



FREMANTLE
PORTS



FREMANTLE PORTS
ANNUAL REPORT



2014 **FREMANTLE PORTS** ANNUAL REPORT



*Hon
Dean Nalder MLA*

To the Hon Dean Nalder MLA

Minister for Transport

In accordance with section 68 and clauses 34 and 35 of Schedule 5 of the *Port Authorities Act 1999*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Fremantle Port Authority which trades as Fremantle Ports for the year ended 30 June 2014.

Jim Limerick

Chairman,

Board of Directors



Fremantle Ports Administration Building's 50th Anniversary was celebrated on 5 March 2014.



MAIN ENTRANCE—
CLIFF STREET, FREMANTLE,
WESTERN AUSTRALIA

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HIGHLIGHTS



Loading iron ore at the Kwinana Bulk Terminal



Container trade was at a record level.

Trade growth

Trade increased by 4.5 per cent overall, with the container and bulk trade sectors both continuing to perform well. The total value of imports and exports was \$28.4 billion.

Financial performance

The positive trade outcomes, good control on expenditure and other factors resulted in an after-tax profit of \$37.9 million, well ahead of forecast.



Improved access for road transport has been one of the aims of the development of reclaimed land at Rous Head.



The North Quay Rail Terminal extension will improve the efficiency of freight rail operations.

Rail upgrades

A \$31.4 million extension of the North Quay Rail Terminal reached practical completion. This project, funded jointly by the State and Australian Governments, increases the efficiency and competitiveness of the port's freight rail services. The standard gauge rail line at the Kwinana Bulk Terminal siding was also extended, with funding from Mineral Resources Limited.

Rous Head development

Roads and services for reclaimed land at Rous Head are close to completion, enabling development of leased areas to support port operations. The development of the Rous Head Industrial Park is improving freight-handling efficiency, reducing truck congestion and improving road safety for trucks and light vehicles.



The cruise liner Dawn Princess departs Fremantle.

Cruise shipping

Fremantle's cruise shipping business grew from 17 ship calls last year to 31 this year, with 44 cruise calls expected in 2014-15.

Fender system upgrade

Installation of new fendering at E Berth and part of D Berth on Victoria Quay will reduce wharf stresses imposed by bigger ships, save on maintenance and enable improved berth positioning for some smaller ships.



The marching band of the Indonesian cadet training ship Kri Dewaruci delighted crowds at Maritime Day.



Vehicle Carrier Cassiopeia Leader at Victoria Quay

Opening up private sector opportunities

Expressions of interest were called and are being evaluated for the development of a world class automotive and ro-ro (roll on-roll off) terminal on Victoria Quay and a dedicated bulk liquids berth at the Kwinana Bulk Jetty. These projects are designed to increase capacity and efficiency.

Supply chain improvements

A truck productivity study was undertaken by Fremantle Ports with the Freight and Logistics Council of WA and the WA Port Operations Task Force. With better understanding of key issues, further strategies have been identified to increase trucking efficiency.

Victoria Quay waterfront

Precinct planning to guide future development of the commercial precinct on Victoria Quay was progressed. The annual Maritime Day, strongly supported by the Royal Australian Navy and port community, drew an estimated 16,000 visitors on 31 August 2014. Thursday night markets held in March and April were a new attraction.



Dr Jim
Limerick

CHAIRMAN'S OVERVIEW

Nothing is more important than ensuring our people work in a safe environment and in a way that ensures they and their workmates return home safely. The Board has taken a very close interest in this area and it is pleasing to see improved performance in 2013-14, linked to additional strategies being implemented. We look forward to seeing further improvements in safety performance in the coming year.

Positive trade outcomes, coupled with close control on expenditure and with additional revenue relating to finalisation of some insurance claims, resulted in an after tax profit of \$37.9 million in 2013-14, which is well ahead of the forecast. The return on assets was 10.7 per cent.

Trade is a barometer of wider economic performance. Western Australia remains the nation's best performing economy and Fremantle Ports' overall trade increased by 4.5 per cent in 2013-14.

Container trade was up by 4.9 per cent and reached a milestone, passing 700,000 units for the first time. The overall result for bulk trade handled at Kwinana was also positive, up by 4.1 per cent, with strong growth in commodities such as grain, iron ore and clinker more than offsetting a fall-off in some others.

With the passing of the most recent peak in business investment in Western Australia, the strong growth that characterised the last few years in non-containerised cargoes such as new motor vehicle, machinery and steel imports has not been sustained as many of Western Australia's major resources projects transition from development to production. This trend, which follows a period of unprecedented growth in resource

investment in WA, is being factored into Fremantle Ports' budget forecasting for the coming year.

Occupational health and safety continues to be a top priority with a lot of attention paid to this over the past 12 months. Nothing is more important than ensuring our people work in a safe environment and in a way that ensures they and their workmates return home safely. The Board has taken a very close interest in this area and it is pleasing to see improved performance in 2013-14, linked to additional strategies being implemented. We look forward to seeing further improvements in safety performance in the coming year.

Fremantle Ports continued to work with customers across all trade areas to identify and implement value-adding opportunities. Our success in this area is measured by customer satisfaction and the improvements we achieve. In the year in review, the shipping lines' and agents' satisfaction with our performance was a creditable 87 per cent. Our focus has been on working closely with customers to improve services, contributing to greater efficiency in landside logistics, delivering sound financial outcomes and planning for future needs.

The planned investment of Federal and State Government funding in freight infrastructure to service the port will contribute significantly to these outcomes as metropolitan trade continues to grow. Increasing private sector participation in the delivery of port services and infrastructure is also an important focus. Consistent with government policy, Fremantle Ports has been identifying and actively pursuing opportunities with the private sector, with a number of initiatives underway. These include planned development of an automotive and Ro-Ro (roll on-roll off) terminal on Victoria Quay and selection of private partners to develop a Kwinana bulk liquids berth. Fremantle Ports will go to the market in the second half of 2014 for expressions of interest on leasing the port's container terminals (current leases expire in 2017).

Each of the above projects represents significant opportunities for new investment and improved efficiency to underpin the required expansion in port capacity for medium-term growth in the container, automotive, break-bulk and bulk trades.

In its role as a facilitator of trade, Fremantle Ports has also continued to play a significant part in the development and implementation of strategies to increase efficiency in the supply chain. Work in this area is producing



The sister ports of Fremantle and Nagoya celebrated the 30th anniversary of their close relationship in November 2013 when officials from Nagoya visited Fremantle. Pictured with Fremantle Ports Chairman, Dr Jim Limerick are Mr Setuo Kurokawa, Vice Chairman of Nagoya Port Assembly (left) and Mr Shinji Morita, Manager Construction Department, Nagoya Port Authority.

some operating gains which are described in the landside logistics section of this report on pages 30-33. Achieving closer links with importers and exporters to better understand how they can contribute to supply chain improvements has been identified as a key step. There has been some good work in that area, along with a Truck Productivity Study undertaken with the Western Australian Freight and Logistics Council (WAFLC) and the WA Port Operations Task Force.

The release of the Metropolitan Freight Transport Network Plan, expected later in 2014, will provide a clear framework for decision making around critical transport infrastructure corridors. Fremantle Ports is working with WAFLC, the Department of Transport and the Western Australian Planning Commission (WAPC) on ways to better secure the long term sustainability of these corridors in a broader planning context.

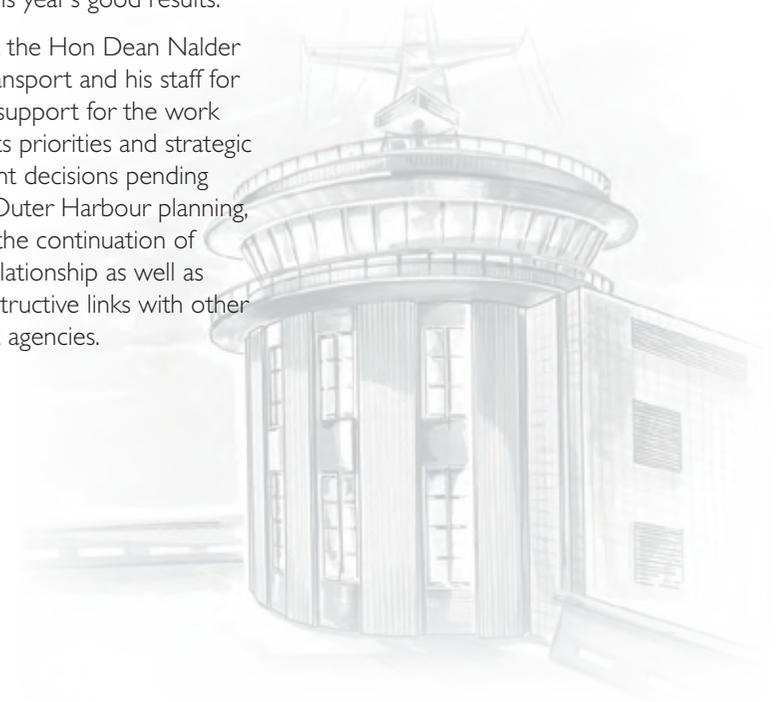
Fremantle Ports also looks forward to the release of the WAPC's strategic review of options for the development of future port facilities in the Outer Harbour. Our planning for long-term growth in container trade is highly dependent on the outcomes of this work. Fremantle Ports is eager to progress detailed financial, environmental and land

use planning as soon as possible, given the very long lead times associated with the establishment of major new facilities.

Let me take this opportunity to thank my fellow Board members for their contribution this year and to acknowledge particularly the valuable service given by Dr Fred Affleck who retires from the Board after three years as Deputy Chair. The Board values the work of our experienced and competent Executive Team in delivering this year's good results.

In conclusion, I thank the Hon Dean Nalder MLA, Minister for Transport and his staff for their interest in and support for the work of Fremantle Ports, its priorities and strategic issues. With important decisions pending on matters such as Outer Harbour planning, we look forward to the continuation of this close working relationship as well as maintaining our constructive links with other relevant government agencies.

Jim Limerick
Chairman





Chris
Leatt-Hayter

CHIEF EXECUTIVE OFFICER'S REPORT

Fremantle Ports' long-standing commitment to meeting rigorous international environmental, quality and safety standards, with regular external monitoring, continues to help us to meet best-practice benchmarks. We achieved re-certification to these standards in 2013, with no non-conformances and the auditors commenting on the strong evidence of ongoing improvement.

The continuing success of Fremantle Ports' business depends largely on the extent to which it can efficiently service customer needs, respond to industry and marketplace trends and add value for all stakeholders.

This is what we are aiming for in deciding on our priorities. Progress against Fremantle Ports' strategic plan is closely monitored, and it is pleasing to see how much has been achieved in the past 12 months to benefit all trade sectors-containerised, non-containerised and bulk trades.

As trade grows, so also does the need to ensure that the port's potential in terms of operational land use is achieved, along with improved integration in landside logistics.

In the Inner Harbour, two major logistics projects nearing completion are the development of reclaimed land at Rous Head for port-related purposes and the Federal and State funded extension of the North Quay rail terminal servicing the port's container trade. A greater role for rail will reduce truck traffic pressure on roads linking with the port and I am pleased that this year the share of containers carried by rail reached 17 per cent for the last three months of the year.

By year end, the roads and services component of the Rous Head Industrial Park had been completed and development of some leased areas completed or underway. The rail project, which will help increase the competitiveness of rail for transporting container freight in and out of the port, reached practical completion by the end of the financial year. Winter weather has impacted on completion of the few outstanding works.

These projects, described in more detail in this report, are complex. They have occurred in the midst of port operations, with their successful delivery requiring a high level of inter-agency and industry cooperation. This has been very much in evidence in a particularly busy year. I take this opportunity to acknowledge, in particular, the contributions made by industry, the WA Port Operations Task Force and the WA Freight and Logistics Council in helping to bring about improved performance in the supply chain.

For our community, another benefit of the development has been the provision of safer and more attractive access to the very popular North Mole via a new public road with dual-use path. In preparation are a public area and fairy tern breeding sanctuary next to the southern end of Port Beach. We value

community goodwill and we are heartened that support for the working port in its continuing role remains strong, with an 82 per cent rating from those surveyed in the Inner Harbour and 91 per cent in the Outer Harbour area.

We have continued to keep community representatives informed and consulted through regular liaison as well as on specific projects such as planning for further development of Victoria Quay. Finalising these plans developed with the Public Transport Authority and the City of Fremantle has taken longer than we had hoped, but ultimately they will be used to inform future development concepts.

It is very pleasing to note that Fremantle Ports people represent this organisation in numerous advisory bodies and forums, some related directly to the business of the port and others more wide ranging. Our Harbour Master, Captain Allan Gray, for example, has been elected a Vice President of the International Harbour Masters' Association and former long-serving Harbour Master Captain Eric Atkinson has recently completed a two-year term as President.

A high-performing team culture underpins the achievement of our goals and as part of *Our People Plan* there has been further work this year on building employee capacity in areas such as leadership and resilience. I am particularly proud of the workplace giving and corporate volunteering programs introduced this year, with much of the momentum for these coming from staff.

