

Disclosures and Legal Compliance Directors' Report

for the year ended 30 June 2011

The Board of Directors of the Fremantle Port Authority (Fremantle Ports) has pleasure in submitting its report for the financial year ended 30 June 2011.

Directors

Details of the Board of Directors of Fremantle Ports during the financial year and until the date of this report are:

Jim Limerick (Chairman)

Dr Limerick was appointed Chairman of the Board on 1 October 2010, having served as a Director from 1 October 2009. Dr Limerick worked in technical and management roles in the resources industry from 1976 -1986 and at senior levels in government administration from 1987- 2008. He was appointed Director General of the Department of Industry and Resources from 2001 and at various times was a member of the Western Australian Planning Commission and a member of the LandCorp Board. He has been influential for over a decade in strategic planning for future industrial infrastructure in WA and in 2008 was awarded the Australian Public Service Medal. He is now the Principal of Ramelton Consulting Pty Ltd. Dr Limerick has an honours degree in Science and a PhD from the University of NSW, a Graduate Diploma in Business from Curtin University and is a graduate member of the Australian Institute of Company Directors.

Expiry of present term: 30 June 2012



Jim
Limerick



Robert
Pearce

Robert Pearce (Deputy Chairman)

Mr Pearce has served on the Board since 1 July 2004. He is a former Western Australian Government Minister for Transport and Planning who also held the portfolios of Education, Environment and Leader of the House. He is Executive Director of the Forest Industries Federation of WA and Past President of the National Association of Forest Industries. He currently serves on the Freight and Logistics Council of Western Australia and the Biosecurity Council. He was previously Chairman of the Western Australian Port Operations Taskforce and a member of the Sea Freight Council of WA. He has served on the Board of the Fremantle Sailing Club. Mr Pearce was appointed Deputy Chairman on 14 September 2004.

Expiry of present term: 30 June 2011



Marie
Malaxos

Marie Malaxos

Ms Malaxos has served as a Director since 1 October 2009. She is an electronic engineer with a Post-Graduate Diploma in Business Management. She started her working career in the upstream side of the oil and gas industry, in a variety of technical, consulting and management roles on the Dampier to Bunbury, Goldfields and Parmelia pipelines in Western Australia. She joined ARC Energy Ltd in 2002 and was appointed Chief Operating Officer in 2006. In 2008, Ms Malaxos began a career consulting to the resources industry in WA and is the Principal of GM Woodmont Pty Ltd. Ms Malaxos is a member of the Australian Institute of Company Directors.

Expiry of present term: 30 June 2012

Disclosures and Legal Compliance Directors' Report



Michael
Feutrill

Michael Feutrill

Mr Michael Feutrill was appointed a Director on 1 December 2010. He is a barrister and member of the Western Australian Bar Association and practises in corporate and commercial litigation and arbitration. He graduated from the University of Western Australia with Bachelors of Law and Economics in 1996 and a Masters of Law, with distinction, in 2007. He currently teaches International Commercial Arbitration at the UWA law school. Mr Feutrill has experience in marine litigation, commercial and trade practices and worked in Paris as counsel in international arbitrations concerning shareholder, oil and gas and foreign investment treaty disputes.

Expiry of present term: 31 December 2012



Jillian
Hoffmann

Jillian Hoffmann

Ms Hoffmann was appointed to the Board on 17 May 2011. She is the Vice President Environment at Woodside Energy Ltd, Australia's largest oil and gas company. She has a Bachelor of Business Studies and a Masters of Business Administration. Her 20 years' experience in commercial environments within the oil and gas industry has included work for Woodside Energy, Transfield Worley Ltd and Chevron UK Ltd. As well as established leadership skills, Ms Hoffmann has a strong commercial background and experience in negotiating and dealing with complex and challenging commercial issues. She is a member of the Australian Institute of Company Directors.

Expiry of present term: 31 December 2012



Alan
Birchmore

Alan Birchmore

Mr Birchmore, who served as Chairman from 1 March 2008, was formerly Chairman of the Albany Port Authority. He has occupied senior management and board appointments in Australia, the UK, Europe and the US, through a range of financial, industrial and mining operations. He came to Western Australia in 1979 as Managing Director of Amalgamated Industries and when this company was taken over by Bond Corporation, he was retained as an Executive Director, responsible for managing Bond's industrial and mining interests. From 1984 he spent 12 years in the United Kingdom overseeing a range of European assets including international brewing, television, property developments and Airship Industries. Mr Birchmore is a Fellow of the Australian Institute of Company Directors. He is also a former Chairman of United Minerals and former Deputy Chairman of the Western Australian Ballet. His term ended on 30 September 2010.



Eve Howell

Eve Howell

Ms Howell served as a Director from 1 January 2006. She has over 30 years' technical and managerial experience in the petroleum industry in the UK and Australia. She is currently employed by Woodside as Executive Vice President, Health Safety and Security after serving over three years as Executive Vice President North West Shelf. She is also a Director of the Western Australian Ballet. She has formerly been a Director of the Australian Mines and Metals Association (AMMA) where she also served as President. Ms Howell has a Bachelor of Science Honours in Geology and Pure and Applied Mathematics from the University of London and an MBA from Heriot-Watt University, Edinburgh Business School. Her term ended on 31 December 2010.

Directors' Meetings

Attendance by Directors at meetings held during the financial year ended 30 June 2011 was:

	Eligibility to attend Meetings of Directors	Meetings of Directors	Audit and Risk Management Committee
Number of Meetings Held		13	4
Numbers of Meetings attended by:			
Alan Birchmore	2	1	-
Jim Limerick	13	13	1
Robert Pearce	13	13	4
Eve Howell	6	6	2
Marie Malaxos	13	13	3
Michael Feutrill	8	7	1
Jillian Hoffmann	1	1	-

Principal Activities

The principal activity of Fremantle Ports during the year was the provision of port services and facilities and there were no significant changes in the nature of the activities during the year.

Results

The profit before income tax for the financial year was \$17.127 million (2010: \$19.652 million). The income tax expense attributable to the profit for the financial year was \$5.342 million (2010: \$4.987 million).

Dividends

The Board of Directors provided \$9.532 million (2010: \$6.860 million) for dividends in respect of the results for the financial year ended 30 June 2010. This dividend was paid in the financial year ended 30 June 2011.

Disclosures and Legal Compliance Directors' Report

Review of Operations

Fremantle Ports is a general cargo port and ensures that port services and facilities meet the needs of customers.

A summary of the results during the year is set out below:-

	2011 \$'000	2010 \$'000
Profit before income tax	17,127	19,652
Income tax expense	(5,342)	(4,987)
Profit for the period	11,785	14,665
Retained earnings at 1 July	106,517	98,712
	118,302	113,377
Dividends paid in the financial year	(9,532)	(6,860)
Retained earnings at 30 June	108,770	106,517

State of Affairs

There were no significant changes in the state of affairs of Fremantle Ports during the financial year under review.

Fremantle Ports operates in Western Australia under the provisions of the *Port Authorities Act 1999*.

Events Subsequent to Reporting Date

Subsequent to 30 June 2011, a writ has been lodged against Fremantle Ports in the Federal Court. Fremantle Ports does not believe that the claim is credible and has taken steps to defend the matter.

Other than the matter discussed above, there here 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, the results of those operations, or the state of affairs, in future financial years.

Likely Developments and Expected Results

Fremantle Ports will continue to work closely with customers and stakeholders to fulfil its trade facilitation role. Major infrastructure projects underway for the Inner and Outer Harbours will be progressed and further work will be undertaken towards embedding of Fremantle Ports' business principles.

Emoluments

In accordance with Section 13(c)(i) of Schedule 5 of the *Port Authorities Act 1999*, included below is the nature and amount of each element for each Director and the five named officers of Fremantle Ports receiving the highest emoluments.

Directors' Emoluments

The Minister determines the emoluments of the Board of Directors.

Details of emoluments provided to directors:

	Primary Fees \$	Post-employment Superannuation \$	Total \$
J Limerick	43,750	3,938	47,688
R Pearce	33,000	2,970	35,970
M Malaxos	25,000	2,250	27,250
M Feutrill	15,417	1,388	16,805
E Howell	12,500	1,125	13,625
A Birchmore	8,333	750	9,083
J Hoffmann	3,125	281	3,406

Directors' Benefits

No Directors of Fremantle Ports have received benefits or became entitled to receive any benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors) by reason of a contract made with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest.

Executives' Emoluments

The Board, with the approval of the Minister and subject to the *Salaries and Allowances Act 1975*, determines the emolument package of the Chief Executive Officer. The Board delegates to the Chief Executive Officer the power to determine the terms and conditions of other senior executives in accord with a policy under which Fremantle Ports engages emolument consultants to report and recommend competitive emolument packages for senior executives based on benchmarking with other organisations.

The performance of the Chief Executive Officer and senior executives is monitored against agreed criteria.

Disclosures and Legal Compliance Directors' Report

Details of emoluments provided to senior executives:

	Salary \$	Primary Bonus \$	Other \$	Post- employ- ment Super- annuation \$	Total \$
C Leatt-Hayter	377,575	3,330	10,343	53,976	445,224
A Meyer	310,561	3,892	5,452	42,564	362,469
G Valenti	303,861	3,884	5,551	27,697	340,993
S Wade	290,997	3,789	5,333	40,629	340,748
A Gray	282,439	3,717	5,571	25,754	317,481

Environmental Regulation

Fremantle Ports' operations are subject to regulation under both Commonwealth and State environmental legislation applicable to any Australian commercial entity. Under the *Port Authorities Act 1999*, Fremantle Ports is also required to "protect the environment of the port and minimise the impact of port activities on that environment".

Environmental Management

Fremantle Ports is committed to demonstrating that it is an environmentally responsible organisation and this commitment is reflected in its values and corporate priorities. To comply with environmental responsibilities and objectives, Fremantle Ports maintains an environmental management system certified to the international standard ISO14001 by external auditors.

Rounding of Amounts to Nearest Thousand Dollars

Amounts have been rounded off to the nearest thousand dollars in the Directors' Report and Financial Statements.

This report is made in accordance with a resolution of the Board on 19 August 2011.



Chairman



Director

19 August 2011

Disclosures and Legal Compliance Financial Statements

for the year ended 30 June 2011

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Disclosures and Legal Compliance

Statement of Comprehensive Income

for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Revenue	2.1	152,239	133,009
Asset maintenance		(35,043)	(31,877)
General administration		(30,432)	(27,713)
Port operations expenses		(27,232)	(22,570)
Depreciation and amortisation expense	3	(11,922)	(8,288)
Finance costs		(8,108)	(2,999)
Marine expenses		(6,949)	(6,326)
Rates and Taxes		(5,128)	(5,023)
Port utilities		(4,848)	(4,340)
Other expenses		(4,024)	(1,776)
Environmental expenses		(1,426)	(2,445)
Profit before income tax		17,127	19,652
Income tax expense	4	(5,342)	(4,987)
Profit for the period		11,785	14,665
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		11,785	14,665

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Disclosures and Legal Compliance

Statement of Financial Position

As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.1	15,209	16,958
Trade and other receivables	6.2	22,017	18,631
Inventories	6.3	1,114	1,119
Total current assets		38,340	36,708
Non-current assets			
Receivables	7.1	7,995	8,369
Property, plant and equipment	7.2	397,974	316,548
Deferred tax assets	4	13,035	13,077
Total non-current assets		419,004	337,994
Total assets		457,344	374,702
LIABILITIES			
Current liabilities			
Trade and other payables	8.1	22,412	26,597
Interest bearing borrowings	8.2	1,514	6,943
Income tax payable	4	2,492	1,092
Provisions	11	9,152	7,846
Deferred Income	12	1,000	-
Other	13	1,661	630
Total current liabilities		38,231	43,108
Non-current liabilities			
Interest bearing borrowings	8.2	239,653	156,200
Provisions	11	14,897	13,169
Other	13	1,543	1,561
Total non-current liabilities		256,093	170,930
Total liabilities		294,324	214,038
Net assets		163,020	160,664
EQUITY			
Contributed equity	14	54,250	54,147
Retained earnings	14	108,770	106,517
Total equity	14	163,020	160,664

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

Disclosures and Legal Compliance

Statement of Changes in Equity

for the year ended 30 June 2011

	Note	Contributed equity \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 1 July 2009		53,938	98,712	152,650
Total comprehensive income for the year		-	14,665	14,665
Transactions with owners in their capacity as owners:				
Capital contributions	14	209	-	209
Dividends paid	5	-	(6,860)	(6,860)
Balance at 30 June 2010	14	54,147	106,517	160,664
Balance at 1 July 2010		54,147	106,517	160,664
Total comprehensive income for the year		-	11,785	11,785
Transactions with owners in their capacity as owners:				
Capital contributions	14	103	-	103
Dividends paid	5	-	(9,532)	(9,532)
Balance at 30 June 2011	14	54,250	108,770	163,020

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Disclosures and Legal Compliance

Statement of Cash Flows

for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers		165,954	142,596
Payments to suppliers and employees		(131,214)	(101,847)
Interest received		1,990	1,837
Interest paid		(6,976)	(2,055)
Income tax paid		(3,901)	(4,308)
Net cash inflow from operating activities	15	25,853	36,223
Cash flows from investing activities			
Purchase of property, plant and equipment		(96,005)	(116,721)
Proceeds from sale of property, plant and equipment		40	2
Net cash outflow from investing activities		(95,965)	(116,719)
Cash flows from financing activities			
Repayment of borrowings		(6,426)	(1,503)
Proceeds from borrowings		84,500	74,000
Payment of finance lease liabilities		(625)	(592)
Proceeds from finance lease receivable		343	315
Dividends paid	5	(9,532)	(6,860)
Equity contribution received	14	103	209
Net cash inflow from financing activities		68,363	65,569
Net decrease in cash and cash equivalents		(1,749)	(14,927)
Cash and cash equivalents at 1 July		16,958	31,885
Cash and cash equivalents at 30 June	6.1	15,209	16,958

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

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

I. Summary of Significant Accounting Policies

The financial statements were authorised for issue on 19 August 2011 by the Board of Directors of Fremantle Port Authority ('Fremantle Ports'). The following significant accounting policies have been adopted in the preparation of the financial statements for the year ended 30 June 2011.

