2007	2006	2005
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.

Shipping

Julian Thomas
Acting Harbour Master

SHIPPING MILESTONES

Greatest Number of Ships

For the 2008-09 financial year, the Esperance Port Authority handled a record 207 ships, an increase of fifteen over the previous year's record.

Longest and Widest Vessels

MV AZUL INTEGRA and MV AZUL CIELO

The sister ships MV Azul Integra and MV 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. The largest vessel to visit Esperance in 2008-09 financial year was the MV ATA at 299.90 metres length overall and 47.58 metres beam.

Deepest Draft

MV AQUA FAITH

The MV AQUA FAITH was built in 1997 and loaded 163,077 tonnes of iron ore (132,000 tonnes of fines standard and 31,077 tonnes of lump standard) for discharge in Fuzhou, China. This vessel loaded to 18.00 metres. Its under keel clearance was 1.35 metres for its departure on 10 January, 2009.

Largest Iron Ore Cargo

MV ATA

MV ATA loaded a cargo of 186,201 tonnes of iron ore bound for Xingang China on 14 January, 2009. The MV ATA sailed with a maximum draft of 17.97 metres with an under keel clearance of 1.45 metres.

Largest Grain Cargo

MV CEMTEX VENTURE

The Cemtex Venture was built in Shanghai China in 2006 and loaded 60,500 tonnes of barley bound for Jeddah, Saudi Arabia.

Largest Import

MV NAVIOS ARMONIA

On 22 July, 2008 MV Navios Armonia departed after discharging 50,184 tonnes of formed sulphur to be used at the Ravensthorpe Nickel Operations. The previous largest load of sulphur to be imported at Esperance was the MV Bulk Japan which discharged 65,023 tonnes on the 29 April, 2008.

Cruise Ships

MV ATHENA

MV Athena called at Esperance three times in 2009 - 4 and 30 January and again on 13 February - for one day visits with approximately 400 passengers on board.

MV Obsession loaded the first cargo of containerised lead carbonate to leave the Port

The vessel is 160 metres in length and was originally built in 1942 and completely rebuilt in 1994.

Naval Ships

HMAS WARRAMUNGA

HMAS Warramunga is 118 metres in length, is an ANZAC Class Guided Missile Frigate capable of air defence, surface and undersea warfare, surveillance, reconnaissance and interdiction. HMAS Warramunga visited Esperance on 26 September, 2008 for two days of rest and recreation.

HMAS DARWIN

HMAS Darwin is 139 metres in length, is a long-range escort frigate that undertakes roles including area air defence, anti-submarine warfare, surveillance, reconnaissance and interdiction. HMAS Darwin visited Esperance on 2 October, 2008 for three days of rest and recreation.

Pilotage

Harbour Master, Captain Jordi Oakley, resigned at the end of February, 2009 to join Gladstone Pilots. Deputy Harbour Master, Captain Julian Thomas has been performing the role of Harbour Master. Captain Julian Thomas commenced employment with the Port at the end of July, 2007.

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.

The orderly supervision and transportation of cruise and naval vessel passengers and crew through Port limits was well managed when MV Athena, HMAS Warramunga and HMAS Darwin called at Esperance. This was a significant achievement considering the number of people involved, and was achieved without incident. The services of a private bus was engaged to transport passengers and crew from the vessel into town and back to the vessels.

Cruise Ship Athena alongside berth one at the Esperance Port

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.

Almost every vessel calling at Esperance requires the assistance of the tugs 'Shoal Cape' and 'Cape Pasley' to complete safe manoeuvres within the harbour.

Hydrographical Surveys

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

Environmental Management

Alex Leonard
Environmental Manager

Environmental Management

Esperance Port Authority aims to conduct its activities in a manner that protects the environment and promotes sustainability by:

- Complying with relevant environmental legislation and regulations, most importantly the Operating Licence L5099/1974/12 issued by the Department of Environment and Conservation (DEC);
- Identifying and managing issues not included in the operating license;
- Including environmental planning in the Port's expansion and future business; and
- Communicating environmental risks to our stakeholders.

Operating Licence

Since the last annual report the Port has been issued two licences by the DEC. Licence 5099/10 expired in September, 2008 and an interim licence 5099/11 was issued for the three months to January, 2009. The DEC issued an interim licence following the Board's resolution to cease handling bulk nickel concentrates. During the period of the interim licence, the State Government instructed that the Port would continue to handle bulk nickel and that it would fund upgrades to ameliorate fugitive dust escaping from the concentrate circuit. As a result DEC issued Licence 5099/12 that contained more conditions relating to the upgrade of the bulk concentrates circuit and the monitoring of air, storm water and wastewater quality.

Compliance of the Port with these license conditions has been outstanding with a few exceptions that include:

- A single exceedance of the nickel air quality trigger in November, 2008; and
- A technical breach between January and March 2009 because some wastewater monitoring parameters were inadvertently admitted.

Under its new licence, the Port is submitting monthly air quality and wastewater reports, and further air quality reports for the loading of every nickel ship and reports to explain why any single day has been dusty, and whether this was from the Port's activities (including grain loading) or from inland sources.

Environmental Protection Notices

The Port was issued with two protection notices in 2007 relating to air quality monitoring associated with the nickel dust (EPN03 of 2007) and clean-up of the Port land in relation to lead contamination (EPN 02 of 2007). Actions relating to EPN03 of 2007 were completed in August, 2009 and a request for closure has been sent to the DEC.

Venitilation Officer Andreas Maier (left) and Environmental Manager Alex Leonard test wastwater treatment equipment at the Port

Actions relating to EPN 02 of 2007 have largely been completed. The outstanding task is planning and conducting further validation sampling to confirm that the Port has been cleaned of lead to less than 300mg/kg. This follows two previous validation sampling reports. The first of which was conducted by an independent party and indicated that the Port was 'clean'. In June, 2009 the DEC wrote to the Port accepting the findings of the final report. However, the DEC then undertook its own validation sampling that was more targeted at high risk areas, and found nine of 55 locations having lead levels greater than 300mg/kg. The current round of sampling being planned will further investigate high risk areas of the Port for contamination.