Fremantle Ports' long-standing commitment to meeting rigorous international environmental, quality and safety standards, with regular external monitoring, continues to help us to meet best-practice benchmarks. We achieved re-certification to these standards in 2013, with no non-conformances and the auditors commenting on the strong evidence of ongoing improvement.

Our Board has a key role in setting the strategic course for Fremantle Ports and our corporate culture. I take this opportunity to thank our Chairman, Dr Jim Limerick and Directors for their input and guidance over the year on strategy and big picture policy formulation to enable us to achieve high levels of performance and compliance.

My thanks go also to fellow members of the Executive Team and to our employees for their contribution and support in meeting our shared values and working towards achievement of goals.

Chris Leatt-Hayter

Chief Executive Officer



General cargo vessel Molengracht

CORPORATE SNAPSHOT



Signal Tower, Fremantle Ports Administration Building

Our role and operations

Fremantle Ports operates successfully as a Western Australian Government trading enterprise, with a primary role of facilitating trade through the State's largest general cargo port.

From the Inner Harbour at the mouth of the Swan River; the Port of Fremantle handles almost all of Western Australia's container trade as well as non-containerised cargo such as motor vehicles, steel and machinery imports and livestock exports. Cruise ships berth in increasing frequency at Victoria Quay.

Bulk commodities such as petroleum, grain, alumina, iron ore, coal, mineral sands, fertilisers and sulphur are handled through the Outer Harbour at Kwinana, about 20 kilometres to the south. Fremantle Ports owns and operates the Kwinana Bulk Terminal and the Kwinana Bulk Jetty. The three other port facilities at Kwinana are privately operated by Alcoa, BP Refinery and Cooperative Bulk Handling.

Fremantle Ports provides and maintains shipping channels, navigation aids, cargo wharves, seawalls, roads and rail infrastructure within the port area. Other services include ship scheduling and berth allocation, port communication, pilot transport over water, mooring, stevedoring at the Kwinana Bulk Terminal, security services, emergency response, hazardous cargo services over

common-user berths, trade advisory services, property management and quarantine and waste disposal.

Fremantle Ports has the ability under the *Port Authorities Act 1999* to license a range of port services. Non-exclusive licence agreements for towage services are in place. Marine pilotage is provided by the private sector under contract to Fremantle Ports.

Stakeholders

Fremantle Ports has a diverse range of stakeholders, including relevant national, State and local government agencies, customers, port service providers, suppliers and industry bodies as well as local and wider communities.

Culture and values

Our vision is to be valued by our customers and the community for our leadership and excellence. Our mission is to facilitate trade in a sustainable way. With our corporate values and business principles these describe our business intent and provide the foundation for strategic planning and decision making, helping to prioritise and work towards common goals.

Values

- Respect and Integrity
- Safety and Wellbeing
- Responsiveness and Delivery

- Continuous Improvement and Innovation
- Sustainability

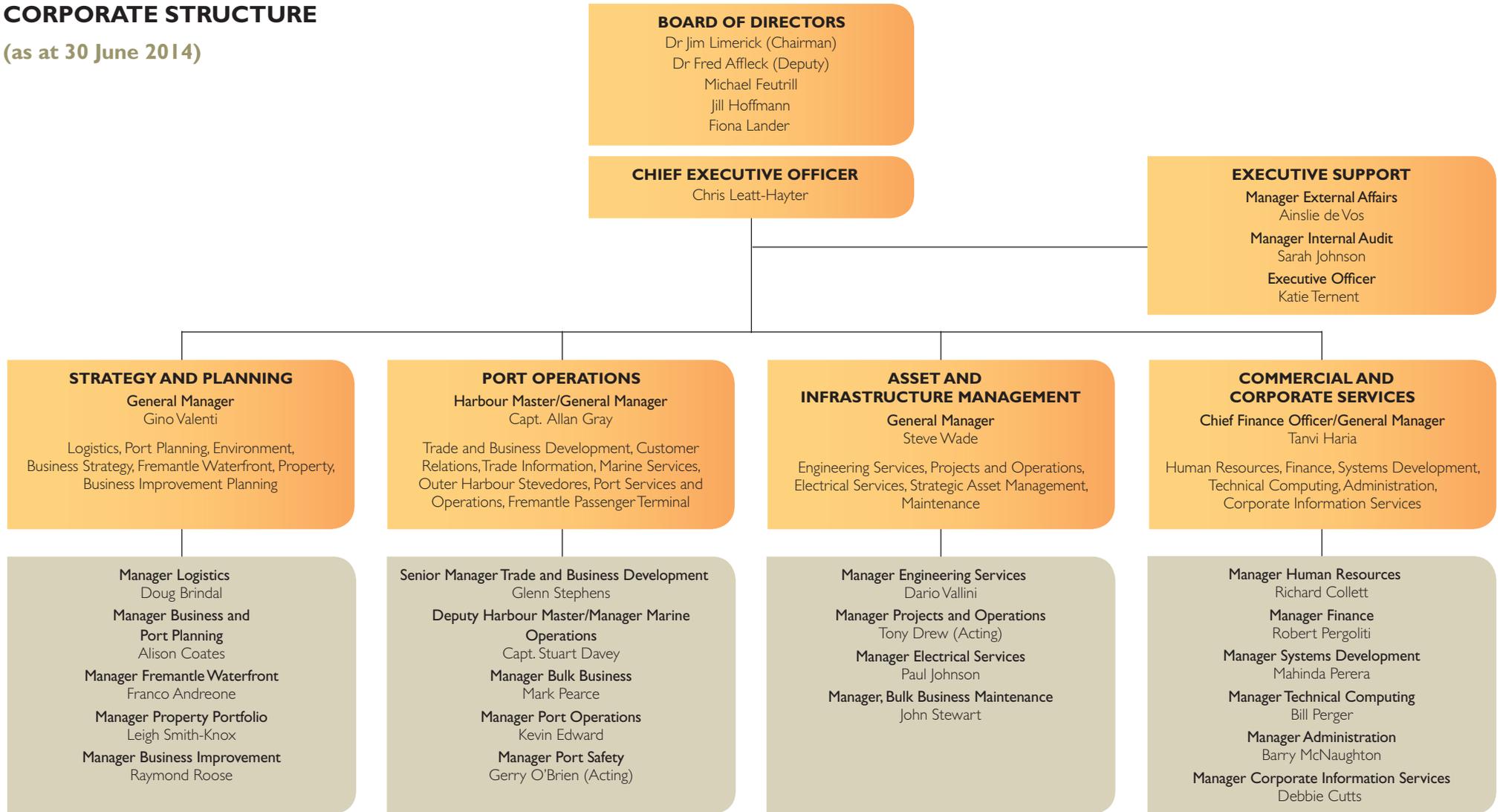
Business principles

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

Aligned with Fremantle Ports' corporate values, our business principles have a strong focus on understanding the needs and expectations of our stakeholders. The principles, each with a nominated champion, continued to be applied this year to guide strategic and project planning, risk management and decision making, particularly in terms of policy development and testing the options.

CORPORATE STRUCTURE

(as at 30 June 2014)





BOARD



Dr Jim Limerick

Dr Jim Limerick (Chairman)

Dr Limerick was appointed Chairman of the Board on 1 October 2010, having served as a Director from 1 October 2009. In May 2013 he was elected Chairman of Ports Western Australia. 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 2015



Dr Fred Affleck

Dr Fred Affleck (Deputy Chair)

Dr Affleck, who joined the Board as Deputy Chairman on 27 August 2011, is also Chairman of the Freight and Logistics Council WA and the Planning and Transport Research Centre. He was formerly Chair of the Western Australian Port Operations Task Force and Strategic Grain Network Review, and was a Commissioner on the National Transport Commission. For two decades until 2000 he was a senior executive in the National Rail Corporation Ltd and the Australian National Railways Commission. He is a graduate of the University of British Columbia and has a PhD from University College London. He is a Fellow of the Australian Institute of Company Directors and the Chartered Institute of Logistics and Transport.

Dr Affleck's term ceased on 30 June 2014



Michael Feutrill

Michael Feutrill

Mr Michael Feutrill was appointed a Director on 1 December 2010. He is a barrister who practises in the area of corporate and commercial litigation and arbitration. He has been awarded the degrees of Masters of Law (with distinction) and Bachelors of Law and Economics by the University of Western Australia and co-teaches International Commercial Arbitration and International Investment in Mineral Resources at the UWA law school. Mr Feutrill's predominant experience concerns international and domestic energy and resources, construction and corporate disputes, including two years in Paris as counsel on international commercial and foreign investment arbitrations.

Expiry of present term: 31 December 2014



Jillian Hoffmann

Jillian Hoffmann

Ms Hoffmann, appointed to the Board on 17 May 2011, is Vice President, Upstream Commercial at Woodside Energy Ltd, Australia's largest oil and gas company. Her previous role at Woodside was Vice President Environment and Heritage. She has 20 plus years of experience, primarily in commercial roles within the oil and gas industry in the United Kingdom and Australia. She has a Bachelor of Business Studies, a Masters of Business Administration and is a Fellow of the Australian Institute of Company Directors.

Expiry of present term: 31 December 2015



Fiona Lander

Fiona Lander

Ms Lander was appointed to the Board on 24 August 2012. She is the Executive General Manager Corporate Affairs and Organisation Development, Perth Airport Pty Ltd. Before joining Perth Airport in 2010, she was the Executive Director Policy and Learning with the Western Australian Department for Child Protection. She has worked for State and Federal Ministers and Members of Parliament, and has held a number of senior roles in human services portfolios in the WA public service. She has a Bachelor of Arts and an Executive Master in Public Administration, and is a Graduate of the Australian Institute of Company Directors. She is a Director of Youth Focus and Vice President of Meerilinga Young Children's Foundation.

Expiry of present term: 31 December 2015



Helen Cook

Helen Cook

(Deputy Chair from 1 July 2014)

Helen Cook joined the Board on 1 July 2014. She was National Partner in charge of KPMG's Energy and Natural Resources Group and a leader in KPMG's Asian Mining group until December 2013 when she retired from the partnership to take on commercial and not-for-profit Board directorships. She is currently Director of the Minerals Research Institute WA, Non-Executive Director of RAC Holdings Pty Ltd and RAC Finance Ltd, a member of the University of Western Australia's Mining Energy and Natural Resources Law Advisory Board, Joint Chairman of Future Now – Creative and Leisure Industries Training Council and Non-Executive Director of the Chamber of Arts and Culture WA. She is also a member of the Major Performing Arts Panel of the Australia Council, overseeing significant Federal funding for Australia's major performing arts companies.

Helen was immediate past Chair of the Art Gallery of Western Australia, Director of the Perth Theatre Trust and has held board positions in key not-for-profit organisations for 20 years.

Expiry of present term: 30 June 2016

EXECUTIVE TEAM



Chris Leatt-Hayter

Chris Leatt-Hayter

Chief Executive Officer

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

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



Tanvi Haria

Tanvi Haria

Chief Finance Officer and General Manager Commercial and Corporate Services

Tanvi Haria was appointed to Fremantle Ports' Executive Team in the positions of Chief Finance Officer/General Manager Commercial and Corporate Services and Secretary to the Board in February 2013. Tanvi brings more than 25 years of broad business and commercial experience in strategic and corporate governance and financial management gained in a variety of industries. She joined Fremantle Ports in 1998 and held the position of Manager Finance for over 12 years. Tanvi has tertiary qualifications in business and accounting, is a Certified Practising Accountant and an Affiliate Member of the Australian Institute of Company Directors.



Steve Wade

Steve Wade

General Manager Asset and Infrastructure Management

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



Gino Valenti

Gino Valenti

General Manager Strategy and Planning

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



Captain Allan Gray

Captain Allan Gray

Harbour Master and General Manager Port Operations

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



Glenn Stephens

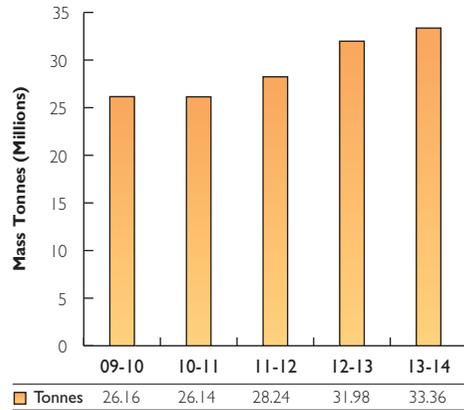
Glenn Stephens

Senior Manager Trade and Business Development

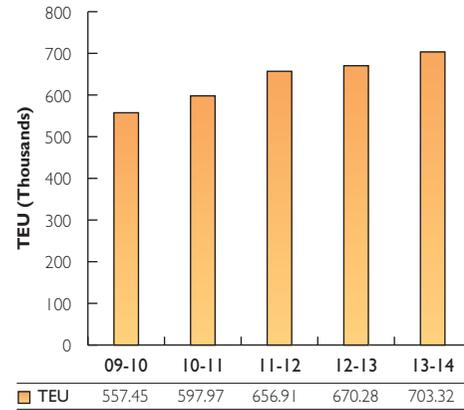
Glenn Stephens joined Fremantle Ports in 1971 and has gained extensive experience in a range of areas within the organisation. He has tertiary qualifications in business and accounting and is a Certified Practising Accountant, Fellow of the Institute of Public Accountants and a member of the Australian Institute of Company Directors. Glenn represented Fremantle Ports on the Board of Cruise Down Under as Treasurer from its formation in 1997 until 2013 and is a member of the Cruise WA Committee.