I.1 Statement of Compliance

These financial statements have been prepared as general purpose financial statements in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the financial reporting provisions of the *Port Authorities Act 1999*.

The following standards and amendments were available for early adoption but have not been assessed for application by Fremantle Ports in these financial statements:

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]*. The revised Standard introduces a number of changes to the accounting for financial assets.
- AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]*. This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.
- AASB 124 (Revised) *Related Party Disclosures (December 2009)*. The revised Standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.
- AASB 9 *Financial Instruments*. This Standard includes the requirement for the classification and measurement of financial assets resulting from the first part of phase I of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement)*.
- AASB 1053 *Application of Tiers of Australian Accounting Standards*. This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.
- AASB 1054 *Australian Additional Disclosures*. This Standard is as a consequence of phase I of the joint Trans-Tasman Convergence project of the AASB and FRSB. It relocates all Australian specific disclosures from other standards to one place and revises disclosure.
- AASB 2010-2 *Amendments to Australian Accounting Standards arising from reduced disclosure requirements*. This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053.
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 1, 7, 101, 134 and Interpretation 13]*. This Standard emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.
- AASB 2010-5 *Amendments to Australian Accounting Standards [AASBs 1, 3, 4, 101, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]*. This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.
- AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & 7]*. This Standard amends the disclosure requirements for transactions involving the transfers of financial assets.
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19, 127]*. This Standard includes the requirement for classifying and measuring financial liabilities added to AASB 9.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (continued)

1.2 Basis of Preparation

The financial statements have been prepared on an accrual accounting basis and in accordance with the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

Statement of Comprehensive Income classification of expenses by nature is considered to provide more relevant and reliable information than classification by function due to the nature of the Authority's operations.

According to AASB 101 *Presentation of Financial Statements*, expenses classified by nature are not reallocated among various functions within the entity. However, the Authority has allocated employee benefits expenses to various line items on the Statement of Comprehensive Income including marine expenses, port operations expenses, general administration, and asset maintenance. This allocation reflects the internal reporting structure of the Authority which allocates labour expenses to significant expense items in the Statement of Comprehensive Income based on the nature of the expenses incurred. The Authority believes that the allocation is more relevant to the understanding of the financial performance of the Authority and does not result in a function of expense presentation.

Total employee benefits expenses are disclosed in note 3(ii) to the financial statements.

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

1.3 Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

Provision for environmental remediation

Various assumptions are required in determining Fremantle Port's environmental rehabilitation obligations including the extent of environmental damages to be rectified and the methodology and timing for rectifications.

Defined benefit plans

Various actuarial assumptions are required when determining Fremantle Ports' superannuation obligations. These assumptions and the related carrying amounts are discussed in note 1.18.

Impairment losses

Various assumptions are required in determining Fremantle Port's impairment of trade and other receivables including an assessment of risk and subsequent recovery and impairment of property, plant and equipment.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (continued)

1.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Fremantle Ports 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 Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the Statement of Financial Position 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 includes 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 using the effective interest rate method. The interest receivable component of finance lease receivables is also recognised in the Statement of Comprehensive Income using the effective interest rate method.

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

Rental income is recognised in the Statement of Comprehensive Income 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.

Deferred income represents income received in advance and is released to the Statement of Comprehensive Income over that period to which the income relates.

1.5 Expenses by Nature

Operating expenses are presented in the Statement of Comprehensive Income using a classification based on the nature of expenses. Marine expenses include those expenses derived from water based activities, port operations expenses include those expenses related to land based support activities, whilst general administration expenses includes expenditure of an administrative nature.

1.6 Finance Costs

Finance costs comprise finance charges payable under finance leases and interest payable on borrowings calculated using the effective interest rate method. The interest expense component of finance lease payments is also recognised in the Statement of Comprehensive Income using the effective interest rate method.

Borrowing costs are recognised as expenses in the period in which they are incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset in which case they are capitalised as part of the cost of the asset, in accordance with AASB 123 *Borrowing Costs*.

In determining the amount of borrowing costs to be capitalised during the financial year, investment revenue earned directly relating to the borrowings, is deducted from the borrowing costs incurred.

1.7 National Tax Equivalent Regime (Income tax)

Fremantle Ports 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.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (continued)

1.8 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income 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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position date.

1.9 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 loss 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 as the amount of the present value of the minimum lease payments receivable at the end of the reporting period plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term.

Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease with interest revenue calculated using the interest rate implicit in the lease and recognised directly in the Statement of Comprehensive Income.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

I. Summary of Significant Accounting Policies (continued)

I.10 Inventories

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

I.11 Property, Plant and Equipment

Property, plant and equipment purchased or constructed for port operations is recorded at the cost of acquisition less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Any subsequent cost of replacing/upgrading an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Fremantle Ports and its cost can be measured reliably.

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 Statement of Comprehensive Income.

An item or property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The depreciation rates for the various classes of non-current assets are as follows:

	Depreciation Rates (%)
Channels and breakwaters	1.9 - 3.7
Land improvements	1.9 - 10
Buildings and improvements	2 - 14.3
Plant and equipment	2.5 - 70.8
Berths, jetties and infrastructure	2 - 50
Plant and equipment under lease	20 - 53.3

I.12 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If a trigger exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of assets is the greater of fair value less costs to sell and value in use. As Fremantle Ports is a not-for-profit entity, the value in use is the asset's depreciated replacement cost where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Fremantle Ports would, if deprived of the asset, replace its future economic benefits. In all other instances value in use is the present value of future cash flows expected to arise from the asset.

Impairment losses are recognised in the Statement of Comprehensive Income.

I.13 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.

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Notes to the Financial Statements

for the year ended 30 June 2011

I. Summary of Significant Accounting Policies (continued)

I.13 Leased Assets (continued)

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased asset to Fremantle Ports 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 end of the reporting period are being amortised over periods ranging from 3 to 5 years (2010: 1.75 to 5 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 basis as the lease income. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term as this represents the pattern of benefits derived from the leased assets.

I.14 Financial Instruments

In addition to cash, Fremantle Ports has three categories of financial instruments:

- Loans and receivables;
- Held to maturity investments; and
- Financial liabilities measured at amortised cost.

Refer to Note 9(b) for further information on the classification of financial instruments.

Initial recognition and measurement is at fair value plus directly attributable transaction costs for assets not carried at fair value through profit and loss. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables approximates their carrying amount because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material. Gains or losses are recognised when the financial assets are derecognised or impaired.

I.15 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 end of the reporting period. Trade creditors are unsecured and are usually paid within 30 days of recognition.

I.16 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 Statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process.

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Notes to the Financial Statements

for the year ended 30 June 2011

I. Summary of Significant Accounting Policies (continued)

I.16 Interest Bearing Borrowings (continued)

Borrowing costs are expensed as incurred unless they relate to qualifying assets.

Finance Lease Liabilities are recognised at the present value of the minimum lease payments. The interest expense is recognised in the Statement of Comprehensive Income using the effective interest method.

I.17 Employee Benefits

Annual Leave benefits represent present obligations resulting from employees' services provided to end of the reporting period 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 5.00% (2010: 4.50%) 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.

I.18 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. Fremantle Ports 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. Fremantle Ports 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 is provided for at the end of the reporting period.

Fremantle Ports' total superannuation liability has been actuarially assessed as at 30 June 2011.

Employees who are not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund until 15 April 2009. From 16 April 2009, employees who are not members of the Pension, GSS or WSS Schemes become non-contributory members of the GESB Superannuation Scheme (GESB Super), a taxed accumulation fund. Fremantle Ports makes concurrent contributions to the Government Employee Superannuation Board (GESB) on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB Super Schemes.

Defined benefit plan

Fremantle Ports' net obligation in respect of defined benefit pension plans 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.

The discount rate used is the market yield rate at the Statement of Financial Position 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.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

I. Summary of Significant Accounting Policies (continued)

I.18 Employee Superannuation (continued)

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

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

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

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

I.19 Dividends

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

I.20 Provisions

A provision is recognised in the Statement of Financial Position when Fremantle Ports 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.

I.21 Cash and Cash Equivalents

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

For the purpose of the Statement of Cash Flows, cash equivalents consist of cash and cash equivalents as defined above.

I.22 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 Statement of Financial Position.

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

I.23 Contributed Equity

Fremantle Ports receives support from the WA Government (See Note 14). The amount received is recognised directly as a credit to contributed equity.

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Notes to the Financial Statements

for the year ended 30 June 2011

2. Revenue and Other Income

2.1 Revenue

Revenue consists of the following items:

	2011 \$'000	2010 \$'000
Revenue		
Charges on cargo	90,744	79,515
Charges on ships	13,163	12,669
Shipping services	9,301	8,236
Rentals and leases	15,296	14,904
Port utilities and services	5,190	4,448
Miscellaneous revenue	16,576	11,424
	150,270	131,196
Interest		
Bank interest receivable	543	721
Interest receivable from cash equivalents	426	113
Interest receivable under finance leases	998	979
Other interest receivable	2	-
	1,969	1,813
Total revenue	152,239	133,009

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Notes to the Financial Statements

for the year ended 30 June 2011

3. Profit Before Income Tax

	Note	2011 \$'000	2010 \$'000
(i) Expenses			
Profit before income tax includes the following specific expenses:			
Finance costs			
Finance charges payable under finance leases		81	79
Borrowings		11,917	5,864
Total finance costs		11,998	5,943
Less: finance costs capitalised		(3,890)	(2,944)
Total finance costs expensed		8,108	2,999
Depreciation and amortisation			
Channels and breakwaters		2,387	1,112
Land improvements		352	365
Buildings and improvements		606	572
Plant and equipment		3,080	2,911
Berths, jetties and infrastructure		4,868	2,732
Plant and equipment under lease		629	596
Total depreciation and amortisation		11,922	8,288
Net loss on sale of property, plant and equipment		-	106
Other charges against assets			
Impairment loss on trade receivables	6.2	558	1,413
Impairment loss on prepayments		-	890
Impairment loss on property, plant and equipment	7.2	3,190	341
		3,748	2,644
Rental expense relating to operating leases		362	350
		2011	2010
		\$'000	\$'000
(ii) Employee Benefits Expenses			
Wages and salaries		33,918	28,953
Workers' compensation		133	161
Pension costs		3,286	3,600
Employee benefits		1,577	728
Retirement benefit obligations		684	(386)
		39,598	33,056

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Notes to the Financial Statements

for the year ended 30 June 2011

4. Income Tax Expense

Major components of income tax expense for the year are:

	2011 \$'000	2010 \$'000
Income tax expense		
Current income tax:		
Current income tax charge	(7,128)	(6,330)
Adjustments in respect of previous years	1,828	1,229
Deferred income tax:		
Deferred income tax charge	(42)	114
Income tax expense reported in the Statement of Comprehensive Income	(5,342)	(4,987)

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by Fremantle Port's applicable income tax rate is as follows:

	2011 \$'000	2010 \$'000
Accounting profit before income tax	17,127	19,652
Tax at statutory income tax rate of 30%	(5,138)	(5,896)
Tax effect of amounts which are taxable in calculating taxable income:		
Depreciation	(295)	(295)
Sundry items	(59)	(25)
Adjustments in respect of previous years	(5,492)	(6,216)
	150	1,229
	(5,342)	(4,987)

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Notes to the Financial Statements

for the year ended 30 June 2011

4. Income Tax Expense (continued)

Deferred Tax

	2011 Statement of Financial Position \$'000	2010 Statement of Financial Position \$'000	2011 Statement of Comprehensive Income \$'000	2010 Statement of Comprehensive Income \$'000
Deferred tax liabilities				
Finance lease receivables	(2,511)	(2,614)	103	95
Others	(1,111)	(3,493)	2,382	(1,515)
Gross deferred tax liabilities	(3,622)	(6,107)		
Deferred tax assets				
Employee benefits	6,004	5,325	679	102
Accelerated depreciation for accounting purposes	7,034	10,969	(3,935)	1,032
Prepaid rental	999	912	87	(24)
Deferred income	1,380	-	1,380	-
Others	1,240	1,978	(738)	424
Gross deferred tax assets	16,657	19,184		
Set-off of deferred tax liabilities pursuant to set-off provisions	(3,622)	(6,107)		
Net deferred tax assets	13,035	13,077		
Deferred tax charge			(42)	114

Current Tax Liabilities

The current tax liability of \$2.492 million (2010: \$1.092 million) represents the amount of income taxes payable in respect of current and prior financial periods.