Lead Removal

The Lead Removal Plan was submitted in August, 2008. The DEC approved the plan and issued the Section 73A Notice to grant the Port approval to bag and containerise the remaining 9,000 tonnes of Magellan product for export to China. The operation ran smoothly with no lead exceedences, and containers left for China with saleable lead on 4 May, 2009, with the unsaleable lead being taken back to the Magellen lead mine site. The Section 73A Notice was closed out on 23 June, 2009.

Following the lead removal operations, demolition of the WMC shed in which the lead was stored commenced and the project is due for completion in September, 2009. All wastes will be recycled or disposed of appropriately.

Water Quality and Efficiency

Esperance Port submitted its Water Efficiency Management Plan (WEMP) to the Water Corporation in December 2008. Water Corporation approved the Plan and its implementation has commenced. This includes:

- Harvesting rainwater from iron ore sheds;
- Re-using treated wastewater from the wastewater treatment plant; and
- Reducing water consumption in toilets and kitchens

The Port has also improved wastewater quality by upgrading its treatment plant. The upgrade has involved installation of secondary filters, stopping discharge of treated wastewater to the marine environment and re-using the wastewater within the Port. A project is also underway to plumb the treated wastewater into the existing Black Swan Nickel shed and the new WMC shed for dust suppression purposes.

Nickel

The Port remains committed to no odour or dust emissions from its nickel operations.

Considerable progress has been made to improve the monitoring of nickel loading activities, which includes a detailed operating procedure that enforces a 'no loading zone' when the wind is blowing from 45 degrees to 180 degrees. Port stevedores have also been supplied with a designated real-time weather display that illustrates the wind direction and the no-loading zone. Emissions of offsite dust and odour to the community have been reduced due to improvements in product quality and implementation of the no-loading wind arc. Since December, 2008, the Port has not exceeded its dust objectives at its boundary and there have been no odour complaints received from the community.

With the closure of BHP Billiton's Ravensthorpe Nickel Operations, Xstrata Nickel has started shipping bulk nickel sulphide concentrates in containers to a Canadian customer.

The upgrade to the nickel concentrates circuit is now in the final stages and ground works for the construction of a new tippler are underway and are expected to be completed by 31 August, 2009. The Port is further investigating its options and plans towards a world's best practice concentrates circuit.

Community Relations

Richard Grant
Corporate Relations Manager

Family Open Day

A successful Family Open Day was held on Sunday 26 October, 2008, when more than 2000 local people took the opportunity to tour the Port and talk to Port employees and its customers.

The day included guided Port tours, tug boat display, talks about the future plans for the Port, and plans to remove the remaining captured lead and the shed in which it was stored. Competitions were held for school children.

Employees from BHP Billiton, Portman, Xstrata and ITC, companies that trade through the Port or plan to do so, set up displays and participated in the day.

Education Program

The combined Esperance Senior High School-Esperance Port's education program continued this financial year with nine year nine Society and Environment classes studying the operations and activities of the Port.

The curriculum developed by the school's teachers looked at the Port's management structure, health and safety issues, industrial relation matters, business activities, shipping, loading operations, products handled by the Port and career opportunities in the maritime industry.

The program includes class-based activities including talks by Port personnel and a Port tour to look first hand at the activities of a working Port.

The program is believed to be the first where students carry out academic work by studying a working, expanding Port.

Foreshore Remediation

Esperance Port has been working with the Department of Planning and Environment and the Shire of Esperance as a member of the Foreshore Steering Committee to seek a solution to the erosion of the Town Beach between the Tanker Jetty and the Port.

The Port is particularly concerned about possible damage to its fuel pipeline that has been installed around the foreshore between berth two at the Port and the tanker farm near the Tanker Jetty.

Other infrastructure that needs protecting includes The Esplanade, a public walkway and cycleway and commercial and residential buildings.

A number of options have been put forward and the Foreshore Steering Committee has recommended the construction of a groyne at the Tanker Jetty.

Community Open Day participants in the Port Park

Esperance Senior High School Year nine students inspect an iron ore storage shed

Foreshore erosion has been a problem for many decades and is the result of the clearing of the sand dunes that acted as a natural barrier to the ocean. Foreshore protection works were undertaken as early as 1914 to protect infrastructure and roads.

Since 1978 the Port has been involved in foreshore remediation and has spend more than $5 million in sand renourishment and other works.

Sponsorship and Donations

Esperance Port Authority provided more than $67,000 in sponsorship and donations to the local community during the 2008-09 financial year, which was about $20,000 less than the previous year.

The major recipient was Apex (about $30,000) which conducts the weekend tours of the Port throughout the year. Other organisations that received support include the Esperance Museum for the maritime extension project ($11,636), Festival of the Wind ($5,000) and Tournament of the Minds team from the Esperance Primary School ($4,000).

Rotary Handicamp, Esperance Senior High School's Quiet Lion Tour, Nulsen Primary School and the Esperance Music Festival, also received financial supported throughout the year.

The Port continues to be a major sponsor of the South East Football Academy.

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

Port Consultative Committee

The Port Consultative Committee (PCC) met on 10 occasions during the year to discuss a range of issues relating to the removal of 9,000 tonnes of lead from the Port, the upgrade of the concentrate circuit, upgrade of the transport corridor, the handling of nickel at the Esperance Port and the prosecution of the Port in relation to breaches of its Environmental Licence.

The PCC comprises representatives from the Shire of Esperance, community, environmental organisations and Esperance Port. It is chaired independently and meets on a regular basis.

The committee acts as a conduit between the community and the State Government, as well as a forum to share information between the various organisation represented on the committee and to inform the community of progress in activities at the Port.

Employee Relations

Narelle Matthews
Human Resources Manager

Recruitment

During the year recruitment slowed from the previous mining boom levels, however, overall employee numbers still increased from 101 to 108 because of the continued need for specialist skills, particularly in areas relating to engineering and environmental improvements.

