

Overview Executive Summary

Notable Achievements

- Buoyant trade saw significant growth in some areas, with container trade reaching a record of 598,543 TEU (twenty foot equivalent units).
- The Inner Harbour and channel deepening and associated berth works were completed in April 2011. This \$250 million project responded to the need to provide for larger container ships and retain shipping services.
- Expressions of interest were called for 27 hectares of land reclaimed at Rous Head during the dredging and planning for this area to increase port efficiency is well advanced.
- A \$44 million planned upgrading of infrastructure to facilitate exports of iron ore, coal and other commodities at the Kwinana Bulk Terminal advanced towards works approval. This followed completion of agreements with Australian-based company Mineral Resources Limited and existing customer Griffin Coal, now owned by Lanco Infratech.
- The development of a recreational marina at Rous Head was advertised for expressions of interest. Following a strong response, short-listed proponents were invited to submit more detailed concepts for assessment.
- Development within the eastern end of historic B Shed on Victoria Quay to provide a ferry terminal and café was completed and the project received a State Heritage award for adaptive re-use of a heritage building.



A cutter suction dredge and a trailing suction hopper dredge were required for Stage 2 of the dredging.

- Significant progress was made on upgrading the Fremantle Passenger Terminal to provide improved comfort for cruise ship passengers and to increase efficiency in managing cruise ship visits to the port. The refurbishment was recognised with a conservation category award in the Fremantle Heritage Awards.
- Annual survey results showed that 95 per cent of shipping line customers were satisfied or very satisfied with Fremantle Ports' services. In community survey outcomes, overall satisfaction levels with Fremantle Ports' performance were within target and community support for the continuing role of the Inner Harbour as a working port remained strong.

Overview Executive Summary



Jim
Limerick

Chairman's Report

Fremantle Ports recorded a profit for the year of \$17.127 million, which was above budget forecast. This result was due in part to a faster than anticipated recovery in trade after the global financial crisis and in part due to expenditure control. However the economic outlook for the 2011/12 year is still clouded and many variables on both the global and domestic fronts will impact on the trade outlook for the coming year.

This past year has seen the completion of a major deepening of the Inner Harbour, completed on time and within budget, which will ensure the on-going capacity of Fremantle to service the container trade with increasing visits by the larger post-Panamax container vessels. At the same time, a major strengthening and extension of Berth 10 was undertaken, increasing the port's container-handling capacity. With this work completed, the Inner Harbour has the capacity on the marine side to handle well in excess of 1 million containers (twenty foot equivalent units or TEU) per year, compared with nearly 600,000 TEU handled in the last year.

The challenge for the future is to capture the value of this increased capacity by ensuring a corresponding capability to handle and transport a higher number of containers into and out of the port on the land side. Fremantle Ports is working closely with the Department of Transport to complete an Inner Harbour Land Transport Linkages Strategy which will look at both road and rail linkages and the engineering, planning and policy issues needing to be addressed.

Particularly pleasing aspects of the deepening and strengthening projects were the good safety performance and minimisation of impacts on customers and on the environment. The reconstruction of the 52 year old Berth 10 won the award for Management of Engineering at the 2010 WA Engineering Excellence Awards held by Engineers Australia.

Despite an unavoidable amount of turbidity created in the river and extending out of the harbour mouth, the Inner Harbour dredging was completed within the environmental conditions set by the Minister for Environment.

As a result of collecting the dredge spoil within a bunded area at Rous Head, Fremantle Ports has created an additional 27 hectares of land which will be used for port purposes. An expression of interest process was completed during the year and the allocation of land will be finalised early in the new financial year. This is expected to significantly facilitate increased container movement through the port.



Dredging in the Inner Harbour.

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On the bulk trade side of the business, Fremantle Ports entered into an agreement with Mineral Resources Limited (MRL) for the latter to build (and transfer ownership to Fremantle Ports) train unloading and ship loading equipment at the Kwinana Bulk Terminal (KBT) sufficient to export 4.4 million tonnes of iron ore per year. A second agreement with Lanco Infratech, the new owners of Griffin Coal, will see 750,000 tonnes per year of coal exported through KBT for the next four years.