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Notes to the Financial Statements

for the year ended 30 June 2011

5. Dividends

	2011 \$'000	2010 \$'000
Dividend paid in the financial year	9,532	6,860

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 65% (2010: 50%) of after tax profits. However, in accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June 2011 have not been provided as they are expected to be approved by Government and declared by the Board after balance date.

A dividend of \$9.532 million (2010: \$6.860 million) in respect of the financial results for the year ended 30 June 2010 was paid by 30 June 2011.

6. Current Assets

6.1 Cash and Cash Equivalents

Cash and cash equivalents represent Cash at Bank, Cash on Hand, At Call Deposits and Term Deposits. Funds surplus to operational requirements have been invested in At Call Deposits and Term Deposits to maximise earnings.

	2011 \$'000	2010 \$'000
Cash at Bank and Cash on Hand	922	433
At Call Deposits	6,287	8,025
Term Deposits	8,000	8,500
Cash and cash equivalents in the Statement of Cash Flows	15,209	16,958

(i) Significant Terms and Conditions

Interest on Cash at Bank was at prevailing rates. The weighted average interest rate at 30 June 2011 was 4.15% (2010: 4%).

Interest on At Call Deposits was at prevailing rates. The weighted average interest rate at 30 June 2011 was 4.95% (2010: 4.73%).

The weighted average interest rate for Term Deposits at 30 June 2011 was 5.35%. Term Deposits are held until their maturity dates and are normally held for a period of 30 days.

(ii) Fair Value

The directors consider the carrying amounts of Cash at Bank and At Call Deposits represent their fair value.

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Notes to the Financial Statements

for the year ended 30 June 2011

6. Current Assets (continued)

6.2 Trade and Other Receivables

Receivables represent Debtors, Accrued Income, Finance Lease Receivable and Prepayments. Accrued Income includes accrued interest, charges on ships, cargo and services provided but not invoiced as at the end of the reporting period.

Fremantle Ports' exposure to credit risks related to trade and other receivables are disclosed in Note 9.

	Note	2011 \$'000	2010 \$'000
Trade Debtors		15,881	13,925
Less: Provision for Impairment of Receivables		(2,231)	(1,669)
		13,650	12,256
Other Debtors		2,961	2,271
Accrued Income		3,527	2,689
Finance Lease Receivable	10.2	374	343
Prepayments		1,505	1,962
Less: Provision for Impairment of Prepayments		-	(890)
		1,505	1,072
Balance as at 30 June		22,017	18,631

(i) Significant Terms and Conditions

Trade debtors are generally settled within 30 days except for property rentals and finance lease receivables which are governed by individual lease agreements. Other debtors have a range of terms and conditions with various settlement periods.

(ii) Impairment losses

The movement in the provision for impairment losses in respect of trade debtors during the year was as follows:-

	2011 \$'000	2010 \$'000
Balance at 1 July	1,669	115
Impairment loss recognised	619	1,574
Amounts written back	(57)	(20)
Balance at 30 June	2,231	1,669

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Notes to the Financial Statements

for the year ended 30 June 2011

6. Current Assets (continued)

6.2 Trade and Other Receivables (continued)

The movement in the provision for impairment losses in respect of prepayments during the year was as follows:-

	2011 \$'000	2010 \$'000
Balance at 1 July	890	-
Impairment loss recognised	-	890
Impairment loss written off	(890)	-
Balance at 30 June	-	890

The impairment loss relates to a prepayment which has now been written off against the provision.

At 30 June, the ageing analysis of trade debtors past due but not impaired is as follows:

	2011 \$'000	2010 \$'000
Not more than 3 months	3,118	3,092
More than 3 months but less than 6 months	10	11
More than 6 months but less than 1 year	-	36
More than 1 year	-	63
	3,128	3,202

(iii) Fair Value

The directors consider the carrying amounts of trade and other receivables represent their fair value.

6.3 Inventories

	2011 \$'000	2010 \$'000
Current		
Stores – at cost	1,114	1,143
Less: Provision for Obsolete Inventory	-	(24)
	1,114	1,119

7. Non-Current Assets

7.1 Receivables

Receivables represent Finance Lease Receivable

	Note	2011 \$'000	2010 \$'000
Finance Lease Receivable	10.2	7,995	8,369

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Notes to the Financial Statements

for the year ended 30 June 2011

7. Non-Current Assets (continued)

7.1 Receivables (continued)

(i) Fair Value

The directors consider the carrying amounts of receivables represent their fair value.

7.2 Property, Plant and Equipment

	2011 \$'000	2010 \$'000
Channels and Breakwaters		
At Cost	163,555	41,697
Less: Accumulated Depreciation	(24,541)	(22,154)
	139,014	19,543
Land		
At Cost	42,311	41,549
	42,311	41,549
Land Improvements		
At Cost	9,737	12,057
Less: Accumulated Depreciation	(3,497)	(4,143)
	6,240	7,914
Buildings and Improvements		
At Cost	20,361	19,959
Less: Accumulated Depreciation	(10,563)	(9,957)
	9,798	10,002
Plant and Equipment		
At Cost	55,668	58,161
Less: Accumulated Depreciation	(24,086)	(22,629)
	31,582	35,532
Berths, Jetties and Infrastructure		
At Cost	186,714	71,010
Less: Accumulated Depreciation	(35,599)	(30,738)
	151,115	40,272
Leased Plant and Equipment		
At Cost	2,613	2,436
Less: Accumulated Amortisation	(1,657)	(1,426)
	956	1,010
Total Property, Plant and Equipment at net book value	381,016	155,822
Add: Work in Progress (at cost)	16,958	160,726
Total Property, Plant and Equipment	397,974	316,548

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Notes to the Financial Statements

for the year ended 30 June 2011

7. Non-Current Assets (continued)

7.2 Property, Plant and Equipment (continued)

Fremantle Ports, as lessor, derives operating lease income from the following leased assets included in the above:

	2011 \$'000	2010 \$'000
Land		
At Cost	14,176	14,471
	14,176	14,471
Buildings and Improvements		
At Cost	4,204	4,198
Less: Accumulated Depreciation	(1,920)	(1,774)
	2,284	2,424
Included in Accumulated Depreciation above is the depreciation charge for the year of	142	142

Reconciliations of carrying amounts

	2011 \$'000	2010 \$'000
Channels and Breakwaters:		
Carrying amount at 1 July	19,543	20,655
Transfer from work in progress	121,858	-
Depreciation for the year	(2,387)	(1,112)
Carrying amount at 30 June	139,014	19,543
Land:		
Carrying amount at 1 July	41,549	41,549
Transfer from work in progress	762	-
Carrying amount at 30 June	42,311	41,549
Land Improvements:		
Carrying amount at 1 July	7,914	8,202
Transfer from work in progress	27	77
Depreciation for the year	(352)	(365)
Impairment loss	(1,349)	-
Carrying amount at 30 June	6,240	7,914

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Notes to the Financial Statements

for the year ended 30 June 2011

7. Non-Current Assets (continued)

7.2 Property, Plant and Equipment (continued)

Reconciliations of carrying amounts (continued)

	2011 \$'000	2010 \$'000
Buildings and Improvements:		
Carrying amount at 1 July	10,002	10,001
Transfer from work in progress	402	575
Disposals	-	(2)
Depreciation for the year	(606)	(572)
Carrying amount at 30 June	9,798	10,002
Plant and Equipment:		
Carrying amount at 1 July	35,532	35,881
Transfer from work in progress	774	2,604
Disposals	(41)	(42)
Depreciation for the year	(3,080)	(2,911)
Impairment loss	(1,603)	-
Carrying amount at 30 June	31,582	35,532
Berths, Jetties and Infrastructure:		
Carrying amount at 1 July	40,272	41,027
Transfer from work in progress	115,712	2,043
Disposals	(1)	(66)
Depreciation for the year	(4,868)	(2,732)
Carrying amount at 30 June	151,115	40,272
Leased Plant and Equipment:		
Carrying amount at 1 July	1,010	1,005
Additions	575	601
Amortisation for the year	(629)	(596)
Carrying amount at 30 June	956	1,010
	381,016	155,822
Work in Progress:		
Carrying amount at 1 July	160,726	50,534
Additions	96,005	116,721
Derecognition	-	(890)
Impairment loss	(238)	(341)
Transfers to property, plant and equipment	(239,535)	(5,298)
Carrying amount at 30 June	16,958	160,726
Total Property, Plant and Equipment	397,974	316,548

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Notes to the Financial Statements

for the year ended 30 June 2011

7. Non-Current Assets (continued)

7.2 Property, Plant and Equipment (continued)

Impairment of property, plant and equipment

An impairment loss of \$3.190 million has been recognised in the Statement of Comprehensive Income for certain plant and equipment and land improvements whose carrying value was considered to exceed its recoverable amount. Where recoverable amount has been determined using value in use cash flows, pre-tax discount rates ranging between 11% to 13% have been utilised.

8. Current and Non-Current Liabilities

8.1 Trade and Other Payables

Trade and other payables represent Trade Creditors, Amounts Payable and Accrued Expenses. Accrued Expenses are comprised of interest and charges for goods and services received but not invoiced as at the end of the reporting period.

	2011 \$'000	2010 \$'000
Trade Creditors and Amounts Payable	16,008	20,770
Accrued Expenses	6,404	5,827
	22,412	26,597

(i) Significant Terms and Conditions

Trade creditors payable are usually settled within 30 days.

(ii) Fair Value

The directors consider the carrying amounts of Trade Creditors, Amounts Payable and Accrued Expenses represent their fair value.

8.2 Interest Bearing Borrowings

	Note	2011 \$'000	2010 \$'000
Current			
Special borrowings		1,013	6,426
Lease liabilities	10.2	501	517
		1,514	6,943
Non-Current			
Direct borrowings		213,797	129,297
Special borrowings		25,317	26,330
Lease liabilities	10.2	539	573
		239,653	156,200

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Notes to the Financial Statements

for the year ended 30 June 2011

8. Current and Non-Current Liabilities (continued)

8.2 Interest Bearing Borrowings (continued)

	2011 \$'000	2010 \$'000
Financing arrangements		
Fremantle Ports has access to the following lines of credit		
Total facilities available:		
Liquidity facility, direct and special borrowings	262,100	198,800
	262,100	198,800
Facilities utilised at the end of the reporting period:		
Liquidity facility, direct and special borrowings	240,127	162,053
	240,127	162,053
Total facilities not utilised at the end of the reporting period:		
Liquidity facility, direct and special borrowings	21,973	36,747

At reporting date, Fremantle Ports has an approved financing facility from Western Australian Treasury Corporation (WATC) for 2012 of \$342.9 million.

(i) Master Lending Agreement (MLA)

For the purposes of accessing more simplified and flexible borrowing arrangements, Fremantle Ports entered into a MLA with the WATC on 15 December 2006 which consolidates all of the existing agreements into one facility.

(ii) Significant Terms and Conditions

All interest-bearing borrowings are unsecured and guaranteed by the WA Government.

Interest repayments on Direct Borrowings are payable quarterly whilst the principal repayments are deferred as part of the loan product flexibility. The weighted average interest rate at 30 June 2011 on the loan portfolio is 5.65% per annum (2010: 5.54%).

Included in Special Borrowings are amounts to fund the acquisition of a bulk unloader at Fremantle Ports' Kwinana Bulk Jetty and a new bulk unloader and other assets at Fremantle Ports' Kwinana Bulk Terminal. A portion of the borrowings is subject to interest only. Interest and principal is payable quarterly. Interest rates on the Special Borrowings are fixed and range from 4.74% to 6.24% per annum (2010: 4.74% to 6.24%).

The interest rates implicit in the Lease Liabilities range from 4% to 7.80% (2010: 4.50% to 7.80%).

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Notes to the Financial Statements

for the year ended 30 June 2011

8. Current and Non-Current Liabilities (continued)

8.2 Interest Bearing Borrowings (continued)

(iii) Interest Rate Risk Exposures

Fremantle Ports' exposure to interest rate risk on the interest bearing borrowings and the effective weighted average interest rate at year end by maturity periods is set out in the following table.

2011	Fixed interest rate							
	Variable interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest Bearing Borrowings:								
Direct borrowings	213,797	-	-	-	-	-	-	213,797
Special borrowings		1,013	1,076	1,143	1,213	1,291	20,594	26,330
Lease liabilities	-	501	324	172	41	2	-	1,040
	213,797	1,514	1,400	1,315	1,254	1,293	20,594	241,167

Weighted Average Interest Rate:

Direct borrowings	5.65%	-	-	-	-	-	-	
Special borrowings	-	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	
Lease liabilities	-	5.90%	5.90%	5.90%	5.90%	5.90%	-	

2010	Fixed interest rate							
	Variable interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest Bearing Borrowings:								
Direct borrowings	129,297	-	-	-	-	-	-	129,297
Special borrowings		6,426	1,013	1,076	1,142	1,213	21,886	32,756
Lease liabilities	-	517	350	167	52	4	-	1,090
	129,297	6,943	1,363	1,243	1,194	1,217	21,886	163,143

Weighted Average Interest Rate:

Direct borrowings	5.54%	-	-	-	-	-	-	
Special borrowings	-	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	
Lease liabilities	-	6.36%	6.36%	6.36%	6.36%	6.36%	-	

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

8. Current and Non-Current Liabilities (continued)

8.2 Interest Bearing Borrowings (continued)

(iv) Fair Value

Unless disclosed below, the carrying amount of Fremantle Ports' current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

	2011		2010	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Special borrowings	26,330	26,936	32,756	33,546
	26,330	26,936	32,756	33,546

9. Financial Instruments

(a) Financial Risk Management Objectives and Policies

Fremantle Ports' principal financial instruments comprise receivables, payables, interest bearing borrowings, finance leases and cash and cash equivalents.