Industrial Relations

No lost time stoppages were experienced during the year. Negotiations for a new Operational Enterprise Agreement were initiated in early 2009 and are ongoing.

Training

More that 5,200 hours of formal training were conducted in 2008-09, slightly less than the previous years figure of 5,600 hours. Whereas the major recruitment focus of the previous year had required new employees to be up-skilled in a short period of time in multiple tasks covering the gamut of Port activities, the 2008-09 year provided greater opportunity for this knowledge to be consolidated and placed in the context of overall Port operations.

Civil maintenance team member Shane Rothnie and work experience student from Wongutha School Hayden Laidlaw

One significant contributor to overall training hours was the development of onsite emergency response capability in order to comply with Mines Safety requirements. A number of employees completed both theoretical and practical training and competencies in the various disciplines of breathing apparatus, vertical rescue and confined space rescue.

Occupational Health and Safety

The Esperance Port Authority is committed to maintaining a safe and healthy workplace for all employees, contractors and any other users

Port apprentice electrician Travis Jones talks to Esperance Senior High School Students about his trade training

of the Port. The commitment includes:

- Providing occupational health and safety resources to ensure that all workplace hazards are addressed.
- Developing and maintaining comprehensive health and safety management policies, plans and procedures with senior managers aware of their responsibilities to implement them.
- Providing effective consultation mechanisms between management and employees on matters of occupational health and safety.
- Establishing hazard identification and risk assessment and control systems to ensure safe systems of work.

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 2008-09 the OHS Committee met on six occasions to discuss health and safety matters relating to the Port's working environment.

Injury Management

The Esperance Port Authority is committed to providing injury management support to all employees who sustain an injury, illness or disability. The focus is on a safe and early return to meaningful work in accordance with the Workers' Compensation and Injury Management Act 1981 in the event of a work related injury, illness or disability.

Port employees participating in a Safety At Sea practical training course

The Esperance Port Authority's Injury Management System has been assessed by RiskCover as complying with legislative requirements.

OHS Management Systems

A self evaluation of occupational safety and health management systems during the year identified the following priorities:

1. Development of an Asbestos Register and Asbestos Management Program;
2. Establishment and monitoring of OHS requirements for the Lead Removal Plan; and
3. Development and implementation of a comprehensive site-wide OHS inspection and auditing regime.

OHS Statistics 2008-09

Lost Time Injury Frequency Rate	20.28
Lost Time Injury Duration Rate	9
Number of Fatalities	Nil
Lost Time Injury/Disease Incidence Rate	3.70
Lost Time Injury Severity Rate	Nil
Percent Injured Workers Returned to Work within 28 Weeks	100

Cranes take the weight of the berth two loader while the pivotal pins are changed as part of the mineral concentrate circuit upgrade

Financial Statements

Contents

Income Statement

As at 30 June, 2009

	Note	2009 $'000	2008 $'000
Revenue	4	38,702	39,129
Other income	5	3,591	1,567
Depreciation and amortisation expense	6	(3,458)	(2,919)
Employee benefits	7	(11,061)	(9,398)
General administration	3	(5,365)	(5,088)
Asset maintenance	3	(6,412)	(6,106)
Contract services		(4,807)	(3,392)
Power and water		(7,639)	(4,692)
Insurance		(416)	(362)
Government charges		(1,027)	(917)
Finance costs	8	(5,080)	(5,493)
Other expenses	9	(97)	(389)
Profit / (Loss) before Income Tax		(3,069)	1,940
Income tax (expense) / benefit	10	1,331	(543)
Profit for the period		(1,738)	1,397

The notes on pages 38 to 65 are an integral part of these financial statements.

Balance Sheet

As at 30 June, 2009

	Note	2009 $'000	2008 $'000
Assets			
Cash and cash equivalents	12	8,249	5,714
Trade and other receivables	13	10,418	9,067
Inventories	14	1,768	1,603
Current tax assets		-	458
Total Current Assets		20,435	16,842
Trade and other receivables	13	49,332	42,085
Deferred tax assets	10	3,673	1,983
Property, plant and equipment	15	54,602	64,515
Intangible assets	16	70	63
Total Non-current Assets		107,677	108,646
Total Assets		128,112	125,488
Liabilities			
Trade and other payables	17	6,672	3,740
Interest bearing borrowings	18	9,686	9,398
Provisions	19	4,043	3,861
Other	20	61	68
Total Current Liabilities		20,462	17,067
Interest bearing borrowings	18	69,583	68,975
Deferred tax liabilities	10	7,978	7,619
Provisions	19	407	407
Total Non-current Liabilities		77,968	77,001
Total Liabilities		98,430	94,068
Net Assets		29,682	31,420
Equity			
Contributed equity	21	2,209	2,209
Retained earnings	21	27,473	29,211
Total Equity		29,682	31,420

The notes on pages 38 to 65 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June, 2009

	Note	2009 $'000	2008 $'000
Balance of Equity at start of period			
Contributed Equity	21		
Balance at start of period		2,209	2,209
Capital contribution		-	-
Balance at end of period		2,209	2,209
Retained Earnings	21		
Balance at start of period		29,211	28,051
Profit (loss) for the period		(1,738)	1,397
Dividends paid		-	(237)
Balance at end of period		27,473	29,211
Balance of Equity at end of Period		29,682	31,420
Total income and expense for the period			

Statement of cash flows

For the year ended 30 June, 2009

	Note	2009 $'000	2008 $'000
Cash Flows from Operating Activities			
Cash receipts from customers		41,047	35,877
Cash paid to suppliers and employees		(32,926)	(31,366)
Cash generated from operations		8,121	4,511
Interest paid		(5,080)	(5,034)
Income taxes paid		458	(144)
Net Cash from Operating Activities	22	3,499	(667)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		3,841	12,554
Acquisition of property, plant and equipment	15	(5,703)	(15,369)
Net Cash from Investing Activities		(1,862)	(2,815)
Cash Flows from Financing Activities			
Repayment of borrowings		(4,102)	(4,559)
Proceeds from borrowings		5,000	6,932
Dividends paid	11	-	-
Net Cash from Financing Activities		898	2,373
Net increase (decrease) in cash and cash equivalents		2,535	(1,109)
Cash and cash equivalents at 1 July		5,714	6,823
Cash and Cash Equivalents at 30 June	12	8,249	5,714

The notes on pages 38 to 65 are an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30th June, 2009

1. Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the financial reporting provisions of the Port Authorities Act 1999, except as disclosed in note 1(b).

