

ESPERANCE PORT AUTHORITY

**Annual Report
For the Year Ended
30 June 2006**

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Esperance Port Authority
Income Statement
For the year ended 30 June 2006

<i>In thousands of AUD</i>	<i>Note</i>	2006	2005
Revenue	2	26,360	24,858
Other Income	3	1,221	1,001
Employee Benefits Expense	4	(6,647)	(5,656)
Depreciation and Amortisation Expense	4	(2,573)	(2,667)
General Administration		(982)	(837)
General Maintenance		(1,748)	(1,749)
Power and Water		(1,539)	(1,396)
Bulk Handling Facilities		(1,521)	(1,086)
Insurance		(349)	(290)
Net loss on disposal of property, plant and equipment		-	(26)
Government Charges		(693)	(613)
Finance Costs	4	(3,275)	(3,415)
Other Expenses		(4,044)	(3,474)
Profit before Income tax		4,210	4,650
Income tax expense	6	(1,201)	(1,398)
Profit for the year ended 30 June 2006		3,009	3,252

The income statement is to be read in conjunction with the notes to the financial statements

Esperance Port Authority
Statement of recognised Income and expense
For the year ended 30 June 2006

<i>In thousands of AUD</i>	<i>Note</i>	2006	2005
Profit for the period		3,009	3,252
Total recognised income and expense for the period	<i>17</i>	<u>3,009</u>	<u>3,252</u>

Other movements in equity are set out in Note 17

The statement of recognised income and expense are to be read in conjunction with the notes to the financial statements.

Esperance Port Authority
Balance Sheet
As at 30 June 2006

<i>In thousands of AUD</i>	<i>Note</i>	2006	2005
Assets			
Current assets			
Cash and cash equivalents	8	3,489	10,206
Trade and other receivables	9	6,371	4,773
Inventories	10	1,354	1,270
Total current assets		11,214	16,249
Non current assets			
Receivables	9	26,721	28,617
Deferred tax asset		-	33
Property, plant and equipment	11	58,799	45,160
Intangible assets	12	85	51
Total non-current assets		85,605	73,861
Total assets		96,819	90,110
Liabilities			
Current liabilities			
Trade and other payables	13	3,470	1,883
Interest-bearing loans and borrowings	14	2,522	2,221
Employee benefits	15	937	858
Income tax payable	6	380	335
Provisions	16	62	57
Total current liabilities		7,371	5,354
Non current liabilities			
Interest-bearing loans and borrowings	14	52,177	49,789
Deferred tax liabilities		5,100	4,300
Employee benefits	15	837	784
Provisions	16	42	37
Total non-current liabilities		58,156	54,910
Total liabilities		65,527	60,264
Net assets		31,292	29,846
Equity			
Contributed equity		2,209	2,209
Retained earnings		29,083	27,637
Total equity	17,1	31,292	29,846

The balance sheet is to be read in conjunction with the notes to the financial statements.

Esperance Port Authority
Statement of cash flows
For the year ended 30 June 2006

<i>In thousands of AUD</i>	<i>Note</i>	2006	2005
Cash flows from operating activities			
Cash receipts from customers		30,415	31,680
Cash paid to suppliers and employees		(18,879)	(17,901)
Cash generated from operations		11,536	13,779
Interest paid		(3,275)	(3,441)
Income taxes paid		(321)	
Net cash from operating activities	21	7,940	10,338
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		106	190
Interest received		414	445
Acquisition of property, plant and equipment	11	(16,303)	(2,630)
Net cash from investing activities		(15,783)	(1,995)
Cash flows from financing activities			
Proceeds of borrowings		4,921	
Repayment of borrowings		(2,232)	(2,115)
Dividends paid	17	(1,563)	(1,900)
Net cash from financing activities		1,126	(4,015)
Net increase in cash and cash equivalents		(6,717)	4,328
Cash and cash equivalents at 1 July		10,206	5,878
Cash and cash equivalents at 30 June	8	3,489	10,206

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue on 31 August 2006 by the Board of Directors of the Esperance Port Authority (“EPA”). The following significant accounting policies have been adopted in the preparation of the financial statements for the year ended 30 June 2006.

1.1 Statement of compliance

The financial statements comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS).

These are the Port’s first financial statements prepared in accordance with AIFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. Comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. EPA has adopted the exemption under AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the entity is provided in note 1.22.

