



# 2009–2010 Highlights

## OPERATIONAL HIGHLIGHTS

- » Total Port trade  
More than 11.266 million tonnes – *a record*
- » Total Port exports  
More than 10.895 million tonnes – *a record*
- » Total iron ore exports  
More than 9.211 million tonnes – *a record*
- » Total Port imports  
371,721 tonnes
- » Number of ships to berth  
205
- » Gross tonnages of vessels  
7,886,877 tonnes – *a record*

## FINANCIAL HIGHLIGHTS

- » Revenue  
More than \$41.84 million
- » Expenditure  
More than \$42.6 million
- » Operating loss  
\$0.761 million before tax
- » Capital expenditure  
More than \$16.99 million
- » Purchases in the Goldfields Esperance Region  
More than \$12.63 million
- » Employee benefits  
More than \$11.69 million

Front cover images:

Bottom: MCP Linz prepares to sail from Esperance with a cargo of containerised nickel concentrates for Canada.

Top: Maintenance work being carried out on the Berth Two shiploader.





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# Chairman's Report



The last year has been one of recovery and consolidation for Esperance Ports Sea and Land.

The Port is now poised to rebound to a much stronger and more sustainable position in the quality and the scope of its operations.

New opportunities now presenting to the Port for increased trade and further improvements to facilities are being coupled with an ongoing commitment to maintaining environmental performance.

Significantly the Board was pleased to appoint a new Chief Executive Officer Michal Frydrych to continue the consolidation of the Port's operations and to lead the Port into an exciting phase of growth.

In October 2009 the Port was fined a total of \$525,000 after pleading guilty to six charges relating to handling of lead carbonate and nickel concentrates between 2006 and 2007. The Port has expressed its regret for the incidents, apologised for and accepted its share of responsibility.

The Port is now working very hard to regain the confidence of the community.

Since the incidents, a large scale clean up of the Port has taken place. The Port also initiated the start of the clean up process for the town by way of cleaning rainwater tanks. The clean up of the town continues and is now being handled by the State Government through the Esperance Cleanup and Recovery Project.

The removal of the shed in which the lead carbonate had been stored, marked the final chapter in the lead incident. The lead storage shed was removed without any environmental incident.

Significant work has been undertaken during the year to upgrade the mineral concentrate circuit to enable the handling of bulk minerals to continue through Esperance as well as establishing rigorous handling procedures, with the majority of the upgrade completed by the end of the 2009–10 financial year.

Stage Two of the plan, to build a world class concentrate storage and bulk concentrate handling facility at the Port, has been put on hold while the Government examines the need for such a facility. Nickel exporters are progressively increasing the use of containers for their shipments and the requirement for the new facility will be determined following the assessment of the current Stage One upgrade and the needs of industry.

The Port is confident that the new operating procedures coupled with nickel exporters increasingly turning to containers to export their product it will continue to meet its environmental responsibilities.

During the year no major environmental issues were recorded.

Trade figures have improved considerably despite the recent Global Financial Crisis and a record of more than 11.266 million tonnes of cargo was handled during the year.

Further, the significant trading loss of more than \$3 million recorded in the 2008–09 financial year has been materially reduced, and while the Port recorded a small trading loss this year it is confident it will return a profit next year.

The increase in trade brought added pressures on the Maintenance Department and a review of procedures was initiated that resulted in a new Maintenance System being adopted. This is expected to streamline maintenance and improve the reliability and availability of the Port's infrastructure.

First Quantum Minerals is discussing commercial arrangements for the handling of nickel hydroxide from the Ravensthorpe Nickel Operation from 2011 following its purchase of the operations from BHP Billiton.

The Port will handle the Ravensthorpe product in containers. The imported sulphur that is used to process the laterite nickel will be handled as a bulk product, initially being stored in the purpose built storage shed at the Port before it is transported by road to the mine site.

The Port's largest customer, Cliffs Natural Resources has indicated its intentions to increase iron ore exports from 8.8 million tonnes to 11.5 million tonnes annually over the next few years, and a number of emerging iron ore miners have expressed an interest in exporting from Esperance.

The projected increased trade will place more pressure on the already busy transport corridor into the Port. Work continued throughout the year to address this issue through a committee comprising representatives from the Department of Transport, Main Roads Western Australia, Shire of Esperance and Esperance Ports Sea and Land.



Aerial view of the Esperance Port.

The Federal Government has committed \$60 million to the upgrade of the transport corridor and a similar figure has been placed in the forward estimates by the State Government. Design work has started on the project, and the local community has been kept informed of the project's progress.

The Board is of the view that the corridor upgrade is essential for the community, the future growth of the Port and the Esperance Region.

Following the appointment of the new Chief Executive, the Board of Directors approved the restructure of the organisation during the year, with the appointment of General Managers for the areas of Commerce and Operations. These positions provide essential management support to the Chief Executive Officer and leadership to Port employees.

Employee numbers increased during the year from 101 to 109 following a recruitment drive to replace those who had left the Port during the previous 12 months. This enables the Port to prepare for increased trade next financial year.

The Board is very conscious of its responsibility and commitment to providing a safe workplace for its employees and is working closely with the Executive of the Port to achieve significant improvements in the safety performance and culture at the Port.

An emergency response team has been established at the Port. This was carried out under the direction of the Department of Mines and Petroleum and addresses any emergencies for employees working at heights and in enclosed spaces.

The Port continues to be a major employer in the Shire of Esperance and the Board recognises the key role that the Port plays in the economic and social well being of the region.

The Port continued to support the local community during the year with more than \$74,000 being provided in sponsorships and donations. This included major sponsorship of the Clontarf Foundation's South East Football Academy. Other beneficiaries included the Bi-annual Kids Fun Day in the Port Park, Apex, Esperance Volunteer Fire and Rescue Service and Rotary's annual Handicamp.

Esperance Senior High School year nine students participated in a joint education program run by the Port, with about 250 students visiting the Port to look at environmental issues, management

structures, health and safety procedures and industrial relation matters. This program has been running now for four years.

Finally, I would like to take the opportunity to thank my fellow Board members for their support during the past 12 months, and to acknowledge the Esperance Ports' dedicated and conscientious employees for their efforts in what was a difficult year.

I would also like to formally acknowledge the contribution of the previous Chairman Jim Matijasevich who led the Port ably through a difficult period.

I am sure that in 2010-11 Esperance Ports Sea and Land will continue to work with and regain the confidence of the local community, and will continue to provide the highest standard of service to current and future customers.

A handwritten signature in black ink, appearing to read 'Tim Shanahan'.

Tim Shanahan  
Acting Chairman



# CEO's Report



The 2009–10 financial year was a challenging one for Esperance Ports Sea and Land with a significant increase in trade, infrastructure upgrades, an increase in maintenance requirements, and the finalising of the matters relating to the handling of lead carbonate at the Port. Negotiations with potential new clients also either continued during the year or, in some cases, commenced.

Pleasingly, trade increased by 13.2 percent from more than 9.94 million tonnes the previous year to more than 11.266 million tonnes. This was the first time more than 10 million tonnes of cargo had been handled by the Port.

The overall improved trading performance resulted in an improved financial position at the end of the 2009–10 year, although a trading loss of \$0.761 million was recorded. This is an improvement on the previous year's \$3.069 million loss, with the overall trade outlook improving.

Although trade increased from the previous year, revenue for the year fell from \$42.29 million to \$41.84 million, which could be attributed to the recovery of abnormal electricity charges in 2008–09 following the Varanus Island gas explosion.

The increase in trade came mainly from iron ore exports which increased 24.6 percent. The Port along with Cliff Natural Resources' personnel held a public information session to provide local residents with the opportunity to discuss the company's proposed future increase in iron ore exports.

The Port also has been talking to other junior iron ore miners from the Yilgarn region about their export needs.

Nickel concentrate exports rose to 323,684 tonnes in 2009–10, an increase of 18.3 percent over the previous year's figure of 273,635 tonnes. Nickel producers are increasingly exporting their product in containers and the Port handled 5480 TEUs during the year, the most since the arrival of the container crane at the Port in October 2007.

Container traffic will continue to rise with nickel producer Western Areas indicating that it will move its product in containers from August 2010, and First Quantum Minerals is expected to export nickel hydroxide in containers.

First Quantum Minerals is re-commissioning the Ravensthorpe venture following its acquisition from BHP Billiton and has indicated that it will be moving product out of Esperance by mid 2011, as well as importing bulk sulphur for its acid plant and to generate the mine site's power supplies.

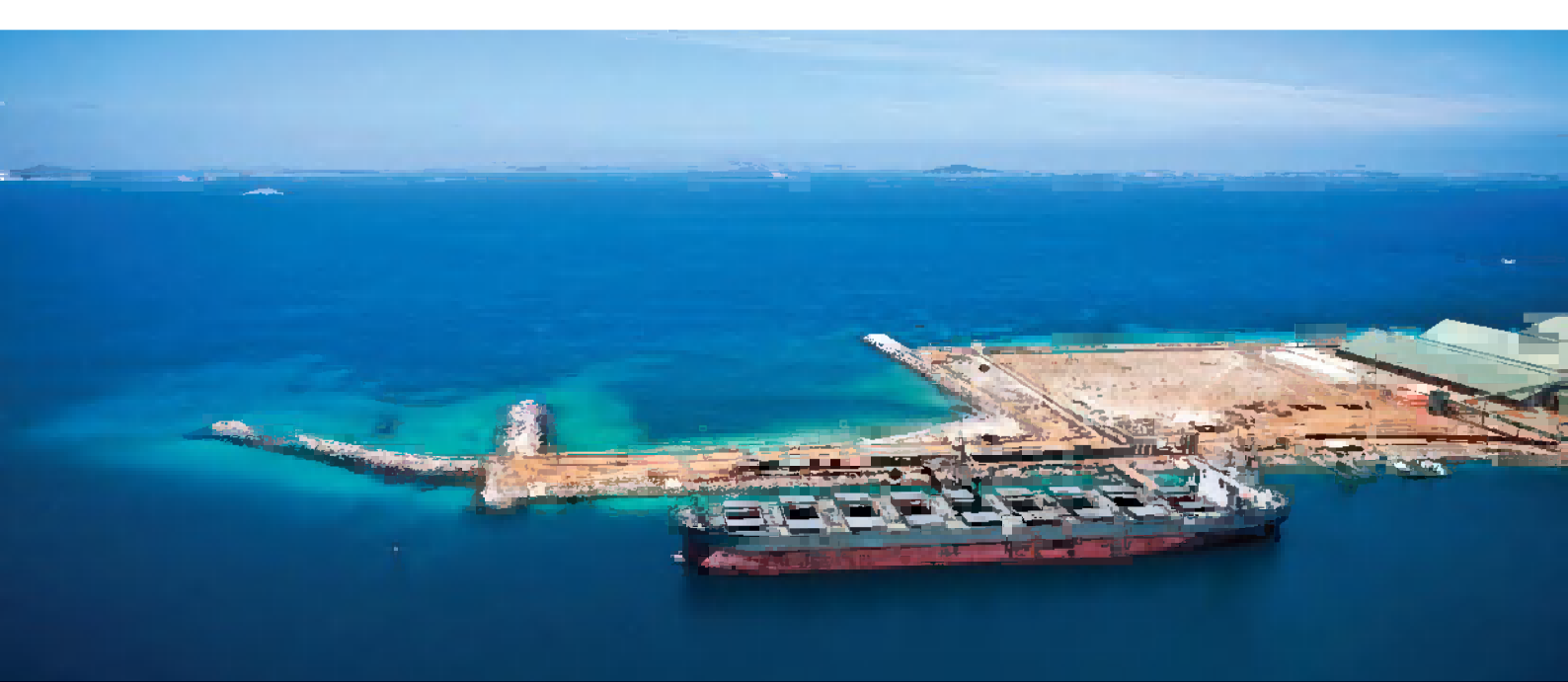
Grain exports were lower at 1.338 million tonnes in 2009–10, down from 1.569 million tonnes the previous year. The Port, however, handled a record 247,565 tonnes of canola during the year, the figure reflecting the higher prices being paid for that grain. The Port is expecting to handle higher grain tonnages in 2010–11 following a promising start to the new season with normal to above average rainfall across the local agricultural area.

Imports fell by 25 percent between 2008–09 and 2009–10, and by 47 percent between the record year of 2007–08 and 2009–10. Petroleum products fell from 340,673 tonnes last year to 304,590 tonnes this year, which is significantly below the record of 404,472 tonnes recorded in 2007–08. Manufactured fertiliser imports also fell.

The increase in trade to more than 11 million tonnes during the year resulted in increased maintenance tasks to maintain the Port's operational requirements. A review of the methods used to plan, schedule and implement work packages was undertaken and resulted in a new Reliability Centred Maintenance system being introduced. If all aspects of the new maintenance model are introduced, dependability of infrastructure is expected to increase to 92 percent, which will be a pleasing outcome for both the Port and our customers.

Negotiations continued during the year with Galaxy Resources for the export of spodumene from the Port. Galaxy has started developing its Mt Cattlin project north of Ravensthorpe and plans to export 137,000 tonnes of product through Esperance starting in November 2010. The Port has been working with the company and the State Government regulators to have its Operating Licence amended to allow the storing and handling of the product.

Negotiations have also continued with potential woodchip exporter Elders Forestry, who acquired Integrated Tree Cropping's assets in the Esperance Region during the year. The company has about 50,000 hectares of bluegum plantations on the Esperance Coastal Plain within about 100 kilometres of the Port, and has indicated



**Loading Cliff Natural Resources' iron ore on Berth Three.**

that it wants to export 400,000 tonnes of woodchips annually from Esperance to Japan. Land has been earmarked for a woodchip stockpile and the construction of a woodchip receival facility. Work on the woodchip infrastructure is likely to start early in 2011.

The Port Consultative Committee (PCC) held discussions with Elders Forestry about the company's plans to ship woodchips from Esperance during the year, and Cliffs outlined to PCC members its proposal to increase iron ore exports out of the Port from next financial year.

The Port's bi-annual hydrographic survey, carried out in early 2010, indicated a need for maintenance dredging. The Port has called for expressions of interest from dredging companies to carry out the work in 2011.

Esperance Ports continues to work with the Shire of Esperance and the Department of Transport (DoT) to find a solution to the ongoing foreshore erosion of the town beach. The Port has assumed joint responsibility with DoT for maintaining a section of the beach and agreed to support the Shire and DoT to construct a rockwall along the vulnerable areas of the beach, from Brazier Street to the Jetty, to protect public and private infrastructure. Plans to build a rockwall to protect infrastructure and a groyne to capture sand to maintain a beach are advancing and the parties hope to present design plans to the community for comment over the next few months, with the view of having the rockwall constructed before the winter of 2011.

The Port continues to work with the Shire, Main Roads Western Australia and DoT to implement the proposed upgrade of the transport corridor into the Port. The Federal Government has committed \$60 million to the project, and the State Government has matched this amount in its forward estimates of its 2010 budget. The Port is hopeful that the work will start next financial year. The corridor was built in the 1960s when the volume of cargo handled by the Port was less than half a million tonnes annually. Today the figure is over 11 million tonnes and is expected to grow significantly in the next five years. Both rail and road transport continues to increase annually and unless the upgrade is completed it will restrict the total volume of cargo that the Port can handle.