The financial statements were authorised for issue on 24 September, 2009 by the Board of Directors of Esperance Port Authority ("the Authority").

(b) Presentation of the Income Statement

During the year ended 30 June, 2009 the Authority modified the income statement presentation of expenses using a classification based on the nature of expenses. Comparative amounts were reclassified for consistency.

Classification of expenses by nature is considered to provide more relevant and reliable information than classification by function due to the nature of the Authority's operations. The directors have concluded that the financial statements present fairly the Authority's financial position, financial performance and cash flows and that it has complied with applicable standards and interpretations, except that it has departed from AASB 101, para 88, to achieve a fair presentation.

(c) Basis of Measurement

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

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 19(d).

2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

Certain comparative amounts have been reclassified to conform with the current year's presentation [see note 1(b)].

(a) Revenue Recognition

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

(i) Rendering of Services

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

(ii) Interest

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

(iii) Rental Income

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

(b) Finance Income and Expenses

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

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method. The interest expense component of finance lease payments is also recognised in the income statement using the effective interest rate method.

Borrowing costs are recognised as expenses in the period in which they are incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset in which case they are capitalised as part of the cost of the asset.
In determining the amount of borrowing costs to be capitalised during

the financial year, investment revenue earned directly relating to the borrowings, is deducted from the borrowing costs incurred.

(c) Income Tax

The Authority operates within the national tax equivalent regime ("NTER") whereby an equivalent amount in respect of income tax is payable to the State Government. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

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

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

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

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

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

(d) Receivables

(i) Trade Receivables

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

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectable amounts (doubtful debts) is raised when there is objective evidence that the Authority will not be able to collect its debts.

(ii) Lease Receivables

A lease receivable is recognised for leases of property, plant and equipment which effectively transfers to the lessee substantially all of the risks and benefits incidental to legal ownership of the leased asset. The lease receivable is initially recognised as the amount of the present value of the minimum lease payments receivable at the reporting date plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term.

Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease with interest revenue calculated using the interest rate implicit in the lease and recognised directly in the income statement.

(e) Inventories

Inventories consist of stores which are measured at the lower of cost and net realisable value.

(f) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent Costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment with the exception of motor vehicles being recognised on the diminishing value basis. Land is not depreciated.

2. Summary of Significant Accounting Policies (continued)

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

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

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

(g) Intangible Assets

(i) Research and Development

Research costs are expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Authority intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iii) Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for each class of depreciable assets are as follows:

- Computer software [2 - 5] years
- Licenses [3] years

(h) Impairment

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

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

Intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment. All impairment losses are recognised in profit or loss.

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

(i) Leases

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

Other leases are operating leases and the leased assets are not recognised on the Authority's balance sheet.

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

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

(j) Financial Instruments

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

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

Refer to Note 23(ii) for further information on the classification of financial instruments.

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

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

(k) Payables

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

(l) Borrowings

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

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

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

(m) Employee Benefits

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

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

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

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

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

(n) Employee Superannuation

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

The superannuation liability for existing employees with the pre-transfer service incurred under the Superannuation and Family Benefits Act Scheme who transferred to the GSS Scheme is provided for at reporting date.

The Authority's total superannuation liability has been actuarially assessed as at 30 June, 2009.

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

Defined Benefit Plan

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(o) Dividends

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

(p) Provisions

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

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

(q) 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.

(r) Goods and Services Tax

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

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

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

(s) Contributed Equity

The Authority receives support from the WA Government (see note 21). The amount received is recognised directly as a credit to contributed equity.

(t) New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June, 2009, but have not been applied in preparing this financial report:

- Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Authority's 30 June, 2010 financial statements, is expected to have a significant impact on the presentation of the financial statements. The Authority plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 financial statements.

- Revised 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 in the Authority's 30 June, 2010 financial statements.

3. Expenses by Nature

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

4. Revenue

Revenue Consists of the following items:

	2009 $'000	2008 $'000
Rendering of services		
Charges on cargo	7,416	7,018
Charges on ships	9,831	9,621
Port services	15,916	17,061
Infrastructure charge	3,993	3,527
Interest revenue on bank accounts	376	274
Rentals and leases	889	1,420
Other operating revenue	281	208
Total revenue	38,702	39,129

5. Other Income

Other Income Consists of the following items:

	2009 $'000	2008 $'000
Net gain on sale of property, plant and equipment	-	280
Sale of electricity and water	3,591	1,287
	3,591	1,567

6. Depreciation and Amortisation Expense

	2009 $'000	2008 $'000
Depreciation		
Buildings and ancillaries	665	284
Berths one and two	274	273
Berth three and ship loader	35	34
Berth stabilisation and fenders	219	218
Breakwater	210	209
Bulk loading facilities	715	710
Channels	218	219
Electrical services	87	40
Office equipment	81	71
Oil pipeline	18	18
Plant and equipment	911	826
Total depreciation	3,433	2,902
Amortisation		
Intangible assets	25	17
Total amortisation	25	17
Total depreciation and amortisation	3,458	2,919

7. Employee Benefits Expense

	2009 $'000	2008 $'000
Wages and salaries	10,045	8,579
Superannuation – defined benefit plans (see note 19(d))	816	665
Long service leave	43	(135)
Annual leave	136	224
Sick leave	24	47
Accumulated days off	(3)	18
	11,061	9,398

Employment on-costs such as workers' compensation insurance and payroll tax are included at note 9 'Other expenses". The employment on-costs liability is included at note 19 'Provisions'.