Early adoption of standard

EPA has elected to early adopt the following standard to the annual reporting period beginning 1 July 2005:

AASB 119 *Employee Benefits (December 2004)*

This includes applying the standard to the comparatives in accordance with AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

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

- AASB 2004-3 *Amendments to Australian Accounting Standards (December 2004)* amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004)*, AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*. AASB 2004-3 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-1 *Amendments to Australian Accounting Standards (May 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2005-1 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-4 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004)*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2005-4 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-5 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004)* and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2005-5 is applicable for annual reporting periods beginning on or after 1 January 2006.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.1 Statement of compliance (Continued)

- AASB 2005-6 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 3 *Business Combinations*. AASB 2005-6 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-9 *Amendments to Australian Accounting Standards (September 2005)* requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-10 *Amendments to Australian Accounting Standards (September 2005)* makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Instruments*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2006-1 *Amendments to Australian Accounting Standards (January 2006)* amending AASB 121 *The Effects of Changes in Foreign Exchange Rates (July 2004)*. AASB 2006-1 is applicable for annual reporting periods beginning on or after 31 December 2006.
- AASB 2006-2 *Amendments to Australian Accounting Standards (March 2006)* amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2006-2 is applicable for annual reporting periods beginning on or after 30 June 2006.
- AASB 7 *Financial Instruments: Disclosure (August 2005)* replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.

EPA plans to adopt the above standards, if relevant, in the 2007 financial year. The impact of these standards are not quantifiable nor reasonably estimable in the current financial year.

1.2 Basis of preparation

These financial statements have been prepared as a general purpose financial report in accordance with the Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and the financial reporting provisions of the Port Authorities Act 1999. International Financial Reporting Standards (“IFRS”) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (“AIFRS”).

The financial statements have been prepared on an accrual accounting basis and in accordance with the historical cost convention, except for property, plant and equipment which has been recorded at deemed cost at transition.

The accounting policies adopted are applied consistently to all periods presented in the financial statements and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.3 Significant accounting judgments, estimates and assumptions

The preparation of a financial statement in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Significant accounting judgments

In the process of applying Esperance Port Authority accounting policies, management made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments – As Lessor

EPA 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.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Defined benefit plans

Various actuarial assumptions are required when determining EPA's superannuation obligations. These assumptions and the related carrying amounts are discussed in note 1.17.

1.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to EPA and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue for services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

Miscellaneous revenue recognised as the legal entitlement arises is derived predominantly from the hire of facilities and equipment, recoup of rates and taxes and insurance claims.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.5 Net financing costs

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

Interest receivable on funds invested includes interest on short-term investments and term deposits and is recognised as it accrues. The interest receivable component of finance lease receivables 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.

1.6 National Tax Equivalent Regime (Income tax)

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

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

1.7 Income tax

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

Current tax is the expected tax payable on the taxable profit for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 Receivables

Trade receivables

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

The value of the provision for impairment of receivables is assessed using an analysis of historical data to determine the level of risk and subsequent recovery of debts based on the age of amounts outstanding. Bad debts are written off when formally recognised as being irrecoverable.

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

Lease receivables

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

1.9 Inventories

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

1.10 Property, plant and equipment

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

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

The estimated useful lives in the current and comparative periods 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	2-14.28 years
Motor Vehicles	4.44-6.67 years
Plant and Equipment	2-20 years
Bulk Loading Facilities	3-40 years
Berth Stabilisation and Fenders	10-25 years

1.11 Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.11 Impairment (Continued)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. As EPA is a not-for-profit entity, the value in use is the assets depreciated replacement cost.

Impairment losses are recognised in the income statement.

1.12 Leased assets

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

Finance leases

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

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

Leased assets held at the reporting date are being amortised over periods ranging from 3 to 4 years.

Operating leases

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

1.13 Payables

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

1.14 Interest bearing borrowings

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

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

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

Borrowing costs are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.15 Net fair values of financial assets and liabilities

The net fair values of monetary financial assets and liabilities not traded in an organised financial market are determined using the cost basis.

1.16 Employee benefits

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

Sick Leave and Long Service Leave liabilities were assessed on the basis of the present value of estimated future payments, discounted by the Commonwealth Government Bonds rates estimated to be applicable to the relevant period. A 2% (2005: 2%) per annum rate of increase in employee wage and salary rates was assumed in the present value calculations.

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

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

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

Employee on-costs

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as of the Authority's Employee benefits expense and the related liability is included in Employment on-costs provision.