At the end of the financial year the Port and members of its operational workforce had reached an agreement on a new Esperance Ports Sea and Land Enterprise Bargaining Agreement (EBA) to cover 2010. A new agreement to cover the next three years will be negotiated in the coming months.

Although I have been in the role as CEO for only a short time, I have gained an appreciation of the dedication and commitment of the team at Esperance Ports Sea and Land, and thank those who have assisted me in developing an understanding of the current operations and the future challenges ahead for the Port.

I would like to thank the Board of Directors for their assistance in my settling into the CEO position at the Port, and acknowledge the contribution to the ongoing well being of the organisation by our customers, the Port Consultative Committee and the local community. Most importantly, I would like to thank our dedicated and hardworking employees for their invaluable contribution to the Esperance Ports.

Michal Frydrych  
Chief Executive Officer

# Corporate Governance

## ROLE OF BOARD

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

## BOARD COMPOSITION

Esperance Ports Sea and Land 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 Public Sector Management. A member of staff is not eligible to be appointed as a Director. A Director may hold office for up to three years, and is eligible for re-appointment.

## DIRECTORS' RIGHTS

Directors have access to independent legal or financial advice as an approved Port expense, and access to Esperance Ports Sea and Land 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

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

## LEGISLATION

The activities of the Esperance Ports Sea and Land 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.

Esperance Ports Sea and Land operates under established principles to ensure that business is carried out in the best interests of all stakeholders.

## RISK MANAGEMENT

A Risk Management Policy has been established for Esperance Ports, 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, Esperance Ports Sea and Land 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 Ports 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 & Port Executives

### Directors

Tim Shanahan (Acting Chairman)

Kathy Finlayson

Phil Thick

Phil Chalmers

*Jim Matijasevich resigned as Chairman of the Esperance Port in March 2010.*

Chief Executive Officer

Michal Frydrych

General Manager Commerce

Devinder Grewal

General Manager Operations

Neil Pearson

Harbour Master

Captain Rob Lovell

Deputy Harbour Master

Captain Joseph Pereira

Chief Financial Officer

Kevin Fernance

Corporate Relations Manager

Richard Grant

Environmental Manager

Alex Leonard

Human Resources Manager

Narelle Matthews

Port Terminal Manager

Pieter Kross

Maintenance Manager

Brant Grundy

# Directors' Report

The Board of Directors of the Esperance Port Authority trading as Esperance Ports Sea and Land (the Authority) has pleasure in submitting its report for the financial year ended 30 June 2010.

## 1. DIRECTORS

The Directors of the Authority during the 2009–10 financial year and up to the date of this report were:

J. Matijasevich

BE Civil

Appointed August 2006. Resigned March 2010.

P. Thick

BE Civil (Hons.) FAICD

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:

Director	Maximum Number of Meetings	Number Attended
J. Matijasevich	6	5
T. Shanahan	8	8
P. Thick	8	7
P. Chalmer	8	8
K. Finlayson	8	6

## 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 2009–10 and has not paid dividends for the years 2005–06, 2006–07, 2007–08, and 2008–09. Unpaid dividends total \$1.74 million.

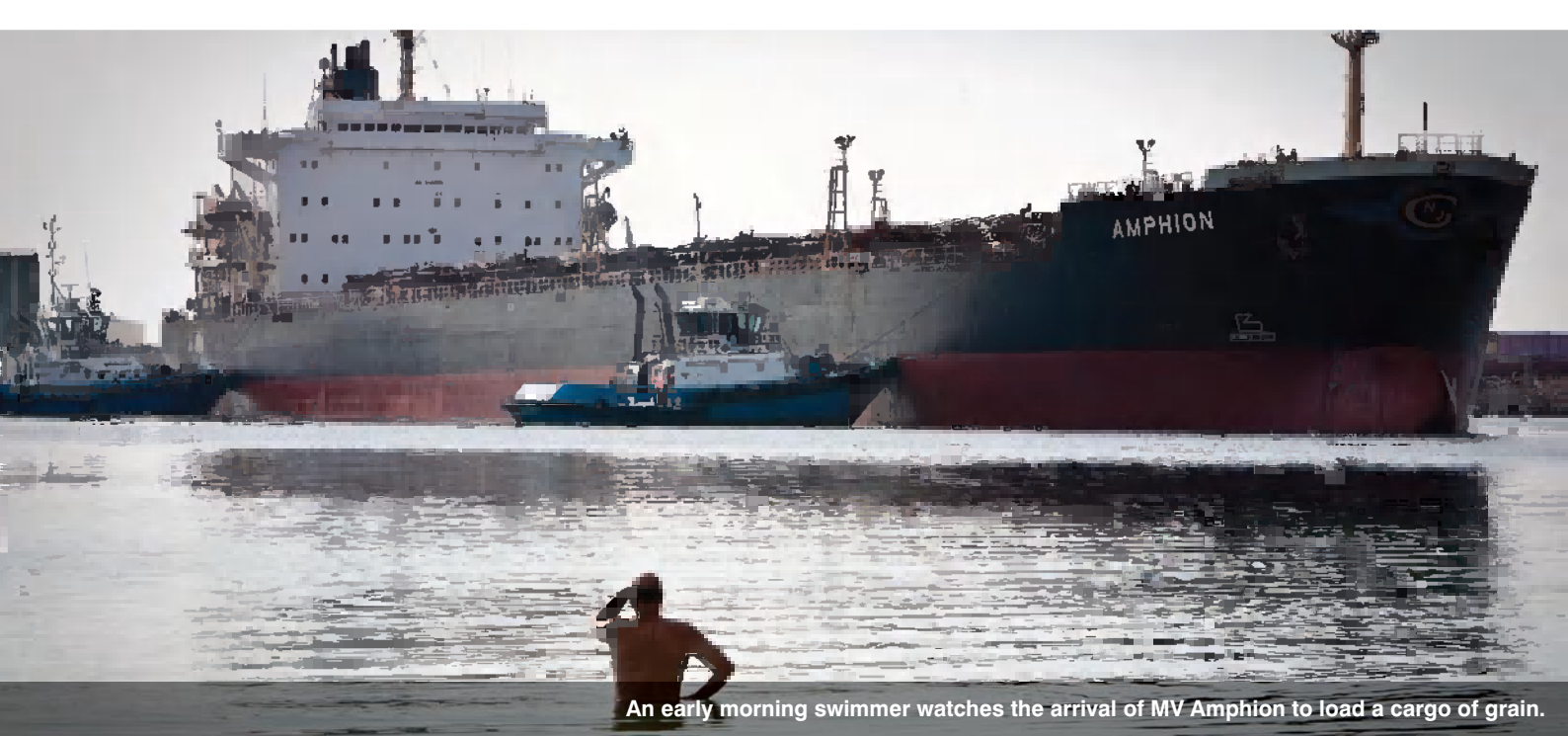
The Authority is seeking exemption from paying these dividends as part of an equity restoration plan to restore the Authority's financial position following the abnormal expenditure resulting from lead related issues during the past two years.

## 5. OPERATING AND FINANCIAL REVIEW

### *Review of operations*

The Port has had a record trade year. BHP Billiton announced the sale of their Ravensthorpe Nickel mine to First Quantum Minerals who intend to reopen the mine during the coming year. Container numbers picked up on the previous year with Xstrata exporting nickel in containers. During the coming year Western Areas will commence exporting nickel in containers. Total trade was 1.3 million tonnes greater than the previous year with iron ore exports increasing by 1.82 million tonnes. Off-setting this gain were losses in grain exports, being down 0.359 million tonnes, and fuel and fertiliser imports. Cargo handled for the year was 11,266,987 tonnes.

The Authority is seeking an equity injection to compensate for the abnormal expenditure incurred over the two past trading years in relation to the lead issue. Part of this package to restore the Port's



An early morning swimmer watches the arrival of MV Amphion to load a cargo of grain.

financial position includes waiving dividend payments for the years 2005–06 through to 2007–08.

The Authority received approval in 2009 to spend \$38 million for new and upgraded facilities to handle mineral concentrates. Substantial elements of this project have been completed, and to 30 June 2010, \$18.63 million had been spent.

#### *Court Case*

Esperance Ports Sea and Land was fined \$525,000 in the Esperance Magistrates Court in October 2009 after pleading guilty to six charges relating to the pollution caused by the handling of lead carbonate and nickel concentrate at the Port from 2006 to early 2007.

The Port expressed its deep regret for the incidents and told the court there was never any deliberate wrongdoing; however, errors were made and the Port accepted its share of responsibility for the incident.

Since the incident, a large-scale clean-up of the Port and town was initiated by Esperance Ports Sea and Land and is continuing through the works being carried out by the Esperance Cleanup and Recovery Project.

The Port's bulk concentrate infrastructure has been upgraded to ensure that such an incident cannot happen again. The Port stopped storing and handling lead carbonate in March 2006, and removed a 9000 tonne stockpile from the Port by May 2009.

Increasingly, nickel concentrates are being shipped out of the Port in containers rather than being handled as a bulk product.

#### *Commentary on operating results*

The Authority recorded a loss for the year before income tax expense of \$0.761 million. Income tax credit of \$0.16 million has been calculated giving an after tax loss of \$0.601 million.

Port trade was 11,266,987 tonnes, up 1,318,141 tonnes on the previous year and 0.367 million tonnes above budget. Total revenue was \$41.835 million, 3.5 percent above budget and \$0.458 million down on the previous year's \$42.293 million. Revenue earned

is dependent on the mix of cargoes, while additional revenue was recovered the previous year from major Port users to cover increased electricity costs.

Total expenditure was \$42.596 million being 0.4 percent below budget and a \$2.765 million decrease on the previous year. There was a significant reduction in administration expenditure being down 71.7 percent to \$2.9 million, included in this amount is the \$0.525 million fine for the lead and nickel related incidents.

Other reductions in expenditure on the previous year occurred in travel, Board, power, interest and government charges. Offsetting these gains were increases in contract services, staff training, insurance, salaries, maintenance, wages, and rates and taxes. Expenditure on lead related issues added \$1.756 million to the Port's operating costs for the year. Provisions for staff entitlements totalling \$1.051 million were made during the year. Other expenditure continuing to impact the Port are increased environmental monitoring and compliance costs to meet Department of Environment (DEC) requirements. A nil dividend has been recommended to the Minister for Transport in light of the \$0.761 million loss.

#### *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

During the coming year the Authority will complete works on the Mineral Concentrate Circuit Upgrade (MCCU). The Authority will have spent \$23.5 million. The Authority has not been able to negotiate with the Port users for the recovery of this expenditure.

Negotiations with First Quantum Minerals continued during the year following the company's acquisition of BHP Billiton's Ravensthorpe nickel operations. First Quantum plans to export nickel hydroxide out of Esperance in containers and import bulk sulphur for its operations.

Galaxy Resources has started developing its Mt Cattlin Spodumene project north of Ravensthorpe and plans to export 137,000 tonnes of product through Esperance starting in November 2010.

Elders Forestry acquired Integrated Tree Cropping's assets in the Esperance Region during the year and plans to export up to 400,000 tonnes of woodchips annually out of Esperance Port when in full production.

## 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 one Environmental Protection Notices (EPN). EPN DEC 02 of 2007 relates to lead cleanup of the Port site. The Authority still has to dispose of a small quantity of lead contaminated residues to complete this EPN. In order to comply with environmental responsibilities and objectives, the Authority has improved the documentation of its systems and revised its risk register. In the longer term the Authority aims to have an environmental management system certified to the international standard ISO14001.

The Authority received six infringement notices from the DEC relating to lead and nickel incidents at the Port. These infringements carried a potential fine to the Port of \$1.325 million. The Authority pleaded guilty to the infringements during the year and was fined \$525,000.

## 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  
Acting Chairman

Esperance,  
22 September 2010

### NON-EXECUTIVE DIRECTORS OF ESPERANCE PORT AUTHORITY

Name	Directors' Fee	Superannuation	Total
	\$	\$	\$
T. Shanahan <i>Acting Chairman</i>	33,558	3,020	36,578
J. Matijasevich <i>Chairman resigned March 2010</i>	31,463	2,832	34,295
P. Thick	16,500	1,485	17,985
P. Chalmer	16,500	1,485	17,985
K. Finlayson	16,500	1,485	17,985

### SENIOR EXECUTIVES OF ESPERANCE PORT AUTHORITY

Name	Base Salary	Motor Vehicle	Superannuation	Total
	\$	\$	\$	\$
D. A. Parsons <i>Chief Executive Officer</i>	231,178	7,999	20,806	259,983
P. Webster <i>Assistant Harbour Master</i>	210,261	—	18,923	229,184
N. Pearson <i>General Manager Operations</i>	196,056	14,273	17,645	227,974

# Regulatory Requirements

## ELECTORAL ACT 1907

Section 175Ze of the Electoral Act 1907 requires Esperance Ports Sea and Land 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 in the table below.

## RECORD KEEPING

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

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

## DISABILITY SERVICES PLAN

Esperance Ports 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 Ports received no Freedom of Information requests during the 2009–10 financial year.

Class Of Expenditure	Organisation/Company	Total Expenditure 2009–10
Advertising agencies		Nil
Market research agencies		Nil
Polling organisations		Nil
Direct mailing agencies		Nil
Media, for advertising	Esperance Holdings Pty Ltd	\$3,341
	Hocking and Company Pty Ltd	\$594
	Showcase Publications	\$11,875
	Adcorp Australia Ltd	\$6,048
	Seek Limited	\$720
	Market Creations	\$610
	Lloyds List	\$624
	Email Media	\$375

# Finance

Esperance Ports Sea and Land recorded an operating loss for the year before income tax expense of \$0.761 million, a significant improvement on the previous year's loss of \$3.069 million. Income tax credit of \$0.160 million has been calculated giving an after tax loss of \$0.601 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 decreased from \$42.29 million for 2008–09 to \$41.84 million in 2009–10. Total trade increased 13.2 percent on the previous year and total revenue decreased 0.97 percent. The decrease in revenue for 2009–10 compared to 2008–09 was due to the abnormal recovery in 2008–09 of \$2.0 million for the increased cost of power as a result of the loss of gas to the Esperance power station following the Veranus Island incident.

During 2009–10, revenue from wharfage decreased 6.2 percent as a result of the change in the mix of cargoes, while vessel charges increased 9.5 percent as a result of increased trade offset by more efficient berth utilisation.

Revenue from Pipeline Service Charge decreased in line with the decrease in petroleum imports, down from 340,673 tonnes last year to 304,590 tonnes this year. Handling charge revenue increased 10.6 percent on the previous year, which reflected the increase in iron ore exports and changes in other handling operations.