8. Finance Costs

	2009 $'000	2008 $'000
Interest paid	4,878	5,152
Hedging loss	202	341
	5,080	5,493
Borrowing costs capitalised	-	-
Finance costs expensed	5,080	5,493

9. Other Expenses

	2009 $'000	2008 $'000
Employee on-costs[(a)]	11	12
Fringe benefits tax	70	54
Sundry	8	5
Impairment loss	-	280
Loss on sale of assets	8	38
	97	389

(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 19 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employee on-costs.

10. Income Tax Expense

	2009 $'000	2008 $'000
Deferred Tax Expense		
Origination and reversal of temporary differences	(1,003)	543
Change in the unrecognised temporary differences	(328)	-
	(1,331)	543
Total income tax expense / (benefit)	(1,331)	543

Numerical Reconciliation Between Tax Expense and Pre Tax Net Profit

	2009 $'000	2008 $'000
(Loss) / Profit for the period	(1,738)	1,397
Total income tax (benefit) expense	(1,331)	543
(Loss) / Profit excluding income tax	(3,069)	1,940
Income tax using the statutory tax rate of 30% (2008: 30%)	(921)	582
Non-deductible expenses	(82)	(39)
	(1,003)	543
Under / (over) provision in prior years	(328)	-
Prior year tax losses not recognised now recouped	-	-
Income tax expense / (benefit)	(1,331)	543
Income Tax Recognised Directly in Equity		
Income tax on income and expense recognised directly in equity	-	-
Total income tax recognised directly in equity	-	-

10. Income Tax Expense (continued)

Deferred Income Tax

	2009 Balance sheet $'000	2008 Balance sheet $'000	2009 Income statement $'000	2008 Income statement $'000
Deferred Tax Liabilities				
Accelerated depreciation for tax purposes	(6,843)	(7,123)		
Inventories	(1,135)	(496)		
Gross deferred tax liabilities	(7,978)	(7,619)		
Deferred Tax Assets				
Employee benefits	676	662		
Prepaid rental	18	21		
Tax losses	2,648	970		
Others	331	330		
Gross deferred tax assets	3,673	1,983		
Set-off of deferred tax liabilities pursuant to set-off provisions	(7,978)	(7,619)		
Net deferred tax assets / (liability)	(4,305)	(5,636)		
Deferred tax charge			(1,331)	(543)

Current Tax Liabilities

The current tax liability of Nil (2008: Nil) represents the amount of income taxes payable in respect of current and prior financial periods.

11. Dividends

	2009 $'000	2008 $'000
Dividends paid in the financial year	-	-

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 50% of after tax profits. However, in accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June, 2009 have not been provided as they are expected to be declared by Government after balance date.

A dividend of 'NIL' (2008: $0.237 million) in respect of the financial results for the year ended 30 June, 2008 was paid by 30 June, 2009.

12. Cash and Cash Equivalents

	2009 $'000	2008 $'000
Bank balances	6,749	4,214
Term deposits	1,500	1,500
Cash and cash equivalents in the statements of cash flows	8,249	5,714

The Authority's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 23(i).

13. Trade and Other Receivables

	2009 $'000	2008 $'000
Current		
Receivables	6,433	6,331
Less: allowance for impairment of receivables	-	-
	6,433	6,331
Accrued revenue	2	6
GST receivable	135	-
Finance lease receivable	3,784	2,730
Prepayments	64	-
	10,418	9,067
Non-current		
Finance lease receivable	49,332	42,085
	49,332	42,085
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	59,783	51,152
Doubtful debts expense recognised in the income statement	-	-
Amounts written off during the year	-	-
Amount recovered during the year	-	-
Balance at end of year	59,783	51,152

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

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

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

	2009 $'000	2008 $'000
Not more than 3 months	-	-
More than 3 months but less than 6 months	-	-
More than 6 months but less than 1 year	-	-
More than 1 year	-	-
	-	-

14. Inventories

	2009 $'000	2008 $'000
Current		
Stores – at cost	1,768	1,603
	1,768	1,603

15. Property, Plant and Equipment

	2009 $'000	2008 $'000
Channels		
At cost	16,119	16,119
Accumulated depreciation	(2,770)	(2,551)
Accumulated impairment losses	-	-
	13,349	13,568
Land		
At cost	1,282	1,323
Accumulated impairment losses	-	(41)
	1,282	1,282
Buildings and Ancillaries		
At cost	12,839	12,709
Accumulated depreciation	(2,743)	(2,070)
Accumulated impairment losses	-	-
	10,096	10,639
Berths One and Two		
At cost	6,140	6,140
Accumulated depreciation	(3,520)	(3,247)
Accumulated impairment losses	-	-
	2,620	2,893
Berth Three and Ship Loader		
At cost	590	591
Accumulated depreciation	(218)	(184)
Accumulated impairment losses	-	-
	372	407
Berth Stabilisation and Fenders		
At cost	3,911	3,911
Accumulated depreciation	(1,985)	(1,766)
Accumulated impairment losses	-	-
	1,926	2,145
Breakwater		
At cost	10,482	10,482
Accumulated depreciation	(2,253)	(2,044)
Accumulated impairment losses	-	-
	8,229	8,438
Bulk Loading Facilities		
At cost	16,697	16,602
Accumulated depreciation	(11,686)	(10,972)
Accumulated impairment losses	-	-
	5,011	5,630

15. Property, Plant and Equipment (continued)

	2009 $'000	2008 $'000
Electrical Services		
At cost	1,672	1,672
Accumulated depreciation	(386)	(299)
Accumulated impairment losses	-	-
	1,286	1,373
Office Equipment		
At cost	601	564
Accumulated depreciation	(461)	(384)
Accumulated impairment losses	-	-
	140	180
Oil Pipeline		
At cost	360	360
Accumulated depreciation	(234)	(216)
Accumulated impairment losses	-	-
	126	144
Plant and Equipment		
At cost	8,111	7,429
Accumulated depreciation	(3,777)	(2,926)
Accumulated impairment losses	-	-
	4,334	4,503
Total property, plant and equipment at net book value	48,771	51,202
Add: Work in progress (at cost)	5,831	13,313
Total property, plant and equipment	54,602	64,515