A challenge for Western Australia is to find ways of facilitating iron ore exports from proposed new mining projects in the Yilgarn Region. Esperance and Fremantle are both linked to this region by rail but a significant capital works program will be required to increase the capacity of one or both ports to accommodate this growth. A Regional Transport Plan being co-ordinated by the Department of Transport, will contribute significantly to informing the State Government as to the most effective and efficient options for facilitating this export trade. Fremantle Ports is actively participating in the study, which is expected to be completed in March 2012.

The Board is looking closely at Fremantle Ports' safety performance, noting that whilst the Lost Time Injury Frequency Rate was declining, it remains unacceptably high and the rate of improvement has flattened out. The Board has given the Audit Committee a broader mandate to be the Audit and Risk Committee, with specific terms of reference to examine the safety and environmental performance of the port.

The Honourable Troy Buswell MLA succeeded the Hon Simon O'Brien MLC as Minister for Transport during the year and it has been a pleasure as Chairman to work with both Ministers.

The Board wishes to recognise the service and advice provided to Fremantle Ports by the former Chairman, Mr Alan Birchmore, and by Ms Eve Howell whose terms as Board members expired during the year.

The integrity and professionalism displayed during the year by the Fremantle Ports Executive, under the leadership of its CEO Chris Leatt-Hayter, gives the Board confidence that the exciting challenges we face going into 2012 will be successfully met and well managed. The Board also extends its thanks to all Fremantle Ports employees, who have contributed to our success in the past year.

Jim Limerick
Chairman

Overview Executive Summary



Chris
Leatt-Hayter



Chris Leatt-Hayter signing the Griffin Coal agreement with Manoj Agarwal, Director of Finance, Lanco Infratech.

Chief Executive Officer's Report

The overall trade outcome for the year was maintained at a level similar to last year with some areas significantly outperforming expectations. The port's container trade was at a record level.

Fremantle Ports' bulk business operations at the Kwinana Bulk Terminal and Kwinana Bulk Jetty have also performed well ahead of forecasts, with an increase of more than 35 per cent on last year's result.

The strength of the State's economy is expected to result in further growth in Fremantle's trade in the next few years. As well as maintaining existing trade and business, ensuring that the necessary infrastructure is in place or planned to cater for growth continues to be a top priority. This applies both to our container and general cargo operations in the Inner Harbour and to the bulk handling facilities Fremantle Ports operates at Kwinana.

The major new commercial agreements negotiated during the year and outlined in the Chairman's Report represent a major opportunity for the installation of new and upgraded export infrastructure at the Kwinana Bulk Terminal, with a total investment of some \$44 million in private and public sector funding.

Competition for allocation of capacity at the terminal has been keen. Several proposals were assessed before contracts were signed with Mineral Resources Ltd for the export of iron ore and with Griffin Coal to enable that company to continue to export via the Kwinana Bulk Terminal while new facilities for the export of coal are built at Bunbury or elsewhere.

The Kwinana Bulk Terminal upgrading is expected to be completed before the end of 2011.

With the Inner Harbour deepening and associated berth works now successfully completed, the next big opportunity is to ensure that the new land reclaimed through dredging, along with other adjacent land at Rous Head/North Quay is used in a way that contributes to port capacity and efficiency. This is essential to enable the Inner Harbour to achieve its potential in a sustainable way and significant planning work was undertaken during the year.

Fremantle Ports has undertaken extensive planning and consulted with key parties in the supply chain to ensure that the future layout of the port precinct meets a range of requirements for the future. Aims in the planning for the new land include providing adequate capacity for key functions, improving efficiency of operations and providing flexibility to accommodate possible future changes.

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The land use planning takes into account the need to increase the efficiency of landside logistics. Effective and efficient transport linkages both now and in the future are vital and we are working with other Western Australian Government agencies, port service providers and the transport industry in this regard. A Land Transport Linkages Strategy has been developed to establish the key actions which need to be addressed and to clearly set out responsibilities.

The break-bulk sector is an important part of the mix of trades handled at Fremantle. In addressing current and predicted growth in a number of our common-user trades, our aim is to maximise berth availability, reduce congestion and any potential for delays and promote efficient receiving and delivery of cargo. Opening up space on Berth 12 for more efficient discharge and storage of cargoes from roll on-roll off vessels is a step undertaken this year in that direction.