1.17 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. Esperance Port Authority is liable for superannuation benefits for past years' service of members of the Superannuation and Family Benefits Act Scheme who elected to transfer to the GSS Scheme. Esperance Port Authority also accrues for superannuation benefits to the pension scheme for those members who elected not to transfer from that scheme.

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.

Esperance Port Authority's total superannuation liability has been actuarially assessed as at 30 June 2006.

Employees who are not members of either the Pension or the GSS Schemes become non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund. Esperance Port 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 Scheme.

Defined benefit plan

Esperance Port 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defined benefit plan (Continued)

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

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

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

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

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

1.18 Dividends

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

1.19 Provisions

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

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

1.20 Cash and cash equivalents

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

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

1.21 Goods and services tax

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.22 Explanation of transition to AIFRS

As stated in the significant accounting policies note 1.1, these are EPA's first financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the entity's date of transition).

In preparing the opening AIFRS balance sheet, EPAs has adjusted amounts reported previously in financial statements prepared in accordance with Australian Accounting Standards before 1 July 2004. An explanation of how the transition from previous AGAAP to AIFRS has affected Esperance Port Authority financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(a) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	Notes	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under previous AGAAP		27,782	26,217
Adjustments to retained earnings			
Taxation	(i)	(1,099)	(957)
Transfer from revaluation reserve	(ii)	4,143	4,143
Finance lease	(iii)	1,600	1,334
Reversal of dividends provided	(iv)	1,563	1,262
Adjustments to other reserves			
Transfer of revaluation reserve to retained earnings	(ii)	(4,143)	(4,143)
Total equity under AIFRS		<u>29,846</u>	<u>27,856</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.22 Explanation of transition to AIFRS (Continued)

(i) Taxation

To comply with AASB 112 *Income Taxes*, EPA is required to use the balance sheet liability method, rather than the income statement method previously adopted under AGAAP. The balance sheet liability method recognises tax balances when there is a difference between the carrying value of an asset or liability and its corresponding tax base. As a result of the above adjustments, the deferred tax liabilities and deferred tax assets moved as follows:

Adjustments to opening Balance Sheet (1 July 2004)

Deferred tax assets \$783,000 decreased by \$279,000 and deferred tax liabilities \$3,708,000 increased by \$678,000.

Adjustments to 30 June 2005 Balance Sheet

Deferred tax assets \$691,000 decreased by \$450,000 and deferred tax liabilities \$3,859,000 increased by \$649,000.

(ii) Revaluation reserve

Property, plant and equipment will be measured at cost under AIFRS.

Any revaluation reserve balance relating to assets recognised at deemed cost were transferred to retained earnings at transition date.

(iii) Finance lease arrangement

Under AASB 117 “Leases Determining whether our arrangement contains a lease” and UIG 4. The EPA has reclassified the long term service contract with Portman Mining Limited as a finance lease arrangement. This has resulted in the reduction in property, plant and equipment and the creation of current and non-current assets called finance lease receivable.

Revenue received from Portman Mining Limited under AGAAP all went through the income statement. Revenue was received from Portman in relation to the finance leases is used to reduce the outstanding current balance of the finance lease in the balance sheet with only the interest portion recognised through the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.22 Explanation of transition to AIFRS (Continued)

(iv) Provision for Dividends

The previous AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* states that dividends cannot be recognised as a provision unless they are declared, determined or publicly recommended prior to reporting date. The publication of proposed dividends in the Statement of Corporate Intent creates a valid expectation that a dividend will be paid. Therefore, a provision for dividend of \$1.563 million (2004: \$1.262 million) was provided for in the accounts for the year ended 30 June 2005 under previous AGAAP.

However, AASB 110 *Events after the Balance Sheet Date*, provides that a liability for dividend is not to be recognised if the dividends are declared after the reporting date.

“Declared” is considered to mean that the dividends are appropriately authorised and no longer at the discretion of EPA. Undeclared dividends do not meet the criteria of a present obligation. Under Section 84 (2) of the Port Authorities Act 1999, the Board recommends a dividend to the Minister after reporting date and the dividend is subject to the Minister’s subsequent approval.