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

Interest rate risk

Fremantle Ports' exposure to market risk for changes in interest rates relates primarily to its cash and cash equivalent holdings and its long-term debt obligation. Fremantle Ports' 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. Other than as detailed in the interest rate sensitivity analysis in the table below, Fremantle Ports has limited exposure to interest rate risk because it has no borrowings other than WATC borrowings and finance leases (fixed interest rate).

Sensitivity analysis

Fremantle Ports' policy is to manage its finance costs using a mix of fixed and variable debt with the objective of achieving optimum returns whilst managing interest rate risk to avoid uncertainty and volatility in the market place.

Fremantle Ports constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and alternative financing structures.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

9. Financial Instruments (continued)

(a) Financial Risk Management Objectives and Policies (continued)

Sensitivity analysis (continued)

At the Statement of Financial Position date, if interest rates had moved as illustrated in the table below, with all other variables held constant, the effect would be as follows:

		+0.50% change	(0.25%) change
2011	Carrying Amount \$'000	Profit \$'000	Profit \$'000
Financial Assets			
Cash and cash equivalents	15,209	76	(38)
Financial Liabilities			
Interest bearing borrowings	213,797	1,069	(534)
Total (Decrease)/Increase		(993)	496
		+0.50% change	(0.25%) change
2010	Carrying Amount \$'000	Profit \$'000	Profit \$'000
Financial Assets			
Cash and cash equivalents	16,958	85	(42)
Financial Liabilities			
Interest bearing borrowings	129,297	646	(323)
Total Increase/(Decrease)		(561)	281

Credit risk

Credit risk arises when there is the possibility of debtors defaulting on their contractual obligations resulting in financial loss to Fremantle Ports. Fremantle Ports measures credit risk on a fair value basis and monitors risk on a regular basis. With respect to credit risk arising from cash and cash equivalents, Fremantle Ports' 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. Fremantle Ports manages credit risk on cash deposits by only holding funds at Australian financial institutions which have satisfactory credit ratings.

Fremantle Ports operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to credit risk at Statement of Financial Position date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 9(b).

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

9. Financial Instruments (continued)

(a) Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

Fremantle Ports follows stringent credit control and management procedures in reviewing and monitoring debtor accounts and outstanding balances as evidenced by the historical aged debtor balances. In addition, management of receivable balances includes frequent monitoring thereby minimising Fremantle Ports' exposure to bad debts. For financial assets that are either past due or impaired, refer to note 6.2 Trade and Other Receivables.

Fremantle Ports' credit risk management, with regard to trade receivables, is further supported by rental agreements and sections 116 & 117 of the *Port Authorities Act 1999*. Section 116 refers to the liability to pay port charges in respect of vessels and Section 117 refers to the liability to pay port charges in respect of goods. Port charges are defined in Section 115.

Liquidity risk

Liquidity risk is the risk that a corporation will not be able to meet its financial obligations as they fall due.

Fremantle Ports' objective is to maintain a balance between continuity of funding and flexibility through the use of cash reserves and its borrowing facilities. Fremantle Ports manages its exposure to liquidity risk by ensuring appropriate procedures are in place to manage cash flows, including monitoring forecast cash flows to ensure sufficient funds are available to meet its commitments.

The risk implied from the values shown in the table below reflects the cash outflows from leasing obligations, trade payables and other financial liabilities which mainly originate from the financing of assets used in the ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables.

Risk associated with the liability on borrowings is reduced by Fremantle Ports paying a guarantee charge. This charge guarantees payment to the WATC by the Government for outstanding borrowings in case of default.

		Including interest			
2011	Carrying Amount \$'000	<12 Months \$'000	1-5 Years \$'000	>5 years \$'000	Total \$'000
Financial liabilities					
Trade and other payables	22,412	22,412	-	-	22,412
Interest bearing borrowings	241,167	15,419	63,621	309,838	388,878
	263,579	37,831	63,621	309,838	411,290

		Including interest			
2010	Carrying Amount \$'000	<12 Months \$'000	1-5 Years \$'000	>5 years \$'000	Total \$'000
Financial liabilities					
Trade and other payables	26,597	26,597	-	-	26,597
Interest bearing borrowings	163,143	15,849	45,042	200,794	261,685
	189,740	42,446	45,042	200,794	288,282

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

9. Financial Instruments (continued)

(b) Categories of Financial Instruments

Set out below are the carrying amounts of Fremantle Ports' financial instruments. The directors consider the carrying amounts of the financial instruments represent their net fair values except for special borrowings whose fair value is disclosed in Note 8.2 (iv).

	Note	2011 \$'000	2010 \$'000
Financial assets			
Cash and cash equivalents	6.1	15,209	16,958
Trade and other receivables	6.2	22,017	18,631
Receivables (non-current)	7.1	7,995	8,369
Financial liabilities			
Trade and other payables	8.1	22,412	26,597
Interest bearing borrowings:			
Obligations under finance leases	10.2	1,040	1,090
Variable rate borrowings	8.2	213,797	129,297
Fixed rate borrowings	8.2	26,330	32,756

10. Commitments

10.1 Capital Works

	2011 \$'000	2010 \$'000
Capital Commitments		
Commitments for the acquisition of plant and equipment and land contracted for at the end of the reporting period but not recognised as liabilities:		
Within one year	5,374	69,403

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

10. Commitments (continued)

10.2 Lease Commitments

	2011 \$'000	2010 \$'000
Finance Leases Payable		
Future minimum lease payment in relation to finance leases payable at the end of the reporting period are as follows:		
Within one year	549	571
Later than one year but not later than five years	570	609
Minimum lease payments	1,119	1,180
Future finance charges	(79)	(90)
Present value of lease liabilities	1,040	1,090

	Note	2011 \$'000	2010 \$'000
Representing Lease Liabilities			
Current	8.2	501	517
Non-current	8.2	539	573
		1,040	1,090

Finance leases payable are in respect of computer and office equipment and security equipment with a carrying amount of \$1.040 million (2010: \$1.090 million) expiring within 3 to 5 years (2010: 1.75 to 5 years). Under the terms of the leases, Fremantle Ports has the option to return or upgrade the equipment at the expiry of the lease agreement.

	2011 \$'000	2010 \$'000
Operating Leases Payable		
Future minimum rentals payable in relation to operating leases payable at the end of the reporting period but not recognised as liabilities payable are as follows:		
Within one year	298	316
Later than one year but not later than five years	176	219
	474	535

Operating leases payable are in respect of motor vehicles.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

10. Commitments (continued)

10.2 Lease Commitments (continued)

	2011 \$'000	2010 \$'000
Finance Lease Receivable		
Amounts receivable under finance leases:		
Within one year	1,079	1,079
Later than one year but not later than five years	4,315	4,315
Later than five years	8,449	9,528
	13,848	14,922
Unearned finance income	(5,474)	(6,210)
Present value of minimum lease payments receivable	8,369	8,712

	Note	2011 \$'000	2010 \$'000
Representing Finance Lease Receivable			
Current	6.2	374	343
Non-current	7.1	7,995	8,369
		8,369	8,712

Finance leases receivable are in respect of buildings and plant and equipment. The lease agreement expires in April 2024. Interest is charged at 8.59% (2010: 8.59%) per annum.

	2011 \$'000	2010 \$'000
Operating Leases Receivable		
Future minimum rentals receivable for operating leases at the end of the reporting period but not recognised as assets:		
Within one year	14,709	12,428
Later than one year but not later than five years	38,031	43,779
Later than five years	21,555	22,939
	74,295	79,146

Operating leases receivable are in respect of property rentals.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

II. Provisions

	2011 \$'000	2010 \$'000
(a) Current		
Fringe Benefits Tax	25	25
Employee Benefits	4,648	4,119
Retirement Benefit Obligations	467	463
Other	4,012	3,239
	9,152	7,846

	2011 \$'000	2010 \$'000
(b) Non-Current		
Employee Benefits	7,357	6,309
Retirement Benefit Obligations	7,540	6,860
	14,897	13,169

	2011 \$'000	2010 \$'000
(c) Aggregate Employee Benefits		
Current Liability	5,115	4,582
Non-Current Liability	14,897	13,169
	20,012	17,751

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

11. Provisions (continued)

	2011 \$'000	2010 \$'000
(d) Retirement Benefit Obligations		
Surplus/deficit		
<i>The following is a summary of the most recent financial position of the Pension Scheme related to Fremantle Ports calculated in accordance with AASB 119 Employee Benefits.</i>		
<i>Amounts recognised in the Statement of Financial Position:</i>		
Present value of unfunded obligations	8,007	7,279
Fair value of plan assets	-	-
	8,007	7,279
<i>Reconciliation of movement in the present value of the unfunded obligations recognised in the Statement of Financial Position:</i>		
Opening balance	7,279	7,662
Current service cost	66	64
Interest cost	387	398
Actuarial loss/(gain) on liabilities	442	(30)
Benefits paid (including expenses and taxes)	(167)	(815)
	8,007	7,279
<i>Amounts recognised in the Statement of Comprehensive Income:</i>		
Current service cost	66	64
Interest cost	387	398
Actuarial loss/(gain) recognised	442	(30)
	895	432
<i>Historic summary</i>		
Defined benefit plan obligation	8,007	7,279
Plan assets	-	-
	8,007	7,279
Experience adjustments arising on plan liabilities	442	(30)
Experience adjustments arising on plan assets	-	-
<i>Principal actuarial assumptions</i>		
Discount rate	5.28%	5.48%
Expected future salary increases	4.5%	4.5%
Expected future pension increases	2.5%	2.5%
Anticipated return on plan assets	N/A	N/A

Expected contributions

Employer contributions are made to meet the cost of retirement benefit obligations as they fall due.

For further details regarding the policy in respect of provision for retirement benefit obligations, refer to Note 1.18.

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

11. Provisions (continued)

	2011 \$'000
(e) Reconciliations	
Reconciliations for the carrying amounts of each class of provision, except for employee benefits, are set out below:	
Retirement Benefit Obligations	
Carrying amount at 1 July	7,323
Provisions made during the year	4,146
Amounts utilised in the year	(3,462)
Carrying amount at 30 June	8,007
Fringe Benefits Tax	
Carrying amount at 1 July	25
Provisions made during the year	102
Amounts utilised in the year	(102)
Carrying amount at 30 June	25
Other	
Carrying amount at 1 July	3,239
Provisions made during the year	1,048
Amounts utilised in the year	(275)
Carrying amount at 30 June	4,012

Other provision is mainly for on-costs related to employee benefits and costs associated with environmental assessment and remediation.

12. Deferred Income

	2011 \$'000	2010 \$'000
Current		
Deferred Income	1,000	-
	1,000	-

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

13. Other Liabilities

	2011 \$'000	2010 \$'000
Current		
Prepaid Rental Income	1,633	599
Interest Received in Advance	28	31
	1,661	630
Non-Current		
Prepaid Rental Income	1,543	1,561

14. Equity

	Note	Contributed equity \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 1 July 2009		53,938	98,712	152,650
Equity contribution in the year		209	-	209
Total comprehensive income		-	14,665	14,665
Dividends paid	5	-	(6,860)	(6,860)
Balance at 30 June 2010		54,147	106,517	160,664
Equity contribution in the year		103	-	103
Total comprehensive income		-	11,785	11,785
Dividends paid	5	-	(9,532)	(9,532)
Balance at 30 June 2011		54,250	108,770	163,020

On 12 December 2000, Fremantle Ports entered into a fixed interest loan of \$5 million with the Western Australian Treasury Corporation which partially funded the acquisition of a bulk unloader at Fremantle Ports' Kwinana Bulk Jetty.

The WA Government has agreed to provide support on borrowing costs for this loan by way of equity contributions to Fremantle Ports. The amount of equity contributions made to Fremantle Ports is equivalent to the after tax cost of the borrowing costs paid by Fremantle Ports. The equity contribution on these borrowing costs for the year ended 30 June 2011 was \$0.103 million (2010: \$0.209 million).

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

15. Notes to Statement of Cash Flows

Reconciliation of net cash inflow from operating activities to profit after income tax

	2011 \$'000	2010 \$'000
Net Profit	11,785	14,665
Depreciation	11,293	7,692
Amortisation of leased assets	629	596
Net loss on sale of property, plant and equipment	-	106
Impairment loss on property, plant and equipment	3,190	341
Impairment loss on prepayments	-	890
Changes in assets and liabilities:		
Receivables	(2,922)	(2,131)
Inventories	5	(292)
Prepaid expenses	(433)	(664)
Payables	(4,185)	14,280
Prepaid rental income and interest received in advance	1,013	(498)
Employee benefits	2,261	343
Income tax	1,400	794
Deferred tax assets	42	(115)
Deferred income	1,000	-
Others	775	216
Net cash inflow from operating activities	25,853	36,223

16. Remuneration of Auditors

	2011 \$'000	2010 \$'000
Remuneration for audit of the financial statements	144,000	134,300

Disclosures and Legal Compliance

Notes to the Financial Statements

for the year ended 30 June 2011

17. Related Parties

The following persons held the position of director during the financial year and until the date of this report:

Dr. Jim Limerick
Mr. Robert Pearce
Ms. Marie Malaxos
Mr. Michael Feutrill (appointed 1 December 2010)
Ms. Jillian Hoffmann (appointed 17 May 2011)
Mr. Alan Birchmore (ceased 30 September 2010)
Ms. Eve Howell (ceased 31 December 2010)

There are no transactions in the year with the directors or other related parties.