While working to ensure that we deliver value in terms of economic performance for the State and local economies, Fremantle Ports continues to be very active in the area of community contribution. Partnering with schools and local organisations, we have supported a wide range of initiatives this year. As well as seeking to make a positive difference at the community level, we see the linkages as an important opportunity to promote the role of the port and its importance to day to day life.

Two projects which have added value in terms of community amenity this year have been the very successful development of the new ferry terminal and café in historic B Shed on Victoria Quay and the extensive refurbishment of the heritage-listed Fremantle Passenger Terminal. These works have been a labour of love for those involved and the heritage acknowledgements received at State and local level have been much appreciated.

In conclusion, I would like to thank the Chairman and Directors of the Fremantle Ports Board for their support over the past 12 months. The strategic input to many important issues and decisions has been of great value. I also take this opportunity to acknowledge my fellow members of the Executive and Fremantle Ports' employees for their commitment, effort and teamwork towards achievement of goals.

Chris Leatt-Hayter
Chief Executive Officer

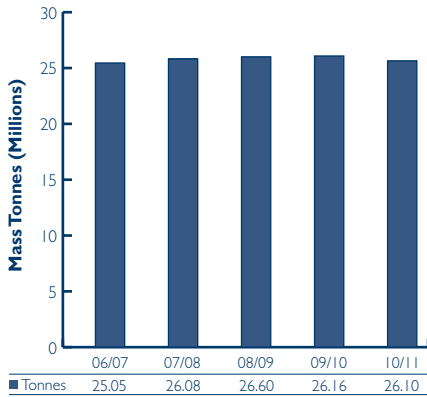


The refurbishment of the Passenger Terminal has improved passenger and visitor comfort.

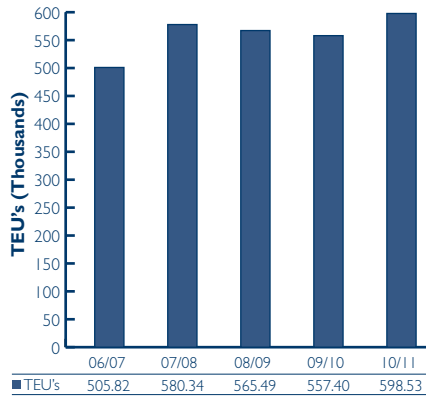
Overview Executive Summary

Key Business Results

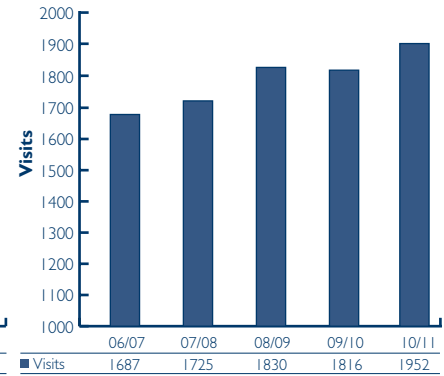
Total Port Trade (Mass Tonnes)
Comparison 2006/2007 to 2010/2011



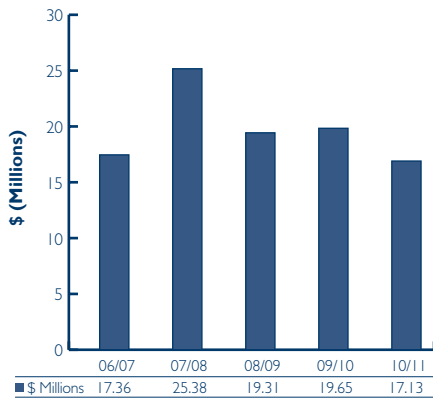
Total Container Trade - TEUs
Comparison 2006/2007 to 2010/2011



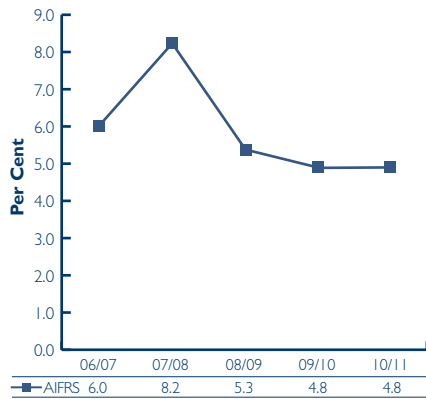
Total Ship Visits
Comparison 2006/2007 to 2010/2011