The adjustment above for the reversal of the provision for dividends in the accounts for year ended 30 June 2004 and 30 June 2005 prepared under AGAAP has been made in compliance with AIFRS.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

Year ended 30 June 2005	Notes	30 June 2005 \$'000
Net profit as reported under AGAAP		3,128
Adjustment to income tax expense	(i)	(142)
Finance lease adjustment	(ii)	266
Net profit under AIFRS		<u>3,252</u>

(i) Income Tax expense

The adjustment to income tax expense relates to the AIFRS adjustments as referred to in note 1.22 (a)(i).

(ii) Finance lease arrangement

Under AASB 117 “Leases Determining whether our arrangement contains a lease” and UIG 4. The EPA has reclassified the long term service contract with Portman Mining Limited as a finance lease arrangement. This has resulted in the reduction in property, plant and equipment and the creation of current and non-current assets called finance lease receivable.

Revenue received from Portman Mining Limited under AGAAP all went through the income statement. Revenue was received from Portman in relation to the finance leases is used to reduce the outstanding current balance of the finance lease in the balance sheet with only the interest portion recognised through the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.23 Changes in accounting policy

In the current financial year, EPA adopted AASB 132 *Financial Instruments: Disclosure & Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

This change in accounting policy has not resulted in any adjustments to the results of EPA for the financial year.

Esperance Port Authority

Notes to the financial statements

1.24 Significant accounting policies (continued)

(a) Derivative financial instruments

Current accounting policy

The Authority uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from the purchase of property, plant and equipment. In accordance with its accounting policy, the Authority does not hold or issue derivative financial instruments for trading purposes

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy d).

Comparative period policy

The Authority was not exposed to changes in, foreign exchange rates in prior years and no hedging was undertaken.

(b) Hedging

Current accounting policy

On entering into a hedging relationship, the Authority has not formally designated and documented the hedge relationship and the risk management objective and strategy for undertaking the hedge. Consequently any gain or loss is accounted for through the profit and loss.

(c) Intangible assets

All acquired intangible assets are measured at cost less depreciation and accumulated amortisation and impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit on a straight line basis using rates which are reviewed annually. All intangible assets controlled by the Authority have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Licenses	up to 3 years
Software	2 – 5 years

Licenses

Licenses have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Computer Software

Acquired software items costing less than \$1,000 are expensed in the year of acquisition. Where software is an integral part of the related hardware, it is treated as property, plant and equipment. Where the software is not an integral part of the related hardware, it is treated as an intangible asset.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Esperance Port Authority

Notes to the financial statements

2	Revenue		2006	2005
	<i>In thousands of AUD</i>	<i>Note</i>		
	Revenue from vessels		7,256	6,674
	Revenue from cargo		5,828	5,672
	Revenue from port services		9,506	8,797
	Equipment hire, power and water revenue		1,290	1,179
	Infrastructure charge		2,316	2,429
	Other operating revenue		164	107
			26,360	24,858
3	Other Revenues			
	<i>In thousands of AUD</i>	<i>Note</i>		
	Rentals		751	556
	Interest		414	445
	Hedging gain		56	0
			1,221	1,001
4	Expenses			
	<i>In thousands of AUD</i>	<i>Note</i>		
	Employee Benefits Expense			
	Wages and salaries		6,019	5,139
	Superannuation		485	446
	Annual leave		62	4
	Long service leave		47	12
	Accumulated days off		4	0
	Sick leave		30	55
			6,647	5,656
	Other expenses			
	Profit before income tax includes the following specific expense:			
	Finance costs			
	Borrowings		3,275	3,415
	Total finance costs		3,275	3,415
	Total finance costs expensed		3,275	3,415
	Depreciation and amortisation			
	Channels and breakwaters		428	428
	Land improvements		54	53
	Buildings and improvements		158	174
	Plant and equipment		433	433
	Berths, jetties and infrastructure		1,467	1,549
	Intangibles		33	30
	Total depreciation and amortisation		2,573	2,667

Esperance Port Authority
Notes to the financial statements

5 Auditors' remuneration

In AUD

Audit services

Fees paid to the Auditor General

	2006	2005
	32	25
	<u>32</u>	<u>25</u>

6 Income tax expense

In thousands of AUD

Current tax expense

Current year

Adjustments for prior years

Note

Deferred tax expense

Origination and reversal of temporary differences

Increase/(decrease) in Deferred Tax Liabilities

Total income tax expense

	2006	2005
	460	337
	(62)	-
	<u>398</u>	<u>337</u>
	398	337
	<u>803</u>	<u>1,061</u>
	803	1,061
	<u>803</u>	<u>1,061</u>
	<u>1,201</u>	<u>1,398</u>