18. Contingent Liabilities

In addition to the liabilities included in the financial statements, there are the following contingent liabilities:

Contaminated sites

Under the *Contaminated Sites Act 2003* (the Act), the Port is required to report all land owned, vested or leased by the Authority that is known to be, or is suspected of being, contaminated to the Department of Environment and Conservation (DEC). In accordance with the Act, the DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as either 'contaminated – remediation required' or 'possibly contaminated – investigation required', the Port may have a liability in respect of investigation or remediation expenses.

Except for those areas planned underway for remediation and for which a liability has been provided, a portion of the sites identified as 'contaminated – remediation required' are currently being assessed further and therefore it is not yet practicable to reliably estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows other than the necessary detailed site investigations.

At 30 June 2011, a provision for environmental remediation of \$2.876 million (2010: \$1.944 million) has been provided for sites classified by the DEC as 'contaminated – remediation required'. A provision for further detailed site investigations of \$0.300 million (2010: \$0.300 million) for other areas identified as 'contaminated – remediation required' has also been provided in order to more reliably estimate the amount, timing and methodology required to comply.

19. Events Subsequent to End of the Reporting Period

Subsequent to 30 June 2011, a writ has been lodged against Fremantle Ports in the Federal Court. Fremantle Ports does not believe that the claim is credible and has taken steps to defend the matter.

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, the results of those operations, or the state of affairs, in future financial years.

Disclosures and Legal Compliance Directors' Declaration

In the opinion of the Directors of the Fremantle Port Authority:

- (a) the financial statements and notes, set out on pages 70 to 106, are in accordance with the financial reporting provisions of the *Port Authorities Act 1999*, including:
 - (i) giving a true and fair view of the financial position of the Fremantle Port Authority as at 30 June 2011 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Port Authorities Act 1999*; and
- (b) there are reasonable grounds to believe that the Fremantle Port Authority will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Directors on 19 August 2011.



Chairman



Director

19 August 2011

Disclosures and Legal Compliance Financial Audit Opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FREMANTLE PORT AUTHORITY

I have audited the financial report of the Fremantle Port Authority. The financial report comprises the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the Fremantle Port Authority are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Port Authorities Act 1999, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and the Australian Auditing Standards, and other relevant ethical requirements.

Fremantle Port Authority

Opinion

In my opinion, the financial report of the Fremantle Port Authority is in accordance with schedule 5 of the Port Authorities Act 1999, including:

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL
31 August 2011

Disclosures and Legal Compliance

Financial Performance Indicators

In addition to the key performance indicators provided, the following financial performance indicators, which are not subjected to audit, are provided to assist users to assess the financial management performance of Fremantle Ports. The indicators selected are considered appropriate for use in either evaluating the performance of a Government Trading Enterprise or an entity in the private sector.

Current Ratio – Graph 1

After adjusting for GST, this ratio is used to ascertain the extent to which current assets may be realised to meet current liabilities.

	2011 \$'000		2010 \$'000	
Total Current Assets	37,518		34,618	
Total Current Liabilities	38,231	= 1.0	43,108	= 0.8

Free Cash Flow – Graph 2

Measures the net cash flow available as a source of funds from operations after meeting interest costs.

	2011 \$'000		2010 \$'000	
Net Cashflow from Operations (after interest)	25,853		36,223	
Net Cashflow from Operations (before interest)	32,828	= 78.8%	38,278	= 94.6%

Debtors Average Collection Period – Graph 3

Shows the rate at which debtors generate cash flow for use in operations.

	2011 \$'000		2010 \$'000	
Average Trade Debtors	16,155 x 365		13,698 x 365	
Sales Revenue	166,871	= 35 days	144,355	= 35 days

Disclosures and Legal Compliance

Financial Performance Indicators

Interest Cover – Graph 4

Provides an indication of the Port's ability to meet interest costs from operating profit.

	2011 \$'000		2010 \$'000	
Earnings Before Interest and Tax	25,235		22,651	
Total Interest Costs	8,108	= 3.11 times	2,999	= 7.55 times

Return on Assets – Graph 5

This measures the rate of return earned through operating total assets provided by the Port.

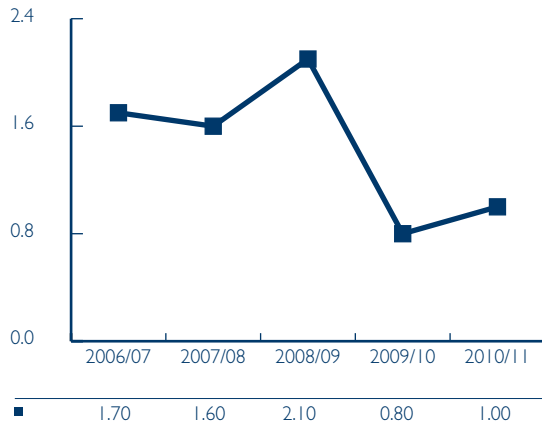
	2011 \$'000		2010 \$'000	
Earnings Before Interest and Tax	25,235		22,651	
Average Total Assets	416,023	= 6.1%	326,875	= 6.9%

Economic Rate of Return – Graph 6

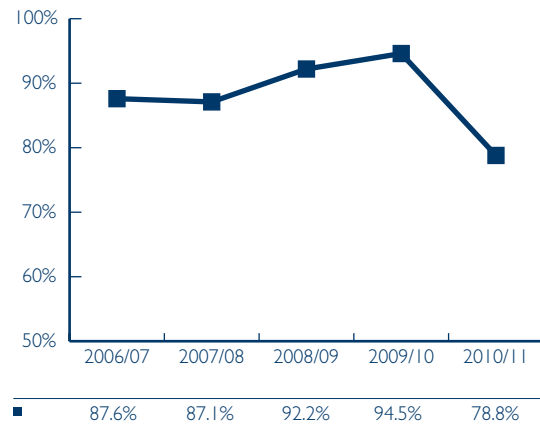
In accordance with the Government policy effective July 2000, Fremantle Ports is required to report a rate of return on non-current assets valued at Deprival Value. This indicator quantifies the rate of return earned on average current and non-current assets of the Port.

	2011 \$'000		2010 \$'000	
Operating EBIT (excluding significant items) + Depreciation – Deprival Value Depreciation	26,348		22,247	
Current Assets + Deprival Value of Assets – Accumulated Deprival Value Depreciation	549,302	= 4.8%	467,278	= 4.8%

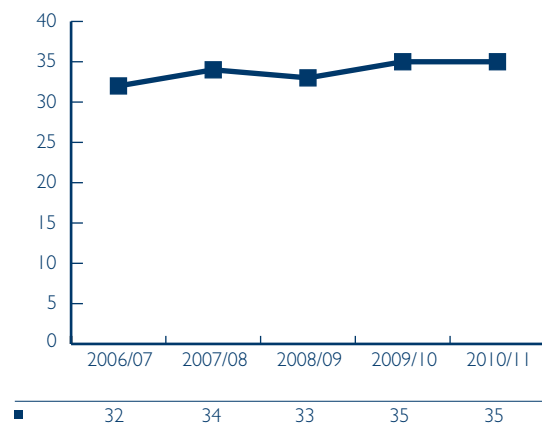
Graph 1: Current Ratio
Comparison 2006/2007 to 2010/2011



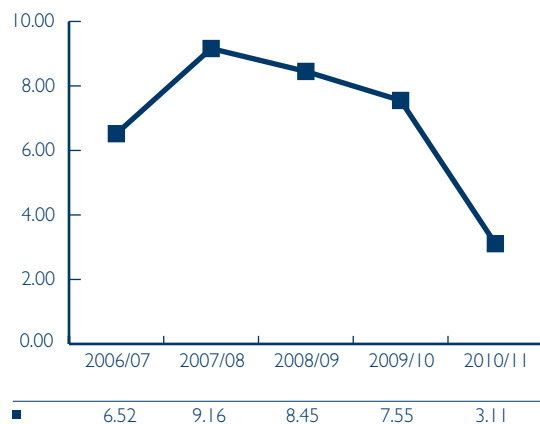
Graph 2: Free Cash Flow
Comparison 2006/2007 to 2010/2011



Graph 3: Debtors Average Collection Period
Comparison 2006/2007 to 2010/2011



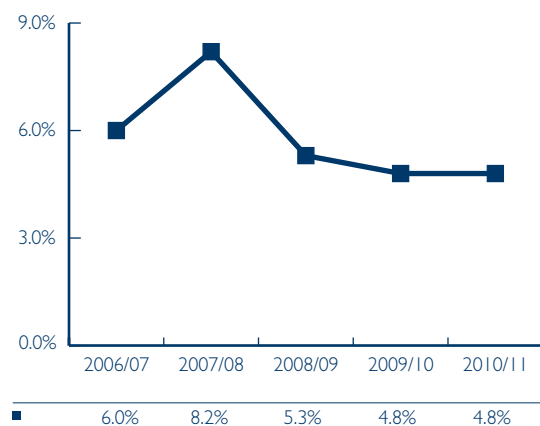
Graph 4: Interest Cover
Comparison 2006/2007 to 2010/2011



Graph 5: Return on Assets
Comparison 2006/2007 to 2010/2011



Graph 6: Economic Rate of Return
Comparison 2006/2007 to 2010/2011



Disclosures and Legal Compliance Key Performance Indicators

Service Delivery

Our Objective

- Providing exceptional services that exceed customer expectations.

Outcomes Sought

- Understanding of customer needs
- Meeting or exceeding customer expectations
- Availability and reliability of all services and facilities
- Responsiveness

Berthing Delays – Incoming Vessels

The performance targets for port operations include maximum berthing delays due to the unavailability of services and berths for container vessels in the Inner Harbour and for all vessels at Fremantle Ports' Kwinana Bulk Terminal and Kwinana Bulk Jetty in the Outer Harbour. Services include pilotage, towage and mooring. This performance indicator measures the percentage of ships affected and the average hours per delay for unavailability of services and berths.

Figures 1 and 2 below show that Fremantle Ports did better than its target with no vessel delays recorded as a result of the unavailability of shipping services at the Kwinana Bulk Jetty. At the Kwinana Bulk Terminal, the percentage of vessels affected due to unavailability of shipping services was slightly higher than budget and similar to the target for average delay time for vessels delayed. In the Inner Harbour the percentage of vessels affected and the average delay time due to the unavailability of shipping services were below target.

Fig 1. Delays to Incoming Vessels due to Unavailability of Shipping Services 2010/11
% of total vessels affected

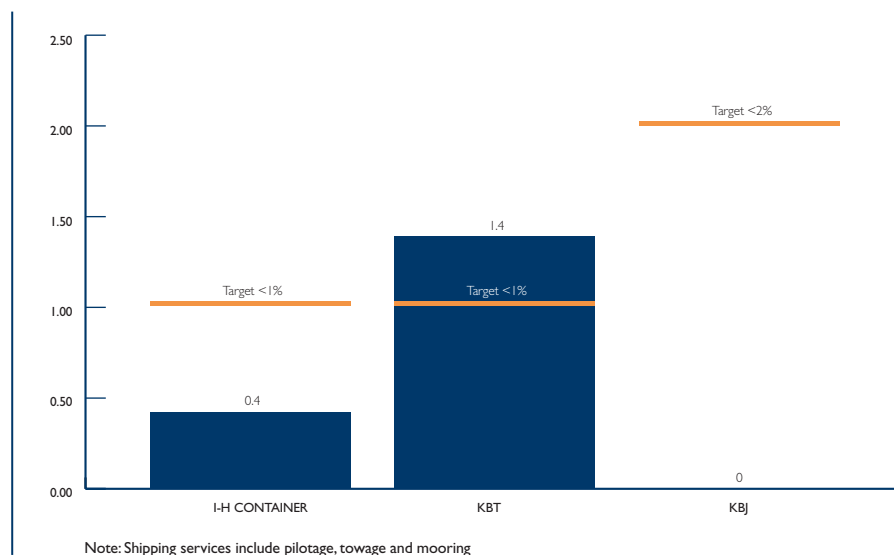
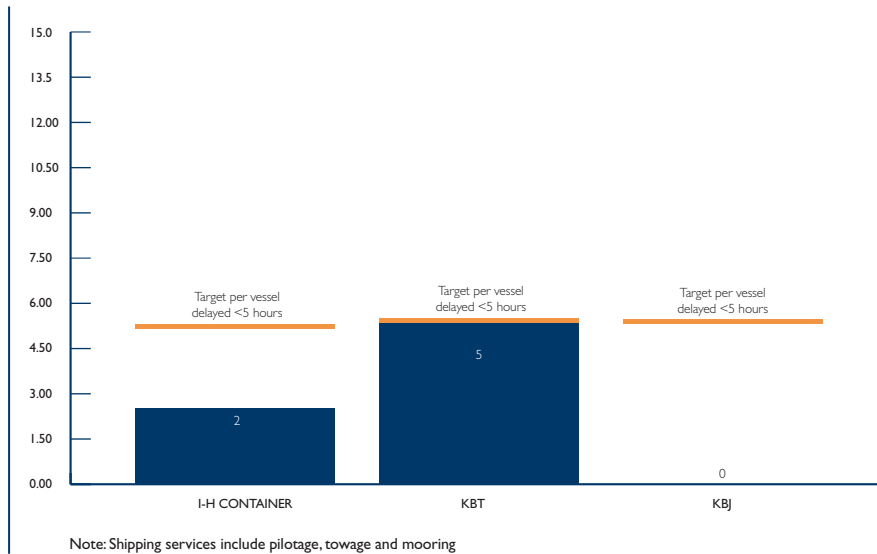


