

FREMANTLE PORTS FINANCIAL STATEMENTS





CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

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Directors' Declaration

This Concise Financial Report has been derived from the full financial report for the year ended 30 June 2005. The financial statements included in the Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Fremantle Ports as the full financial report.

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005
STATEMENT OF FINANCIAL PERFORMANCE

	Note	2005 \$'000	2004 \$'000
Revenue from Ordinary Activities	3	84,202	76,886
Operational Expenses		(37,760)	(33,879)
Commercial Management		(23,503)	(19,663)
Port Utilities		(4,290)	(4,171)
Borrowing costs		(2,043)	(1,500)
Other expenses from Ordinary Activities		(148)	(38)
Profit from Ordinary Activities Before Income Tax Expense		16,458	17,635
Income Tax Expense		(4,161)	(6,115)
Net Profit		12,297	11,520

The above Statement of Financial Performance should be read in conjunction with the accompanying notes and discussion and analysis.

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005
STATEMENT OF FINANCIAL POSITION

	2005	2004
	\$'000	\$'000
CURRENT ASSETS		
Cash Assets	1,730	2,870
Other Financial Assets	12,500	17,200
Receivables	11,288	10,216
Inventories	1,204	1,353
Other	391	406
Total Current Assets	27,113	32,045
NON-CURRENT ASSETS		
Receivables	9,826	10,051
Property, Plant and Equipment	149,500	115,299
Deferred Tax Assets	9,318	8,329
Total Non-Current Assets	168,644	133,679
TOTAL ASSETS	195,757	165,724
CURRENT LIABILITIES		
Payables	8,414	9,110
Interest Bearing Liabilities	1,673	4,914
Current Tax Liabilities	157	2,971
Provisions	8,273	8,454
Other	1,492	1,500
Total Current Liabilities	20,009	26,949
NON-CURRENT LIABILITIES		
Interest Bearing Liabilities	44,521	20,878
Deferred Tax Liabilities	33	65
Provisions	11,588	10,896
Other	1,650	1,667
Total Non-Current Liabilities	57,792	33,506
TOTAL LIABILITIES	77,801	60,455
NET ASSETS	117,956	105,269
EQUITY		
Contributed Equity	51,771	46,452
Reserves	5,102	5,102
Retained Profits	61,083	53,715
TOTAL EQUITY	117,956	105,269

The above Statement of Financial Position should be read in conjunction with the accompanying notes and discussion and analysis.

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005
STATEMENT OF CASH FLOWS

	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	78,505	76,760
Payments to Suppliers and Employees	(59,752)	(53,591)
Interest Received	2,133	1,801
Borrowing Costs paid	(1,456)	(989)
Income Tax paid	(7,995)	(4,977)
Net Cash Inflow from Operating Activities	<u>11,435</u>	<u>19,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Investments	(18,500)	(17,900)
Proceeds from the disposal of Investments	23,200	10,845
Payments for purchase of Property, Plant and Equipment	(41,162)	(9,651)
Proceeds from the disposal of Property, Plant and Equipment	22	24
Net Cash Outflow from Investing Activities	<u>(36,440)</u>	<u>(16,682)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Borrowings	(1,026)	(1,452)
Proceeds from Borrowings	25,343	3,800
Finance Lease payments	(230)	(126)
Finance Lease proceeds	219	200
Dividends paid	(5,760)	(5,155)
Equity Contribution	5,319	921
Net Cash Inflow / (Outflow) from Financing Activities	<u>23,865</u>	<u>(1,812)</u>
NET (DECREASE) / INCREASE IN CASH HELD	<u>(1,140)</u>	<u>510</u>
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	2,870	2,360
CASH AT THE END OF THE FINANCIAL YEAR	<u>1,730</u>	<u>2,870</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes and discussion and analysis.



CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005 DISCUSSION AND ANALYSIS

Statement of Financial Performance

Fremantle Ports recorded an after tax profit of \$12.3 million for 2005 (2004: \$11.5 million).

As a result of strong trade growth in non-transshipment containers and the motor vehicle trade in the Inner Harbour, revenue was 6% higher than last year (excluding contribution of a property inherited by Fremantle Ports on the expiration of a trading agreement).