KEY BUSINESS RESULTS

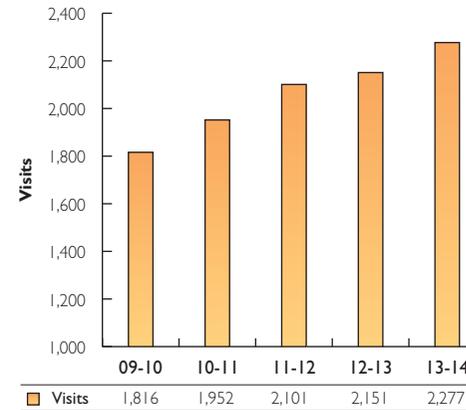
Total Port Trade (Mass Tonnes)
Comparison 2009-10 to 2013-14



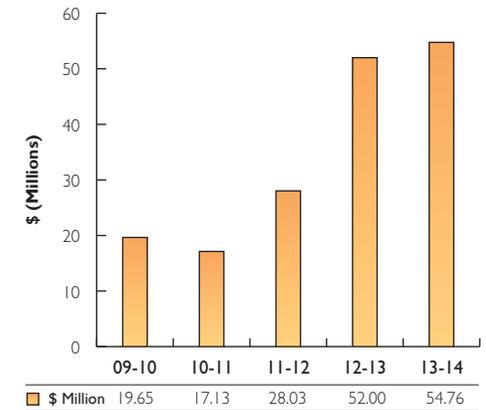
Total Container Trade - TEU
Comparison 2009-10 to 2013-14



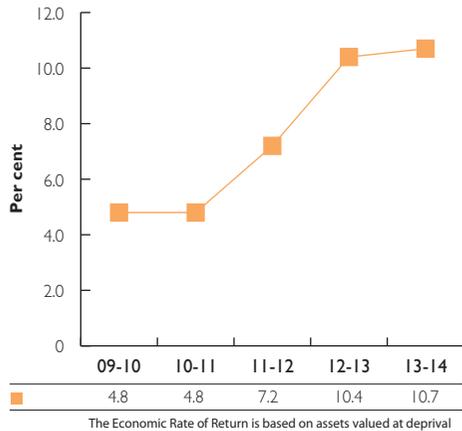
Total Ship Visits (excluding Naval)
Comparison 2009-10 to 2013-14



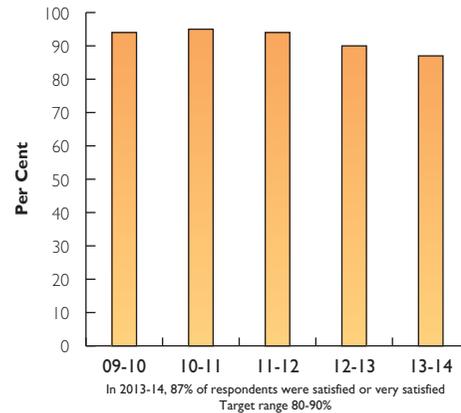
Operating Profit (Loss)
Before Income Tax Equivalent
Comparison 2009-10 to 2013-14



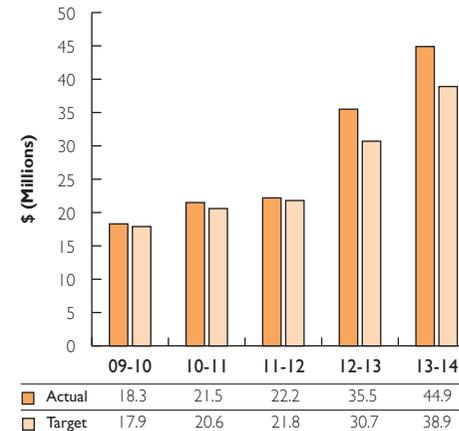
Economic Rate of Return on Assets
Comparison 2009-10 to 2013-14



Shipping Line/Agent Survey Services 2009-10 to 2013-14
Level of Overall Satisfaction with Fremantle Ports' Services



Fremantle Ports - Contribution to State Government 2009-10 to 2013-14



OVERVIEW Performance Management Framework

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

Government Goals	Fremantle Ports Objectives	Key Outcomes Sought	Measures
<p>Goal 1.</p> <p>Building strategic infrastructure that will create jobs and underpin Western Australia's long-term economic development</p>	<p>Providing reliable and efficient facilities and services that meet customer expectations</p> <p>Ensuring sound planning for all aspects of our business, including resources, services and infrastructure</p>	<p>Understanding changing customer needs and being responsive to them</p> <p>Completing important planning and infrastructure projects critical to the port's future and the prosperity of the State</p>	<p>Customer survey outcomes</p> <p>Infrastructure projects completed</p>
	<p>Results: Rous Head Industrial Park roads and services completed.</p> <p>North Quay Rail Terminal Stage 2 at practical completion</p> <p>87 per cent of shipping lines and agents surveyed were satisfied with Fremantle Ports' services.</p>		
<p>Goal 2.</p> <p>Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector</p>	<p>Promoting and facilitating trade and business growth opportunities</p>	<p>Maintaining existing trade and business and capturing new trade and business opportunities</p> <p>Favourable financial outcomes</p>	<p>Trade and financial results against targets</p>
	<p>Results: Total port trade up by 4.5 per cent.</p> <p>After tax profit of \$37.9 million and contribution to government of \$44.9 million in tax equivalents and dividends</p>		

OVERVIEW Performance Management Framework

Government Goals	Fremantle Ports Objectives	Key Outcomes Sought	Measures
<p>Goal 3.</p> <p>Greater focus on service delivery areas for the benefit of all Western Australians</p>	<p>Ensuring appropriate and cost-effective resources, processes and systems to support service delivery</p>	<p>Efficient and effective services provided to users</p> <p>Support services focused on achieving priority projects</p>	<p>Quarterly progress reporting on Strategic Plan</p> <p>Customer survey outcomes</p>
	<p>Results: Expressions of interest called for development and operation of dedicated bulk liquids berth at Kwinana and automotive and roll on-roll off terminal on Victoria Quay, with the aim of increasing capacity and efficiency of cargo handling.</p> <p>Implementation of logistics strategies is helping to increase supply chain efficiency and reduce road freight impacts.</p>		
<p>Goal 5.</p> <p>Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State</p>	<p>Ensuring business sustainability through excellent performance, innovation, business improvement and community and other stakeholder engagement</p>	<p>Maintaining certification to international environmental, safety and quality standards</p> <p>Improved safety performance</p> <p>Maintaining stakeholder support</p>	<p>Customer and community survey outcomes</p> <p>External audits for ISO 14001, ISO 9001, AS/NZ 4801</p>
	<p>Results: Certification to standards maintained</p> <p>Improved safety performance with reduction in lost time injury rate</p> <p>Continuing strong community support for working port (Inner Harbour 82 per cent, Outer Harbour 91 per cent)</p>		



Fremantle Ports has a close and constructive relationship with its neighbour, the Western Australian Maritime Museum on Victoria Quay.

SHARED RESPONSIBILITIES

Fremantle Ports has shared responsibilities with a number of State Government agencies in areas such as emergency response, security, planning and environmental management. These agencies include the Department of Transport, Main Roads Western Australia, Public Transport Authority, Office of Rail Safety, Department of Planning, Department of Fire and Emergency Services, Western Australian Police Service and the Department of Environment and Conservation. Examples of areas in which there has been close liaison with other agencies this year are:

- Rous Head infrastructure development
- extension of the North Quay Rail Terminal
- improvements to landside logistics
- incident management
- emergency response training
- port security
- environmental monitoring
- precinct planning for Victoria Quay and adjacent land.



Strategies are being developed and implemented with the Department of Transport, the Public Transport Authority and industry to increase the rail share for container freight.

Each year in the Annual Report, Fremantle Ports publishes a range of key targets covering economic, social and environmental performance. These performance targets are used to identify and respond to emerging trends in trade development, measure Fremantle Ports' capability for the future, monitor the financial performance of operations and ensure business excellence and sustainability. The following corporate scorecard shows the extent to which these business objectives were achieved.

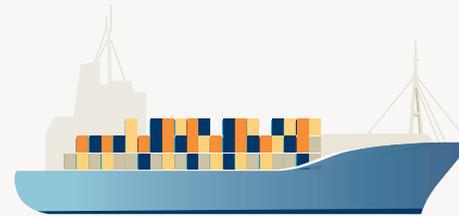
HOW WE PLANNED TO SUCCEED

Economic

Financial Results



Trade Results



Bulk/Non-Containerised Trade - Annual growth rate



Containers - Annual growth rate



Customer Satisfaction

Target
80-90%

Maintain at least 80 to 90% overall customer satisfaction (agents/shipping lines.)

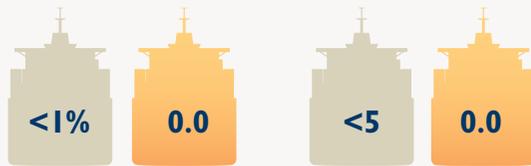
Result
87%

87 % of shipping line customers satisfied with services provided by Fremantle Ports, based on shipping line/agents survey.

Service Delivery
Minimise berthing delays

Inner Harbour – Container Vessel

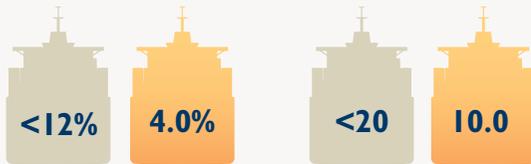
Unavailability of Services



Total vessels affected

Average hours per delay

Unavailability of Berths

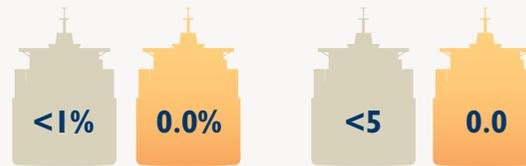


Total vessels affected

Average hours per delay

Kwinana Bulk Terminal

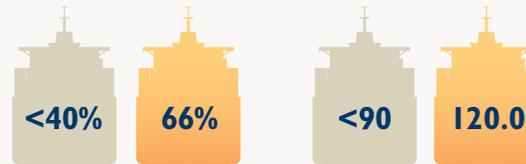
Unavailability of Services



Total vessels affected

Average hours per delay

Unavailability of Berths

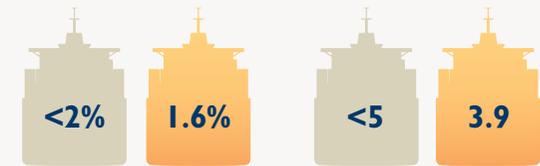


Total vessels affected

Average hours per delay

Kwinana Bulk Jetty

Unavailability of Services



Total vessels affected

Average hours per delay

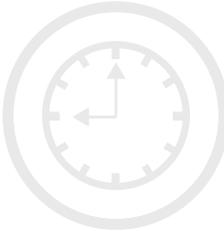
Unavailability of Berths



Total vessels affected

Average hours per delay

Best practice environmental, safety and other business systems

<p>Compliance with international environmental standard ISO 14001</p>	<p>Target Continue to comply with ISO 14001, and further improve Environmental Management System.</p>	<p>Result Certification to ISO 14001 was maintained in external audit of safety, environment and quality management systems.</p>
<p>Overall risk profile</p>	<p>Target Continue to implement treatment actions to ensure risk profile is reduced.</p>	<p>Result The total number of risks rated greater than 'moderate' was 10. Over the past five years, risks greater than moderate have been reduced by 74 per cent from a total of 38 in 2009.</p>
<p>Time lost to injuries</p> 	<p>Target Zero lost time injuries</p>	<p>Result 10</p>
	<p>Target 20% reduction in lost time injury frequency rate</p>	<p>Result Lost time injury frequency rate was 10.7, compared with 18.4 the previous year, a reduction of 41.8%</p>
	<p>Target Maintain certification to AS/NZS 4801</p>	<p>Result Certification to AS/NZS 4801 (Occupational Health and Safety Management Systems) was maintained following external audit.</p>

Social

Community satisfaction



Target

70 to 80% overall satisfaction
(based on community survey results)

Result

Overall satisfaction:
Inner Harbour 64%
Outer Harbour 63%

Support for the Inner Harbour in its role as a busy working port was:
Inner Harbour 82%
Outer Harbour 91%

Actions on complaints and suggestions

Target

Follow up all complaints and continue to implement improvement opportunities.

Result

Complaints followed up with actions electronically monitored. Further attention given to rail noise issue at South Fremantle.

OBJECTIVE:

Providing reliable and efficient services that meet customer expectations

Key outcomes sought:

- Understanding changing customer needs and being responsive to them
- Improvements in efficiency and capability of break-bulk and bulk operations
- Successful completion of major infrastructure projects

Understanding customer priorities

Fremantle Ports is committed to understanding customer needs and meeting or exceeding customer expectations. Reliability and responsiveness are key elements of service delivery and these extend across all areas including stevedoring, port services, berth allocation, security and maintenance of infrastructure.

