Port Kembla Port Corporation

AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

PERFORMANCE INFORMATION

The Corporation provided the following information regarding its performance:

Year ended 30 June	Actual					Target
	2003	2004	2005	2006	2007	2007
Operational Performance						
Trade throughput tonnage('000s)	22,711	22,100	24,400	25,900	*25,413*	*25,758*
Vessel visits	598	567	624	591	*607*	*685*
Chargeable gross tonnage ('000s)	16,330	15,940	17,900	17,575	*17,987*	*21,400*
Financial Performance						
Return on equity (%)	14.2	12.7	9.0	7.8	*9.5*	*(0.40)*
Return on assets (%)	10.6	9.2	4.4	6.7	*7.7*	*2.8*
Interest cover (times)	4.2	2.1	1.5	3.1	*4.5*	*0.9*
Debt/equity ratio (%)	87.8	84.7	60.2	56.6	*44.3*	*64.0*
Dividend to government ($m)	--	2.3	6.2	--	--	--

Trade throughput fell due to the drought reducing the volume of grain exports.

The Corporation's target 'Return on equity' did not include the revaluation increment of $7.3 million on investment properties.

The debt/equity ratio is gradually decreasing and the Corporation achieved its target for 2007. However, the ratio is higher than for the other ports in New South Wales. The Corporation advised that it is reviewing its capital structure.

OTHER INFORMATION

Port Development Program

Under the New South Wales Government's Ports Growth Plan, the Maritime Authority of NSW transferred two parcels of land to the Corporation for port development at a value of $19.0 million. The Corporation then leased the land for 40 years to a private operator who built administration blocks, warehouses and pavements. From May 2007, the Operator started container bulk trade at Port Kembla which was previously handled at the East Darling Harbour.

During the year the Corporation spent $48.6 million in construction of a berth and harbour dredging. This allowed the transfer of containers and general cargo operations from Port Jackson to Port Kembla. It also expects to complete another berth in late 2008.

When completed the vehicle import at Glebe Island and the container bulk trade at Darling Harbour will move to Port Kembla.

As part of the port development, RailCorp transferred the rail infrastructure assets at the Port Kembla port to the Corporation in October 2007.

FINANCIAL INFORMATION

Abridged Income Statement

Year ended 30 June	2007 $'000	2006 $'000
REVENUE	*26,834*	31,315
Borrowing costs	*3423*	3,811
Other expenses	*12,828*	20,690
EXPENDITURE	*16,251*	24,501
PROFIT BEFORE TAX	*10,583*	6,814
Income tax expense	*2,844*	2,050
PROFIT	*7,739*	4,764

Revenue fell due to a decrease in grain exports. Other expenses for 2006 included $8.7 million of impairment to property, plant and equipment assets.

Abridged Balance Sheet

At 30 June	2007 $'000	2006 $'000
Current assets	*38,711*	66,768
Non-current assets	*143,048*	91,003
TOTAL ASSETS	*181,759*	157,771
Current liabilities	*21,270*	16,719
Non-current liabilities	*49,398*	53,859
TOTAL LIABILITIES	*70,668*	70,578
NET ASSETS	*111,091*	87,193

Port development programs reflect the drop in current assets and increase in non-current assets.

CORPORATION ACTIVITIES

The Corporation's principal objectives are to be a successful business, to maximise the net worth of the State's investment in the Port Corporation, to promote and facilitate trade through the port of Port Kembla, and to exercise the port safety functions in accordance with its Port Safety Operating Licence.

The Corporation is a statutory State owned corporation incorporated under the *Ports and Maritime Administration Act 1995*.

For further information on the Corporation, refer to www.kemblaport.com.au.