Dividends

In accordance with the Port Authorities Financial Policy, a dividend of \$4.9 million (2004: \$5.8 million) was provided for as a result of 2005 profits. This includes provision of \$0.460 million (2004: \$0.459 million) for a required Government Efficiency Dividend.

Statement of Financial Position

Assets

Total assets increased by \$30.0 million (2004: \$9.5 million) during 2005 to \$196.0 million (2004: \$165.7 million). This is mainly due to an increase in property, plant and equipment.

Liabilities

Total liabilities increased by \$17.3 million (2004: \$2.8 million decrease) from 2004. The increase is mainly due to additional borrowings.

Equity

The equity contribution for the year is \$5.3 million received from the WA Government for the contribution towards interest on Special Borrowings for the Bulk Unloader purchased in October 2001 and for the contribution towards the North Quay Rail Loop and Rail Terminal Project.

Statement of Cash Flows

The net cash flows for 2004/2005 was comparable to the previous year.

Net cash inflow from operating activities was lower than in the previous year mainly due to an increase in payments to suppliers and employees and income taxes paid.

Net cash outflow from investing activities is higher than 2003/2004 predominantly due to an increase in payments for property, plant and equipment.

Net cash inflow from financing activities is significantly higher than the previous year due to an increase in proceeds from borrowings and equity contributions received.

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

This concise financial report has been derived from the full financial report which complies with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the financial reporting provisions of the *Port Authorities Act 1999*. There is no statutory requirement for Fremantle Ports to prepare a concise financial report. However the concise financial report has been prepared on the basis that it complies with Accounting Standard AASB 1039 Concise Financial Reports.

2. SEGMENT INFORMATION

The mission statement of Fremantle Ports is "To add value for our customers and stakeholders by facilitating trade in a commercial and efficient manner while fulfilling our social and environmental responsibilities".

Fremantle Ports' activities are directed towards achieving this mission and in this regard Fremantle Ports operates in one reportable business segment for reporting purposes as required by AASB 1005 *Segment Reporting*.

The principal activity of Fremantle Ports is the provision of port related activities and services.

Fremantle Ports operates predominantly in the one geographical segment, being Australia.

3. SALES REVENUE

	2005	2004
	\$'000	\$'000
Sales revenue included in revenue from ordinary activities	82,327	74,538

Included in sales revenue above is an amount of \$2.438 million which represents the value of a property that was inherited by Fremantle Ports on the expiration of a trading agreement.

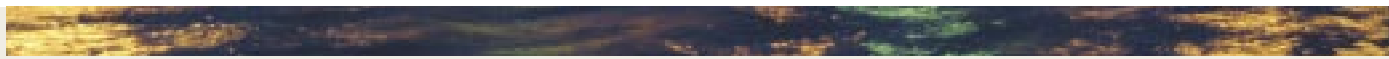
4. DIVIDENDS

	2005	2004
	\$'000	\$'000
Dividend provided for or paid for the financial year	4,929	5,760

Under existing dividend policy dividends amounting to \$4.9 million (2004: \$5.8 million) have been provided.

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 \$4.9 million (2004: \$5.8 million) has been provided. This includes provision of \$0.460 million (2004: \$0.459 million) for a required Government Efficiency Dividend.



CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, Fremantle Ports must comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian Generally Accepted Accounting Principles (AGAAP) and other financial reporting requirements applicable for reporting periods ended 30 June 2005.

Fremantle Ports is in the process of transitioning its accounting policies and financial reporting from AGAAP to AIFRS which will be applicable for the financial year ended 30 June 2006. In 2004, Fremantle Ports allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Fremantle Ports established a project team to address each of the areas in order of priority. Priority was given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Fremantle Port's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Fremantle Ports prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

The project is achieving its scheduled milestones and Fremantle Ports is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to :

- (a) ongoing work being undertaken by the AIFRS project team;
- (b) potential amendments to AIFRS and Interpretations thereof being issued by the standard-setters and IFRIC; and
- (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**(a) Reconciliation of equity as presented under AGAAP to equity under AIFRS**

	Notes	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under AGAAP		117,956	105,269
Adjustments to retained profits			
Impact of taxation	(i)	(957)	(1,601)
Impact of employee benefits	(ii)	(59)	1,187
Impact of transfer from revaluation reserve	(iii)	5,102	5,102
Impact of reversal of dividends provided	(iv)	4,929	5,760
Adjustments to other reserves			
Transfer of revaluation reserve to retained profits	(iii)	(5,102)	(5,102)
Total equity under AIFRS		121,869	110,615

(i) Taxation

To comply with AASB 112 *Income Taxes*, Fremantle Ports will be required to use the balance sheet liability method, rather than the income statement method currently 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.