In the past year, we have continued to work with our customers across all trade areas to identify and implement value-adding opportunities. This has been progressed through a comprehensive customer liaison program involving regular meetings with all major customers as well as industry forums for specific trades.

The information provided by customers enables us to understand the priority areas when dealing with customers, and assists in forward planning for port infrastructure such as cargo-handling equipment. By seeking feedback on the importance of services, Fremantle Ports has been able to determine where it should apply resources to best add value for customers. Industry workshops have also contributed to improvement projects.

The regular liaison and our annual surveying of customers enables us to understand the level of satisfaction with our services and those of other providers. We continue to use this customer feedback to address any

concerns and to implement improvements. An electronic customer relationship management system captures information on the customer relationship program. Responsibility for ensuring appropriate management of customer relationship matters is vested in a cross-divisional customer focus group.

This year, we expanded out customer consultation to establish a closer relationship between Fremantle Ports and importers. The introduction of an importer relationship management program has been well received.

Quarterly forums introduced this year for customers importing and exporting commodities through Fremantle Ports' bulk-handling facilities at Kwinana are helping to achieve information sharing, better understanding of issues and improved responsiveness. One of the outcomes has been a change in ship scheduling to meet customer needs.

Customer survey results

Customer satisfaction continues to be within the target range. In 2013-14, 87 per cent of shipping lines and agents surveyed were satisfied with the services provided by Fremantle Ports. Pleasing, also, was a satisfaction rating of 80 per cent from bulk shippers who responded to our survey, compared with 56 per cent the previous year.

Of concern, however, is that overall satisfaction with services provided by the private sector to shipping lines and agents decreased from 56 per cent in 2013 to 50 per cent this year. The results will be discussed with the relevant service providers and improvement strategies encouraged.

Developing and leasing the Rous Head Industrial Park

Land reclaimed at Rous Head as a result of Fremantle Ports' Inner Harbour deepening in 2010 is being developed for port-related purposes, mostly to support the container trade. This work is now well advanced, with installation of roads and most services completed in 2013, most of the leasing now in place and development of facilities on some of the leased areas completed or in progress.

With the adjacent new Caltex truck stop, the 60-bay truck marshalling area is a vast improvement for truck marshalling and facilities for drivers.

Other land uses in the Rous Head Industrial Park include container logistics, storage, short-term warehousing and empty container parks. The design of the area has improved traffic flows and allowed for the consolidation of some operations onto larger sites.



Sea containers have been modified for use as sheltered seating areas within the newly-created public area at Rous Head, next to Port Beach.

A new public access road with dual-use pedestrian/cycle path has been constructed, providing improved and safer public access to the North Mole. Storms in June caused damage to the new road and seawall, requiring temporary closure to enable repairs, including electrical work to be carried out.

The Rous Head development also includes a landscaped public area with seating, shade and a viewing platform next to the southern end of Port Beach. Next to this area, provision has been made for a fenced Fairy Tern breeding sanctuary, which has been planned in consultation with the community and ornithologists.

The project to develop the Rous Head Industrial Park is registered to pursue an infrastructure sustainability (IS) rating through the Infrastructure Sustainability Council of Australia.

Electrical substations upgrading

Fremantle Ports has undertaken a major upgrading of the high-voltage electrical infrastructure across North Quay. This work is necessary to improve the security of electricity supply to port tenants and to minimise risk to employees undertaking high voltage switching.

Installation of electrical infrastructure to service new tenancies on land reclaimed at Rous Head has continued.



This 26-tonne electrical substation, is one of nine fitted out at Slip Street, Victoria Quay as part of the upgrade of the high-voltage electrical network on North Quay.

Responding to pressure on common-user berths

Fremantle Ports' motor vehicle imports and other break-bulk (non containerised) trades such as imports of steel, imports of machinery and exports of metal scrap contribute significantly to the port's overall economic performance.

In this trade sector there is a need to provide sufficient stacking area to cater for future growth and larger shipments. Fremantle Ports has begun planning for the development of a dedicated automotive and roll on-roll off (Ro-Ro) facility on Victoria Quay. The intention is that this will increase efficiency of cargo handling and also free up space on North Quay for handling other break-bulk trades at common-user berths.

Fremantle Ports' aim is to develop capacity to ensure the port can service shipping lines and importers in a way that is comparable with leading automotive and Ro-Ro terminals internationally.

Expressions of interest were invited in December 2013 seeking parties interested in developing and operating a world-class terminal, with the use of innovative design and improved operating practices to ensure sustainable growth under a long-term lease and operating agreement. Following evaluation of responses, a request for proposals stage will be undertaken in 2014-15.

Fenders upgrade for operational berths on Victoria Quay

Installation of a new fender system at E Berth and part of D Berth on Victoria Quay began in January 2014. The timber fender system at E Berth was originally constructed in 1927, with the last major maintenance completed in 1995. Due to the structure's age and condition, a total replacement was required.

The work, expected to be completed in November 2014, has included removing the existing 290-metre fender system; driving new steel piles into the harbour; installing concrete planks, beams, fabricated steel items, new rubber fenders and wharf furnishings; and reinstating the deck. A modern vibratory pile driver has been used where possible, minimising community impacts by reducing the use of a pile hammer.

D and E berths are used for cargo handling and vessel repairs. The new fender system will reduce the stresses imposed on the existing wharf by the larger ships and will need less wharf maintenance. The system can be incorporated in any future new wharf structure and will enable improved vessel berth positioning, especially for some smaller ships.

Tydeman Road works

Modifications to the intersection of Tydeman Road and Napier Road in North Fremantle began in May 2014. The changes are needed to provide safe access for trucks entering and departing an area of Fremantle Ports-owned land just to the west of the Railway Hotel.

The work involves construction of a new entry and exit, relocation of existing services, installation of stormwater drainage, modifications to traffic lights and signals and construction of a retaining wall.

Signal Tower communication enhancement

A new communication system installed in the Signal Tower has modernised the process of contacting ships, shipping agents and other operators. Call details and other information can now be accessed via a touch screen rather than having to rely on a standard telephone. This is particularly useful when Vessel Traffic Services Officers are juggling a number of tasks.

The new system has voice recording and total recall software which enables all phone and radio transmissions to be played back.

Kwinana Bulk Terminal rail upgrading

The Kwinana Bulk Terminal, acquired by Fremantle Ports from BHP Billiton in 2002, has undergone extensive upgrading since that time.

This year, Mineral Resources Limited has been working with Fremantle Ports to increase the capacity and efficiency of iron ore receipt to the Kwinana Bulk Terminal by extending the current standard gauge rail line at the terminal siding. The works have been fully funded by MRL and construction undertaken by its construction group, CSI.

The upgrade will enable longer trains to be brought on-site and reduce the time taken to discharge a train. MRL has also purchased a fleet of new rail wagons that will unload much more efficiently.

In the most recent State budget the Kwinana Bulk Terminal was included in a list of assets being considered for possible divestment. At year end, the terminal's future was being considered by the State Government's Asset Sales Task Force.



One of 382 new rail wagons purchased by Mineral Resources Limited for transporting iron ore from its mine site at Carina to the Kwinana Bulk Terminal

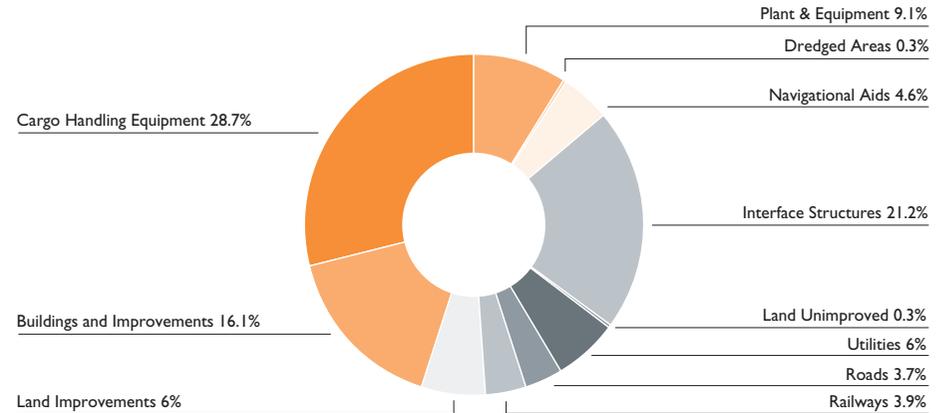


Operating the new communications equipment in the signal station



Fremantle Ports Asset Maintenance & Service Costs
2013-2014

Wharf repairs at O'Connor Landing on Victoria Quay involved removal and replacement of damaged deck beams and installation of a new steel support.



The Siwertell ship unloader is an enclosed system from pick up point in the ship's hold to the transport point, minimising spillage and dust.

Unloader trial for fertiliser handling

Fremantle Ports' Siwertell auger-style ship unloader is being trialled for unloading fertiliser for CSBP at the Kwinana Bulk Jetty. The grab-style unloader previously used for this trade was taken out of service and dismantled in 2013 and will be replaced.

The aim of the current trial is to see how well the Siwertell auger style unloader suits the CSBP operations. Evaluation of the outcome will include an assessment of both operational and environmental performance.

Maritime Security Identification Cards

Fremantle Ports is an issuing agency for Maritime Security Identification Cards (MSIC), which are required under Federal legislation for access to maritime security zones within the port area. Applications for the MSIC are referred to ASIO and the Australian Federal Police for background checks.

The total number of Fremantle Ports MSIC processed in 2013-14 financial year was 3728, with a further 6863 processed for regional ports in Western Australia.

OBJECTIVE:

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

Key Outcomes Sought:

- Agreement with government on key aspects of our future business model
- Successful completion of important planning projects critical to our future

Reviewing our business structure

The business environment in which Fremantle Ports operates is continually changing. Responding to the opportunities and constraints, we have developed new capabilities and strengths over the years. Our business model is currently being re-examined to help respond to issues such as:

- strategies required to improve efficiency, productivity and profitability of each our trade and business segments
- ensuring optimal value from our assets
- level of control Fremantle Ports needs over each key business area to facilitate and sustain growth and the potential opportunities for greater private sector participation.

Some analysis of aspects Fremantle Ports' business has begun in relation to the review which will range quite widely, with an initial focus on container stevedoring.

Container stevedoring

The Patrick and DP World container terminals at North Quay are each operated under long-term lease agreements with Fremantle Ports. These are due to expire in mid-2017, and Fremantle Ports has begun preparations to put in place new leases, which will commence following the conclusion of the current agreements.

While the current agreements only incorporate a ground lease, future arrangements are planned also to include an operating agreement, which will promote improved productivity and performance. A call for expressions of interest will be advertised early next financial year.

Planning activity

Outer Harbour port planning

Fremantle Port's Inner Harbour container trade is expected to reach optimal capacity within the next 10 to 15 years, with the timing dependent on trade trends and other factors. When this occurs, additional facilities will be needed to cater for further growth. Significant planning for these has been undertaken over many years and the

WA Planning Commission has been tasked subsequently with assessing and making recommendations to State Cabinet on the optimal location and design.

Fremantle Ports understands a decision on the outcome of the WA Planning Commission's assessment is likely to be made in the second half of 2014.

Continued demand in the bulk products trade in the Outer Harbour is anticipated for the future and will result in the need for additional port facilities in the medium to longer term with associated landside logistics. The proposed development of a dedicated bulk liquids berth at Fremantle Ports' Kwinana Bulk Jetty, outlined on page 30 will increase capacity for handling of dry bulk products at other berths.



Swan River Bridge at the DP World terminal, North Quay.

Tydeman Planning Policy

To guide planning, Fremantle Ports has a suite of planning policies covering the Inner and Outer Harbours.