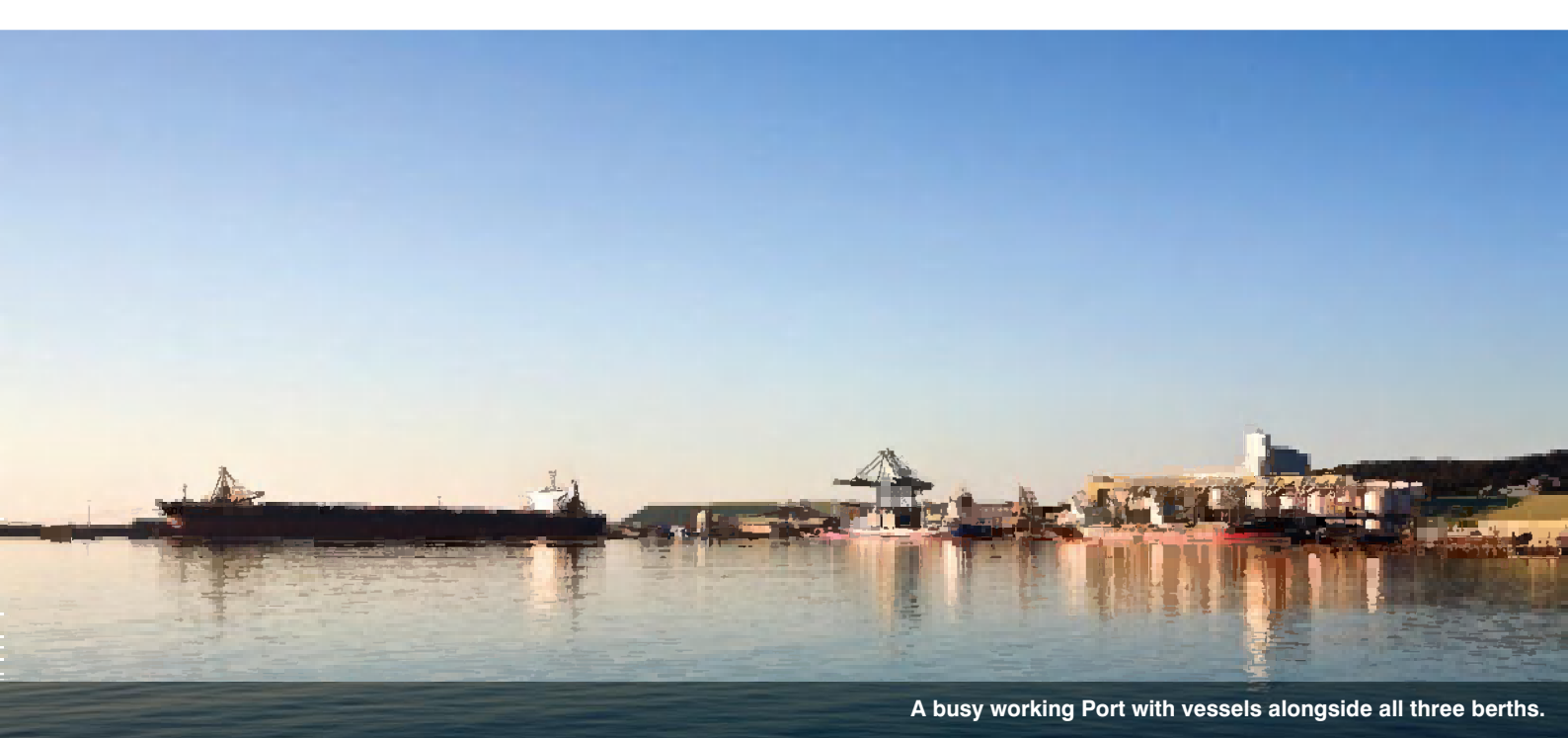
Revenue from labour recoup decreased 18.8 percent on the previous year as a result of a decrease in supplying labour for third party shipping services.

Revenue from pilotage, plant hire and sundry income increased during the year, while income from interest received, rentals and quarantine waste disposal decreased.



Western Areas and Port personnel gather on Berth Two to watch the loading of the company's first shipment of containerised nickel concentrates.





A busy working Port with vessels alongside all three berths.

### EXPENDITURE

Total expenditure for the year was \$42.6 million, which was \$2.77 million less than the preceding year and \$0.34 million less than budget. Decreases on budget were recorded in expenditure for general administration, travel expenses, interest charges, Board fees and expenses, insurance, depreciation, government charges, provisions for annual leave and accrued days off. Increases to budget were incurred for contract services, staff training, payroll tax, salaries, electricity and water purchases, maintenance and wages.

Expenditure decreased on the previous year by \$2.77 million. Administration expenditure was reduced by 71.7 percent to \$2.9 million, which included a \$0.525 million fine for the lead and nickel related incidents. Other reductions on the previous year occurred in travel expenses, Board costs, power and interest costs and government charges. Offsetting these gains were increases in contract services, staff training, insurance, salaries, maintenance, wages, and rates and taxes.

Expenditure on lead related issues added \$1.756 million to the Port's operating costs for the year. Provisions for staff entitlements totalling \$1.051 million were made during the year. A nil dividend has been recommended to the Minister for Transport in light of the \$0.761 million loss.

### CAPITAL

Esperance Ports borrowed \$14.5 million from the Western Australian Treasury Corporation during the year. Capital repayments of \$5.057 million were made to reduce the debt owed to the Western Australian Treasury Corporation.

Capital expenditure during the year was \$16.99 million. The Port spent \$0.957 million on minor works, \$2.122 million on improvements to the iron ore circuit and a further \$13.911 million on the mineral concentrate circuit, bringing the total expenditure on the circuit to \$18.629 million. The mineral concentrate circuit upgrade has a budget of \$38 million.



Lightning storm lights up the Port.

# Business Development



There have been several lines of focus this year as the Port worked on further developing its commercial activity and consolidating internal capability to deliver its customers' expectations and comply with its given responsibilities.

Internally, the focus has been on developing a robust and integrated management system, supported by a contemporary IT infrastructure. All the key operational processes are now risk assessed and controlled to ensure safety of personnel, the assets involved and the environment. A recording database has been developed for tracking action items arising from incident/accident/hazard reports. This will ensure the correct information is captured and actioned for investigation and the lessons learnt are brought into management practices.

Commercially, too, the focus has been to integrate risk management into business agreements and practices. The Port's financial systems software and document management system have both been successfully upgraded as part of the server upgrade. The addition of a centralised backup system now means that the Port has a reliable means of data retrieval and archival.

IT has played a key role in all developments this year, with the introduction of new hardware and software platforms. The majority of the Port's IT systems have been redesigned or rebuilt. The fibre optic network has been reconfigured into a more robust network, and the main server centre has been moved out of the Port operations area and into a new purpose-built server room in the Port's administration building.

So far, about 85 percent of the systems have been migrated to a new virtualised server platform, bringing about performance gains and power savings, while providing a system that is both scalable and easily managed.

2009 saw the introduction of a Helpdesk system, where Port staff can log support calls from their computer, a feature which has enabled IT staff to manage calls in a more efficient and organised manner. This system is on track to record about 1000 calls in its first year.

The Port's environment remains a key area of interest to the community, the regulator and the Port's management. Environmental monitoring has been upgraded with the completion of the radio network allowing all monitoring stations to return data automatically to a new environmental monitoring database, where it can be analysed and reported on. This automation and





**MCP Goteborg prepares to load containers.**

centralised management of information should mean some real gains in efficiency for Port environmental staff. The Port is still, however, required to have certain reports analysed and written by consultants.

The Harbour Master's office and all its associated communication equipment has been moved to a new location. A Geographic Information System (GIS) has been introduced. The GIS system allows Port staff to model developments in a highly accurate spatial environment, creating maps and plans that are overlaid on top of the latest satellite imagery of the Port.

The IT components of the Port's Control System have all been upgraded, providing more efficient real time monitoring of the Port's transport and operations network. Port Electrical and IT staff worked with the software vendors to ensure the minimum of downtime and the result was a smooth upgrade process, completing the project in March 2010.

The Global Financial Crisis did have an impact on some producers of cargo but it also created opportunities for others to move into trading. The Port continues to discuss the potential export of niche commodities such as woodchips with producers. However, First Quantum Minerals, the new owners of the Ravensthorpe nickel project, has been engaged in discussions with the Port to finalise commercial agreements. Their trade will be in containers, except for sulphur imports, which will remain in bulk.

Similarly, Galaxy Resources has worked closely with the Port to define their export plans for spodumene to China where it will be processed into lithium for batteries.

The container trade has seen some growth with Xstrata moving to half height containers for all their exports. During the next financial year, Western Areas is expected to follow suit. Interest from some grain producers to explore the container trade has remained strong although it is not expected to substantially impact on bulk grain movements through the Port.

There has been growing interest from more iron ore producers in the region to export through Esperance at least until the Oakajee project is ready for operations.

This dialogue to develop new business will continue with the expectation that any new trade will continue to maintain the high operational hygiene standards expected of the Port by its community.

Stage One of the Metal Concentrate Circuit Upgrade has been completed successfully well within budget and on time. Environmental expectations associated with this upgrade have all been met. Peripheral works on that circuit continue to be executed.

Stage Two of this work has been postponed sine die to allow assessment of the efficacy of the works completed thus far and the need for specific works that may need to be done in the future.



**MCP Linz departs the Port with a cargo of containers.**



# Engineering Report



Tradesmen working on the Berth Two loader chute.

## MINERAL CONCENTRATE CIRCUIT UPGRADE

In early December 2008, the Premier of Western Australia announced the construction of a \$100 million world-class, purpose-built mineral concentrate handling facility that would enable the environmentally compliant export of bulk minerals from Esperance Port.

The first stage of the project (Stage One) comprised undertaking Dust Emissions Reduction Works on the existing concentrate handling facility as broadly prescribed in the Port's Operating Licence. Commissioning of these works were to be achieved by 31 August 2009.

These works were completed by the deadline by the Alliance established in early 2009 between the Esperance Port Authority and Bilfinger Berger Services Australia. The main elements of the works comprised:

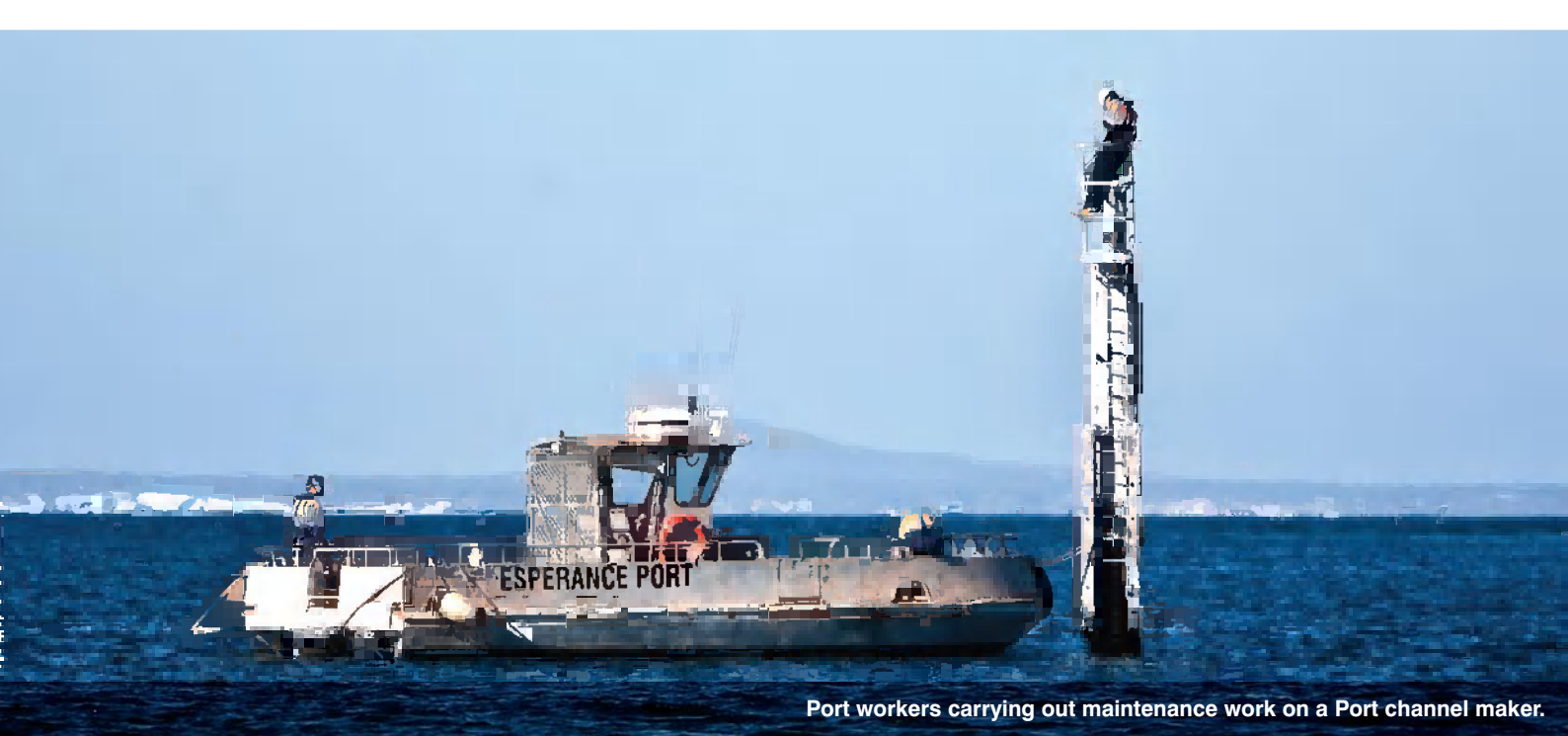
- Enclosure of conveyor galleries and transfer points;
- Installation of a superior ventilation system on the storage shed;
- Improvements to the shiploader; and
- Installation of a container tipper.

Work on the existing concentrate handling facility continued during the 2009–10 financial year. The Alliance carried out various engineering works such as changing out conveyor belting, idlers and mechanical components to improve the operation of the conveying systems which has reduced the generation of dust.

Other works carried during the year included further refinement of the storage shed ventilation system and structural modifications to the supporting structures to accommodate the additional loads from enclosure of the conveyors and installation of additional dust control plant.

It is forecast that all Stage One works for the upgrading of the mineral handling facility will be completed in the 2010–11 financial year. Stage One will be delivered under budget at \$28.5 million against the original budget of \$38 million.

The environmental performance of the upgraded existing minerals handling system has been significantly enhanced. Extensive monitoring within the Port and at various monitoring sites outside of



Port workers carrying out maintenance work on a Port channel maker.

the Port indicate substantial improvements in dust emission levels with an increasing number of monitoring sites being unable to register any dust from the Port's nickel handling operations.

The performance of the system continues to be monitored as further improvements to the system are being made. Further, the Port is expecting existing customers to change from delivery of nickel concentrate product in kibbles to half height containers which will utilise the new tipper system. Trial delivery of nickel product in half height containers is planned for August 2010.

The Port's Operating Licence specified that "a new purpose built bulk metal concentrate receival, storage, transfer and shiploading facility shall be installed to meet international best practice for the control of odour and dust emissions by 6 January 2011."