(ii) Employee Benefits

Under AASB 119 *Employee Benefits*, all employee benefit entitlements that are expected to be settled more than twelve months after the reporting date must be measured at their present value. This will result in a change in accounting policy in that sick leave expected to be settled more than twelve months after the reporting date which previously was not discounted, will now be measured at present value.

Fremantle Ports' net obligation in respect of defined benefit superannuation plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Under AGAAP this benefit is discounted at the rate of interest expected to be earned by the fund. However AASB 119 *Employee Benefits* requires this discount rate to be the national bond rate current at reporting date.

Actuarial valuations on the unfunded defined benefit superannuation liabilities were completed as at 30 June 2004 and 30 June 2005 using the national bond rate resulting in an actuarial loss of \$0.987 million being recognised in the income statement for the year ended 30 June 2005.

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(iii) Revaluation Reserve

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

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

(iv) Provision for Dividends

AASB 110 *Events after the Balance Sheet Date*, provide that a dividend liability 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 the entity. 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.

(v) Financial Instruments

Management has decided to apply the exemption provided in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standard* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. However, the impact assessment has not been completed.

(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		12,297
Adjustment to income tax expense	(i)	644
Adjustment for employee benefits	(ii)	(1,246)
Net profit under AIFRS		11,695

(i) Income Tax expense

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

(ii) Employee Benefits

The adjustment for employee benefits relates to the discounting of sick leave expected to be settled more than twelve months after the reporting date to be measured at present value and the actuarial loss of the unfunded superannuation liabilities as at 30 June 2005 as referenced in note (a)(ii) above.

(c) Explanation of material adjustments to the cash flow statement for 2004/05

Bank bills previously classified under AGAAP as other financial assets will now be classified as cash or cash equivalents as required by AASB 107 *Cash Flow Statements* under AIFRS.

**CONCISE FINANCIAL REPORT** FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. EVENTS SUBSEQUENT TO REPORTING DATE

In reporting periods beginning on or after 1 July 2005, Fremantle Ports must comply with the Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 21 to the financial statements.

Other than the matter discussed above, 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 Fremantle Ports, to affect significantly the operations of the Port, the results of those operations, or the state of affairs of the Port, in future financial years.

7. FULL FINANCIAL REPORT

A copy of the full financial report for the year ended 30 June 2005, including the Auditor's report on the full financial report, can be made available without charge by writing to:

Manager External Affairs
Fremantle Ports
PO Box 95
Fremantle WA 6959



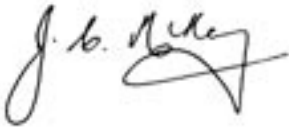
CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

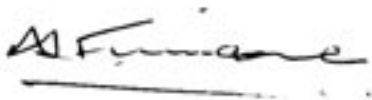
The directors of the Fremantle Port Authority declare that in their opinion, the concise financial report of the Fremantle Port Authority for the year ended 30 June 2005 as set out on pages 72 to 83 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2005.

This declaration is signed in accordance with a resolution of the Directors on 19 August 2005.



Chairman



Director

19 August 2005

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005
FINANCIAL AUDIT REPORT



AUDITOR GENERAL

INDEPENDENT AUDIT REPORT

To the members of the Board of the Fremantle Port Authority

Audit Opinion

In my opinion, the concise financial report of the Fremantle Port Authority for the year ended 30 June 2005 complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Scope

The Board's Role

The Board is responsible for the financial report.

The concise financial report consists of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Discussion and Analysis on the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows, accompanying Notes and Directors' Declaration.

Summary of my Role

I have independently audited the concise financial report to express an opinion on it. This was done by looking at a sample of the evidence and testing that the information in the concise financial report is consistent with the full financial statements.

I have also independently audited the full financial report of the Authority for the year ended 30 June 2005. My audit report on the full financial report was signed on 31 August 2005 and was not subject to any qualification.

An audit does not guarantee that every amount and disclosure in the concise financial report is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the concise financial report.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
31 August 2005