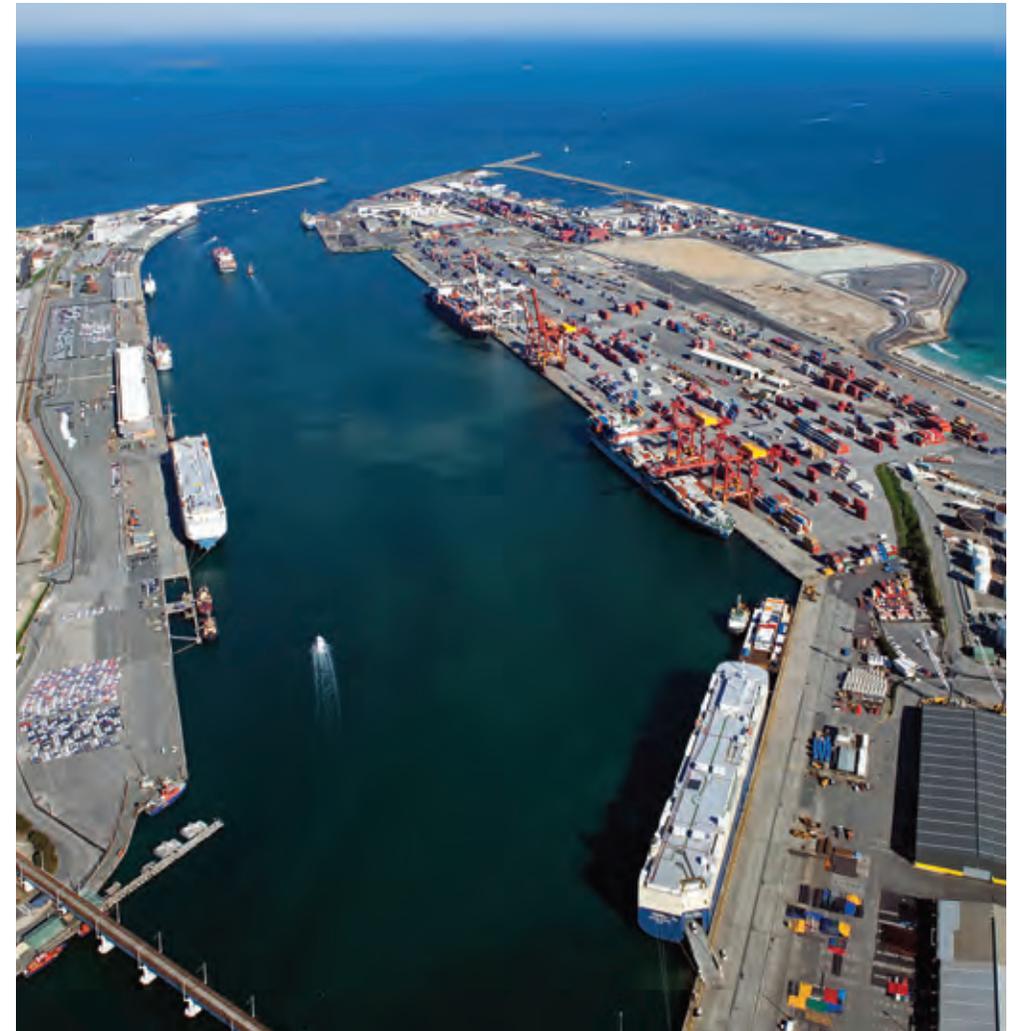
The most recent of these is the *Tydeman Planning Policy* which was completed this year for Fremantle Port land north of Tydeman Road and the former Versacold site at the intersection of Tydeman Road and Queen Victoria Street. It seeks to ensure that the area is planned and developed in a way that supports the working port in its trade facilitation role.

The policy will act as a guiding document for planning decisions made within the strategic planning framework for the Inner Harbour. It was advertised for public comment before being finalised and is now available on Fremantle Ports' website.

Planning Guidelines and Assessment Process

An audit of Fremantle Ports' Planning Guidelines and Assessment Process in 2013 noted that there had been significant improvements to these.

Opportunities for improvement identified, mainly relating to condition setting and clearing, have been implemented. Customers are finding it easier to use the system and our staff is finding it easier to manage.



Fremantle Inner Harbour

OBJECTIVE:

Promoting and facilitating trade and business growth opportunities

Key Outcomes Sought:

- Maintaining existing trade and business and capturing new trade and business opportunities
- Improvements in landside logistics performance

Proposed Kwinana bulk liquids berth

Fremantle Ports advertised nationally in February 2014 for expressions of interest from the private sector to develop and operate a dedicated bulk liquids berth at Kwinana. The site is Fremantle Ports' Kwinana Bulk Jetty, a common-user facility that currently handles both dry and liquid bulk trades.

There has been strong growth in these trade sectors over the past decade. Consolidating Fremantle Ports' common-user bulk liquid trade to a dedicated berth as an extension to the Kwinana Bulk Jetty will increase efficiency, safe handling and capacity. Improved environmental outcomes will be another benefit.

Development of a dedicated berth at the Kwinana Bulk Jetty is a key strategy in more efficiently servicing Fremantle Ports' bulk liquids common-user berth customers while providing for continuing growth in the medium to long term.

The envisaged development comprises a south-western, open pile extension to the Kwinana Bulk Jetty plus associated safety equipment, onshore/offshore support infrastructure and security monitoring systems. The bulk liquids berth will handle a range of commodities including petroleum products, chemicals and liquid fertilisers.

Fremantle Ports had previously planned for a new dry bulk berth to be developed at this site. In changing the concept to a bulk liquids berth, an amendment to the existing environmental approval is being sought.

A request for proposals stage will follow evaluation of the responses to the EOI.

Logistics

Improving land use efficiency

The 27 hectares of reclaimed land at Rous Head is a rare opportunity for the port and its uses have been carefully planned in consultation with supply chain participants. The aim is to ensure that the precinct provides for the following:

- adequate capacity for the port to achieve its full potential
- lot sizes that support efficient operations
- separation of public and heavy vehicle traffic
- co-location of facilities that have high traffic interaction, thereby minimising travel distances and easing road congestion
- establishment of a heavy vehicle precinct to accommodate high productivity vehicles
- interface improvements between the rail and container terminals
- provision of a truck area that efficiently caters for trucking operations and driver amenities
- flexibility to accommodate possible future changes.



The Kwinana Bulk Jetty is one of two bulk handling facilities owned by Fremantle Ports.

PERFORMANCE Trade and Business Growth

2014 **FREMANTLE PORTS** ANNUAL REPORT



The new truck marshalling facility at Rous Head is helping to reduce congestion, particularly at peak times.



Increasing the use of rail for container freight is a key strategy to increase efficiency and reduce truck traffic impacts on community.

The Truck Marshalling Area (TMA) provides a purpose-designed site for managing trucks through the port precinct, as well as providing high standard driver amenities. The control and communication system in the TMA was further enhanced during the year and provided an essential channel for managing truck congestion during the development of the newly reclaimed land. This facility will provide essential services to the port precinct in years to come as trade volumes grow.

Rail

Despite a slow start to the year, Inner Harbour rail services achieved record volumes during 2013-14, carrying nearly 100,000 TEU. Over the full year, rail's market share was 14 per cent but over the last three months it was almost 17 per cent. The boost in the second half of the year was due largely to Western Australia's large grain harvest.

Federal and State Government funding of \$31.4 million enabled expansion of the North Quay Rail Terminal. This project and development of a "passing loop" at Spearwood were both nearing completion at 30 June 2014 and will improve rail's future capacity and operating efficiency.

The extension of the rail terminal from 400 metres to 690 metres improves access for container transfer and will enable shorter turnaround times, making rail more competitive as a means of transporting containers to and from the port.

The works have also enabled a new entrance from the rail terminal to the Patrick container terminal to be agreed with the stevedore. This will avoid the need for trucks servicing the North Quay Rail Terminal to travel the circuitous route to Patrick via Tydeman Road and will significantly contribute to operating efficiency. The new access is expected to be completed in early 2014-15.

Expansion of rail infrastructure servicing Fremantle Port will help get more containers on rail, reducing the growth of port-related truck traffic.

Road

The annual truck survey was carried out in September 2013. Although it showed a slightly higher level of truck productivity (measured as containers per truck movement) than in 2012, the result was still seen as part of a pattern of gradual reduction of average truck loadings over recent years. This was one of the main reasons why Fremantle Ports initiated a major study of trucking productivity. The review involved working closely with industry through a series of workshops, surveys and focused discussions to identify the main factors impacting on trucking efficiency and the range of measures needing to be explored to address these.

The exploratory work and documentation of findings was completed late in the year, with results scheduled for release at an

industry forum early in 2014-15. The process has been valuable, not only in improving our understanding of the road industry and identifying obstacles, constraints and solutions, but also in improving the level of engagement and communication across the industry. Fremantle Ports expects this to yield significant benefits to the supply chain in years to come.

The servicing of trucks through the port's container terminals and empty container parks continues to be a priority as this has knock-on effects throughout the supply chain. A booking system for trucks at empty container parks is fully operational and has resulted in more orderly truck arrivals to the benefit of both container park operators and road carriers. It continues to be refined in consultation with carriers and truck operators.

Changes to container terminal operating procedures continue to improve, resulting in historically low truck turn times, significantly better than the Australian average. Fremantle Port's largest container terminal (in terms of containers handled) has reduced its truck servicing times by nearly 30 per cent over the last four years, despite a doubling of its volume.



Redesign of roads within and linking with Rous Head has improved truck flows.

WA Port Operations Task Force

The Task Force is a long-standing forum comprising industry and Government agency representatives. Its primary aim is to provide an ongoing channel to identify and examine issues confronting the supply chain and to promote effective solutions. Fremantle Ports has been hosting and funding the Task Force since in 2010.

A review of the Task Force's role and effectiveness was undertaken during the year. The general view emerging from industry was that the Task Force performs a vital role and that Fremantle Ports' support for this forum is highly valued. Some modifications to Terms of Reference and procedures are being discussed.

Through the Port Operations Task Force, there has been a continued focus on the Christmas season to ensure that the peak is handled smoothly. Engagement with industry to promote early ordering, information about shipping movements and port operating arrangements and, where possible, night and weekend working, have all contributed to this busy time of the year being handled with minimal problems over the past couple of years.

Chain of responsibility preparations

Fremantle Ports has worked with the Task Force to assist industry to prepare for the likely introduction of Chain of Responsibility legislation in 2014-15. This law will introduce new requirements on all in the chain to ensure compliance with safety regulations and road laws. With support from Fremantle Ports, the Task Force has prepared several publications and Fremantle Ports has made several presentations to assist industry in its preparation for this important change.

Container Weight Declarations guide

A Guide to Container Weight Declarations for the sea freight container supply chain has been produced by Fremantle Ports and the WA Port Operations Task Force.

Incorrectly declared container weights in road freight transport are a serious issue which can lead to accidents, fatalities and road damage. The industry guide sets out obligations under new Chain of Responsibility legislation.

This legislation will impose obligations on all parties in the supply chain to ensure that the weights of sea freight containers and their contents when being transported by road are accurately stated. It will take responsibility beyond the drivers and road transport operators to the consignors of the freight, the vehicle owners, the packers, management and receivers. All participants in the supply chain will be required to take all reasonable steps to ensure compliance.

The industry guide explains the details required for container weight declaration, gives some template examples and includes a guide to risk mitigation in complying with the legislation.

Main Roads WA, the WA Road Transport Association and the Customs Brokers and Forwarders Council of Australia have assisted the Task Force Working Group in the preparation of the guide. Information was also provided by the Victorian Freight and Logistics Council, the Victoria Transport Association, Vic Roads and consultants Meyrick and Associates.

Importer engagement

Following on from a survey of container importers and face-to-face interviews with major participants last year, Fremantle Ports has placed much greater emphasis on building links with the importer sector. This sector is notoriously difficult to communicate with effectively, due both to the large number of small businesses involved and the fact that most importers prefer to leave port-related matters to their agents.

A Working Group of industry participants was set up to determine the best means to improve engagement with this sector. Regular publications and presentations to importer groups have focused on improving understanding of how the port and the supply chain function and how importers can take steps to benefit their own business

PERFORMANCE Trade and Business Growth



A trucking productivity focus group was an opportunity for industry representatives to come together to discuss improvement strategies.

and the effective functioning of the chain. Early results are encouraging but this will be a gradual process involving cultural change within the industry.

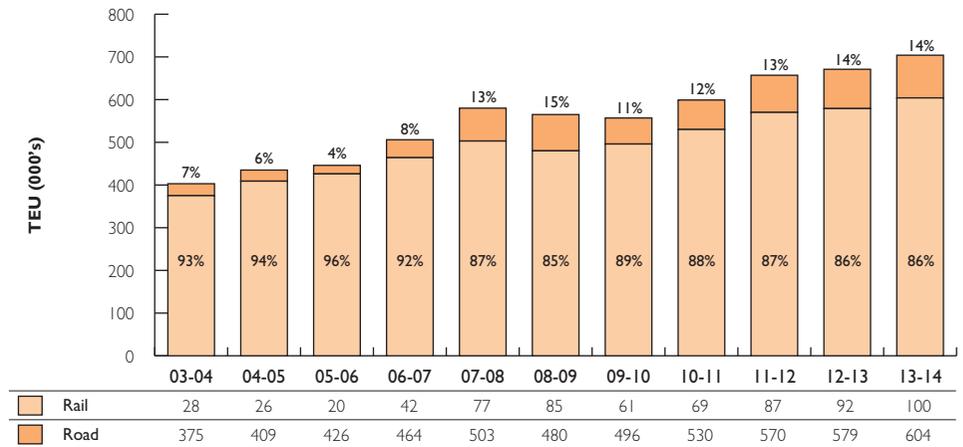
Monitoring performance and promoting higher standards of service delivery

The opening up of a number of new sites on the reclaimed land at Rous Head has provided an opportunity to incorporate key performance indicators in site leases. These KPIs will enable performance of port service providers to be monitored on a continuous basis. Incentives and penalties will be applied to maintain and, where possible, improve performance.