Fig 2. Delays to Incoming Vessels due to Unavailability of Shipping Services 2010/11
Average hours of delay per vessel delayed

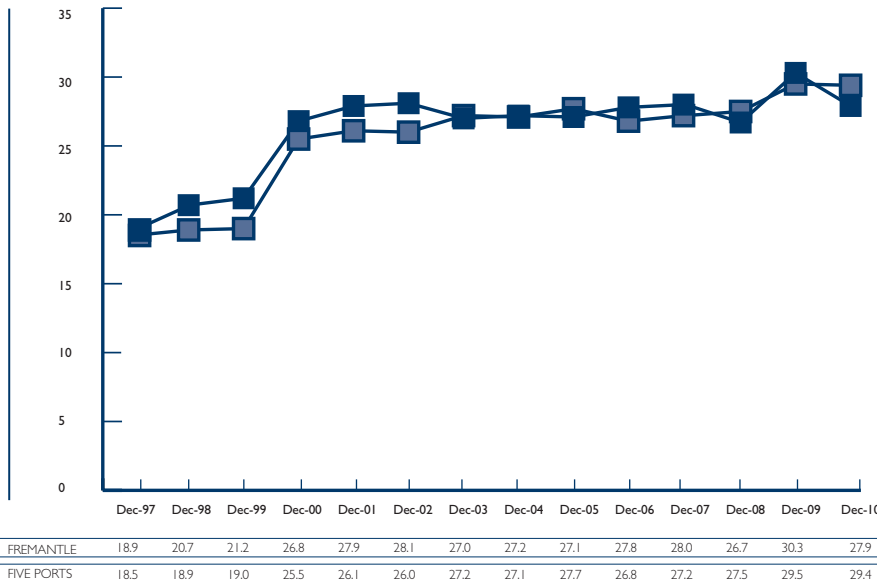


Crane Rates

Container stevedoring in Fremantle Ports is carried out by Patrick and DP World. Crane rates are a measure of the productivity of the container terminal operators in the port. The crane rate is the number of containers handled divided by the Elapsed Crane Time. The Elapsed Crane Time is the total allocated crane hours, less operational and non operational delays.

Figure 3 shows that crane rates measured in containers per hour have increased by 47.6 per cent from the December Quarter 1997 to the December Quarter 2010 (latest figures released by Waterline). Productivity in Fremantle was 5.1 per cent lower than the five port average in the December Quarter 2010. The crane rate for Fremantle was consistently above the five port average from the December

Fig 3. Container Performance Indicators Comparison of Crane Rates between Fremantle and Five Ports Average
December 1997 to December 2010 Containers per hour



Source: Waterline, Bureau of Infrastructure, Transport and Regional Economics. Figures for March and June Quarter 2011 not available due to Waterline being published in October 2010 and July 2011

Disclosures and Legal Compliance Key Performance Indicators

quarter of 1997 to the December quarter 2009. Productivity has been below the five port average from the March quarter 2010 to the December quarter 2010.

The Ship Rate in Fremantle increased from 35.9 containers per hour in December 2000 to 52.5 containers per hour in December 2010, an increase of 46.2 per cent. The Ship Rate is defined as the crane rate multiplied by Crane Intensity. Crane Intensity is defined as the total number of allocated crane hours, divided by the elapsed time from labour first boarding the ship and labour last leaving the ship.

The number of cranes used by a stevedore to work a ship depends on a variety of factors including the size of the ship, the stowage pattern and number of containers to be exchanged, the total number of cranes at the terminal, crane availability, and the cost of using the cranes in terms of labour and maintenance.

Productivity rates have decreased for the two operators at Fremantle, DPWorld and Patrick. Fremantle Ports will continue to work with the stevedores to help facilitate ongoing productivity improvements and also to work with them to facilitate investment in new infrastructure and accommodate future trade growth. Inner Harbour deepening was essential to enable the port to accommodate bigger ships at full cargo-carrying capacity, thus retaining shipping services and maintaining compatibility with other national container ports.

The ability for Patrick and DPWorld to service larger, more efficient ships with new generation cranes will improve productivity. The average size of container vessels has increased from 29,300 gross tons (GT) in 1999/00 to 38,400 GT in 2010/11, an increase of 31.1 per cent over that period.

The average number of containers exchanged per container vessel increased by 0.8 per cent over the year, from 1,061 TEU per vessel in 2009/10 to 1,070 TEU per vessel in 2010/11.

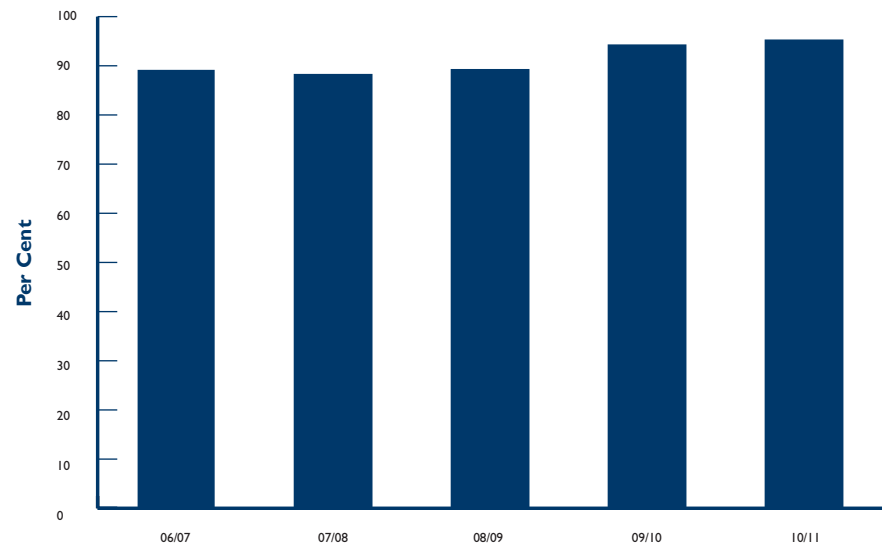
The Vessel Working Rate (the number of containers handled divided by the Elapsed Labour Time) in the port for the December quarter 2010 was 36.8 containers per hour, an increase of 50.8 per cent compared with the figures for the December quarter 2000, which further highlights labour productivity over that period.

Customer Satisfaction

Fremantle Ports conducted a survey of shipping lines in June 2010. The survey was conducted as part of Fremantle Ports' customer liaison program with major lines and agents. A total of 19 shipping lines were surveyed and the response rate was 86 per cent.

The overall results were analysed by a firm of marketing and communications research consultants.

**Fig 4. Shipping Line/Agent
Survey Services
- 2006/07 to 2010/11**
Level of Overall Satisfaction with
Fremantle Ports' Services



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

Figure 4 shows that 95 per cent of respondents were satisfied or very satisfied with services provided by Fremantle Ports which was above the target range of 80-90 per cent and above the level in the previous year when the response rate to the survey was 94 per cent.

Disclosures and Legal Compliance Key Performance Indicators

Capability for the Future

Our Objective

Ensuring sound planning for all aspects of our business including resources, services and infrastructure

Outcomes Sought

- Relevant planning is undertaken across all areas
- Providing appropriate infrastructure and services for current and future trade

Figure 5 shows that 26 per cent of Inner Harbour container vessels incurred delays due to unavailability of berths (percentage of total vessels affected). Container vessels were above target but in the main it is due to vessels arriving early, ahead of their schedule and berth unavailability due to the Inner Harbour deepening and berth works project. Unavailability of berths at Kwinana Bulk Terminal was also higher than target at 61 per cent due to significant increases in berth utilisation and trade. Trade at the Kwinana Bulk Terminal increased by 0.8 million tonnes or 49.5 per cent in 2010/11 compared with 2009/10. Unavailability of berths at Kwinana Bulk Jetty was lower than the target at 18 per cent.

Fig 5. Unavailability of Berths 2010/11
% of total vessels affected

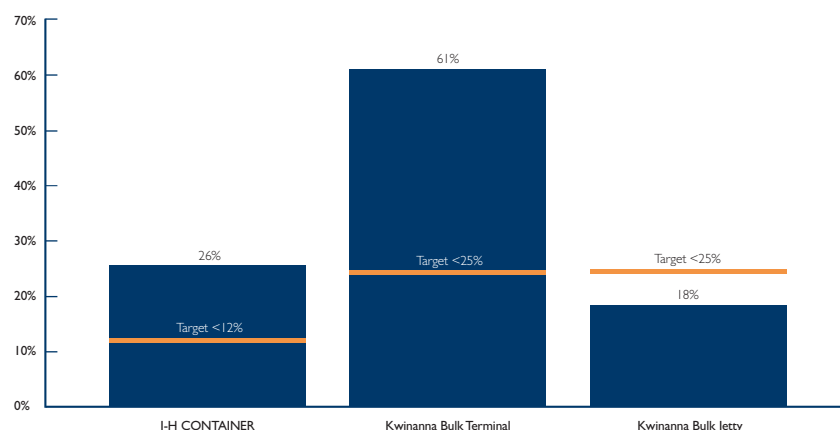


Fig 6. Unavailability of Berths 2010/11
Average hours of delay

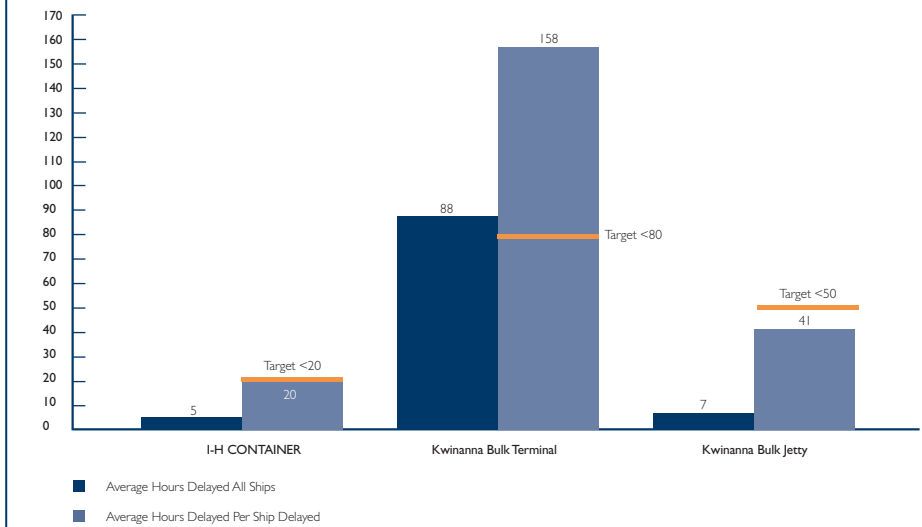


Figure 6 shows that average hours of delay at Kwinana Bulk Terminal significantly exceeded the target in 2010/11 mainly due to an increase in berth utilisation which is the result of significant trade increases. In this regard, trade at the Kwinana Bulk Terminal was 49.5 per cent higher than the previous year. Average hours of delay at the Kwinana Bulk Jetty were below the target and slightly higher than the 36 hours recorded in 2009/10. Trade levels at the Kwinana Bulk Jetty increased by 0.3 million tonnes or 20.1 per cent in 2010/11 compared to 2009/10 and berth utilisation was slightly lower than last year.

Disclosures and Legal Compliance Key Performance Indicators

Trade and Business Growth

Our Objective

Promoting and facilitating trade and business growth opportunities

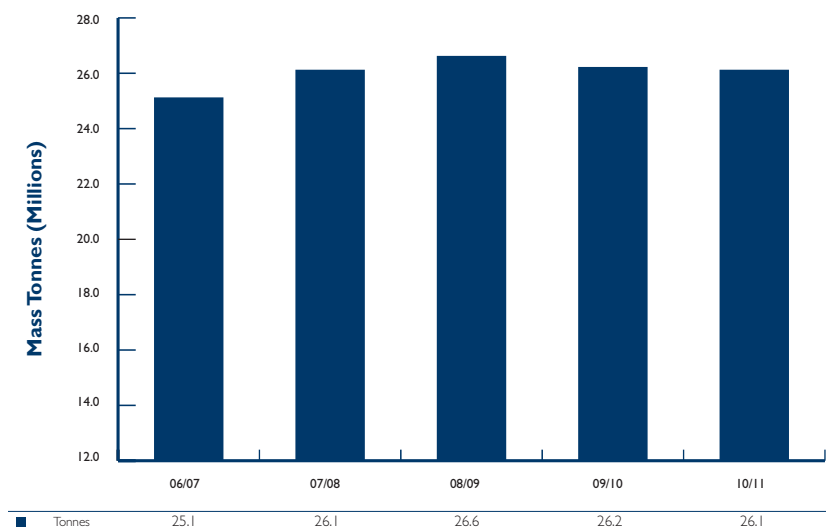
Outcomes Sought

- Trade growth
- Meeting or exceeding customer expectations for customer growth initiative
- Business growth

Total Port Trade (Mass Tonnes 000's)

Figure 7 shows that total port trade (total imports and exports), was 0.05 million tonnes or 0.2 per cent lower than last year. Total exports decreased by 1.0 million tonnes or 7.4 per cent to 13.0 million tonnes in 2010/11 while total imports increased by 1.0 million tonnes or 8.2 per cent to 13.1 million tonnes.