Following consideration of a business case on the proposed Stage Two development of a world-class facility, the Minister for Transport in June 2010 announced that Government had deferred its decision on proceeding with the \$100 million Stage Two facility until June 2011.

Accordingly, the Port has applied to the Department of Environment and Conservation to amend the Licence to reflect the Government's decision to defer the Stage Two works.

### LEAD SHED

In June 2009 industrial demolition specialists McMahon Services were engaged to dismantle and remove the shed that had previously stored the lead carbonate. The 9000 tonne lead carbonate stockpile had been removed by May 2009.

The demolition and disposal of the shed was undertaken using the same stringent procedures that were developed and documented in the Port's "Lead Removal Plan".

All demolition material was treated before being taken off site and was disposed at various licenced receival facilities.

McMahon Services diligently managed the demolition project with no environmental or safety incidents occurring.

### MAINTENANCE REVIEW

The Port's maintenance task has become increasingly demanding during the 2009-10 financial year with the increase in trade to more than 11 million tonnes and the introduction of two additional iron ore train movement a week.

With further growth in Port trade predicted, the current maintenance requirement will increase and will invariably be accompanied with diminishing windows of time available to carry out the maintenance tasks.

To meet the future operating demands the Maintenance Department embarked on a project to enhance its maintenance and asset management function.

An internal review of the methods used to plan, schedule and implement work packages was undertaken to identify any shortfall in the ability to meet future maintenance needs.

The results of this review led to a new system of Preventative Maintenance Management being introduced at the Port.

The Preventative Maintenance system is based on an Australian and International Standard: "AS IEC 60300-2004 Dependability Management". This standard covers all aspects of maintenance management to provide availability, reliability and cost control.

These aspects are considered to be fundamental to achieving operational and financial targets.

The introduction of regular shutdowns for planned maintenance of the Port's infrastructure has been pursued and has seen an improvement in both reliability and availability.

Implementation of all aspects of the AS IEC 60300 standards are expected to deliver levels of dependability of the infrastructure, and will increase plant reliability to accepted industry standards of above 92 percent.

Implementation of the new preventative maintenance approach commenced during the latter part of the financial year, and a substantially functional system is expected to be operating by the end of 2010-11.

Rail maintenance has been an area of focus for the Maintenance Department with several sections of the Port's rail infrastructure being replaced during the financial year.

With the completion of these high priority areas, other areas requiring work will be undertaken during 2010-11. These works will return to the Port's rail system to a "fit for purpose" standard.

# Trade

Total trade for 2009-10 was a record 11.266 million tonnes, an increase of more than 1.318 million tonnes or 13.2 percent more than the previous year's total of 9.94 million tonnes, and more than 13 percent above the record of 9.949 million tonnes recorded in the 2006-07 financial year.

While the overall exports increased from 9.452 million tonnes last year to 10.895 million tonnes in 2009-10, imports fell from 496,627 tonnes the previous year to 371,721 tonnes. Imports were well down on the record 705,918 tonnes recorded in 2007-08 financial year.

The increase in trade can be attributed to the rise in iron ore exports by Cliffs Natural Resources from its Koolyanobbing operations. During the year the Port handled more than 9.211 million tonnes of iron ore, 1.819 million tonnes or about 24.6 percent more than previous year.

Overall grain exports fell from 1.697 million tonnes in 2008-09 to 1.338 million tonnes in 2009-10, although there was a significant increase in canola exports, up from 139,581 tonnes last year to a record 247,565 tonnes. Wheat and barley exports fell in 2009-10, while there were increases in lupin and pea exports.

Nickel concentrate exports rose by 50,049 tonnes, up from 273,635 tonnes in 2008-09 to 323,684 tonnes this year, an increase of about 18.3 percent. No nickel hydroxide was exported from the Port this year following the closure of BHP Billiton's Ravensthorpe nickel operations, which also impacted on the total import trade with no sulphur being imported during the year.

Container trade increased during the year from 3010 TUE's in 2008-09 to 5480 TUE's this year following the decision by Xstrata Nickel to export nickel concentrates in containers.

Fuel imports fell slightly to 304,590 tonnes, down from the 340,673

tonnes the previous year and the record of 404,472 tonnes in 2007-08. The fall in fuel imports can be contributed to the global economic crisis that forced the closure or reduced production by nickel producers in the Goldfields Esperance Region.

There was also a significant decrease in fertiliser imports.

While the total exports increased significantly during the year, the number of ships berthing at the Port fell from 207 in 2008-09 to 205 this year; however, the gross tonnage rose from more than 7.628 million tonnes to more than 7.886 million tonnes with more cape sized vessels visiting Esperance.

## TRADE FORECAST

Esperance Ports is forecasting an increase in total trade for the 2010-11 financial year.

This can be attributed to an increase in iron ore exports by Cliffs Natural Resources to 11.5 million tonnes, the resumption of nickel hydroxide exports by First Quantum Minerals who will resume mining and processing operations at the Ravensthorpe nickel operations (RNO), an increase in the handling of nickel concentrates with Western Areas exporting its products through the Port, Galaxy Resources' spodumene being shipped from October 2010 and the start of woodchip exports.

Sulphur imports for First Quantum will also resume in 2010-2011.

With more nickel concentrates being exported in containers and the resumption of RNO operations, a significant increase in container trade is expected.

Trade volumes for grain, fuel and fertiliser are expected to remain at current seasonal levels.

The number of vessels visiting the Port is expected to increase because of the increase in total trade.

## COMPARATIVE RESULTS OF PRINCIPAL CARGOES

PRODUCT	2010 (TONNES)	2009 (TONNES)	PERCENT (CHANGE)
Petroleum	304,590	340,673	-10.6
Fertiliser	57,775	75,077	-23.0
Grain	1,338,119	1,697,346	-21.2
Nickel	323,684	273,635	+18.3
Iron Ore	9,211,331	7,392,929	+24.6





Preparing bags of nickel concentrate for loading into a ship's hold.

#### Imports-Exports Year Ended June 30, 2010

CARGO (Tonnes)	2010	2009	2008	2007	2006
Container Tonnes Empty	9,356	-	-	-	-

#### IMPORTS

Petroleum	304,590	340,673	404,472	385,880	284,474
Phosphate	-	-	-	-	-
Manufactured Fertilisers	57,775	75,077	84,663	78,001	78,290
Sulphur	-	74,149	201,162	29,496	-
Magnesia Oxide	-	6,728	14,331	-	-
Sundry	-	-	1,290	5,338	2,564
<b>TOTAL IMPORTS</b>	<b>371,721</b>	<b>496,627</b>	<b>705,918</b>	<b>498,715</b>	<b>365,328</b>
TEU's IN	3,395	1,565	1,607	-	-

#### EXPORTS

Iron Ore	9,211,331	7,392,929	7,435,699	7,572,075	5,998,309
Nickel	323,684	273,635	193,491	173,801	213,110
Lead	-	8,925	-	79,588	86,262
Barley	611,210	732,379	620,905	337,003	715,930
Wheat	428,683	801,701	677,153	1,032,801	712,128
Oats	-	-	-	271	4,524
Sulphur	22,042	25,000	-	-	-
Lupins	19,205	-	10,011	33,598	-
Peas	31,456	23,685	33,000	24,962	47,169
Canola	247,565	139,581	218,467	196,915	166,403
Nickel Hydroxide	-	54,384	35,639	-	-
<b>TOTAL EXPORTS</b>	<b>10,895,266</b>	<b>9,452,219</b>	<b>9,224,365</b>	<b>9,451,014</b>	<b>7,943,835</b>
TEU's OUT	2,085	1,445	2,071	-	-
<b>TOTAL TRADE</b>	<b>11,266,987</b>	<b>9,948,846</b>	<b>9,930,283</b>	<b>9,949,729</b>	<b>8,309,163</b>
<b>GROSS TONNAGE</b>	<b>7,886,877</b>	<b>7,628,856</b>	<b>7,345,228</b>	<b>7,404,800</b>	<b>6,488,064</b>
NO. OF VESSELS	205	207	192	181	177
NO. OF TRADE VESSELS	202	202	185	181	173
<b>TOTAL TEU'S</b>	<b>5,480</b>	<b>3,010</b>	<b>3,678</b>	<b>-</b>	<b>-</b>

# Performance Indicators

## OUTCOME

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

## EFFECTIVENESS

### Time at berth

TARGET	2010	2009	2008	2007
40.0 Hours	53.3	52.5	59.0	48.2

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

### Total Time

TARGET	2010	2009	2008	2007
60.0 Hours	72.99	105.3	86.9	66.7

This is the average time elapsed from the arrival of a ship at the Port boundary to departure from the Port. This indicator has decreased and reflects a reduction in waiting times for berth access and is partially offset by increased alongside time.

## EFFICIENCY

### Cargo handled per time in Port

TARGET	2010	2009	2008	2007
700.0 Tonnes	764.3	467.8	617.4	823.9

This is the average cargo handled for total time from Port arrival to departure. The increase reflects an increase in bulk cargoes such as iron ore.

### Cargo handled per hour at berth

TARGET	2010	2009	2008	2007
1100.0 Tonnes	1046.7	938.3	909.8	1139.6

This is the average cargo handled per ship hour at berth. The higher this figure the more productive are cargo handling operations. This figure has increased because of larger tonnages of bulk cargoes being handled.

## Cargo handled per shift hour

TARGET	2010	2009	2008	2007
1600.0 Tonnes	1960.9	1489.9	1564.7	1839.2

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	2010	2009	2008	2007
42.0 Percent	40.9	40.3	41.5	33.2

Average berth occupancy measures the time ships are actually along side the berth as a percentage of the total time available. Time alongside increased on the previous year because of an increase in tonnes handled.

### Time awaiting berth

TARGET	2010	2009	2008	2007
25.0 Hours	19.7	52.8	27.9	18.5

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



Grain vessel departing Berth One.

#### Average ship alongside time

TARGET	2010	2009	2008	2007
Petroleum 30.0 Hours	24.9	23.7	22.5	18.1
Fertiliser 45.0 Hours	44.3	47.9	47.6	46.9
Grain 40.0 Hours	52.9	52.2	56.9	47.4
Nickel 30.0 Hours	58.4	53.6	81.3	47.5
Iron Ore 59.0 Hours	60.4	60.1	60.4	57.1
Sulphur 180.0 Hours	99.3	88.2	213.5	0.0
Containers 50.0 Hours	43.0	70.8	61.9	0.0
Other 00.0 Hours	26.2	35.2	40.5	40.5

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	2010	2009	2008	2007
\$4.00	\$3.78	\$4.55	\$3.87	\$3.22

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	2010	2009	2008	2007
\$215,814	\$210,872	\$224,396	\$207,796	\$176,998

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

#### OUTCOME

To promote the development of trade through the Port.

#### EFFECTIVENESS

##### Total trade comparison

Year	percent change on previous year	Volume-Tonnes
2010	+13.2%	11,266,319
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 increasing by 13.2% on the previous year.

	TEU's In	TEU's Out	Total
2010	3,395	2,085	5,480
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

	2010	2009	2008	2007	2006
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



Cruise ship MV Vollandan steams into Esperance Port.

## SHIPPING MILESTONES

### MOVEMENTS

Esperance Ports Sea and Land recorded 205 ship visits during the 2009–10 year, which was two less than the record 207 visits the previous financial year. However, with increased total trade, the vessels were larger and the gross registered tonnes rose from more than 7.628 tonnes the previous year to more than 7.886 million tonnes this year, a record for Esperance.

### MV SOUTH FORTUNE

Daylight restrictions for Panamax vessels to and from Berth One were removed and on 31 January 2010, the first night sailing of a Panamax grain ship, MV SOUTH FORTUNE carrying barley and canola occurred.

### MAXIMUM DRAFTS

The maximum allowable load drafts for ships berthing at the Esperance Port was brought into line with International best practice by removing the absolute draft restriction of 18 metres, and allowing vessels to load to deeper drafts, providing the minimum Underwater Keel Clearance of 1.3 metres is observed.

### MV LUIGI D'AMATO

The MV LUIGI D'AMATO sailed on the rising tide with a record draft of 18.06 metres on 27 January 2010 with a cargo of 175,643 tonnes of iron ore.

### MV NORD STEEL

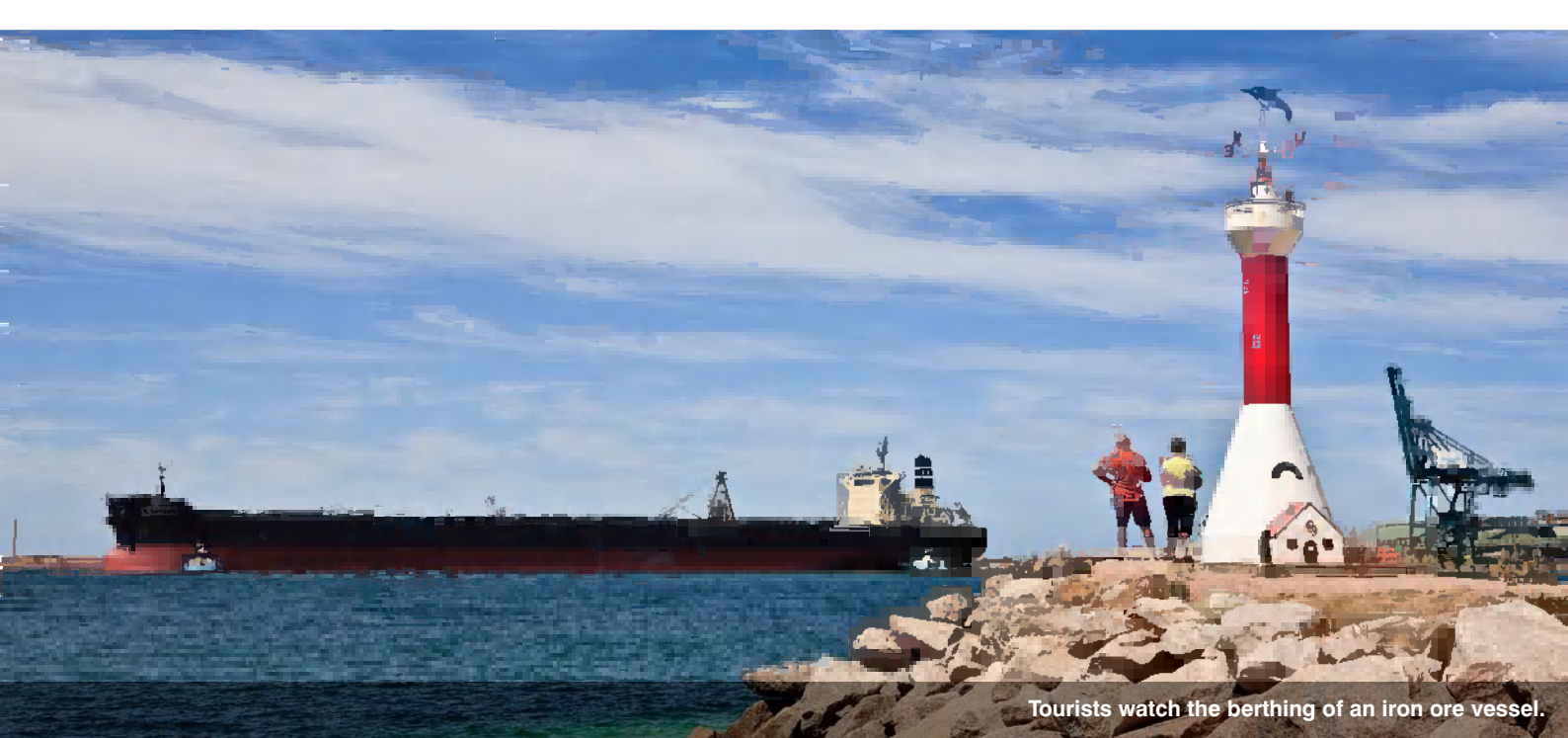
On 15 February 2010, MV NORD STEEL sailed with a draft of 18.17 metres carrying 177,623 tonnes of iron ore.