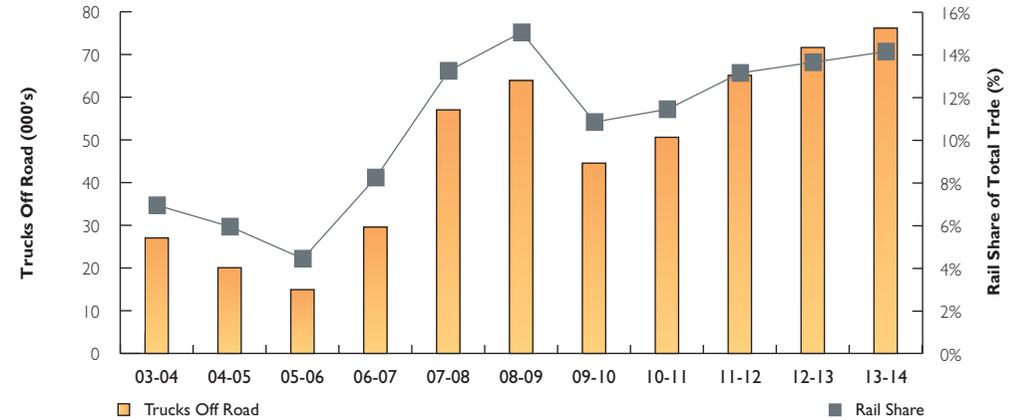
The development of a Tenant Operating Performance System has begun to provide an efficient means for collecting, processing and reporting on site performance against the key performance indicators. This will enhance Fremantle Ports' ability to monitor and improve performance as well as reducing the workload on tenants needing to supply operating data. This system, which will be commissioned in early 2014-15, will be essential as the KPI strategy is expanded to encompass more sites in the future as leases are renewed.

Marketshare of Containers on Rail

2003-04 to 2013-14 (TEU)



Rail Share and Trucks Off Road



The 620-passenger Astor arrived at Fremantle on 9 December 2013 for the first of 15 calls.

Cruise Shipping

There were 31 cruise calls to Fremantle in 2013-2014 and expectations are that there will be 44 cruise calls in 2014-2015.

The sustainability of cruise lines using Fremantle as a turnaround port is becoming more of a reality with the *Sun Princess*, *Astor*, *Voyager of the Seas*, *Radiance of the Sea* and *Celebrity Solstice* all undertaking full turnarounds during the season.

Fremantle Ports' records show that 60,592 passengers and 19,249 crew from passenger vessels passed through Fremantle Port this financial year.

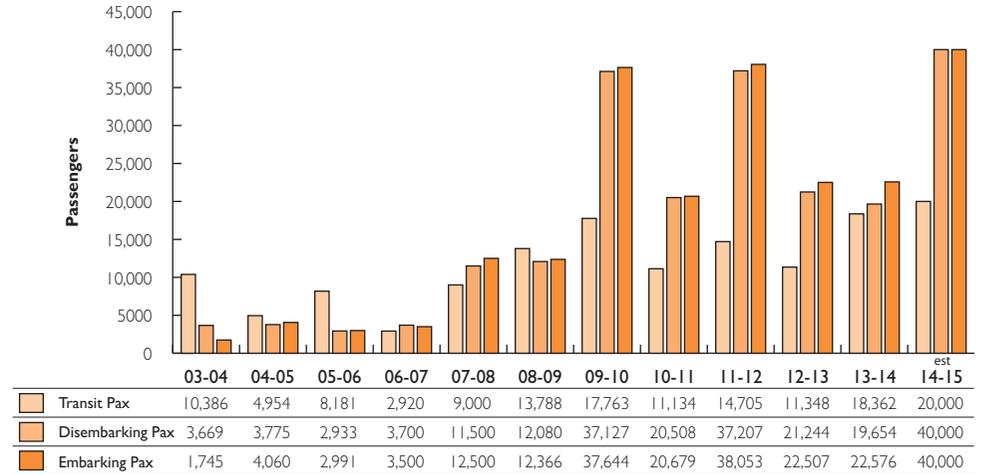
Fremantle Ports has continued to play a very active role with Cruise Down Under, Australia's peak cruising body, in promoting Fremantle as a cruise ship destination and helping to market the region. Our organisation has participated in Cruise Down Under activities for more than 18 years and has helped not only to increase the number of cruise ship visits to Fremantle but also to ensure that the interests of WA regional ports are represented.

Fremantle Ports also participates on the Cruise WA Committee which is managed by Tourism WA in line with their strategic plan for cruise shipping to attract and maintain cruise liners through improvements to infrastructure, management and services, marketing and promotion.

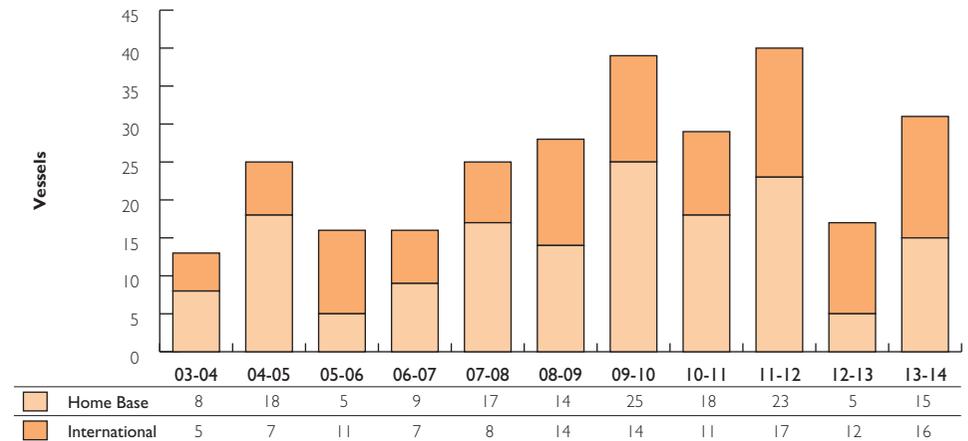


Queen Mary 2 and Arcadia berthed at the Fremantle Passenger Terminal on 6 March 2014 carrying more than 4,500 passengers.

Passengers through Fremantle Port
2003-04 to 2014-15 (estimate)



Cruise vessels visiting Fremantle Port
2003-04 to 2013-14





Victoria Quay Night Markets



Conceptual modelling of the Commercial Precinct plan developed with consultation

Victoria Quay Waterfront

The future development of a commercial precinct between the Fremantle Train Station and the waterfront will add vitality and interest to the publically accessible western end of Victoria Quay. It is envisaged that a development that includes uses such as commercial and retail space and restaurants will help to bridge the distance between the Fremantle Passenger Terminal and attractions further to the west on Victoria Quay as well as the Fremantle CBD and west end.

Work on the development of high-level precinct plans to guide future development of the commercial precinct and adjacent Public Transport Authority and City of Fremantle land continued this year.

The precinct plans, which were put on display for the public at two community open days in December 2013, have taken into account feedback from significant community and other stakeholder consultation and have involved extensive modelling of particular aspects. Issues analysed include land uses, urban design, economic aspects, transport and traffic, infrastructure and heritage as well as social, landscaping, environmental and cultural issues.

The work has involved detailed study on aspects such as the bus station configuration and Commercial Precinct options, including floor space requirements for economic viability and provision for parking.

Achieving improved connection to and integration with the Fremantle central business district is well recognised as a key opportunity. On Victoria Quay, there is excellent scope for activation at ground level with uses such as retail, cafes and restaurants.

In relation to the Victoria Quay planning component, an important consideration is to ensure economically sustainable development opportunities that will attract investment.

The development of high-level enabling plans will give both the public and private sectors greater confidence in proceeding with future development proposals for the areas concerned. Any specific development applications for the Commercial Precinct site will be considered at that time by the WA Planning Commission, with referrals to relevant agencies.

E Shed

Strategic marketing to promote E Shed and B Shed as interesting and vibrant destinations for local people and visitors has met with considerable success this year.

As well as its regular markets, E Shed and its surrounds have provided an ideal venue for a range of well-attended special events over the past year. Most notable were the Victoria Quay Night Markets held over six Thursdays in March and April. These attracted about 1400 people each week. With Fremantle Ports' support, the venue was also used for

some of the 2014 Fremantle Street Arts Festival performances.

B Shed hosted the Fremantle Fashion Collective, a new music festival, a chamber music concert, an industry function and a day of mental health workshops.

QR codes for VQ

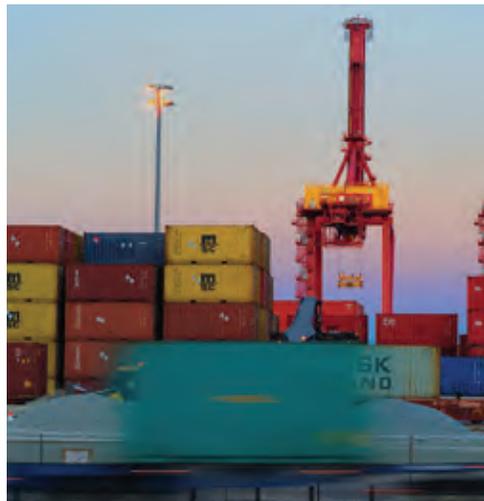
Visitors to Victoria Quay are now able to access instant information about places of interest through their smartphones. Fremantle Ports has sponsored and is installing eight small plaques containing QR codes.

When a smartphone with the free QR application scans one of the plaques, information from the corresponding Wikipedia page appears up on the phone. The eight plaques add to about 100 installed around Fremantle as part of the Freopedia project.

The Fremantle Ports plaques are for the administration building, the submarine HMAS *Ovens* (at the Maritime Museum), the CY O'Connor statue, the site of the 1919 riots near C Shed, Fremantle Harbour, Victoria Quay, E Shed Markets and the Fremantle Passenger Terminal.



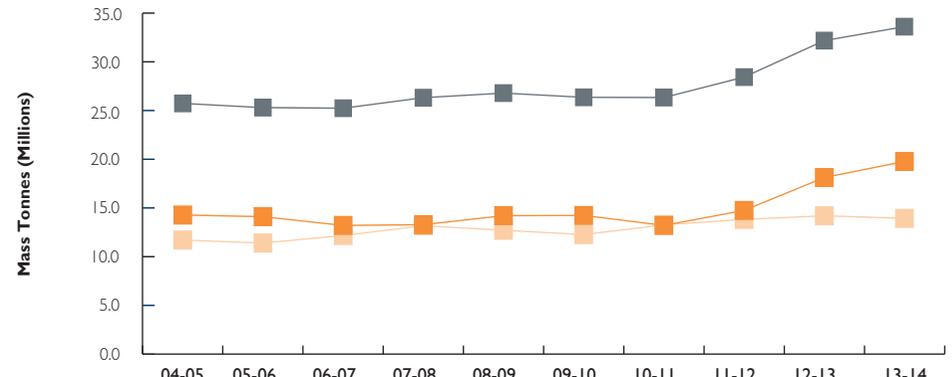
Vehicle carrier Diamond Highway



View to Patrick container terminal, North Quay

Total Port Trade

2003-04 to 2013-14



	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
Imports	11.545	11.236	12.010	13.009	12.545	12.103	13.102	13.663	14.030	13.768
Exports	14.108	13.937	13.043	13.122	14.043	14.065	13.043	14.579	17.950	19.597
Total	25.653	25.173	25.053	26.131	26.588	26.168	26.145	28.242	31.980	33.365

Trade Results

Total port trade in 2013-14 surpassed 33.0 million tonnes, 4.5 per cent up on the previous financial year. This increase was primarily due to a rise in bulk exports of iron ore and grain in the Outer Harbour as well as an increase of containerised cargo in the Inner Harbour.

Imports

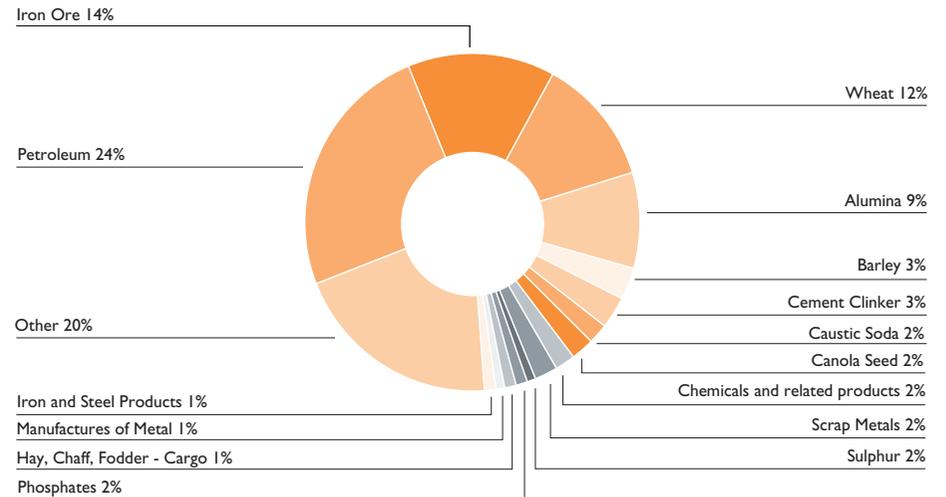
Total imports in 2013-14 decreased by 0.22 million tonnes or 1.6 per cent compared to the previous financial year. Imports of bulk and break-bulk cargo combined decreased by 347,697 tonnes or 3.2 per cent compared to the same period last year. This year's slowing in mining growth in the north-west of the State is one of the main reasons break-bulk cargo has fallen well short of last year's total throughput. The major break-bulk import commodities affected are industrial

vehicles, industrial machinery and other transport equipment, which have fallen by 47.6, 69.2 and 56.7 per cent respectively when compared with the same period last year. Overall in 2013-14, total imports of break-bulk have decreased 27.6 per cent when compared with 2012-13. In the Outer Harbour, a reduction in crude petroleum imports is predominantly responsible for the decrease of 1.6 per cent in total bulk cargo imports.