**Fig 7. Total Port Trade
(Mass Tonnes)**



Note: The Statement of Corporate Intent forecast for total trade in 2010/11 was annual growth of 2.2 per cent

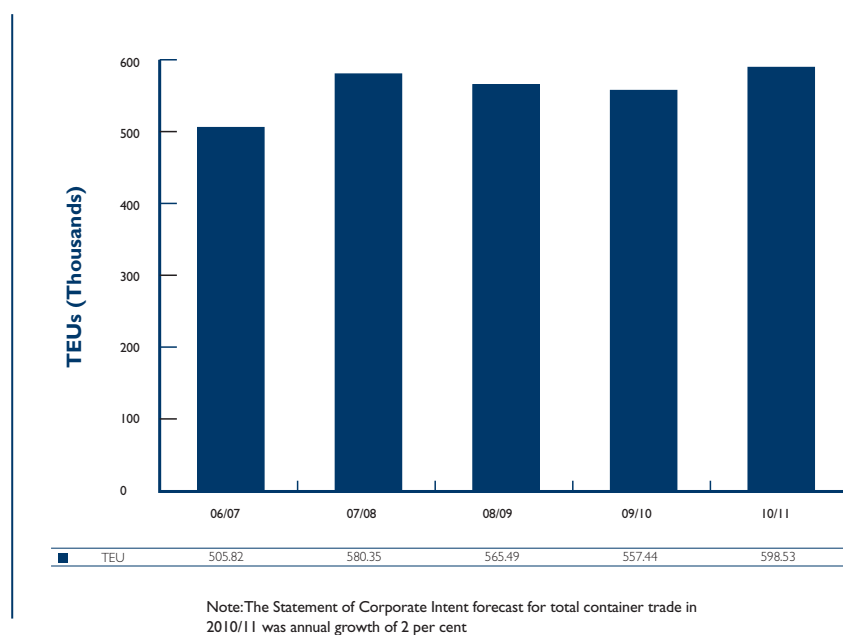
Inner Harbour exports decreased by 3.0 per cent in 2010/11 mainly due to a significant fall in full container trade, particularly wheat exports which decreased by 38.3 per cent compared with last year. Outer Harbour exports decreased by 8.9 per cent, influenced by falls in grain at the Kwinana Grain Terminal.

Inner Harbour imports increased by 9.2 per cent mainly due to rises in iron and steel, chemicals, cork and wood manufactures, manufactures of metal, plastic wares, agricultural and industrial machinery and other transport equipment and parts. Outer Harbour imports increased by 7.8 per cent due to rises in cement clinker, refined petroleum, phosphates/fertilisers, sulphur and gypsum.

Total Container Trade

Figure 8 shows that container trade has increased by 18.3 per cent since 2006/07 and by 7.4 per cent over the 12 months to 30 June 2011.

Fig 8. Total Container Trade - TEU



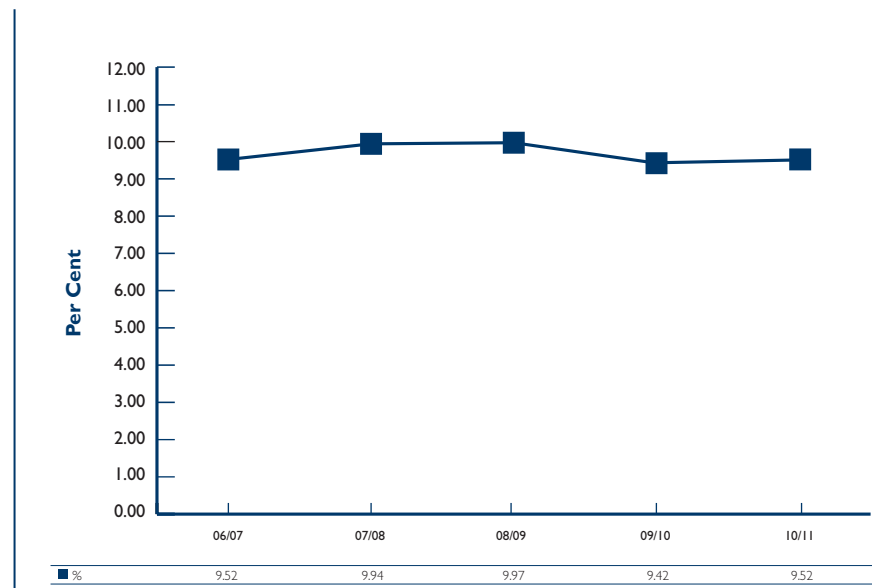
The main features of the container trade over the last twelve months were as follows:

- Total container exports increased by 7.2 per cent and imports increased by 7.5 per cent.
- Full container exports decreased by 5.6 per cent or 10,022 TEU and full imports increased by 11.1 per cent or 29,393 TEU. (Note: the reduction in full exports was attributable to a 9,262 TEU fall in the export of grain in containers).
- Empty container exports increased by 32.8 per cent and empty imports decreased by 31.6 per cent.
- Coastal container throughput totalled 68,508 TEU, a decrease of 6.8 per cent on 2009/10. Coastal full container throughput totalled 62,758 TEU, 4.7 per cent down on 2009/10.
- The number of container vessel visits to Fremantle Port increased from 517 visits in 2009/10 to 555 visits in 2010/11.

Disclosures and Legal Compliance Key Performance Indicators

- The average size of container vessels has remained at a similar level to last year, 38,400 gross tons (GT).
- The average number of containers exchanged per container vessel increased by 0.8 per cent over the year, from 1,061 TEU per vessel in 2009/10 to 1,070 TEU per vessel in 2010/11.

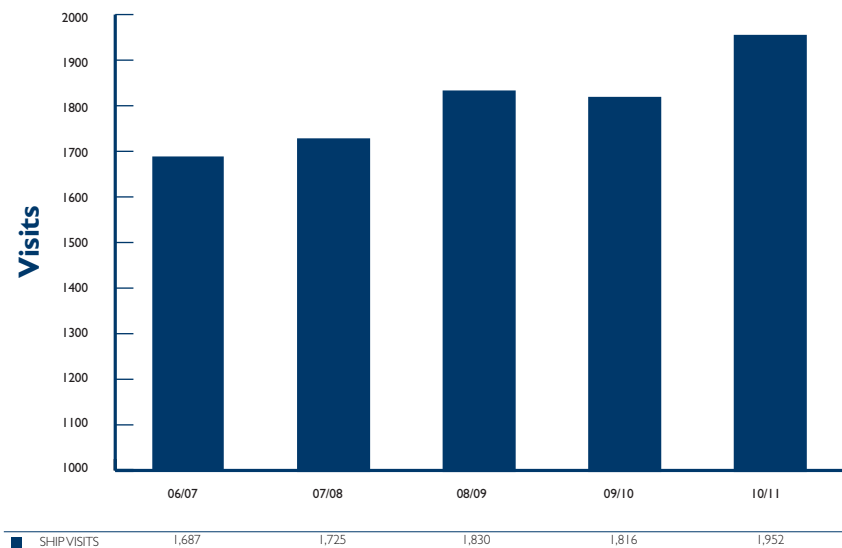
Fig 9. Container Trade Fremantle
Market Share % Australian Container Trade



Container Trade - Market Share

Figure 9 shows that Fremantle Ports' market share, measured as the number of containers through Fremantle as a percentage of Australian capital city ports (excluding Hobart), remained stable at around 10 per cent over the period 2006/07 to 2010/11.

Fig 10. Total Ship Visits



Note: Naval vessels not included. The Statement of Corporate Intent for total ship visits 2010/11 was 1,855

Number of Ship Visits

Figure 10 shows that the number of ship visits for commercial, non trading and fishing vessels (naval vessels of war are excluded) increased by 7.5 per cent over the 12 months to 30 June 2011. Commercial ship visits increased by 19 visits in the Inner Harbour and fell by 24 visits in the Outer Harbour. The Inner Harbour increase in ship visits was mainly due to increases in general cargo, multi-purpose and container vessels. Container ship visits increased by 32 or 6.2 per cent and multi purpose visits increased by 9 or 37.5 per cent. In the Outer Harbour commercial ship visits declined by 24 or 3.4 per cent mainly due to the 47.7 per cent decrease in grain vessel visits. Other dry bulk vessels increased by 14.7 per cent. Non trading vessel visits increased by 101 or 96.2 per cent mainly due to the increase in vessels carrying cargo for the Gorgon project.

Disclosures and Legal Compliance Key Performance Indicators

Business Sustainability

Our Objective

- Ensuring business sustainability through our excellent performance in all areas, innovation, business improvement and community and stakeholder engagement.

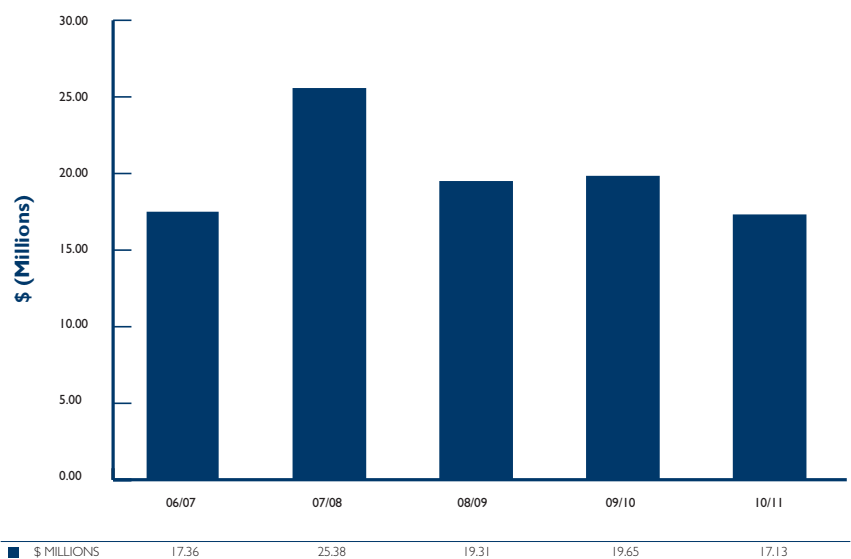
Outcomes Sought

- Embedding of the Australian Business Excellence Framework and our sustainability principles
- Business improvement
- Innovation
- Competitiveness of services and facilities
- Financial viability
- Triple bottom line
- Safety and protection of the environment
- Understanding of community and stakeholder requirements.

Fremantle Ports' Profit before Income Tax Equivalent (Excluding Individually Significant Items)

Figure 11 shows that operating profit before income tax equivalent reached \$17.1 million in 2010/11, 12.8 per cent lower than 2009/10.

Fig 11. Operating Profit Before Income Tax Equivalent Payments

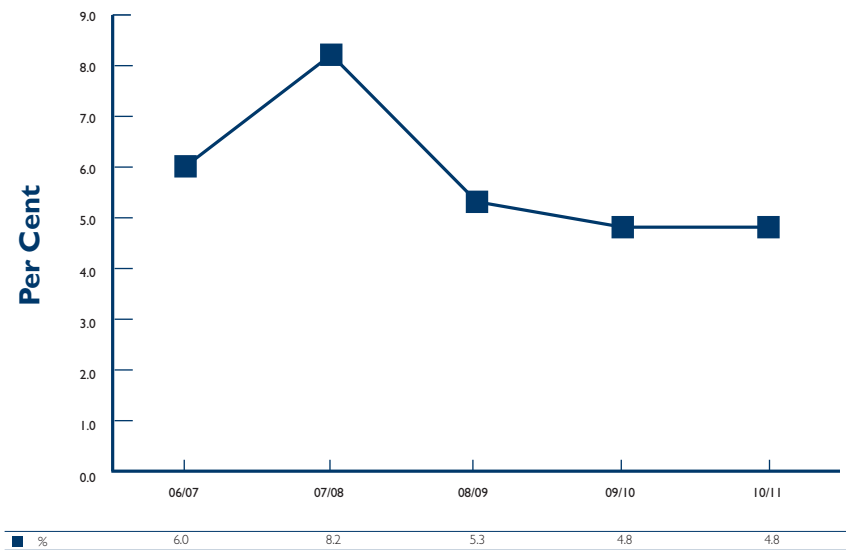


Note: For comparative purposes the above figures exclude individually significant items

Economic Rate of Return on Assets

Figure 12 shows that the Economic Rate of Return on assets was 4.8 per cent for 2010/11. This compares with the target of 3.3 per cent for the year. The target Rate of Return is agreed with the State Government annually. During the year, the value of assets on which the Rate of Return is calculated increased by \$82.0 million or 17.6 per cent

Fig 12. Economic Rate of Return on Assets



Note: The Economic Rate of Return is based on assets valued at deprival value.

Disclosures and Legal Compliance Key Performance Indicators

Community Satisfaction

Fremantle Ports conducted a community satisfaction survey in June 2011 as part of its community liaison program. This involved a telephone survey with 200 residents in the Inner Harbour area (North Fremantle, South Fremantle, East Fremantle, and Fremantle) and 200 residents in the Outer Harbour (Cockburn, Kwinana, and Rockingham).