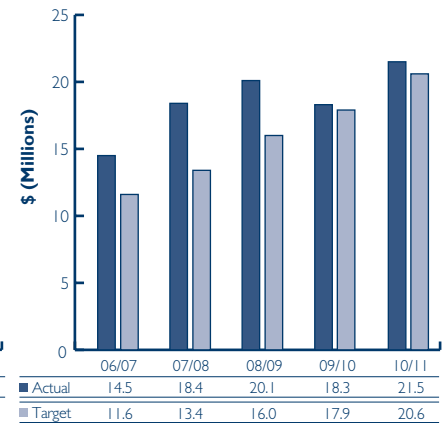
Operating Profit (Loss) Before Income Tax Equivalent
Comparison 2006/2007 to 2010/2011



Economic Rate of Return on Assets
Comparison 2006/2007 to 2010/2011

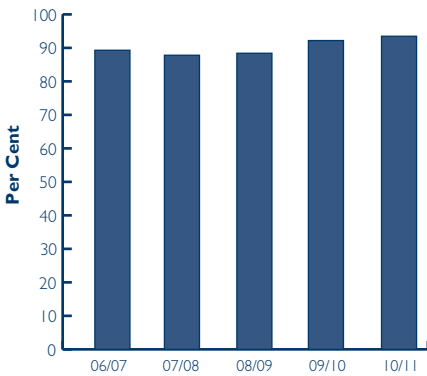


Fremantle Ports - Contributions to State Government 2006/2007 to 2010/2011



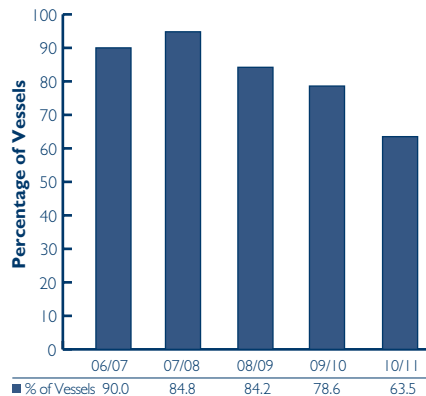
For comparative purposes the above figures exclude individually significant items. (pre 2000/2001 known as abnormal items)

Shipping Line/Agent - Survey Services - 2006/2007 to 2010/2011
Level of Overall Satisfaction with Fremantle Ports' Services

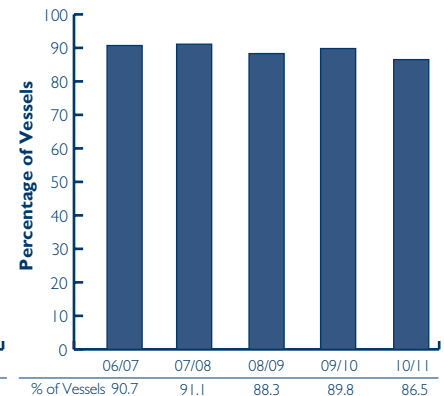


In 2010/11, 95% of respondents were satisfied or very satisfied. Target range 80-90%

Time Awaiting Berth - Container
Comparison 2006/2007 to 2010/2011
% of Container Vessels with Zero Waiting Time



Time Awaiting Berth - Non Container Inner Harbour - Comparison 2006/07 to 2010/11
% of Vessels with Zero Waiting Time



Overview Operational Structure

The State Government-owned port is a mix of facilities and services managed by Fremantle Ports and private operators.



Fremantle Ports operates on commercial principles as a Western Australian Government Trading Enterprise with responsibility for facilitating trade through the State's biggest general cargo port.

The Inner Harbour at Fremantle handles almost all of the container trade for Western Australia. It also provides facilities for motor vehicle imports, livestock exports, other general cargo trades, cruise ships and visiting naval vessels.

The Outer Harbour, about twenty kilometres to the south at Kwinana, is one of Australia's major bulk cargo ports handling grain, petroleum, liquid petroleum gas, alumina, mineral sands, fertilisers, coal, sulphur and other bulk commodities.