Principal Commodities

Imports / Exports - 2003-04 to 2013-14



Exports

Total exports in 2013-14 increased by 1.65 million tonnes or 9.2 per cent compared to the same period last year. This was mainly due to bulk exports increasing by 1.03 million tonnes or 7.1 per cent compared to 2012-13. Due to a record crop harvest, bulk grain exports exceeded 5.8 million tonnes in the Outer Harbour, up 0.84 million tonnes or 16.9 per cent compared to 2012-13. A significant increase in bulk iron exports

also contributed to the increase in total exports. Shipments of iron ore were over 4.5 million tonnes in 2013-14, an increase of 1.0 million tonnes or 28.4 per cent compared to same period last year.

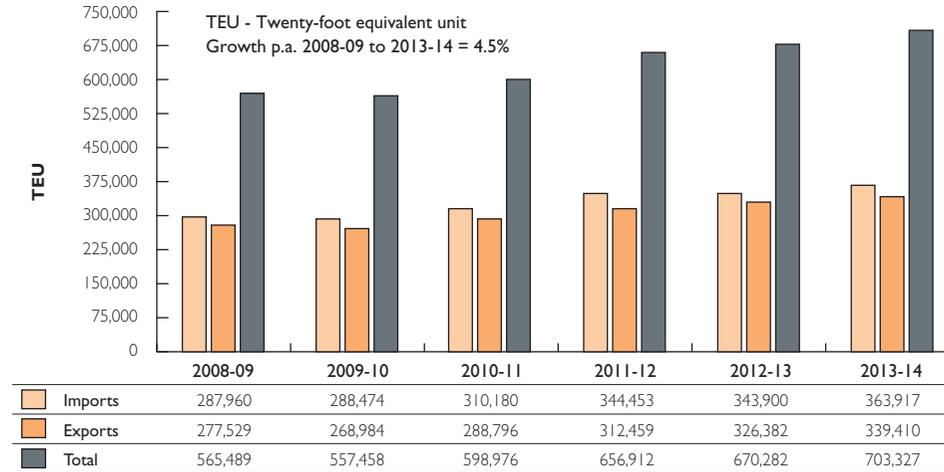
Container Trade

When compared with 2012-13:

- Total container trade increased by 4.9 per cent. Exports increased by 4.0 per cent and imports increased 5.8 per cent.
- Full container exports increased by 18.0 per cent or 31,476 TEU and full imports increased by 10,979 TEU.
- Empty container exports decreased by 12.1 per cent and empty imports increased by 64.9 per cent.
- Coastal container throughput increased by 23.9 per cent or 16,198 TEU. Coastal full container throughput totalled 67,868 TEU, an increase of 17.6 per cent.

Container Trade

Comparison 2008-09 to 2013-14



TOP TEN CONTAINER TRADING PARTNERS

Total Full Container Trade (TEU)

COUNTRY	2012-13	2013-14
China	144,925	158,607
Japan	32,479	33,133
Malaysia	27,567	30,409
South Korea	25,406	24,504
Indonesia	23,083	24,100
Thailand	22,587	24,050
United States of America	21,614	22,010
Singapore ⁽¹⁾	16,620	17,518
Vietnam	9,829	15,298
India	9,083	11,864

Top 10 Countries percentage of Total Country Trade

66.3% 66.2%

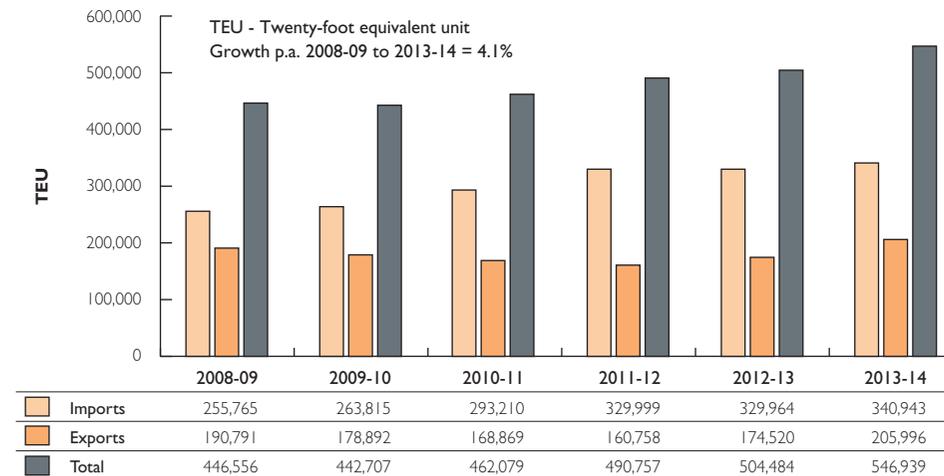
Excludes all trans-shipment and empty containers

Note:

(1) Hub Port : May include cargo trans-shipped through Singapore to and from other destinations and origins.

Full Container Trade

Comparison 2008-09 to 2013-14





Industrial vehicle imports were well below last year's level.

Break-bulk Cargo

Total throughput of break-bulk cargo in 2013-14 fell by 11.4 per cent compared to the previous year. Inner Harbour imports decreased by 37.3 per cent compared to the previous year mainly due to reductions in new motor vehicles, industrial vehicles, industrial machinery, other transport equipment and iron and steel products. Inner Harbour exports increased by 17.6 per cent compared to last year mainly due an increase in metal scrap and livestock.

Motor Vehicles

New motor vehicle imports through Fremantle Ports' totalled 109,837 units in 2013-14, a decrease of 13,646 units or 11.1 per cent. One of the main reasons for this decline has been due to a decrease in government and business purchases of new motor vehicles.

New motor vehicle imports from Japan decreased by 9,095 units or 21.9 per cent when compared to 2012-13. Japan's share of total motor vehicle imports was

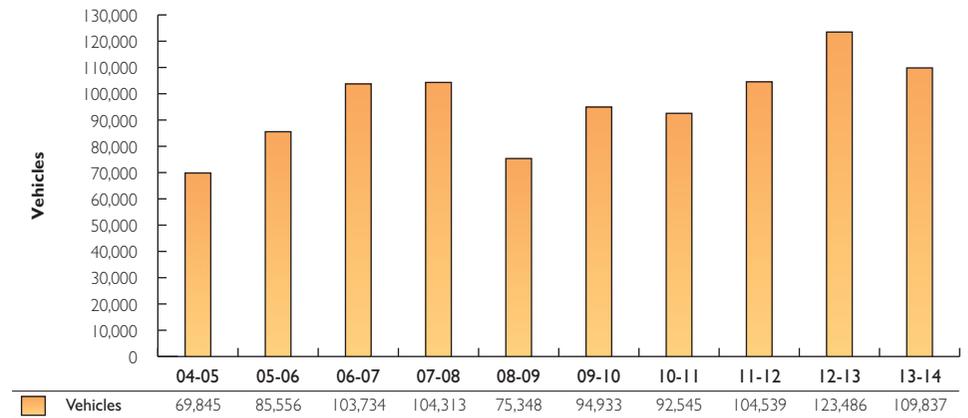
29.5 per cent in 2013-14 compared to 33.6 per cent in 2012-13. Motor vehicle imports from Thailand have fallen by 14.8 per cent or 4,737 units, decreasing its share of total imports to 24.8 per cent compared with 26.0 per cent in the previous year. Motor vehicle imports from Europe increased marginally in 2013-14 by 569 units or 3.3 per cent and accounted for 16.4 per cent of the total.



Almost 100 London-style taxis were imported through Fremantle Port in 2013.

New Motor Vehicles

Imports 2004-05 to 2013-14

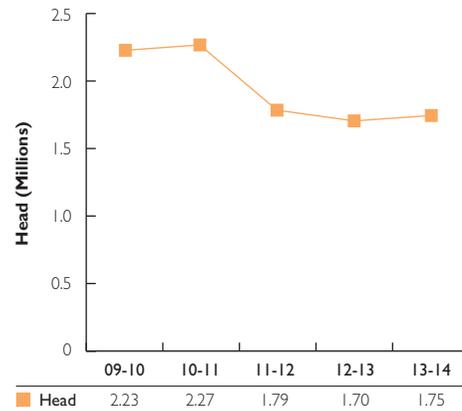




The value of live sheep exports through Fremantle Port in 2013-14 was \$A151 million.

Live Sheep Exports

2009-10 to 2013-14



Live Sheep

Exports of live sheep in 2013-14 through the Port of Fremantle totalled 1,745,257 head, an increase of 2.6 per cent compared to 2012-13.

Fremantle Ports' share of total Australian live sheep exports was 84 per cent in 2013-14, compared to 83 per cent in 2012-13 and 70 per cent in 2011-12.

Exports from Australia during 2013-14 were 2.0 million head, 1.8 per cent lower than the previous year. The Middle East was the destination of 97.4 per cent of Australian live sheep exports in 2013-14.

Kuwait was the largest export market for Australian live sheep in 2013-14 with 0.76 million head exported, followed by Qatar, Jordan, United Arab Emirates, Israel and Bahrain.

Source of total Australian live sheep export statistics and value of trade: Australian Bureau of Statistics.

Live Cattle

Live cattle exports from Fremantle reached 143,258 head in 2013-14, an increase of 38,106 head or 36.3 per cent on 2012-13.

Fremantle Ports' share of total Australian live cattle exports was 13.4 per cent in 2013-14. The value of live cattle exports through Fremantle Port in 2013-14 was \$A113 million.

In 2013-14, the largest export markets served from Fremantle were Israel and Indonesia which accounted for 72.4 per cent of total live cattle exports.

Source of total Australian live cattle export statistics and value of trade: Australian Bureau of Statistics.



Kwinana Bulk Terminal

Bulk Cargo

Bulk cargo contributed 25.5 million mass tonnes or 76.4 per cent of total port trade in 2013-14, 3.5 per cent higher than last year. Bulk grains and oilseeds exports increased by 0.84 million tonnes or 16.9 per cent and iron ore exports increased by 1.0 million tonnes or 28.4 per cent. The port's principal bulk cargo, petroleum products, decreased by 0.61 million tonnes to 7.95 million mass tonnes in 2013-14 when compared with the same period last year. Crude petroleum imports were down 0.9 million tonnes or 16.6 per cent compared to 2012-13.

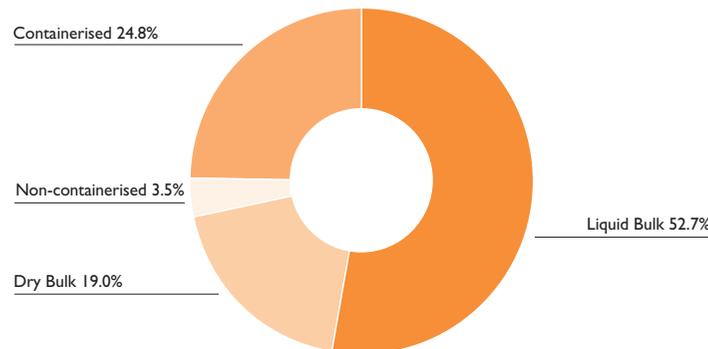
Refined petroleum imports increased by 0.64 million tonnes or 64.9 per cent and refined petroleum exports (including bunkers) decreased by 15.5 per cent.

Imports of cement clinker totalled 1.0 million tonnes, an increase of 0.3 million tonnes or 42.1 per cent and fertiliser imports totalled 0.7 million tonnes, an increase of 3.8 per cent when compared with 2012-13.

TRADE BY CARGO CLASS (MASS TONNES)		
CARGO	Imports	Exports
Liquid Bulk	7,250,091	1,911,251
Dry Bulk	2,622,180	13,680,349
Non-Containerised	478,290	500,549
Containerised	3,416,276	3,505,174
Total	13,767,647	19,597,323

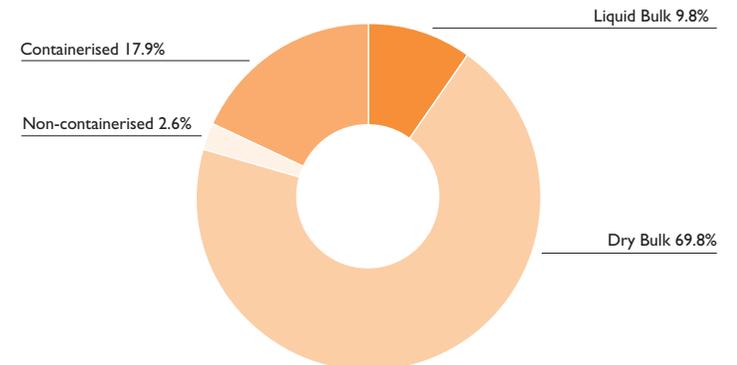
Trade by Cargo Class

Imports 2013-14 (mass tonnes)



Trade by Cargo Class

Exports 2013-14 (mass tonnes)





Major Overseas Trading Regions

Trade with East, South East and Southern Asia amounted to 63.6 per cent of total port trade in 2013-14, 2.6 percentage points higher than 2012-13.