### CRUISE SHIPS

MV ATHENA and MV VOLLENDAM made one-day stopover calls to Esperance during the year.

### HYDROGRAPHIC SURVEYS

The Port was surveyed in February 2010. General accretion was noted and appropriate notices were promulgated so that minimum Underwater Keel Clearances could be maintained. The Port will again be surveyed after maintenance dredging to remove high spots has been completed.



Tourists watch the berthing of an iron ore vessel.

### PORT BEACONS

Over a period of about 12 months two of the Port's five piled beacon structures have failed. The welded steel pipe sections of both beacons failed at the sea bed level, and metallurgical investigations attributed the failures to poor welding techniques.

The piled structures had been in service for about nine years.

Temporary buoys are now being used in the locations previously marked by the beacons.

An appraisal of alternative aids to navigation has been undertaken by the Port and has included the potential use of PEL sector lights and ocean class polyethylene buoys.

It is intended for the beacons to be replaced in late summer or autumn when the sea and meteorologically conditions are more favourable for pile driving operations.

### PORT DREDGING

The 2010 annual hydrographic survey of the Port has shown a loss of depth adjacent to the Port's iron ore berth (Berth Three) and its second bulk berth (Berth Two). The reduction in depth has only had a minor impact on shipping operations at Berth Three and has not affected Berth Two.

While the berths have experienced a loss of depth of about 0.5 metre at a small number of locations, the Port approaches and swinging basin have also been subject to progressive accretion

of sand since the previous Port expansion dredging works in 2001–02.

Losses of depth up to 1.5 metres have occurred but to date these have not had an impact on the navigation of ships.

Expressions of Interest were invited in May 2010 from companies to provide dredging services to remove the small volume of high spots, and for a more extensive maintenance dredging which would return the Port to its post-construction depths.

The Expressions of Interest are currently being evaluated and it is intended to carry out maintenance dredging during 2010–11.

### PILOTAGE

Following the resignation of Esperance Ports' pilot, Captain Paul Webster, Captain Joseph Pereira, the former Assistant Harbour Master with the Port Hedland Port Authority, was recruited. He commenced training as a Marine Pilot and was licenced in May 2010 to pilot ships into and out of Esperance.

Following the resignation of Captain Julian Thomas shortly after Captain Webster, recruitment to replace him was commenced and the successful candidate, Captain Stephen Dickason, is expected to commence employment with Esperance Ports Sea and Land in August 2010.



# Environmental Management

## ENVIRONMENTAL MANAGEMENT

Esperance Ports Sea and Land aims to conduct its activities in a manner which protects the environment and promotes sustainability by:

- Complying with relevant environmental legislation and regulations including the Operating Licence, Ministerial Statement 681 and internal procedures;
- Identifying and managing issues not included in the Operating Licence;
- Including environmental planning in the Port's expansion and future business; and
- Communicating environmental risks to our stakeholders.

## AIR QUALITY

The start of the 2008–09 financial year saw the Air Quality Monitoring Network consisting of four sites on the Port's boundary that are used for reporting compliance with the Port's Operating Licence. These sites are complemented by a further Australian Standard compliant site located in the community close to the Shire of Esperance's Office, as well as four other sites within the Port used as an early warning system.

The four sites located within the Port use Esamplers that measure Total Suspended Particulates (TSP) in real time and indicate the source and direction of the dust within the Port.

The four sites on the Port's boundary each have a High Volume Air Sampler (HVAS) measuring TSP over a 24-hour period, and a Tapered Element Oscillating Microbalance (TEOM) measuring the respirable particulate ( $<10\ \mu\text{m}$ ). Only the TSP collected from the HVAS contains sufficient material to enable the measurement of metals such as nickel and iron that are indicative of products handled by the Port.

The one site located in the community also measures TSP over a 24-hour period allowing analysis of metals. This monitoring equipment will be modified so that only respirable dust and concentrations of metals will be analysed. Another two monitoring stations will be set-up within the community during the 2010–11 financial year to provide additional data to be used to assess nickel exposure.

## OPERATING LICENCE

Since the last annual report the Port continues to operate under Licence 5099/12 which contains highly prescriptive conditions relating to the upgrade of the existing bulk concentrate circuit, the monitoring of air, marine sediments, storm water and wastewater quality. The Port is submitting air quality reports every month, for the loading of every nickel ship and exceedence reports for any occurrence where dust levels exceed the Licence targets.

The Port's compliance with these Licence conditions has been outstanding despite a couple of exceptions. One exception was associated with the completion of shiploader modifications on 31 August 2009 instead of March 31 2009. The magnitude of the engineering challenge to modify the shiploader was underestimated and the Licence prescribed delivery date could not be reasonably met. The second exception relates to eight TSP exceedences, seven of which were attributable to grain loading activities which are not covered in the scope of the current Licence. Notwithstanding the Port has included these exceedences as part of its comprehensive monitoring and reporting program.

Grain exporter, CBH is currently conducting an audit to determine what remedial actions may be taken. The Port is investigating the possibility of modifying monitoring equipment to allow the measurement of organic carbon as an indicator of grain dust.

## NICKEL

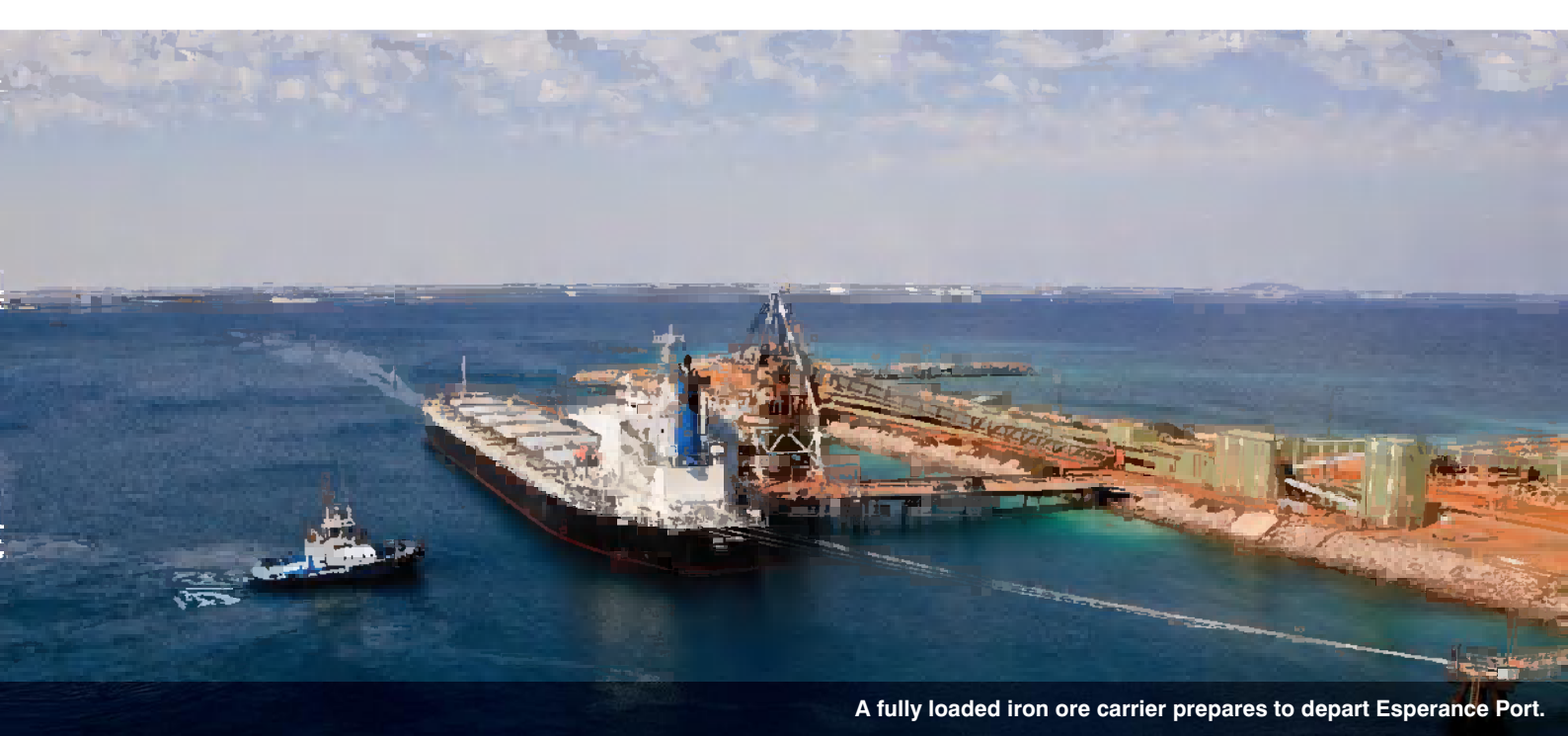
The Port remains committed to no odour/dust emissions from the nickel operations. In addition to an operating procedure that enforces a 'no loading zone' in a wind arc of between 45 and 180 degrees, emissions of offsite dust and odour have been further reduced due to the upgrade works to the nickel concentrate handling circuit.

During the financial year there have been no exceedences of the nickel objective on the Port's Operating Licence nor odour complaints received from the community. Furthermore, risks of nickel exposure is expected to decrease further as bulk exports of nickel concentrates decline and containerised nickel exports increase.

## WATER QUALITY AND EFFICIENCY

The Port has received final approval for its Water Efficiency Management Plan (WEMP) from the Water Corporation and has been implementing this plan, including:





A fully loaded iron ore carrier prepares to depart Esperance Port.

- Using a dust binding agent and eliminating the use of about 20 million litres of scheme water a year for dust suppression on the unsealed roads;
- Harvesting about three million litres of rainwater from iron ore sheds annually; and
- Re-using about two million litres of treated wastewater from the wastewater treatment plant a year.

The Port is also investigating further re-use options including using treated water for conditioning moisture levels of mineral products to reduce the potential for dust.

### STORMWATER AND LANDSCAPING

The Port is looking to combine its plans for stormwater management with landscaping by creating rain gardens in areas designed to soak away clean stormwater from roofs and road run-off. All existing stormwater infrastructure is to be cleaned and surveyed. Surrounding land surfaces will also be surveyed to develop a surface drainage map and plans to manage surface water run-off more effectively and to cater for any foreseeable developments.

### WASTE MANAGEMENT

Risk-based procedures have been improved and are being implemented to remove, recycle, reuse or dispose of solid waste. These wastes include scrap metal, plastics, wood and excavated fill. These procedures involve assessing the likelihood of contamination and conducting laboratory testing if there are any doubts on contamination.

### RISK ASSESSMENT

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

Current risk assessments include:

- Handling spodumene through the Port. Lithium produced from processing spodumene is used to produce batteries. The community will be consulted as part of the DEC-approval process; and
- Maintenance dredging of the Port to remove sediments accreted since the previous Port expansion works in 2001–02 were completed.

### BLACK SWAN INCIDENT

In August 2009 the Port responded to heat and smoke being generated in its Black Swan nickel concentrate storage shed. The smoke was being generated from stockpiled nickel concentrate. The incident was widely, but at times inaccurately reported, in the media.

As a precautionary measure the Port evacuated those employees not responsible for dealing with the incident and moved two ships off the adjacent berths. The Port together with FESA vented the smoke and doused the small area of heated nickel concentrate to eliminate further smoke generation. Port operations returned to normal later in the day.

Internal and external investigations were undertaken to identify the factors contributing to the incident and to develop appropriate process and management changes to reduce or eliminate the possibility of future occurrences.

The investigations identified that the particular concentrate had become vulnerable to self-heating as a result of its storage history at the mine and its mineralogical content. In collaboration with the product exporter, a management plan was developed to ensure the risks associated with heating of this type of nickel concentrate product were managed.

The primary management measures include:

- Product arrives at the Port under a layer of lime to reduce the availability of oxygen and restrict self heating to below 60 degrees C;
- Once stockpiled in the shed the surface is covered with a less reactive nickel concentrate;
- The temperatures of the stockpile are monitored three times daily;
- If temperatures exceeds 60 degrees C, the problem area of the stockpile is watered and turned over to allow evaporative cooling and again covered with inert product;
- Storage times in the shed are minimised; and
- Entry into the storage shed requires a personal monitoring devices and breathing protection together with the requirement for the shed's ventilation system to be operating all the time.

The Port continues to export nickel concentrate in bulk but none of the product is similar to the reactive concentrate that is susceptible to self heating.

# Corporate Relations

## EDUCATION PROGRAM

Nine classes of year nine students from the Esperance Senior High School participated in this year's joint education program run by the school and Esperance Ports.

The curriculum developed by the school's teachers and implemented by Port staff provided the students with an insight into the daily workings of a busy regional port.

The society and environment students looked at environmental issues, management structure, health and safety issues, industrial relations matters, business activities, shipping, loading operations, products handled by the Port and career opportunities in the maritime industry.

Of particular interest this year was the transport issues associated with the transport corridor, new products the Port will be handling in the new future including spodumene and woodchips, and the resumption of exports of nickel hydroxide from the Ravensthorpe Nickel Operations.

The economic value of the Port to the town, region and State was discussed at length.

The program included class-based activities including talks on the various topics by Port personnel, and a Port tour to look first hand at the activities of a working port.

## FORESHORE REMEDIATION

Esperance Ports has agreed to work with the Shire of Esperance and Department of Transport to plan and construct a seawall along the town beach foreshore to overcome the annual problems of beach erosion which damages infrastructure and has the potential to impact on homes.

The Port is particularly concerned about the fuel pipeline that has been installed around the foreshore between the Port and the tanker farm that is located near the Tanker Jetty.

Department of Transport coastal engineers have prepared a concept design for a seawall, and the Port, the Shire and the Department will progress the project to final detailed design for a seawall.