The overall results were analysed by a firm of marketing and communications research consultants.

Fig 13. Overall Satisfaction with Fremantle Ports - June 2011

Q. How Satisfied are you with the performance of Fremantle Ports overall?

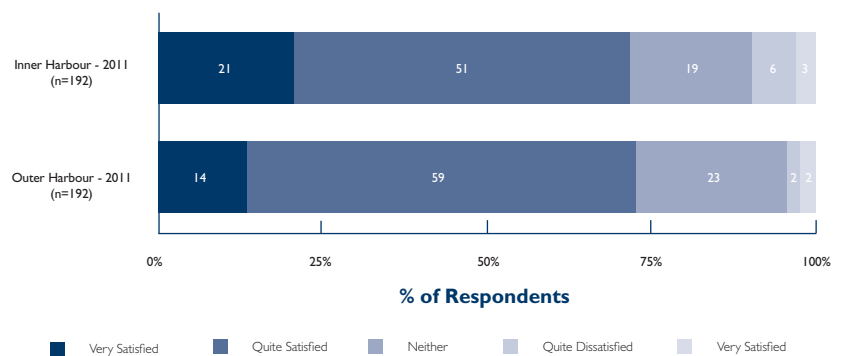


Figure 13 shows that 72 per cent of respondents in the Inner Harbour and 73 per cent in the Outer Harbour were very satisfied or quite satisfied with the performance of Fremantle Ports overall and that 19 per cent and 23 per cent respectively were neither satisfied nor dissatisfied.

Disclosures and Legal Compliance Other Legal Requirements

Other Legal Requirements

Ministerial Directives

The Minister may give directions in writing to the Board of Directors with respect to the performance of the functions prescribed by legislation.

There were no Ministerial directives during the year.

Advertising and Market Research Expenditure

In compliance with section 175ZE of the Electoral Act 1907 the following is supplied:

Advertising Agencies	NIL
Marketing Research Organisations	
Synovate Pty Ltd	\$46,843.00
Polling Organisation	NIL
Direct Mail Organisations	
Fremantle Herald (distribution of leaflets)	\$3,135.00
Community news (distribution of leaflets)	\$2,110.00
Media Advertising Organisations	
Fremantle Herald	\$3,301.00
WA Volunteer Fire and Rescue	\$177.00
Community Newspaper Group	\$954.00
RMJ Promotions	\$218.00
Seek (recruitment adverts)	\$7,665.00
Acorn Design (includes tenders, recruitment adverts)	\$64,956.00
Optimum Media Decisions (OMD) (includes tenders, recruitment adverts)	\$105,459.00
Farcount Media Asia	\$3,950.00
Informa Australia	\$420.00
The Fremantle Book	\$850.00
City of Fremantle	\$1,200.00
Adcorp Australia	\$22,292.00
Air Ads	\$870.00
Chamber of Commerce & Industry	\$2,250.00
Total	\$266,650.00

Disclosures and Legal Compliance Other Legal Requirements

Disability Access and Inclusion Plan Outcomes

Fremantle Ports provides disability access to public areas of the Administration Building, the Fremantle Passenger Terminal and the recently completed ferry terminal within B Shed on Victoria Quay.

The Fremantle Ports' redesigned website includes a new section on visiting the port. To help people with disabilities, this includes details on parking locations, ramps and building access, disabled fishing platform, toilets, public transport, including the fully accessible CAT bus service and a taxi services available for passengers with disabilities.

Compliance with Public Sector Standards and Ethical Codes

Code of Conduct

Fremantle Ports' Code of Conduct Charter adopted by the Board, staff and management encompasses the following principles:

- We will respect laws and each other and act accordingly
- We conduct ourselves with integrity and treat others with dignity
- We are responsible for our actions and accountable for their consequences
- We are fair and honest in all our dealings
- We do not place ourselves in situations which result in divided loyalties
- We use Fremantle Ports' assets (including funds, equipment and information) responsibly, efficiently and in the best interest of the organisation.

The Code of Conduct also includes provision for whistleblowers in line with the *Public Interest Disclosure Act 2003*.

Fremantle Ports has detailed guidelines and processes in place which support these standards in human resource management. Human Resource policies and procedures are available to all staff and these are periodically reviewed to ensure they continue to reflect best practice in a commercialised environment and that there is compliance with them.

All staff members are provided with a copy of the Code of Conduct. A requirement for compliance with the Code of Conduct is included in employment contracts and is addressed at induction. Corporate Governance is also covered at induction of all new staff. Additionally, the Code of Conduct and organisational values are promoted via Fremantle Ports' intranet.

In 2010/11 there were no incidents involving reportable misconduct.

Disclosures and Legal Compliance Other Legal Requirements

A major Human Resources initiative in the first half of 2011 focused on equal employment opportunity, particularly on training employees to have a better understanding of the implications of workplace bullying and harassment. The training was mandatory for all staff, with managers and supervisors required to attend a full day session and other employees a half day.

Recordkeeping Plans

In accordance with Section 61 of the *State Records Act 2000*, Fremantle Ports provides the following information in support of compliance with the State Records Commission's Standard 2 Principal 6.

Fremantle Ports is strongly committed to continuous improvement and has implemented best-practice recordkeeping programs to ensure compliance with the *State Records Act 2000*. The organisation consistently reviews the external market to learn better ways to manage corporate records, and audits new technology to meet business and compliance requirements.

Whether the efficiency and effectiveness of Fremantle Ports' recordkeeping systems has been evaluated or alternatively when such an evaluation is proposed.

Since 2009, when Fremantle Ports' electronic document and records management system (TRIM) was integrated with the corporate intranet, there has been a gradual improvement in the use of these two systems. There is now no confusion about where to store documents as users are only permitted to store documents as TRIM reference files on the corporate intranet.

The improved technology has enabled a more positive records management culture to emerge and employees are encouraged to suggest better ways of using these systems. Using TRIM and the Corporate Intranet to manage major projects is an example. Another example has been a review of how project management records are captured for technical projects. This identified that project managers used a hierarchy structure for folders on network drives to store project documents, which meant that only final project documents were being registered to TRIM. A new business classification system was set up to mirror these hierarchical project folders in TRIM and has gained buy-in from project managers.

A vital information review was completed in June 2011, resulting in the creation of vital information maps for Fremantle Ports in the event of a natural disaster. These maps are now stored and are accessible by all on the corporate intranet. Hard copies are stored offsite. The vital information review showed that at least 80 per cent of employees see TRIM as one of the most important systems for storing information.

Disclosures and Legal Compliance Other Legal Requirements

The nature and extent of the recordkeeping training program conducted by or for Fremantle Ports.

Records management officers meet with new employees individually within a week of commencement. A detailed training session covers recordkeeping policies and procedures as well as the use of Fremantle Ports' business classification scheme. Computer application trainers follow up with one-on-one applications training.

Records management officers or managers provide new employees with the relevant links to records and documents as a starting point for familiarity with use of the system. Further follow up training is completed 2 to 3 weeks later and is targeted to the way people work.

Regular information is also published through the corporate intranet and newsletters about the importance of not disposing of hardcopy or electronic documents, including emails, without first consulting records management staff.

Whether the efficiency and effectiveness of the recordkeeping training program has been reviewed or alternatively when this is planned to be done.

Feedback is invited from all employees through the corporate intranet, emails and newsletters and is provided verbally to records management officers and computer applications trainers who do weekly floor walking. Floor walking is a proactive approach to training and enables just-in-time help to be delivered. Marketing material is regularly reviewed and promoted through the corporate intranet and newsletters and policies and procedures are communicated.

Regular checks of the records management system are undertaken to ensure employees are naming their electronic records and documents appropriately. Capturing any issues when they first occur helps employees to learn the system quickly and gain confidence in using it.

Some managers who were previously not supportive have suggested that any new applications purchased or developed should have the ability to link to TRIM. This demonstrates that the training is effective and has resulted in a change of culture around the importance of capturing and storing records and documents at creation rather than finalisation.

Assurance that Fremantle Ports' induction program addresses employee roles and responsibilities in regard to their compliance with Fremantle Ports' recordkeeping plan.

Disclosures and Legal Compliance Other Legal Requirements

The monthly induction program was recently reviewed and now includes more information on the implications and accountabilities of inefficient recordkeeping, particularly in relation to Freedom of Information. The induction program is part of a wider training program and is delivered to all new employees, including contractors and consultants, in the form of a role play and quiz. This provides information to inductees about their recordkeeping responsibilities and compliance with Fremantle Ports' Recordkeeping Plan.

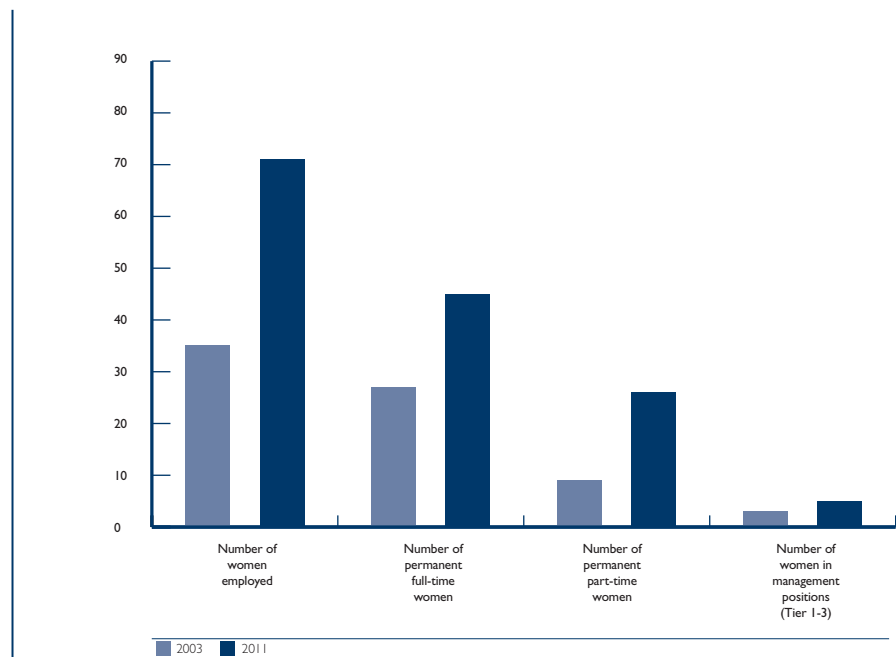
Government Policy Requirements

Substantive Equality

Fremantle Ports continues to proactively support employees balancing work and family responsibilities with flexible hours, availability of purchased leave, part-time work opportunities, working from home arrangements, and paid maternity and paternity leave.

Fremantle Ports' Employee Assistance program continues to offer employees and their families with 24 hour confidential counselling assistance on work related or family issues.

**Fremantle Ports -
Women Employees 2011
compared to 2003**



Disclosures and Legal Compliance Other Legal Requirements

Compliance with Occupational Safety, Health and Injury Management Reporting

Fremantle Ports is committed to providing a safe and healthy work environment for its employees. In the event that an employee is injured or ill due to their work a structured, systematic approach to injury management and rehabilitation has been established to support the earliest possible return to work. Integral to this process is the involvement of the injured employee's manager/supervisor and Fremantle Ports' Injury Management Coordinator.

General fitness for work in relation to fatigue management, hours of work and the physical level of work being undertaken by employees continues to be monitored.

Formal Mechanism for Consultation with Employees on Occupational Safety and Health Matters.

Fremantle Ports recognises that active participation by employees and contractors in the safety and health decision-making process is fundamental to an effective Safety Management System. It is the policy of Fremantle Ports that all employees and contractors are given adequate opportunity and encouragement to participate in safety and health matters relevant to their work.

Generally, occupational safety and health issues are identified via incident reports and trend analyses, review of safety performance indicators, and changes to legislation. The Business Improvement Branch provides information to all employees and contractors for their review, discussion in their teams, comments and feedback. The Branch reviews feedback, develops and amends policies and procedures, makes recommendations to the Executive Team as necessary, and communicates changes to employees and contractors.

Fremantle Ports complies with the injury management requirements of the *Workers' Compensation and Injury Management Act 1981*.

SAI Global conducts annual surveillance audits on Fremantle Ports' safety and health management systems to ensure that Fremantle Ports remains eligible for certification to the ANZS 4801 safety management standard. SAI's audit feedback identifies opportunities for improvement, which are then entered into action plans to ensure continued improvement over time. In May 2011, Fremantle Ports was audited against this standard and also the international environmental and quality standards and ISO14001 and ISO9001 and retained certification to all three.

Disclosures and Legal Compliance Other Legal Requirements

A number of other auditing activities will be undertaken over the next 12 months, including management-led site reviews and operational and contractor audits to further test the health and safety systems.

Indicator	Target and actual 2010-11
Number of fatalities	Target - 0 Actual - 0
Lost time injury frequency rate (number of lost time injuries by 1,000,000 per total man-hours worked)	Overall target - 0 Improvement - 15 Actual - 17.6
Lost time injury severity rate (number by 1,000,000 per total man-hours worked)	Improvement target - 141 Actual - 361
Percentage of injured workers returned to work within 28 weeks	Target - 100% Actual - 100%
Percentage of managers trained in occupational safety, health and injury management responsibilities	Target - 100% Actual - 100%

Note: The improvement targets are based on the Premier's improvement challenge of 10% pa, introduced to Public Sector agencies in July 2007.