The State Government-owned port is a mix of facilities and services managed by Fremantle Ports and private operators. Fremantle Ports provides and maintains shipping channels, navigation aids, cargo wharves at common user areas and leased terminals, the Fremantle Passenger Terminal, road and rail transport infrastructure within the port area, moles and seawalls and other port infrastructure such as storage sheds, water, power and public amenities.

Three of the jetties in the Outer Harbour are operated by private companies, generally under Special Agreement Acts with the State. They are the Alcoa, BP Refinery and CBH jetties. The Kwinana Bulk Jetty and the Kwinana Bulk Terminal are operated by Fremantle Ports.

Services such as towage, pilotage (under contract to Fremantle Ports), line boats and bunkering are provided by the private sector.

Fremantle Ports also cooperates with Commonwealth Government agencies responsible for customs, quarantine and maritime safety.

Overview Operational Structure



Fremantle Ports' Administration Building on Victoria Quay.

Legislative Framework

Fremantle Port Authority, which operates under its registered business name, Fremantle Ports, is a commercialised trading entity under the *Port Authorities Act 1999*. The Act sets out a clear role for Port Authorities in facilitating trade in a commercially responsible manner and establishes clear lines of accountability with the Western Australian State Government.

Under the Act, Fremantle Ports has a duty to act on commercial principles. The Act gives Fremantle Ports the powers to perform defined functions, including the power to hold and dispose of assets and enter into commercial arrangements. It exempts Fremantle Ports from the *Public Sector Management Act 1994*, but requires it to put in place minimum standards that reflect the principles of the Act and to report annually to the Commissioner for Public Standards.

The *Port Authorities Act 1999* adopts financial reporting provisions equivalent to those of Corporations Law and exempts Fremantle Ports from the *Financial Management Act 2006*, with the exception of audit provisions, which means that the Auditor General continues to conduct annual audits.

Board of Directors

Fremantle Ports' governing body is a Board of five Directors appointed by and responsible to the Minister for Transport.

Directors may hold office for up to three years and are eligible to be re-appointed. They are remunerated out of Fremantle Ports' funds, with remuneration and allowances determined by the Minister.

The role of the Board is to set the strategic direction of Fremantle Ports, agreeing goals for management and monitoring the achievement of those goals.

Directors agree the key objectives and strategies through a five-year *Strategic Development Plan* and an annual *Statement of Corporate Intent*, which requires approval by the Minister. Twice-yearly progress reports are submitted to the Minister.

The enabling legislation sets out the roles, responsibilities and powers of the Board, and the Chief Executive Officer, who is appointed by the Board and responsible for day to day management.

Fremantle Ports' Business Principles to guide planning and decision-making were formally adopted during the year.

Vision, Mission and Values

The Vision and Mission, developed with staff input, describe Fremantle Ports' business intent. With the Corporate Values they provide the foundation for strategic planning and decision-making, helping to prioritise and work towards common goals.

Vision

To be valued by our customers and the community for our leadership and excellence

Mission

To facilitate trade in a sustainable way

Values

- Respect and Integrity
- Safety and Wellbeing
- Responsiveness and Delivery
- Continuous Improvement and Innovation
- Sustainability