15. Property, Plant and Equipment (continued)

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

	2009 $'000	2008 $'000
Breakwater		
Carrying amount at 1 July	8,438	8,647
Depreciation for the year	(209)	(209)
Impairment losses	-	-
Carrying amount at 30 June	8,229	8,438
Land		
Carrying amount at 1 July	1,282	1,323
Additions	-	1,656
Disposals	-	(1,697)
Impairment losses	-	-
Carrying amount at 30 June	1,282	1,282
Buildings and Ancillaries		
Carrying amount at 1 July	10,639	4,428
Additions	122	7,280
Depreciation for the year	(665)	(284)
Disposals	-	(785)
Impairment losses	-	-
Carrying amount at 30 June	10,096	10,639
Berths One and Two		
Carrying amount at 1 July	2,893	3,166
Depreciation for the year	(273)	(273)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	2,620	2,893
Berth Three and Ship Loader		
Carrying amount at 1 July	407	422
Additions	-	19
Depreciation for the year	(35)	(34)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	372	407

15. Property, Plant and Equipment (continued)

	2009 $'000	2008 $'000
Berth Stabilisation and Fenders		
Carrying amount at 1 July	2,145	2,363
Depreciation for the year	(219)	(218)
Impairment losses	-	-
Carrying amount at 30 June	1,926	2,145
Bulk Loading Facilities		
Carrying amount at 1 July	5,630	6,116
Additions	96	224
Disposals	-	-
Depreciation for the year	(715)	(710)
Impairment losses	-	-
Carrying amount at 30 June	5,011	5,630
Channels		
Carrying amount at 1 July	13,568	13,787
Additions	-	-
Depreciation for the year	(219)	(219)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	13,349	13,568
Electrical Services		
Carrying amount at 1 July	1,373	188
Depreciation for the year	(87)	(40)
Additions	-	1,225
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	1,286	1,373
Office Equipment		
Carrying amount at 1 July	180	152
Additions	40	110
Disposals	-	(30)
Depreciation for the year	(80)	(52)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	140	180

15. *Property, Plant and Equipment (continued)*

	2009 $'000	2008 $'000
Oil Pipeline		
Carrying amount at 1 July	144	162
Depreciation for the year	(18)	(18)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	126	144
Plant and Equipment		
Carrying amount at 1 July	4,503	4,172
Additions	840	1,390
Depreciation for the year	(911)	(671)
Disposals	(98)	(388)
Impairment losses	-	-
Carrying amount at 30 June	4,334	4,503
Work in Progress:		
Carrying amount at 1 July	13,313	36,353
Additions	4,613	4,215
Transfers to finance lease	(12,095)	(27,255)
Carrying amount at 30 June	5,831	13,313
Total Property, Plant and Equipment	54,602	64,515

16. Intangible Assets

	2009 $'000	2008 $'000
Computer Software		
At cost	297	264
Accumulated amortisation	(227)	(201)
Accumulated impairment losses	-	-
	70	63
Reconciliation of Carrying Amounts		
Computer Software		
Carrying amount at 1 July	63	61
Additions	32	19
Impairment losses recognised in income statement	-	-
Amortisation expense	(25)	(17)
Carrying amount at 30 June	70	63

17. Trade and Other Payables

	2009 $'000	2008 $'000
Current		
Trade payables	3,374	-
Income in advance	299	985
GST payable	-	208
Accrued expenses	2,169	1,920
Fair value derivatives	830	627
	6,672	3,740

The Authority's exposure to liquidity risk related to trade and other payables is disclosed in note 23(i).

18. Interest Bearing Borrowings

This note provides information about the contractual terms of the Authority's interest bearing borrowings, which are measured at amortised cost. For more information about the Authority's exposure to interest rate and liquidity risk, see note 23(i).

	2009 $'000	2008 $'000
Current Liabilities		
Direct borrowings	9,686	9,398
	9,686	9,398
Non-current Liabilities		
Direct borrowings	69,583	68,975
	69,583	68,975
Financing Arrangements		
The Authority has access to the following lines of credit:		
Total facilities available:		
Direct and special borrowings	79,417	82,373
	79,417	82,373
Facilities utilised at reporting date:		
Direct borrowings	79,269	78,373
	79,269	78,373
Facilities not utilised at reporting date:		
Direct borrowings	148	4,000
	148	4,000

Significant Terms and Conditions

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

18. Interest Bearing Borrowings (continued)

Interest Rate Risk Exposure

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

2009

		Fixed interest rate						
	Variable interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	More than 5 years	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Interest Bearing Borrowings:								
Direct borrowings	7,523	-	-	-	-	-	-	7,523
Special borrowings	-	9,692	8,037	4,301	4,582	4,882	40,252	71,746
	7,523	9,692	8,037	4,301	4,582	4,882	40,252	79,269
Weighted Average Interest Rate:								
Direct borrowings	5.34	-	-	-	-	-	-	5.34
Special borrowings	-	6.3	6.3	6.3	6.3	6.3	6.3	6.3

2008

		Fixed interest rate						
	Variable interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	More than 5 years	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Interest Bearing Borrowings:								
Direct borrowings	8,139	-	-	-	-	-	-	8,139
Special borrowings	-	9,392	3,715	3,958	4,217	4,494	44,458	70,234
	8,139	9,392	3,715	3,958	4,217	4,494	44,458	78,373
Weighted Average Interest Rate:								
Direct borrowings	6.72	-	-	-	-	-	-	6.72
Special borrowings	-	6.59	6.59	6.59	6.59	6.59	6.59	6.59

19. Provisions

	2009 $'000	2008 $'000
Current		
Employee benefits provision		
Salaries and wages accrued	296	321
Annual leave	828	692
Long service leave	447	406
Superannuation	4	4
Sick leave	435	425
Liability for accumulated days off	160	164
Other provisions		
Employment on-costs	131	107
Dividend provision	1,742	1,742
	4,043	3,861
Non-current		
Employee benefits provision		
Long service leave	279	277
Superannuation	26	29
Sick leave	75	61
Other provisions		
Employment on-cost	27	40
	407	407