Esperance Port Authority

Notes to the financial statements

7 Income tax expense (Continued)

In thousands of AUD

Note

	2006	2005
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by Esperance Port Authority's applicable income tax rate is as follows:		
Accounting profit before income tax	4,210	4,649
Tax at statutory income tax rate of 30%	1,263	1,395
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	-	3
	1,263	1,398
Under/(over) provided in prior years	(62)	-
Income tax expense on pre-tax net profit	1,201	1,398

Current tax liabilities

The current tax liability of \$380,498 (2005: \$335,479) represents the amount of income taxes payable in respect of current and prior financial periods.

8 Cash and cash equivalents

In thousands of AUD

	2006	2005
Cash at bank	3,489	2,767
Cash management account	0	2,190
Term deposits	0	5,249
Cash and cash equivalents	3,489	10,206
Cash and cash equivalents in the statement of cash flows	3,489	10,206

9 Trade receivables

In thousands of AUD

Note

Current

Trade receivables	4,419	2,980
Interest receivable	0	17
Finance lease	1,896	1,776
Fair value derivatives	56	-
	6,371	4,773

Non-current

Finance lease	26,721	28,617
---------------	--------	--------

10 Inventories

In thousands of AUD

	2006	2005
Stores on hand	1,354	1,270
	1,354	1,270

Esperance Port Authority
Notes to the financial statements

11 Property, Plant and equipment

In thousands of AUD

	Land	Buildings and Ancillaries	Berths 1 and 2	Berth 3 and Ship loader	Berth Stabilisation and Fenders	Break- water	Bulk Loading Facilities	Channels	Electrical Services	Office Equipment	Oil Pipeline	Plant And Equipment	Work In Progress	Total
Cost														
Balance at 1 July 2004	715	4,805	6,140	518	3,911	10,482	15,564	16,119	425	288	360	2,742	-	62,069
Acquisitions	912	93		26			642		22	93		785	-	2,573
Disposals									(49)		-	(357)	-	(406)
Balance at 30 June 2005	1,627	4,898	6,140	544	3,911	10,482	16,206	16,119	447	332	360	3,170	-	64,236
Balance at 1 July 2005	1,627	4,898	6,140	544	3,911	10,482	16,206	16,119	447	332	360	3,170	-	64,236
Acquisitions		412		17			32			95		567	15,180	16,303
Disposals									(4)			(409)		(413)
Balance at 30 June 2006	1,627	5,310	6,140	561	3,911	10,482	16,238	16,119	447	423	360	3,328	15,180	80,126

Esperance Port Authority
Notes to the financial statements

11 Property, plant and equipment – (continued)

	Land	Buildings and Ancillaries	Berths 1 and 2	Berth 3 and Ship loader	Berth Stabilisatio n and Fenders	Break- water	Bulk Loading Facilities	Channels	Electrical Services	Office Equipment	Oil Pipeline	Plant And Equipment	Work In Progress	Total
<i>In thousands of AUD</i>														
Depreciation														
Balance at 1 July 2004	-	1,229	2,153	60	892	1,205	7,366	1,678	153	214	144	1,537		16,631
Depreciation charge for the year		174	273	28	219	210	1,028	218	35	53	18	380		2,636
Disposals										(45)		(146)		(191)
Balance at 30 June 2005		1,403	2,426	88	1,111	1,415	8,394	1,896	188	222	162	1,771		19,076
Balance at 1 July 2005		1,403	2,426	88	1,111	1,415	8,394	1,896	188	222	162	1,771		19,076
Depreciation charge for the year		158	274	30	218	210	945	218	36	63	18	370		2,540
Disposals										(4)		(285)		(289)
Balance at 30 June 2006		1,561	2,700	118	1,329	1,625	9,339	2,114	224	281	180	1,856		21,327
Carrying amounts														
At 1 July 2004	715	3,576	3,987	15,900	3,019	9,277	8,198	14,441	272	74	216	1,205		45,438
At 30 June 2005	1,627	3,495	3,714	456	2,800	9,067	7,812	14,223	259	110	198	1,399		45,160
At 1 July 2005	1,627	3,495	3,714	456	2,800	9,067	7,812	14,223	259	110	198	1,399		45,160
At 30 June 2006	1,627	3,749	3,440	443	2,582	8,857	6,899	14,005	223	142	180	1,472	15,180	58,799