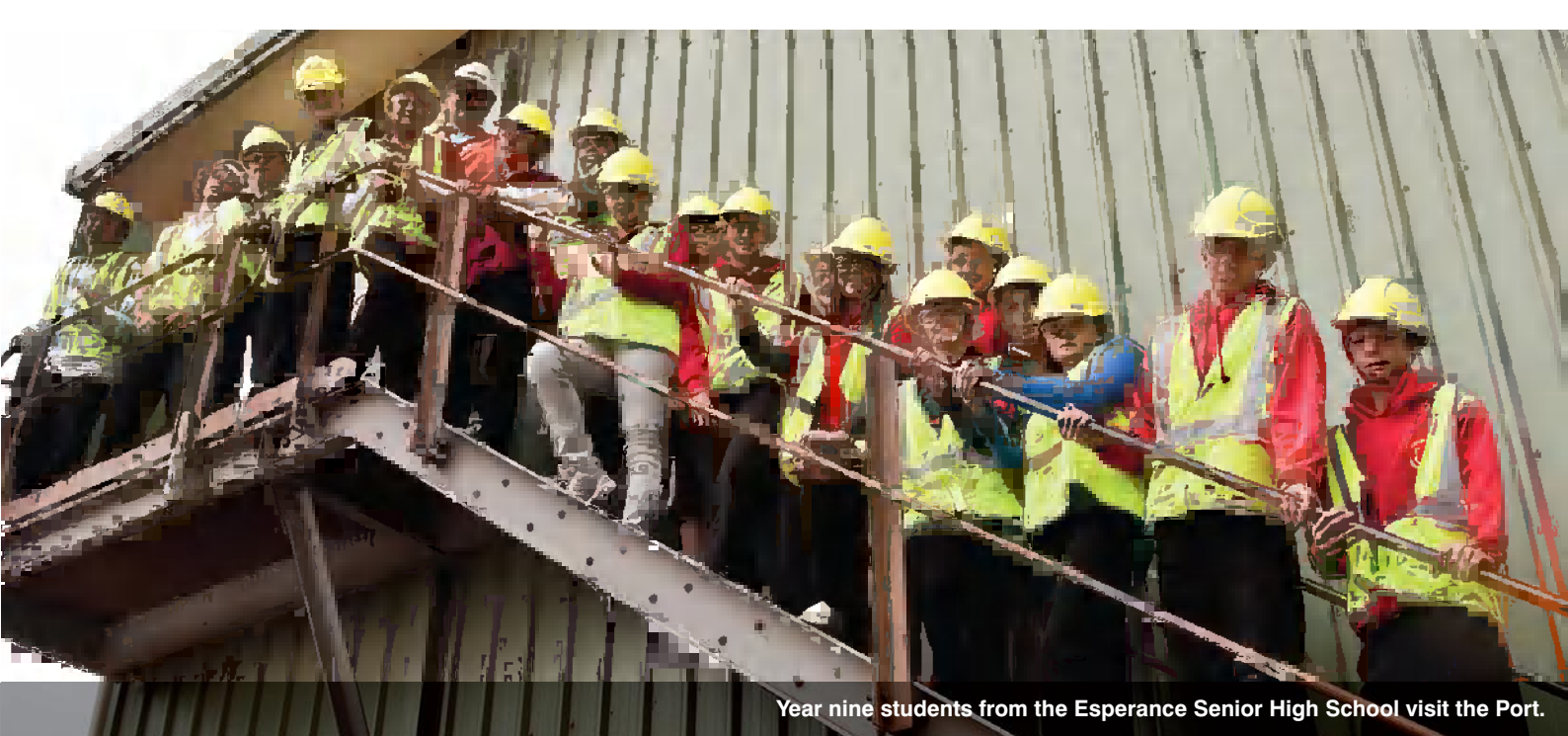
The Port has agreed to meet part of the cost of the design work. Once the design has been prepared and a business case prepared, the Port will look at sharing the cost of the construction

of the seawall with the Shire of Esperance and the Department of Transport.

Foreshore erosion has been a problem from the time the sand dunes around the bay that acted as a natural barrier to the ocean were cleared. Since 1978 the Port has been involved in foreshore remediation and has spent more than \$5 million on sand renourishment and other works.



Sail training vessel on a visit to Esperance Port.



Year nine students from the Esperance Senior High School visit the Port.

### **SPONSORSHIP AND DONATIONS**

Esperance Ports Sea and Land provided \$74,169 in sponsorship and donations to the local community during the 2009–10 financial year, which was slightly up on the previous year.

The major recipient was the Clontarf Foundation's South East Football Academy which the Port has supported with an annual donation of \$25,000 since its inception. The Academy is now established and providing many benefits to the Esperance High School and the Community.

The Port also assists the Academy by providing traineeships for Indigenous students participating in the Academy.

Other beneficiaries of the Port's sponsorship scheme included ESCARE Inc (\$5000) for the bi-annual Kids Fund Day in the Port Park; Esperance Volunteer Fire and Rescue Service (\$5000); Esperance Apex Club (\$5200); and the Esperance Senior High School (\$5000) to support the Tournament of the Minds teams participating interstate and to assist students touring with the Quiet Lions Tour of Thailand.

The Port continues to support the Rotary Handicap, Nulsen Primary School, Esperance Chamber of Commerce and Industry Business Awards, and the Cancer Council of WA.

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

### **PORT CONSULTATIVE COMMITTEE**

The Port Consultative Committee (PCC) held discussions about Elders Forestry (formerly ITC) plans to ship woodchips out of Esperance and Cliffs Natural Resources proposal to increase iron ore exports. Both Elders and Cliffs personnel gave presentations to the Committee about their respective projects.

Elders told the September 2009 meeting of the Committee that it had a 10-year contract to ship 400,000 tonnes of woodchips annually to Japan. The company owns about 45,000 hectares of bluegum plantations within 100 kilometres of Esperance.

The company spoke about the transport of the product, environmental matters including dust and noise associated with the project and the visual impact the stockpile would have.

Cliffs outlined their proposal to increase iron ore exports from 8.8 million tonnes annually to 11.5 million tonnes annually at the December 2009 meeting. The PCC was told that the Cliff's proposal

would be achieved by the use of existing infrastructure and service providers, that the number of trains or frequency of train movements would not change except that the rakes of wagons would be longer from the minesite, and that there would be an increase in the number of vessels berthing at the Port to load iron ore.

Other matters discussed included the Mineral Concentrate Circuit Upgrade, the Port Expansion Pre-feasibility Study carried out by URS Australia, the Port's ongoing dust monitoring program, results from marine sediment sampling and the proposed upgrade of the transport corridor into the Port.

The Committee was also given an explanation about an incident in the Black Swan nickel storage shed on 18 August 2009, when product started to smolder which led to the Port being closed down. The progress of discussions with farmers about the potential to export agriculture produce in containers was also discussed.

### **COMMUNITY CONSULTATION**

Esperance Ports and Cliffs Natural Resources conducted an Information Session for the community in relation to the company's proposed increase in iron ore exports from 8.8 million tonnes annually to 11.5 million tonnes.

Following an advertising campaign to inform local residents of the session, Cliffs outlined the proposal to interested people, which included changes required to the Port's Environmental Licence to increase the amount of iron ore received and exported through Esperance.

Issues discussed with local residents included the construction of a traffic bridge to minimise risks between local traffic and rail, reduction in noise by the use of modern locomotives, upgrades to the rail network and a guarantee the at the dust levels will not exceed the Port's Licence limits.

The consultation followed meetings with other key stakeholders including the Shire of Esperance, Department of Transport, Environmental Protection Authority, Department of Environment and Conservation and the Port Consultative Committee.

Esperance Ports committed to monitor dust along a section of the rail network adjacent to the transport corridor that was a concern for some residents. Monitoring results will be made available to people living near the rail link.



# Human Resources

## RECRUITMENT

A major recruitment drive was initiated in March this year to replace employees who had left the Port the preceding 12 months because of natural attrition.

A decision had been made following the closure of BHP Billiton's Ravensthorpe Nickel Operations in October 2008 that any employee who left the Port would not be replaced. No employee was retrenched because of the closure. The closure of the mine affected the Port's trade with the loss of bulk sulphur imports and container trade.

With trade figures at the Port reaching record levels this financial year and with Ravensthorpe Nickel being brought back into production by First Quantum Minerals, increases in iron ore exports, and new products being handled by the Port, a recruitment drive was initiated to increase the Port's five work teams to 11 members each and establish a pool of permanent casuals.

By 30 June the required team numbers had been established and interviews held for the casual positions.

Overall employment numbers increased from 101 at July 1 2009 to 109 at the end of the financial year.

## INDUSTRIAL RELATIONS

At the end of the financial year, negotiations were well advanced for the development of a new Esperance Ports Sea and Land Enterprise Bargaining Agreement.

Owing to the time it had taken to reach consensus on a number of issues, the Port and its operations employees agreed to negotiate a one-year agreement terminating on 31 December 2010 rather than a three-year agreement.

All outstanding issues had been resolved by June 30 and the 2010 EBA was lodged with Fair Work Australia in July.

Negotiations for a new three-year agreement will be held early in the new financial year with an agreement to be in place in early 2011.

No lost time stoppages were experienced during the year.

## TRAINING

The major training focus at Esperance Ports during the financial year was the establishment of an emergency response team. This was under the direction of the Mines Department who placed

an improvement notice on the Port because of the nature of its operations, particularly employees working at heights and in enclosed spaces.

Sixteen employees completed an extensive training program conducted by Ricklan Emergency Management Services Pty Ltd over a 10-month period. Each operation and maintenance team at the Port now has a minimum of four trained personnel who can carry out emergency procedures if required.

More than \$40,000 was spent on equipping the team with essential breathing apparatus and rope rescue equipment.

During the year more than 4000 hours of formal training were conducted over a wide area of the activities carried out at the Port, including heavy metal induction and circuit orientation, tagging and isolation, ship's mooring assessment, tanker watchman assessment, chemical alert training and plant supervisor assessment.

Other areas of training included acquiring national accreditation for all crew members for elevated work platforms and forklifts, and bringing all train and hatchmen supervisors up to the level of competency required for the position.

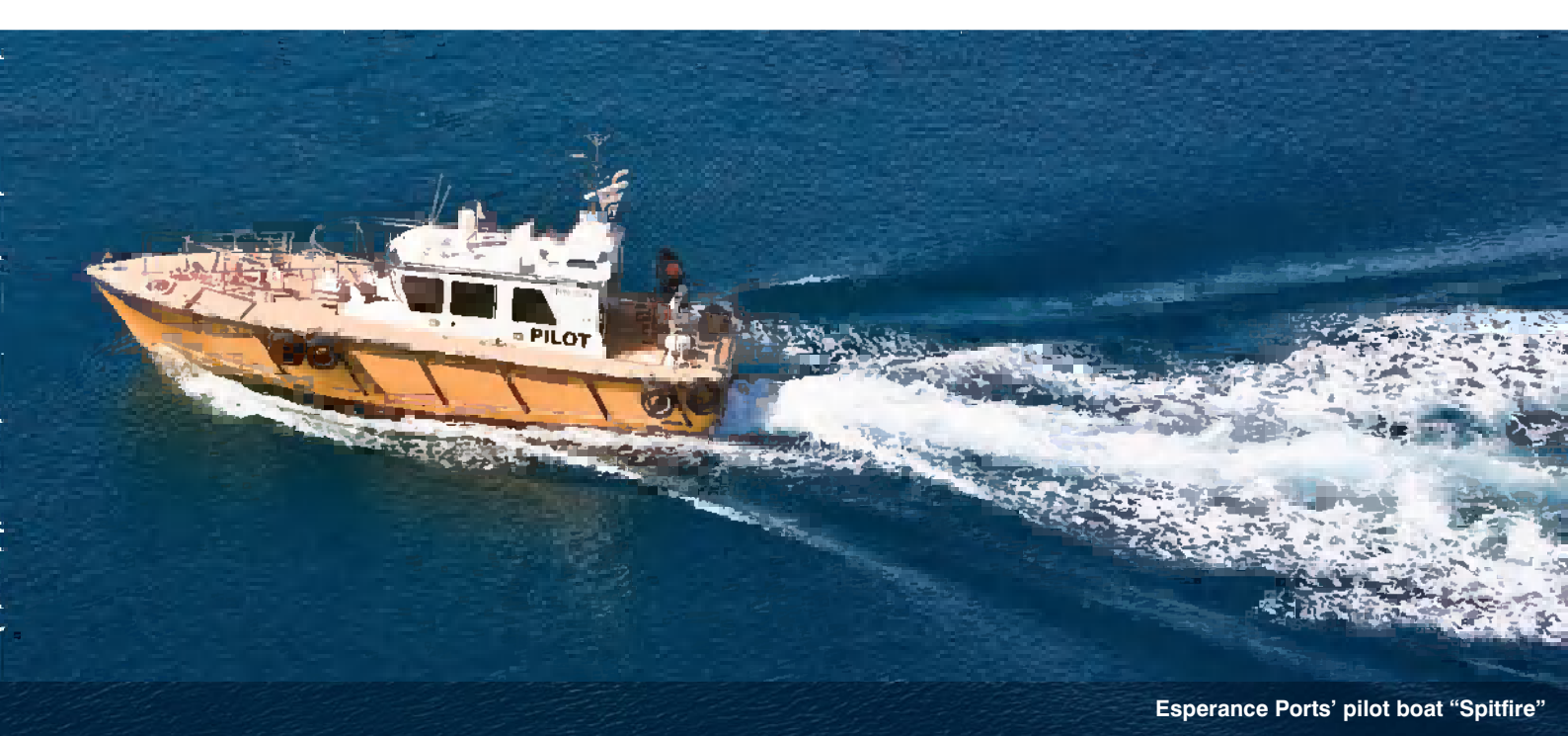
New employees undertook extensive induction training before joining the Port's operations and maintenance teams.

Training for 2010-11 will focus on the training of middle managers, supervisors and leading hands in the areas of effective supervisory and leadership skills, effective communication, and knowledge of legal considerations.

## OCCUPATIONAL HEALTH AND SAFETY

Esperance Ports Sea and Land aims to be recognised as an organisation with significant commitment and outstanding performance in Occupational Health and Safety and Injury Management.

The Port's Board of Directors has supported the development of the Port's OHS Strategic Plan 2010-15 that commits the Port to provide a work environment that is well maintained and safe for all individuals including employees, service providers, contractors and other visitors.



Esperance Ports' pilot boat "Spitfire"

The following OHS Strategic Objectives are based around identified critical priorities:

1. Reduce the frequency and impact of workplace injuries and illnesses;
2. Establish effective Occupational Health and Safety Governance;
3. Reduce incidents by eliminating hazards;
4. Empower, motivate and train employees to identify and manage hazards effectively; and
5. Enhance the profile and practice of occupational health and safety at all levels of the Port's management and workforce.

To facilitate the commitment to employee consultation, the Esperance Ports has completed an Occupational Health and Safety employee perception survey within ten defined categories. A 100 percent involvement was attained and feedback on the results and the development of action plans to improve on OHS performance had commenced in consultation with various roles within the company.

The Port has increased the number of safety representatives on site from five to six. They are employees elected under the Mines Safety Inspection Act.

Current initiatives of this group that operate under the direction of the OHS Officer include the development of descriptive functions to assist OHS representatives execute their duties and improve overall OHS performance.