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

	2009 $'000	2008 $'000
Within 12 months of balance date	629	550
More than 12 months after balance sheet date	199	142
	828	692

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

	2009 $'000	2008 $'000
Within 12 months of balance date	279	406
More than 12 months after balance sheet date	447	277
	726	683

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

19. Provisions (continued)

(d) Defined benefit superannuation plans

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

	2009 $'000	2008 $'000
Amounts Recognised in the Balance Sheet:		
Present value of unfunded obligations	30	29
Fair value of plan assets	-	-
	30	29
Reconciliation of Movement in the Present Value of the Unfunded Obligations Recognised in the Balance Sheet:		
Opening balance	29	108
Current service cost	5	6
Interest cost	-	-
Actuarial gain on liabilities	-	15
Benefits paid (including expenses and taxes)	(4)	(100)
	30	29
Amounts Recognised in the Income Statement:		
Current service cost		
Interest cost	2	6
Actual gain recognised	3	15
	5	21
Historic Summary:		
Defined benefit plan obligation	30	29
Plan assets	-	-
	30	29
Experience adjustments arising on plan liabilities	-	16
Experience adjustments arising on plan assets	-	-
Principal Actuarial Assumptions:		
Discount rate	5.34	6.64
Expected future salary increases	4.50	4.50
Expected future pension increases	2.50	2.50
Anticipated return on plan assets	-	-
Expected Contributions	4.0	4.0

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

19. Provisions (continued)

Movements in Provisions

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

	2009 $'000
Retirement Benefit Obligations	
Carrying amount at 1 July	33
Provisions made during the year	1
Amounts utilised in the year	4
Carrying amount at 30 June	38
Employment On-Costs Provision	
Carrying amount at 1 July	147
Provisions made during the year	14
Amounts utilised in the year	-
Carrying amount at 30 June	161

20. Other Liabilities

	2009 $'000	*2008 $'000*
Current		
Prepaid rental income	61	68
	61	68

21. Equity

	2009 $'000	*2008 $'000*
Contributed Equity		
Balance at the start of the year	2,209	2,209
Capital contributions	-	-
Balance at end of year	2,209	2,209
Retained Earnings		
Balance at start of year	29,211	28,051
Profit / (Loss) for the period	(1,738)	1,397
Dividends paid	-	(237)
Balance at end of year	27,473	29,211

22. Reconciliation of Cash Flows from Operating Activities

	Note	2009 $'000	2008 $'000
Cash Flows from Operating Activities			
Profit / (Loss) for the period		(1,738)	1,397
Adjustments for:			
Depreciation	6	3,433	2,902
Amortisation of intangible assets	6	25	17
Dividend declared		-	(237)
Impairment loss Shark Lake investment		-	280
Loss / (Gain) on sale of property, plant and equipment	5	8	(242)
Loss / (Gain) on currency hedging		202	(340)
Income tax expense	10	(1,331)	543
Operating Profit before changes in Working Capital and Provisions		599	4,320
Change in trade and other receivables	13	(297)	(2,845)
Change in inventories	14	(165)	(183)
Change in trade and other payables	17	2,729	(890)
Change in provisions		-	(1,125)
Change in provisions and employee benefits	19	175	200
		3,041	(523)
Income taxes paid		458	(144)
Net Cash from Operating Activities		3,499	(667)

23. Financial Instruments

(i) Financial Risk Management Objectives and Policies

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

Market Risk

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

The Authority's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities or at variable rates. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than, as detailed in the interest rate sensitivity analysis in the table below, the Authority has limited exposure to interest rate risk because it has no borrowings other than WATC borrowings and finance leases (fixed interest rate).

Sensitivity Analysis

The Authority's policy is to manage its finance costs using a mix of fixed and variable debt with the objective of achieving optimum returns whilst managing interest rate risk to avoid uncertainty and volatility in the market place.
The Authority constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and alternative financing structures.

23. Financial Instruments (continued)

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

		+0.50% change		(0.25%) change	
	Carrying Amount	Profit	Equity	Profit	Equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2009					
Financial Assets					
Cash and cash equivalents	7,953	40	28	(20)	(14)
Total Increase/(Decrease)		40	28	(20)	(14)

		+0.50% change		(0.25%) change	
	Carrying Amount	Profit	Equity	Profit	Equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2008					
Financial Assets					
Cash and cash equivalents	5,714	29	20	(14)	(10)
Total Increase/(Decrease)		29	20	(14)	(10)

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.

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.

Liquidity Risk

The Authority's objective is to maintain a balance between continuity of funding and flexibility through the use of cash reserves and its borrowing facilities. The Authority manages its exposure to liquidity risk by ensuring appropriate procedures are in place to manage cash flows, including monitoring forecast cash flows to ensure sufficient funds are available to meet its commitments.

The table below reflects the contractual maturity of financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the balance sheet date. The table includes both interest and principal cash flows. An adjustment has been made where material.

23. Financial Instruments (continued)

(i) Financial Risk Management Objectives and Policies (continued)

Credit Risk

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

The Authority operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 23(ii).