Esperance Port Authority
Notes to the financial statements

12 Intangible assets

	<i>Note</i>	Computer Software
<i>In thousands of AUD</i>		
Cost		
Balance at 1 July 2004		107
Acquisitions		<u>57</u>
Balance at 30 June 2005		<u>164</u>
Balance at 1 July 2005		164
Acquisitions		<u>66</u>
Balance at 30 June 2006		<u>230</u>
Computer Software		
<i>In thousands of AUD</i>		
<i>Amortisation</i>		
Balance at 1 July 2004		82
Amortisation for the year		<u>30</u>
Balance at 30 June 2005		<u>112</u>
Balance at 1 July 2005		112
Amortisation for the year		<u>33</u>
Balance at 30 June 2006		<u>145</u>
Carrying amounts		
At 1 July 2004		<u>25</u>
At 30 June 2005		<u>52</u>
At 1 July 2005		52
At 30 June 2006		<u>85</u>

Esperance Port Authority

Notes to the financial statements

13 Trade and other payables

In thousands of AUD

Trade payables
Accrued expenses
Income in advance

<i>Note</i>	2006	2005
	2,333	832
	742	679
	395	372
	3,470	1883

14 Interest bearing liabilities

In thousands of AUD

Current liabilities

Borrowings from Western Australian Treasury Corporation

2006	2005
2,522	2,221
2,522	2,221

Non-current liabilities

Borrowings from Western Australian Treasury Corporation

52,177	49,789
52,177	49,789

Financing arrangements

Esperance Port Authority has access to the following lines of credit

Total facilities available:

Portfolio lending arrangements facility
Fixed rate loan facility

15,000	15,000
100,000	100,000
115,000	115,000

Facilities utilised at reporting date:

Portfolio lending arrangements facility
Fixed rate loan facility

8,322	8,865
46,377	43,145
54,699	52,010

Facilities not utilised at reporting date:

Portfolio lending arrangements facility
Fixed rate loan facility

6,678	6,135
53,623	56,855
60,301	62,990

The lines of credit do not have a term. Funds can be accessed only after WA Government approval.

Esperance Port Authority

Notes to the financial statements

15 Employee benefits

Current

In thousands of AUD

Liability for accumulated days off	
Liability for annual leave	
Liability for long service leave	
Liability for sick leave	
Liability for Superannuation	

2006	2005
105	101
486	424
286	249
56	80
4	4
937	858

Non Current

Liability for Superannuation	
Liability for long-service leave	
Liability for sick leave	
Total employee benefits	

281	294
218	207
338	283
837	784

16 Provisions

Current

In thousands of AUD

Employee benefits on cost	
---------------------------	--

2006	2005
62	57
62	57

Non Current

Employee benefits on cost	
---------------------------	--

42	37
42	37

17 Capital and reserves

Reconciliation of movement in capital and reserves

In thousands of AUD

Balance at 1 July 2004	
Dividends to shareholder	
Total recognised income and expense	
Balance at 30 June 2005	

Note	Contributed Equity	Retained Earnings	Total Equity
	2,209	25,647	27,856
		(1,262)	(1,262)
		3,252	3,252
	2,209	27,637	29,846

Balance at 1 July 2005	
Dividends to shareholder	
Total recognised income and expense	
Balance at 30 June 2006	

2,209	27,637	29,846
	(1,563)	(1,563)
	3,009	3,009
2,209	29,083	31,292

Dividends

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 50% of after tax profits. However, in accordance with AIFRS, dividends relating to the financial results for the year ended 30 June 2006 have not been provided as they are expected to be declared by the Board of Directors after balance sheet date.

A dividend of \$1.563 million (2004:\$1.262 million) in respect of the financial results for the year ended 30 June 2005 was paid by 30 June 2006.

Esperance Port Authority Notes to the financial statements

18 Financial instruments

EPA's principal financial instruments comprise of interest bearing borrowings, finance lease hedges and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for EPA's operations.

EPA has other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

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

Interest rate risk

EPA's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. EPA'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.