The OHS committee has met quarterly through the 2009–2010 financial year.

The Port has identified and addressed 688 items through the use of internal and external resources through monthly workplace inspections and audits.

### OHS MANAGEMENT SYSTEMS

Esperance Ports engaged the services of a certified lead auditor of OHS management systems to determine the conformance achieved and improvements required against the Australian Standard 4801: Occupational Health and Safety Management systems.

The following priorities were identified:

1. Develop procedures meeting the requirements of the AS 4801 standard;
2. Develop standards considered cardinal to Esperance Ports' safety rules, accompanied by a comprehensive training program to introduce and implement these rules;
3. Establish a structured training program for managers, supervisors, service providers and contractors that address the requirements under the relevant Acts in which the Port operates; and
4. Review and correct findings within the Chemical Management System.

A priority identified in the 2008–09 financial year that has been resolved was the development of an Asbestos Register and Asbestos Management Program.

### INJURY MANAGEMENT

Esperance Ports is committed to providing injury management support to employees who sustain an injury, illness or disability. In the event of a work related injury, illness or disability, the focus is on an employee returning to safe and meaningful work as early as possible in accordance with the Workers' Compensation and Injury Management Act 1981.

Esperance Ports' Injury Management System has been assessed by RiskCover as complying with legislative requirements.

### OHS STATISTICS 2009–10

(All rates represent rolling figures)

Lost Time Injury Frequency Rate	30.40
Lost Time Injury Duration Rate	5.4
Number of Fatalities	Nil
Lost Time Injury/Disease Incidence Rate	4.7
Lost Time Injury Severity Rate	Nil
Percent Injured Workers Returned to Work within 28 Weeks	100
Occurrences reported to Department of Minerals & Petroleum	9
Improvement Notices received	1
Prohibition Notices received	Nil





Port personnel take part in an oil spill training exercise.





# Financial Statements

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## Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Revenue	4	40,485	38,702
Other income	5	1,350	3,591
Depreciation and amortisation expense	6	(3,434)	(3,458)
Employee benefits	7	(11,689)	(11,061)
General administration	3	(3,086)	(5,365)
Asset maintenance	3	(7,097)	(6,412)
Contract services		(6,211)	(4,807)
Power and water		(5,488)	(7,639)
Insurance		(594)	(416)
Government charges		(1,010)	(1,027)
Finance costs	8	(3,868)	(5,080)
Other expenses	9	(119)	(97)
<b>Profit / (Loss) before income tax</b>		<b>(761)</b>	<b>(3,069)</b>
Income tax (expense) / benefit	10	160	1,331
<b>Profit for the year</b>		<b>(601)</b>	<b>(1,738)</b>

The notes on pages 36 to 63 are an integral part of these financial statements.

## Statement of Financial Position

As at 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	6,822	8,249
Trade and other receivables	13	10,089	10,418
Inventories	14	1,849	1,768
Current tax assets		-	-
<b>Total current assets</b>		<b>18,760</b>	<b>20,435</b>
<b>Non Current Assets</b>			
Trade and other receivables	13	45,106	49,332
Deferred tax assets	10	4,783	3,673
Property, plant and equipment	15	67,982	54,602
Intangible assets	16	142	70
<b>Total non-current assets</b>		<b>118,013</b>	<b>107,677</b>
<b>TOTAL ASSETS</b>		<b>136,773</b>	<b>128,112</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	5,665	6,672
Interest bearing borrowings	18	14,403	9,686
Provisions	19	3,862	4,043
Other	20	47	61
<b>Total current liabilities</b>		<b>23,977</b>	<b>20,462</b>
<b>Non Current Liabilities</b>			
Interest bearing borrowings	18	74,309	69,583
Deferred tax liabilities	10	8,928	7,978
Provisions	19	478	407
<b>Total non-current liabilities</b>		<b>83,715</b>	<b>77,968</b>
<b>TOTAL LIABILITIES</b>		<b>107,692</b>	<b>98,430</b>
<b>NET ASSETS</b>		<b>29,081</b>	<b>29,682</b>
<b>EQUITY</b>			
Contributed equity	21	2,209	2,209
Retained earnings	21	26,872	27,473
<b>TOTAL EQUITY</b>		<b>29,081</b>	<b>29,682</b>

The notes on pages 36 to 63 are an integral part of these financial statements.



## Statement of Changes in Equity

For the year ended 30 June 2010

	Note	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2008		2,209		29,211	31,420
Total comprehensive income for the year				(1,738)	(1,738)
Balance at 30 June 2009		2,209		26,784	29,682
Balance at 1 July 2009	21	2,209		27,473	29,682
Total comprehensive income for the year				(601)	(601)
Balance at 30 June 2010		2,209		26,872	29,081

## Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		42,881	41,047
Cash paid to suppliers and employees		(36,330)	(32,926)
Cash generated from operations		6,551	8,121
Interest paid		(4,396)	(5,080)
Income taxes paid			458
<b>Net cash from operating activities</b>	22	2,155	3,499
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		3,852	3,841
Acquisition of property, plant and equipment	15	(16,877)	(5,703)
<b>Net cash from investing activities</b>		(13,025)	(1,862)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(5,057)	(4,102)
Proceeds from borrowings		14,500	5,000
<b>Net cash from financing activities</b>		9,443	898
Net increase (decrease) in cash and cash equivalents		(1,427)	2,535
Cash and cash equivalents at 1 July		8,249	5,714
<b>Cash and cash equivalents at 30 June</b>	12	6,822	8,249

The notes on pages 36 to 63 are an integral part of these financial statements.

# Notes to the Financial Statements

## For the Year Ended 30 June 2010

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## 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 22 September 2010 by the Board of Directors of Esperance Port Authority ("the Authority").

### (b) Presentation of the income statement

During the year ended 30 June 2010 the Authority modified the Statement of Comprehensive Income 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 99, 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 uncollectible 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 Statement of Comprehensive Income.

#### (e) Inventories

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

#### (f) Property, plant and equipment

##### (i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of 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)

### (iii) Depreciation (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
• Licences	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 an 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 Statement of Comprehensive Income 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 year's 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 are 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)

### (n) Employee superannuation (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 Statement of Comprehensive Income.

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 Statement of Financial Position comprise cash on hand, cash at bank, at call deposits and term deposits due within 30 days.

For the purpose of the Statement of Cash Flow, 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 Statement of Financial Position.

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

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

#### 4. Revenue

Revenue Consists of the following items:

	2010 \$'000	2009 \$'000
Rendering of services		
Charges on cargo	6,957	7,416
Charges on ships	10,753	9,831
Port services	17,422	15,916
Infrastructure charge	3,905	3,993
Interest revenue on bank accounts	294	376
Rentals and leases	810	889
Other operating revenue	344	281
Total revenue	<u>40,485</u>	<u>38,702</u>

#### 5. Other income

Other Income Consists of the following items:

	2010 \$'000	2009 \$'000
Net gain on sale of property, plant and equipment	4	-
Sale of electricity and water	1,346	3,591
	<u>1,350</u>	<u>3,591</u>

#### 6. Depreciation and amortisation expense

	2010 \$'000	2009 \$'000
<b>Depreciation</b>		
Buildings and ancillaries	601	665
Berths one and two	273	274
Berth three and ship loader	35	35
Berth stabilisation and fenders	210	219
Breakwater	210	210
Bulk loading facilities	721	715
Channels	240	218
Electrical services	86	87
Office equipment	96	81
Oil pipeline	18	18
Plant and equipment	905	911
Total depreciation	<u>3,395</u>	<u>3,433</u>
<b>Amortisation</b>		
Intangible assets	39	25
Total amortisation	<u>39</u>	<u>25</u>
Total depreciation and amortisation	<u>3,434</u>	<u>3,458</u>

## 7. Employee Benefits Expense

	2010 \$'000	2009 \$'000
Wages and salaries	10,649	10,045
Superannuation – defined benefit plans (see note 19(d))	902	816
Long service leave	92	43
Annual leave	2	136
Sick leave	50	24
Accumulated days off	(6)	(3)
	<b>11,689</b>	<b>11,061</b>

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

	2010 \$'000	2009 \$'000
Interest paid	5,194	4,878
Hedging Loss / (Gain)	(528)	202
	<b>4,666</b>	<b>5,080</b>
Borrowing costs capitalised	(798)	-
Finance costs expensed	<b>3,868</b>	<b>5,080</b>

## 9. Other Expenses

	2010 \$'000	2009 \$'000
Employee on-costs <sup>(a)</sup>	11	11
Fringe benefits tax	98	70
Sundry	10	8
Impairment loss	-	-
Loss on sale of assets	-	8
	<b>119</b>	<b>97</b>

(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

	2010 \$'000	2009 \$'000
Recognised in the Statement of Comprehensive Income		
Deferred tax expense		
Origination and reversal of temporary differences	(160)	(1,003)
Change in the unrecognised temporary differences	-	(328)
	(160)	(1,331)
Total income tax expense / (benefit)	(160)	(1,331)

### Numerical Reconciliation Between Tax Expense and Pre Tax Net Profit

	2010 \$'000	2009 \$'000
(Loss) / Profit for the period	(601)	(1,738)
Total income tax (benefit) expense	(160)	(1,331)
(Loss) / Profit excluding income tax	(761)	(3,069)
Income tax using the statutory tax rate of 30% (2009: 30%)	(198)	(921)
Non-deductible expenses	38	(82)
	(160)	(1,003)
Under / (over) provision in prior years	-	(328)
Prior year tax losses not recognised now recouped	-	-
Income tax expense / (benefit)	(160)	(1,331)
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

	Statement of Financial Position		Statement of Comprehensive Income	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Deferred tax liabilities</b>				
Other adjustments	(62)	-		
Accelerated depreciation for tax purposes	(7,620)	(6,843)		
Finance lease receivable (current)	(1,246)	(1,135)		
Gross deferred tax liabilities	<u>(8,928)</u>	<u>(7,978)</u>		
<b>Deferred tax assets</b>				
Employee benefits	717	676		
Prepaid rental	14	18		
Tax Losses	3,897	2,648		
Others	155	331		
Gross deferred tax assets	<u>4,783</u>	<u>3,673</u>		
Set-off of deferred tax liabilities pursuant to set-off provisions	(8,929)	(7,978)		
Net deferred tax assets / (liability)	<u>(4,146)</u>	<u>(4,305)</u>		
Deferred tax charge			<u>(160)</u>	<u>(1,331)</u>
<b>Current tax liabilities</b>				
The current tax liability of Nil (2009: Nil) represents the amount of income taxes payable in respect of current and prior financial periods.				

## 11. Dividends

	2010 \$'000	2009 \$'000
Dividends paid in the financial year	-	-

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 65% of after tax profits. However, in accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June 2010 have not been provided as they are expected to be declared by Government after balance date.

A dividend of 'NIL' (2009: NIL) in respect of the financial results for the year ended 30 June 2009 was paid by 30 June 2010.

## 12. Cash and Cash Equivalents

	2010 \$'000	2009 \$'000
Bank balances	5,322	6,749
Term deposits	1,500	1,500
Cash and cash equivalents in the statements of cash flows	<u>6,822</u>	<u>8,249</u>

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

	2010 \$'000	2009 \$'000
<b>Current</b>		
Receivables	5,901	6,433
Less: allowance for impairment of receivables	-	-
	<u>5,901</u>	<u>6,433</u>
Accrued revenue	16	2
GST receivable	-	135
Finance lease receivable	4,153	3,784
Prepayments	19	64
	<u>10,089</u>	<u>10,418</u>
<b>Non-current</b>		
Finance lease receivable	45,106	49,332
	<u>45,106</u>	<u>49,332</u>
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	59,783	59,783
Doubtful debts expense recognised in the Statement of Comprehensive Income	-	-
Amounts written off during the year	-	-
Amount recovered during the year	4,588	-
Balance at end of year	<u>55,195</u>	<u>59,783</u>

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 was nil.



## 14. Inventories

	2010 \$'000	2009 \$'000
<b>Current</b>		
Stores– at cost	1,849	1,768
	<b>1,849</b>	<b>1,768</b>

## 15. Property, Plant and Equipment

	2010 \$'000	2009 \$'000
<b>Channels</b>		
At cost	16,119	16,119
Accumulated depreciation	(3,010)	(2,770)
Accumulated impairment losses	-	-
	<b>13,109</b>	<b>13,349</b>
<b>Land</b>		
At cost	1,282	1,282
Accumulated impairment losses	-	-
	<b>1,282</b>	<b>1,282</b>
<b>Buildings and ancillaries</b>		
At cost	13,169	12,839
Accumulated depreciation	(3,343)	(2,743)
Accumulated impairment losses	-	-
	<b>9,826</b>	<b>10,096</b>
<b>Berths One and Two</b>		
At cost	6,140	6,140
Accumulated depreciation	(3,794)	(3,520)
Accumulated impairment losses	-	-
	<b>2,346</b>	<b>2,620</b>
<b>Berth Three and ship loader</b>		
At cost	590	590
Accumulated depreciation	(253)	(218)
Accumulated impairment losses	-	-
	<b>337</b>	<b>372</b>
<b>Berth stabilisation and fenders</b>		
At cost	3,911	3,911
Accumulated depreciation	(2,194)	(1,985)
Accumulated impairment losses	-	-
	<b>1,717</b>	<b>1,926</b>
<b>Breakwater</b>		
At cost	10,482	10,482
Accumulated depreciation	(2,463)	(2,253)
Accumulated impairment losses	-	-
	<b>8,019</b>	<b>8,229</b>
<b>Bulk loading facilities</b>		
At cost	16,697	16,697
Accumulated depreciation	(12,407)	(11,686)
Accumulated impairment losses	-	-
	<b>4,290</b>	<b>5,011</b>

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

	2010 \$'000	2009 \$'000
<b>Electrical services</b>		
At cost	1,672	1,672
Accumulated depreciation	(472)	(386)
Accumulated impairment losses	-	-
	<u>1,200</u>	<u>1,286</u>
<b>Office equipment</b>		
At cost	658	601
Accumulated depreciation	(462)	(461)
Accumulated impairment losses	-	-
	<u>196</u>	<u>140</u>
<b>Oil pipeline</b>		
At cost	360	360
Accumulated depreciation	(252)	(234)
Accumulated impairment losses	-	-
	<u>108</u>	<u>126</u>
<b>Plant and equipment</b>		
At cost	8,296	8,111
Accumulated depreciation	(4,607)	(3,777)
Accumulated impairment losses	-	-
	<u>3,689</u>	<u>4,334</u>
Total property, plant and equipment at net book value	46,119	48,771
Add: Work in progress (at cost)	21,863	5,831
Total property, plant and equipment	<u>67,982</u>	<u>54,602</u>