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

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

	Carrying amount $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial Liabilities						
2009						
Trade and other payables	4,796	4,796	-	-	-	-
Interest bearing borrowings	79,269	7,450	2,243	8,037	13,766	47,773
	84,065	12,246	2,243	8,037	13,766	47,773
2008						
Trade and other payables	3,181	3,181	-	-	-	-
Interest bearing borrowings	78,372	4,869	2,487	4,514	14,744	51,758
	81,553	8,050	2,487	4,514	14,744	51,758

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

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

23. Financial Instruments (continued)

(i) Financial Risk Management Objectives and Policies (continued)

	Carrying amount $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2009						
Financial Assets						
Cash and cash equivalents	7,953	7,953	-	-	-	-
Trade and other receivables	59,783	8,568	1,883	4,122	14,092	31,118
	67,736	16,521	1,883	4,122	14,092	31,118
Financial Liabilities						
Trade and other payables	4,796	4,796	-	-	-	-
Interest bearing borrowings	79,269	7,450	2,243	8,037	13,766	47,773
	84,065	12,246	2,243	8,037	13,766	47,773
Net maturity	(16,329)	4,275	(360)	(3,915)	326	(16,655)

	Carrying amount $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2008						
Financial Assets						
Cash and cash equivalents	5,714	5,714	-	-	-	-
Trade and other receivables	51,152	7,680	1,387	2,913	9,964	29,208
	56,866	13,394	1,387	2,913	9,964	29,208
Financial Liabilities						
Trade and other payables	3,181	3,181	-	-	-	-
Interest bearing borrowings	78,372	4,869	2,487	4,514	14,744	51,758
	81,553	8,050	2,487	4,514	14,744	51,758
Net maturity	(24,687)	5,344	(1,100)	(1,601)	(4,780)	(22,550)

23. Financial Instruments (continued)

(ii) Categories of Financial Instruments by Fair Value

Set out below are the carrying amounts of the Authority's financial instruments. The directors consider the carrying amounts of the financial instruments represent their net fair values.

	2009 $'000	2008 $'000
Financial Assets		
Cash and cash equivalents	7,953	5,714
Trade and other receivables	10,451	9,067
Receivables (non-current)	49,332	42,085
Financial Liabilities		
Trade and other payables	5,626	3,181
Derivative financial instruments	830	627
Variable rate borrowings	13,039	8,123
Fixed rate borrowings	67,277	67,649

The fair value of the interest bearing borrowings was provided by the WA Treasury Corporation using a lending curve, based on the various maturing dates for each loan, less a margin. The carrying amount, by maturity, of the interest-bearing borrowings that are exposed to interest rate risk are disclosed in note 17.

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

(iii) Weighted Average Cost of Capital

	Within one year Weighted Average Interest Rate	Floating Interest Rate $'000	Fixed Interest Bearing $'000	Non Interest Bearing $'000	Total $'000
2009					
Financial Assets and Liabilities					
Cash and Deposits	3.28%	7,953	-	-	7,953
Receivables	-	-	-	59,750	59,750
WATC Borrowings	4.47%	-	(12,823)	-	(12,823)
WATC Borrowings	6.37%	-	(66,446)	-	(66,446)
Trade and Other Payables	-	-	-	(6,672)	(6,672)
Net Financial Assets (Liabilities)	-	7,953	(79,269)	53,078	(18,238)

23. Financial Instruments (continued)

(iv) Weighted Average Cost of Capital (continued)

	Within one year Weighted Average Interest Rate *$'000*	Floating Interest Rate *$'000*	Fixed Interest Bearing *$'000*	Non Interest Bearing *$'000*	Total
2008					
Financial Assets and Liabilities					
Cash and Deposits	6.52%	5,714	-	-	5,714
Receivables	-	-	-	51,152	51,152
WATC Borrowings	7.16%	-	(8,139)	-	(8,139)
WATC Borrowings	6.51%	-	(70,233)	-	(70,233)
Trade and Other Payables	-	-	-	(3,181)	(3,181)
Net Financial Assets (Liabilities)	-	5,714	(78,372)	47,971	(24,687)

24. Commitments

(i) Capital Expenditure Commitments

	2009 $'000	*2008 $'000*
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	32,440	1,440
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	32,440	1,440

(ii) Lease Commitments

The Authority has no lease commitments.

(iii) Finance Lease Receivable

	2009 $'000	*2008 $'000*
Amounts receivable under finance leases:		
Within 1 year	7,118	5,586
Later than 1 year and not later than 5 years	28,845	22,344
Later than 5 years	40,586	40,824
	76,549	68,754
Unearned finance income	(23,433)	(23,939)
Present value of minimum lease payments receivable	53,116	44,815
Representing finance lease receivable:		
Current (note 13)	3,784	2,730
Non-current (note 13)	49,332	42,085
	53,116	44,815

24. Commitments (continued)

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 agreement expires on 1 July, 2027 and is charged interest at 6.3% per annum.

(iv) Operating Leases Receivable

	2009 $'000	2008 $'000
Future minimum rentals receivable for operating leases at reporting date:		
Within 1 year	692	709
Later than 1 year and not later than 5 years	1,391	1,519
Later than 5 years	4,850	4,850
	6,933	7,078

Operating leases receivable are in respect of property rentals.

25. Remuneration of Auditor

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

	2009 $'000	2008 $'000
Auditing the accounts and financial statements	61	53

26. Related Parties

The following persons held the position of director during the financial year and until the date of this report:

- Jim Matijasevich
- Toni Hawkins
- Megan Anwyl
- Phil Thick
- Phil Chalmer
- Tim Shanahan
- Kathy Finlayson

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

27. Contingent Liabilities

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

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.

	2009 *$'000*	*2008* *$'000*
Contingent liabilities not considered remote		
Litigation		
The Port Authority has received an infringement notice from the Department of the Environment and Conservation. Liability has been admitted and the Port faces a maximum fine of $1.35 million. Previously the Port was defending the case and if the defence against the action was 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.	1,350	2,000
In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Port Authority.		

Directors' Declaration

In the opinion of the directors of Esperance Port Authority (the "Authority"):

(a) the financial statements and notes, set out on pages 33 to 65, are in accordance with the financial reporting provisions of the Port Authorities Act 1999, including:

(i) giving a true and fair view of the Authority's financial position as at 30 June, 2009 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Port Authorities Act 1999;

(b) there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Tim Shanahan
Deputy Chairman

24 September, 2009
Esperance

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. The financial report comprises the Balance Sheet as at 30 June 2009, 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 of the Esperance Port Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Port Authorities Act 1999. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Summary of my Role
As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.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 2009 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
29 September 2009

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

PO Box 35 Esperance
Western Australia 6450
Ph: +61 8 9072 3333
Fax: +61 8 9071 1312
A/H +61 8 9072 3333
Email: admin@epsl.com.au
www.epsl.com.au