Esperance Port Authority
Notes to the financial statements

18 Financial instruments (Continued)

Effective interest rates and repricing analysis

In respect of income-earning assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

<i>In thousands of AUD</i>	Effective Interest Rate	Variable Interest Rate	Within 1 year	2006					Non Interest Bearing	Total
				1-2 Years	2-3 Years	3-4 Years	4-5 Years	More Than 5 Years		
Financial Assets										
Cash assets*	5.41	3,489								3,489
Receivables:									4,419	4,419
		3,489							4,419	7,908
Financial Liabilities*										
Payables									3,384	3,384
Borrowings from:										
WATC	6.5		3,318	822	822	799	744	1,817		8,322
WATC	6.56		1,975	2,101	2,238	2,384	2,540	35,139		46,377
			5,293	2,923	3,060	3,183	3,284	36,956	3,384	58,083
Net Financial Assets (Liabilities)		3,489	(5,293)	(2,923)	(3,060)	(3,183)	(3,284)	(36,956)	1,035	(50,175)

Esperance Port Authority
Notes to the financial statements

18 Financial instruments (Continued)

	2005									
<i>In thousands of AUD</i>	Effective Interest Rate	Variable Interest Rate	Within 1 year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More Than 5 Years	Non Interest Bearing	Total
Financial Assets										
Cash assets*	5.25	2,767	7,439							10,206
Receivables:									2,997	2,997
		2,767	7,439						2,997	13,203
Financial Liabilities*										
Payables									1,884	1,884
Borrowings from:										
WATC	6.5		3,481	822	822	822	799	2,119		8,865
WATC	6.6		1,799	1,917	2,042	2,176	2,319	32,892		43,145
			5,280	2,739	2,864	2,998	3,118	35,011	1,884	53,894
Net Financial Assets (Liabilities)		2,767	2,159	(2,739)	(2,864)	(2,998)	(3,118)	(35,011)	1,113	(40,691)

* These assets / liabilities bear interest at a fixed rate.

Esperance Port Authority

Notes to the financial statements

18 Financial instruments (continued)

Credit risk

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

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

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

Liquidity risk

EPA's objective is to maintain a balance between continuity of funding and flexibility through the use of cash reserves and its borrowing facilities.

Financial instruments

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

	2006	2005
Financial assets		
Cash and cash equivalents	3,489	10,206
Trade and other receivables	6,511	4,773
Receivables (non-current)	26,721	28,617
	36,721	43,596
Financial liabilities		
Trade and other payables	3,470	1,883
Interest bearing borrowings:		
Variable rate borrowings	8,322	8,865
Fixed rate borrowings	46,377	43,145
	58,169	53,893

The carrying amount, by maturity, of the interest bearing borrowings that are exposed to interest rate risk are disclosed previously.

Foreign currency risk

The Authority is exposed to foreign currency risk on a purchase in a currency other than the AUD. The currency giving rise to this risk are US dollars.

The Authority has hedged at least 98 per cent of payables denominated in US dollars for a dual purpose crane. One of the forward exchange contracts has a maturity date of less than one year and the other falls after the balance sheet date. All the forward exchange contracts can be rolled over at maturity.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of 'net financing costs'. The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2006 was \$55,835 for the Authority.

Esperance Port Authority Notes to the financial statements

19 Commitments

	2006	2005
Capital works		
<i>Capital commitments</i>		
Commitments for the acquisition of plant and equipment and land contracted for at the reporting date but not recognised as liabilities:		
Payable within one year	0	19,000

	2006	2005
Finance lease receivable		
Amounts receivable under finance leases:		
Payable within one year	3,738	3,738
Later than one year but not later than five years	18,690	18,690
Later than five years	17,443	21,181
	39,871	43,609
Unearned finance income	-11,564	-13,526
Present value of minimum lease payments receivable	28,307	30,083

	2006	2005
Representing finance lease receivable		
Current	1,896	1,776
Non-current	26,411	28,307
	28,307	30,083

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

Esperance Port Authority

Notes to the financial statements

20 Provisions

Retirement benefit obligations

Surplus/deficit

The following is a summary of the most recent financial position of the Pension Scheme calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans. Note that the figures below relate to the Pension Scheme as a whole and are therefore not restricted to EPA's employees.