Business Principles

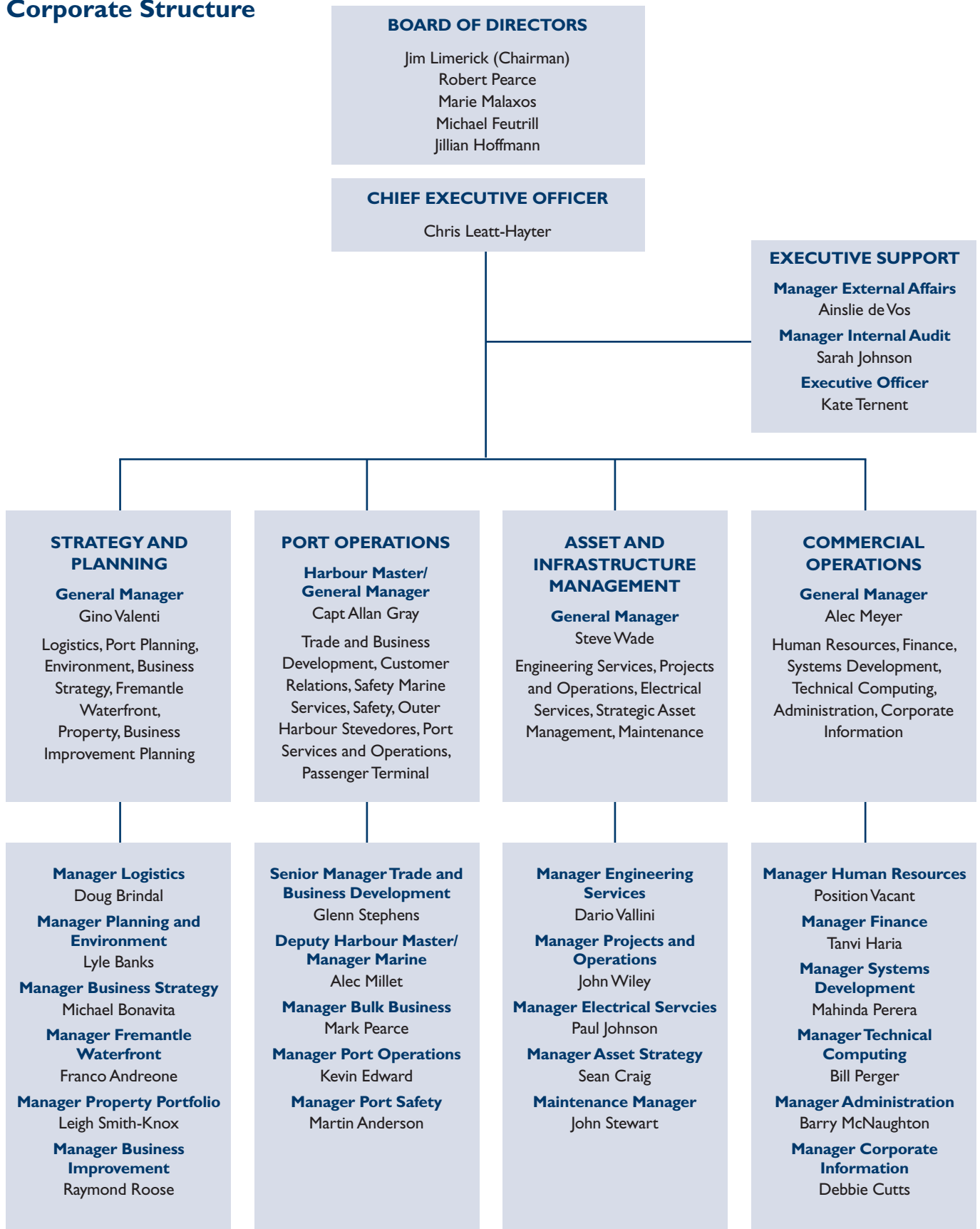
Fremantle Ports' Business Principles to guide planning and decision-making were formally adopted during the year. They are aligned with the Corporate Values and take into account and build on the organisation's previous sustainability framework.

The Business Principles, which have a strong focus on understanding the needs and expectations of key stakeholders, address the following themes:

- Minimising or reducing adverse land transport impacts;
- Building synergies with others' plans;
- Protecting the environment;
- Ensuring commercially sound and justifiable outcomes;
- Supporting local communities;
- Continuing to improve port safety and security;
- Complying with legal requirements;
- Ensuring efficiency and continuity of all port services;
- Contributing to the aspirations and growth of our people and the port community; and
- Capitalising on opportunities and managing risks.

Overview Operational Structure

Corporate Structure



Board

Details of Directors of the Fremantle Ports Board are provided in the Directors' Report on page 62.

Executive Team

Chris Leatt-Hayter

Chief Executive Officer



Chris
Leatt-Hayter

Chris Leatt-Hayter, who joined Fremantle Ports in 1992, has tertiary qualifications in economics. He previously worked at the State Treasury and Department of Transport and has wide-ranging experience in transport policy development, contract negotiations, economic and financial evaluation and business development planning. Chris was appointed to the position of CEO in December 2008 after serving 13 years as General Manager Strategic and Commercial Development. He has played a major role in planning for the future growth of the port so it can effectively fulfill its role of trade facilitation. He was also involved in the commercialisation of Fremantle Ports' operations to achieve a more commercial orientation and customer-focused approach.