## 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.

	2010 \$'000	2009 \$'000
<b>Breakwater</b>		
Carrying amount at 1 July	8,229	8,438
Depreciation for the year	(210)	(209)
Impairment losses	-	-
Carrying amount at 30 June	<u>8,019</u>	<u>8,229</u>
<b>Land</b>		
Carrying amount at 1 July	1,282	1,282
Additions	-	-
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<u>1,282</u>	<u>1,282</u>
<b>Buildings and ancillaries</b>		
Carrying amount at 1 July	10,096	10,639
Additions	331	122
Depreciation for the year	(601)	(665)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<u>9,826</u>	<u>10,096</u>
<b>Berths One and Two</b>		
Carrying amount at 1 July	2,620	2,893
Depreciation for the year	(274)	(273)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<u>2,346</u>	<u>2,620</u>
<b>Berth Three and ship loader</b>		
Carrying amount at 1 July	372	407
Additions	-	-
Depreciation for the year	(35)	(35)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<u>337</u>	<u>372</u>



## 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.

	2010 \$'000	2009 \$'000
<b>Berth stabilisation and fenders</b>		
Carrying amount at 1 July	1,926	2,145
Depreciation for the year	(209)	(219)
Impairment losses	-	-
Carrying amount at 30 June	<u>1,717</u>	<u>1,926</u>
<b>Bulk loading facilities</b>		
Carrying amount at 1 July	5,011	5,630
Additions	-	96
Disposals	-	-
Depreciation for the year	(721)	(715)
Impairment losses	-	-
Carrying amount at 30 June	<u>4,290</u>	<u>5,011</u>
<b>Channels</b>		
Carrying amount at 1 July	13,349	13,568
Additions	-	-
Depreciation for the year	(240)	(219)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<u>13,109</u>	<u>13,349</u>
<b>Electrical services</b>		
Carrying amount at 1 July	1,286	1,373
Depreciation for the year	(86)	(87)
Additions	-	-
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<u>1,200</u>	<u>1,286</u>
<b>Office equipment</b>		
Carrying amount at 1 July	140	180
Additions	151	40
Disposals	(94)	-
Depreciation for the year	(1)	(80)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<u>196</u>	<u>140</u>

## 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.

	2010 \$'000	2009 \$'000
<b>Oil pipeline</b>		
Carrying amount at 1 July	126	144
Depreciation for the year	(18)	(18)
Disposals	-	-
Impairment losses	-	-
Carrying amount at 30 June	<b>108</b>	<b>126</b>
<b>Plant and equipment</b>		
Carrying amount at 1 July	4,334	4,503
Additions	362	840
Depreciation for the year	(837)	(911)
Disposals	(170)	(98)
Impairment losses	-	-
Carrying amount at 30 June	<b>3,689</b>	<b>4,334</b>
<b>Work in progress</b>		
Carrying amount at 1 July	5,831	13,313
Additions	16,032	4,613
Transfers to finance lease	-	(12,095)
Carrying amount at 30 June	<b>21,863</b>	<b>5,831</b>
<b>Total property, plant and equipment</b>	<b>67,982</b>	<b>54,602</b>

## 16. Intangible Assets

	2010 \$'000	2009 \$'000
<b>Computer software</b>		
At cost	329	297
Accumulated amortisation	(187)	(227)
Accumulated impairment losses	-	-
	<b>142</b>	<b>70</b>
<b>Reconciliation of carrying amounts</b>		
<b>Computer software</b>		
Carrying amount at 1 July	70	63
Additions	112	32
Impairment losses recognised in income statement	-	-
Amortisation expense	(40)	(25)
Carrying amount at 30 June	<b>142</b>	<b>70</b>

## 17. Trade and Other Payables

	2010 \$'000	2009 \$'000
<b>Current</b>		
Trade payables	1,990	3,374
Income in advance	845	299
GST payable	184	-
Accrued expenses	2,344	2,169
Fair value derivatives	302	830
	<b>5,665</b>	<b>6,672</b>

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).

	2010 \$'000	2009 \$'000
<b>Current liabilities</b>		
Direct borrowings	14,403	9,686
	<b>14,403</b>	<b>9,686</b>
<b>Non-current liabilities</b>		
Direct borrowings	74,309	69,583
	<b>74,309</b>	<b>69,583</b>
<b>Financing arrangements</b>		
The Authority has access to the following lines of credit:		
Total facilities available:		
Direct and special borrowings	103,400	79,417
	<b>103,400</b>	<b>79,417</b>
Facilities utilised at reporting date:		
Direct borrowings	88,712	79,269
	<b>88,712</b>	<b>79,269</b>
Facilities not utilised at reporting date:		
Direct borrowings	14,688	148
	<b>14,688</b>	<b>148</b>

### 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.

### 2010

				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	6,891	-	-	-	-	-	-	6,891
Special borrowings	-	15,074	5,483	5,838	6,216	6,619	42,591	81,821
	6,891	15,074	5,483	5,838	6,216	6,619	42,591	88,712
Weighted average interest rate:								
Direct borrowings	5.75	-	-	-	-	-	-	5.75
Special borrowings	-	6.25	6.25	6.25	6.25	6.25	6.25	-

### 2009

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

## 19. Provisions

	2010 \$'000	2009 \$'000
<b>Current</b>		
Employee benefits provision		
Salaries and wages accrued	38	296
Annual leave <sup>(a)</sup>	830	828
Long service leave <sup>(b)</sup>	502	447
Superannuation	4	4
Sick leave	455	435
Liability for accumulated days off	155	160
Other provisions		
Employment on-costs	136	131
Dividend provision	1,742	1,742
	<u>3,862</u>	<u>4,043</u>
<b>Non-current</b>		
Employee benefits provision		
Long service leave <sup>(b)</sup>	316	279
Superannuation	25	26
Sick leave	104	75
Other provisions		
Employment on-costs <sup>(c)</sup>	33	27
	<u>478</u>	<u>407</u>

(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:

	2010 \$'000	2009 \$'000
Within 12 months of balance date	561	629
More than 12 months after balance sheet date	269	199
	<u>830</u>	<u>828</u>

(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:

	2010 \$'000	2009 \$'000
Within 12 months of balance date	270	279
More than 12 months after balance sheet date	548	447
	<u>818</u>	<u>726</u>

(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*.

	2010 \$'000	2009 \$'000
<b>Amounts recognised in the Statement of Financial Position:</b>		
Present value of unfunded obligations	29	30
Fair value of plan assets		
	<u>29</u>	<u>30</u>
<b>Reconciliation of movement in the present value of the unfunded obligations recognised in the Statement of Financial Position:</b>		
Opening balance	30	29
Current service cost	3	5
Interest cost	-	-
Actuarial gain on liabilities	-	-
Benefits paid (including expenses and taxes)	(4)	(4)
	<u>29</u>	<u>30</u>
<b>Amounts recognised in the Statement of Comprehensive Income:</b>		
Current service cost		
Interest cost	1	2
Actual gain recognised	2	3
	<u>3</u>	<u>5</u>
<b>Historic summary:</b>		
Defined benefit plan obligation	29	30
Plan assets		
	<u>29</u>	<u>30</u>
Experience adjustments arising on plan liabilities	-	-
Experience adjustments arising on plan assets	-	-
<b>Principal actuarial assumptions:</b>		
Discount rate	5.48	5.34
Expected future salary increases	4.5	4.5
Expected future pension increases	2.5	2.5
Anticipated return on plan assets	-	-
<b>Expected contributions:</b>	4	4

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:

	2010 \$'000
<b>Retirement benefit obligations</b>	
Carrying amount at 1 July	30
Provisions made during the year	-
Amounts utilised in the year	(1)
Carrying amount at 30 June	<u>29</u>
<b>Employment on-costs provision</b>	
Carrying amount at 1 July	161
Provisions made during the year	9
Amounts utilised in the year	-
Carrying amount at 30 June	<u>170</u>

## 20. Other Liabilities

	2010 \$'000	2009 \$'000
<b>Current</b>		
Prepaid rental income	47	61
	<u>47</u>	<u>61</u>

## 21. Equity

	2010 \$'000	2009 \$'000
<b>Contributed equity</b>		
Balance at the start of the year	2,209	2,209
Capital contributions	-	-
Balance at end of year	<u>2,209</u>	<u>2,209</u>
<b>Retained earnings</b>		
Balance at start of year	27,473	29,211
Profit / (Loss) for the period	(601)	(1,738)
Balance at end of year	<u>26,872</u>	<u>27,473</u>

## 22. Reconciliation of Cash Flows from Operating Activities

	Note	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Profit / (Loss) for the period		(601)	(1,738)
Adjustments for:			
Depreciation	6	3,395	3,433
Amortisation of intangible assets	6	39	25
Loss / (Gain) on sale of property, plant and equipment	5	(4)	8
Loss / (Gain) on currency hedging		(528)	202
Income tax expense	10	(160)	(1,331)
<b>Operating profit before changes in working capital and provisions</b>		<b>2,141</b>	<b>599</b>
Change in trade and other receivables	13	698	(297)
Change in inventories	14	(81)	(165)
Change in trade and other payables	17	(479)	2,729
Change in provisions and employee benefits	19	(124)	175
		<b>2,155</b>	<b>3,041</b>
Income taxes paid / (received)		-	458
<b>Net cash from operating activities</b>		<b>2,155</b>	<b>3,499</b>

## 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. 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)

### (i) Financial risk management objectives and policies (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:

	Carrying Amount \$'000	+0.50% change		(0.25%) change	
		Profit	Equity	Profit	Equity
		\$'000	\$'000	\$'000	\$'000
2010					
Financial Assets					
Cash and cash equivalents	6822	34	24	(17)	(12)
Total Increase/(Decrease)		34	24	(17)	(12)

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

### 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.



## 23. Financial Instruments (continued)

### (i) Financial risk management objectives and policies (continued)

#### 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.

#### 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	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Liabilities</b>						
<b>2010</b>						
Trade and other payables	3,502	3,502				
Interest bearing borrowings	88,712	8,151	6,935	5,483	18,672	49,471
	<b>92,214</b>	<b>11,653</b>	<b>6,935</b>	<b>5,483</b>	<b>18,672</b>	<b>49,471</b>
<b>2009</b>						
Trade and other payables	4,796	4,796				
Interest bearing borrowings	79,269	7,450	2,243	8,037	13,766	47,773
	<b>84,065</b>	<b>12,246</b>	<b>2,243</b>	<b>8,037</b>	<b>13,766</b>	<b>47,773</b>

## 23. Financial Instruments (continued)

### (i) Financial risk management objectives and policies (continued)

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.

	Carrying amount	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2010</b>						
<b>Financial assets</b>						
Cash and cash equivalents	6,822	6,822				
Trade and other receivables	55,195	7,800	2,094	4,397	15,032	25,872
	<b>62,017</b>	<b>14,622</b>	<b>2,094</b>	<b>4,397</b>	<b>15,032</b>	<b>25,872</b>
<b>Financial liabilities</b>						
Trade and other payables	5,617	5,617				
Interest bearing borrowings	88,712	8,151	6,935	5,483	18,672	49,471
	<b>94,329</b>	<b>13,768</b>	<b>6,935</b>	<b>5,483</b>	<b>18,672</b>	<b>49,471</b>
Net maturity	<b>(32,312)</b>	<b>854</b>	<b>(4,841)</b>	<b>(1,086)</b>	<b>(3,640)</b>	<b>(23,599)</b>

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

## 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.

	2010 \$'000	2009 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	6,822	7,953
Trade and other receivables	10,089	10,451
Receivables (non-current)	45,106	49,332
<b>Financial Liabilities</b>		
Trade and other payables	5,315	5,626
Derivative financial instruments	302	830
Variable rate borrowings	12,191	13,039
Fixed rate borrowings	76,521	67,277

The fair value of the interest bearing borrowings was provided by the WATC 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 Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

### (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
<b>2010</b>					
<b>Financial Assets and Liabilities</b>					
Cash and Deposits	-	6,822	-	-	6,822
Receivables	-	-	-	55,195	55,195
WATC Borrowings	5.4%	-	(12,191)	-	(12,191)
WATC Borrowings	6.32%	-	(76,521)	-	(76,521)
Trade and Other Payables	-	-	-	(5,617)	(5,617)
Net Financial Assets (Liabilities)	-	6,822	(88,712)	49,578	(32,312)

## 23. Financial Instruments (continued)

### (iv) Weighted average cost of capital (continued)

	Within one year Weighted Average Interest Rate	Floating Interest Rate \$'000	Fixed Interest Bearing \$'000	Non Interest Bearing \$'000	Total \$'000
<b>2009</b>					
<b>Financial Assets and Liabilities</b>					
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)

## 24. Commitments

### (i) Capital Expenditure Commitments

	2010 \$'000	2009 \$'000
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	7,000	32,440
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<b>7,000</b>	<b>32,440</b>

### (ii) Lease commitments

The Authority has no lease commitments.

### (iii) Finance Lease Receivable

	2010 \$'000	2009 \$'000
Amounts receivable under finance leases:		
Within 1 year	7,211	7,118
Later than 1 year and not later than 5 years	28,845	28,845
Later than 5 years	33,512	40,586
	<b>69,568</b>	<b>76,549</b>
Unearned finance income	(20,309)	(23,433)
Present value of minimum lease payments receivable	<b>49,259</b>	<b>53,116</b>
Representing finance lease receivable:		
Current (note 13)	4,153	3,784
Non-current (note 13)	45,106	49,332
	<b>49,259</b>	<b>53,116</b>



## 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

	2010 \$'000	2009 \$'000
Future minimum rentals receivable for operating leases at reporting date:		
Within 1 year	578	692
Later than 1 year and not later than 5 years	1,105	1,391
Later than 5 years	4,654	4,850
	<u>6,337</u>	<u>6,933</u>

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:

	2010 \$'000	2009 \$'000
Auditing the accounts and financial statements	49	61

## 26. Related Parties

The following persons held the position of Director or Senior Manager during the financial year and until the date of this report:

### Current Directors

- Jim Matijasevich
- Phil Thick
- Phil Chalmer
- Tim Shanahan
- Kathy Finlayson

### Senior Managers

- Michal Frydrych
- Devinder Grewal
- Neil Pearson
- Kevin Fernance
- Brant Grundy

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.

	2010 \$'000	2009 \$'000
Contingent liabilities not considered remote		
<i>Litigation</i>		
The Port Authority has received an infringement notice from the Department of the Environment and Conservation. Liability was admitted and the Port faced a maximum fine of \$1.35 million.	NIL	1,350
The case went to court and the Port received fines totalling \$0.530 million. These have been paid.		

## Directors' Declaration

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

- (a) the financial statements and notes, set out on pages 31 to 64, 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 2010 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  
Acting Chairman

22 September 2010  
Esperance



## Auditor General

### INDEPENDENT AUDIT REPORT ON ESPERANCE PORT AUTHORITY

#### To the Parliament of Western Australia

I have audited the financial statements of the Esperance Port Authority. The financial statements comprise the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

#### Directors' Responsibility for the Financial Statements

The directors of the Esperance Port Authority are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Port Authorities Act 1999. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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 statements 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. This document is available on the OAG website under "How We Audit".

An audit does not guarantee that every amount and disclosure in the financial statements 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 statements.

#### Audit Opinion

In my opinion, the financial statements of the Esperance Port Authority are 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 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

COLIN MURPHY  
AUDITOR GENERAL  
23 September 2010





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