	2006	2005
<i>Amounts recognised in the balance sheet</i>		
Present value of unfunded obligations	30	31
Fair value of plan assets	0	0
	30	31
<i>Reconciliation of movement in the present value of the unfunded obligations recognised in the balance sheet</i>		
Opening balance	31	31
Current service cost	0	0
Interest cost	2	2
Actuarial losses/(gains) on liabilities	1	1
Benefits paid (including expenses and taxes)	(3)	(3)
	31	31
<i>Amounts recognised in the income statement</i>		
Current service cost	0	0
Interest cost	2	2
Actuarial losses/gains on liabilities	1	1
	3	3
<i>Historic summary</i>		
Defined benefit plan obligation	31	31
Plan assets	0	0
	31	31
Experience adjustments arising on plan liabilities	2	0
Experience adjustments arising on plan assets	0	0
<i>Principal actuarial assumption</i>		
Discount rate	5.81%	5.22%
Expected future salary increases	4.50%	4.50%
Expected future pension increases	2.50%	2.50%
Anticipated return on plan assets	N/A	N/A

Esperance Port Authority

Notes to the financial statements

20 Provisions (Continued)

Reconciliations

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

	2006
Other	
Carrying amount at 1 July	94
Provisions made during the year	10
Amounts utilised in the year	0
Carrying amounts at 30 June	<u>104</u>

Other provision is for on-costs related to employee entitlements. These include provision for workers' compensation and payroll tax.

21 Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	<i>Note</i>	2006	2005
Profit for the period		3,009	3,252
Depreciation and amortisation:		2,573	2,667
Net (gain) loss on sale of non current assets		(50)	26
Income tax paid		(321)	-
Interest revenue		(414)	(445)
Provision for superannuation liability		(12)	(2)
Provision for annual leave		62	(28)
Provision for long service leave		47	(22)
Provision for sick		30	27
Provision for overheads		10	94
Provision for accumulated days off		4	29
Income tax expense		1,201	1,398
Changes in assets and liabilities			
Increase/ (decrease) in finance lease		1,776	1,665
(Increase)/decrease in receivables		(1,422)	2,019
(Increase)/decrease in inventories		(84)	(274)
(Decrease)/increase in payables		1,537	97
Increase (decrease) in income in advance		(24)	(17)
Increase (decrease) in net GST payable		74	(148)
Loss/(gain) on currency hedging		(56)	0
Net cash from operating activities		<u>7,940</u>	<u>10,338</u>

Esperance Port Authority
Notes to the financial statements

22 Remuneration of directors

2006		Primary Directors Fee \$	Post Employment Superannuation \$	Total \$
Name				
R.J. Nulsen, Chairman		23,800	2,142	25,942
T. Hawkins, Deputy Chairman		11,000	990	11,990
M.I. Anwyl		11,000	990	11,990
I.S. Mickel		11,000	990	11,990
G.C. Lee		8,250	743	8,993
R.J. Thorp		2,750	247	2,997
Total		67,800	6,102	73,902

2005		Primary Directors Fee \$	Post Employment Superannuation \$	Total \$
Name				
R.J. Nulsen, Chairman		23,800	2,142	25,942
R.J. Thorp Deputy Chairman		11,000	990	11,990
M.I. Anwyl		11,000	990	11,990
T. Hawkins		11,000	990	11,990
I.S. Mickel		11,000	990	11,990
Total		67,800	6,102	73,902

23 Remuneration of senior officers

Remuneration to senior executives whose remuneration was at least \$100,000 is as follows:

	2006	2005
\$100,000 - \$109,999	1	2
\$110,000 – \$119,999	2	4
\$120,000 – \$129,999	3	
\$130,000 - \$139,999	1	
\$190,000 - \$199,999	1	1
\$200,000 - \$210,000	1	1
	9	8

24 Related party transactions

Directors

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

- Mr. Richard Nulsen
- Ms Toni Hawkins
- Ms Megan Anwyl
- Mr. Ian Mickel
- Mr Greyham Lee from 1 October 2005
- Mr. Richard Thorp until 30 September 2005

Other related party transactions

Information on remuneration received or receivable by directors is disclosed in Note 22

A Director, Mr. Richard Nulsen, is a Director of South East Petroleum. The transactions with South East Petroleum for the supply of petroleum products to the Authority amounted to \$801 (2005: \$3,052) on 30 days credit terms, and were based on normal commercial terms and conditions.

Directors' declaration

- 1 The Directors declare that the financial statements and notes:
 - (a) comply with Accounting Standards, Port Authorities Act 1999 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Authority's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

- 2 In the Directors' opinion:
 - (a) the financial statements and notes are in accordance with the Port Authorities Act 1999, and
 - (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.

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



TONI HAWKINS
DEPUTY CHAIRMAN
31 AUGUST 2006



IAN MICKEL
MEMBER