He is currently a Deputy Chairman of Ports Australia, a Board member of the West Australian Motor Industry Foundation and a member of the Freight and Logistics Council of Western Australia. Chris is also a member of the Chartered Institute of Transport, Australian Institute of Management and the Australian Institute of Company Directors.

Alec Meyer

General Manager Commercial Operations



Alec Meyer

Alec Meyer, who joined Fremantle Ports in 1988, brings extensive commercial business experience to his position at Fremantle Ports. He has tertiary qualifications in accounting and is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

Steve Wade

General Manager Asset and Infrastructure Management



Steve Wade

Steve Wade, who has tertiary qualifications in engineering, joined Fremantle Ports in 1995. Before this, he worked with BHP and has wide-ranging experience in construction and project management in Australia and overseas in the resources and manufacturing sectors.

Overview Operational Structure



Gino Valenti

Gino Valenti

General Manager Strategy and Planning

Gino Valenti has tertiary qualifications in chemistry and joined Fremantle Ports in 1998. Before this he worked with the Department of Minerals and Energy in senior roles regulating the safe storage, handling and transport of explosives and dangerous goods and the management of major hazard facilities throughout Western Australia.



Capt
Allan Gray

Capt Allan Gray

Harbour Master and General Manager Port Operations

Captain Allan Gray has held the position of Harbour Master since September 2008, having previously served for two years as Deputy Harbour Master. Captain Gray is a skilled mariner whose 20 years at sea included extensive experience in container and tanker shipping. His shore-based career included shipping management, marine incident management, and maritime systems development. He is Federal Master of the Company of Master Mariners of Australia.



Glenn
Stephens

Glenn Stephens

Senior Manager Trade and Business Development

Glenn Stephens joined Fremantle Ports in 1971 and has gained extensive experience in a range of areas within the organisation. He has tertiary qualifications in business and accounting and is a Certified Practising Accountant, Fellow of the Institute of Public Accountants and a member of the Australian Institute of Company Directors. Glenn has also represented Fremantle Ports on the Board of Cruise Down Under as Treasurer since its formation in 1997.

Overview Performance Management Framework

The Western Australian Government's broad, high level goals are supported at an agency level by specific outcomes. The following table shows the alignment between relevant Government goals 1,2,3 and 5 and Fremantle Ports' strategic objectives, targeted outcomes and measures.

Government Goals	Fremantle Ports Objectives	Key Outcomes Sought	Measures
Goal 1. Building strategic infrastructure that will create jobs and underpin Western Australia's long-term economic development	Providing reliable and efficient facilities and services that meet customer expectations Ensuring sound planning for all aspects of our business, including resources, services and infrastructure	Understanding changing customer needs and being responsive to them Completing important planning and infrastructure projects critical to the port's future and the prosperity of the State	Customer survey outcomes Progress monitored against Fremantle Ports' Strategic Plan and Statement of Corporate Intent
Goal 2. Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector	Promoting and facilitating trade and business growth opportunities	Maintaining existing trade and business and capturing new trade and business opportunities Favourable financial outcomes	Trade and financial results against targets
Goal 3. Greater focus on service delivery areas for the benefit of all Western Australians	Ensuring appropriate and cost effective resources, processes and systems to support service delivery	Efficient and effective services provided to users Support services focused on achieving priority projects	Customer satisfaction survey outcomes Progress reporting against Strategic Plan
Goal 5. Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State	Ensuring business sustainability through excellent performance, innovation, business improvement and community and other stakeholder engagement	Maintaining certification to international environmental, safety and quality standards Improved safety performance Maintaining stakeholder support	External audits for ISO 14001, ISO 9001, AS/NZ 4801 Safety indicator outcomes Annual customer and community survey outcomes

Shared Responsibilities

Fremantle Ports has shared responsibilities with a number of State Government agencies in areas such as emergency response, security, planning and environmental management. These agencies include the Department of Transport, Department of Planning, Fire and Emergency Services, Western Australian Police Service and the Department of Environment and Conservation.