Over the period 2003-04 to 2013-14, trade with East, South East and Southern Asia has grown at a rate of 6.0 per cent annually.

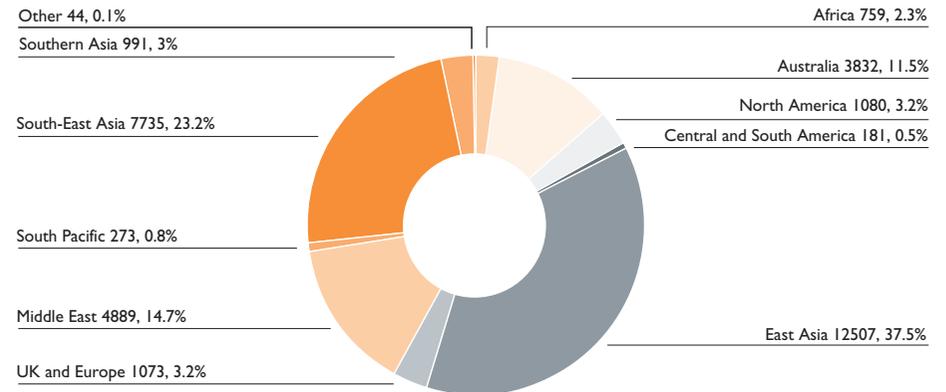
Trade with East Asia increased by 14.4 per cent compared to last year mainly due to an increase in trade with China and Japan. South East Asia trade has increased by 5.3 per cent mainly due to trade with Vietnam and Singapore.

Australian coastal cargo accounts for 11.5 per cent of total port trade, the Middle East accounts for 14.7 per cent, UK and

Europe 3.2 per cent, North America 3.2 per cent, Africa 2.3 per cent and New Zealand 0.05 per cent. A cautionary note is that some of these figures could be deflated because of trans-shipments through Singapore. (A graphical representation showing the link with world trade is in the appendix of Statistical Information).

Principal Areas of Trade

2013-14 Mass Tonnes (000's)





Outlook

Treasury Projections

Following exceptional growth over the past two years, the Western Australian economy is projected to expand at more modest rates, as it transitions from business investment-led growth to export-driven growth. This transition is expected to extend throughout most of the budget period.

Despite this moderation, the Western Australian economy is expected to grow at a similar pace to, or faster than, the national economy. Record business investment has supported well above-trend economic growth in 2011-12 and 2012-13 of 7.3 per cent and 5.1 per cent respectively. The level of investment, however, is expected to have peaked in 2012-13. While levels are still projected to remain historically high, investment is forecast to decline in each year of the budget period, as the construction of large resource projects is completed.

Declining levels of business investment are expected to result in soft domestic economic conditions, with State Final Demand (SFD, a measure of the domestic economy, which excludes net exports) estimated to grow by just 0.25 per cent in 2013-14 and to remain flat in 2014-15, before increasing modestly in each of the forward estimate years.

Data: Government of WA 2014-2015 Budget, Economic and Fiscal Outlook, Budget Paper No. 3

Trade Outlook for 2014-2015

Fremantle Port's total full container trade increased by 8.4 per cent in 2013-14. Full container imports in 2013-14 increased by 3.3 per cent. The growth in import containers was driven largely by stronger domestic demand and China's increased trading with Western Australia. The export of full container exports was up by 18.0 per cent when compared with 2012-13 mainly due to the rise in hay, waste paper and grain. The commencement in 2013 of project cargo exports to the North West of WA for the Gorgon natural gas project has also contributed to the increase. The total container throughput in 2014-15 is forecast to increase by 3 per cent.

New motor vehicle imports into Fremantle Port decreased by 11.1 per cent in 2013-14 compared with 2012-13 mainly due to the fall in government and business commercial car sales. The import of new motor vehicles is expected to remain at a similar level to last year.

Fremantle Ports' Kwinana Bulk Jetty and Kwinana Bulk Terminal cargo tonnages represent around 23.1 per cent of total port bulk cargo volumes. Trade at the Kwinana Bulk Jetty decreased by 0.1 million to 2.0 million tonnes in 2013-14, mainly due to lower imports of refined petroleum and lower exports of sulphuric acid. Trade throughput at Kwinana Bulk Jetty is forecast to be around 2.1 million tonnes in 2014-15.

The total trade throughput at Kwinana Bulk Terminal increased by 0.6 million tonnes or 11.2 per cent to 5.8 million tonnes in 2013-14, mainly due to increases in iron ore exports. An increase in total trade at KBT of 0.65 million tonnes is expected in 2014-15, mainly due to iron ore exports.

Petroleum product, Fremantle Port's major bulk commodity, is forecast to be around 7.5 million tonnes in 2014-15, and dry bulk alumina exports are expected to remain at levels similar to 2013-14 or 3.0 million tonnes.

Exports of grains from Co-operative Bulk Handling's Kwinana terminal reached 5.8 million tonnes in 2013-14, an increase of 0.8 million tonnes compared with 2012-13. This increase was due to Western Australia's record winter crop harvest of 17.2 million tonnes in 2013-14. This season, most grain growers across Western Australia have experienced good opening rain and the industry is optimistic that a good harvest will be achieved.

OBJECTIVE:

Ensuring appropriate and cost effective resources, processes and systems to support service delivery

Key Outcomes Sought:

- Support services focused on improvements in service delivery and organisational culture

Our People

Staffing

Fremantle Ports' full-time equivalent employees total at 30 June 2014 was 321, compared with 334 last year. The natural attrition rate was 1.56 per cent and resignations comprised 4.98 per cent. The total attrition rate was 6.54 per cent.

Organisational Culture and Capability

Fremantle Ports strives to be a high-performing organisation supported by high-performing teams and bound by a constructive culture that stimulates personal and business effectiveness.

Significant progress was made during the year on progressing initiatives included in the 2013-2018 *Our People Plan*. Fremantle Ports continues to build on the current foundations of human resource and organisational development practices while linking with relevant broader initiatives in the organisation to ensure that there is a comprehensive approach to improvement.

Continued organisational strength is recognised as coming from increased 'people' strength and through this philosophy linking items previously part of our wellness programs with mainstream business requirements such as the Developing Mental Toughness and Resilience program which will then build to a Leadership Ready Program for many of our career-developing employees. This is a broad approach to recognising

the importance of developing our future workforce and is in addition to our ongoing and evolving Leadership and Managerial Skills Development Programs.

Fremantle Ports has worked in collaboration with a number of external organisations in promoting an increased focus on women in leadership through initial alignment with organisations such as the National Association of Women in Operations (NAWO), Women's International Shipping and Trade Association (WISTA) and the local Kwinana Industries Council (KIC) women's networks.

Employee Relations

Negotiations successfully occurred for the replacement of the Administration and Management Enterprise Agreement that expired in January 2014 with a new agreement registered with Fair Work Commission.

Health and Wellness

Fremantle Ports continues to offer a diverse program that supports the mental, physical and emotional health of all employees. Programs during the year included skin cancer checks, flu vaccinations, heart checks, first aid training, and mental health first aid.

Fremantle Ports has continued to offer an off-site confidential employee assistance program for employees and immediate family members experiencing personal problems.

Employee Professional Development

Fremantle Ports has been investing in business coaches and mentors to maximise the individual contributions of our leaders. The development programs are tailored to maximise their value to our business teams. Facilitation training has been occurring throughout the year to increase resources available to the broader organisation and to progress workplace projects. The benefits have been significant.

Fremantle Ports continues to harvest improvement opportunities from "new starters" as a further means to positively impact our culture and to constantly refine our recruitment and selection process to attract and retain the best-fit candidates for the organisation.

Work experience and traineeships

Fremantle Ports has hosted 10 work experience students in the past year. Our organisation has also facilitated a number of programs with the Kwinana Industries Council, enabling more than 70 students to gain an understanding of Fremantle Ports' operations. One of the aims is to give students and teachers an insight into potential careers within the maritime industry.

A study of best practice in traineeships was completed during the year with a view to using the findings as a basis for policy setting and development of clear guidelines.



A harbour tour on Fremantle Ports boat FP Response was a highlight for students participating in the Kwinana Industries Council's iWomen program.



Fremantle Ports operates a “lock-out” and “danger” tagging system.

Occupational Safety, Health and Injury Management

Fremantle Ports has moved to consolidate the safety gains reported last year, including the Worksafe Award for the Best Safety and Health Management System in the Public Sector, and to continue integrating safety into all facets of its operation.

It is committed to providing a safe and healthy work environment for its employees, contractors and visitors, in sometimes challenging environments. The organisation has clear safety targets, with the ultimate aim of no injury, no harm and no damage. The Board and Executive have continued their strong leadership role to ensure a clear focus remains on achieving a safe workplace; incident reports are on the agenda for every Board meeting. Consultation and communication with staff and contractors are priorities and are supported by regular reports and stand-alone pages in the monthly staff newsletter.

In addition, Fremantle Ports is an organisation which seeks internal recognition from all personnel and contractors that safety is the highest priority. Such recognition gives staff and contractors a personal connection and a stronger buy-in to safety programs and is seen as a key driver in Fremantle Ports' Safety for Life initiative.

The ongoing commitment to excellence in safety has enabled the organisation to

maintain its certification to the AS/NZS 4801 OSH Management System for eleven years through the external certification body, SAI Global. In the most recent assessment, the auditor noted strong evidence of ongoing improvements to Fremantle Ports' safety process.

Due to a belief in the benefits of personal communication, consultation about safety in the organisation is communicated primarily through monthly Occupational Health and Safety Committee meetings with employee representatives. The meetings have a strong focus on the review of hazards, incident reports and injury management.

Key safety improvements achieved in the reporting period include:

- Introduction of a formal workplace inspection program that requires Directors, executive team and managers to participate in on-site safety interactions with operational personnel and contractors. This program forms part of our efforts to drive desired behaviour by inspecting worksites and fully engaging employees and contractors.
- A contractor safety handbook was developed to ensure contractors understand their safety responsibilities. It provides clear information about the minimum safety requirements they must adhere to while performing work at

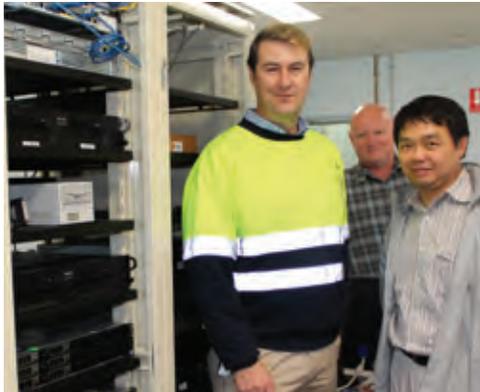
Fremantle Ports, including mandatory procedures, and warns that penalties for non-compliance can include removal from Fremantle Ports' contractors list.

- A program has been introduced to verify competency training, with initial assessments focusing on Worksafe high risk licences.
- The incident management system was upgraded to improve risk assessment by adopting a simplified consequences model.
- A register of potentially fatal risks in the Outer Harbour, including operational, maintenance and electrical risks, was completed in November 2013. A total of 72 such risks was recorded and 33 actions added to the Action Management system; these will reduce risk levels once the actions are completed. By 30 June 2014, 19 actions had been closed.
- A safety culture survey was completed to give Fremantle Ports a better understanding from an employee's point of view on what assists or hinders them in conducting their daily work, including the ease of conforming or not conforming to port safety systems. The findings will form the basis of initiatives to be implemented to achieve an improved safety culture.

- An action plan has been developed to meet Fremantle Ports' obligations to Australian Standards regarding conveyor guarding, working at heights and confined space entry.
 - Performance against the targets outlined in the Public Sector Commissioner's Circular 2012-05: *Code of Practice: Occupational Safety and Health* in the Western Australian Public Sector is as follows:
- Fremantle Ports complies with the injury management requirements of the *Workers Compensation and Injury Act 1981*, including the development of return to work plans.

Measure	Actual results		Results against target	
	2011-12	2013-14	Target	Comment on result
Number of fatalities	0	0	0	Target achieved
Lost time injury and/or disease incidence rate*	12.8	10.7	0-10% reduction	Target achieved
Lost time injury and/or disease severity rate	16.7	20.0	0-10% reduction	Target not achieved
Percentage of injured workers returned to work:				
(i) within 13 weeks	100%	70%	Not applicable	
(ii) within 26 weeks	100%	80%	Greater than or equal to 80%	Target achieved
Percentage of managers trained in occupational safety, health and injury management responsibilities	80%	80%	Greater than or equal to 80%	Target achieved

* Rate based on injuries 'occurring in the year' and 'million hours worked'.



Ian Leathendale (left), Graeme Smith and Patrick Man were key members of the IT team involved in relocating the disaster recovery back-up network off site.

Reviewing our processes

As part of ongoing business improvement, a review of Fremantle Ports' corporate process map was completed and flow charts of each of the associated processes have been created. Each chart includes the process objective, steps and performance indicators.

Our procedure control system, which documents all procedures, who is responsible, approval status and when procedures are due for updating, is also undergoing review. The aims are to "spring clean" by reducing the number of procedures and ensure that those which need to be retained in the system are current.

Information systems and technology

Our program of information technology upgrades has continued to provide high-quality IT infrastructure that supports existing and evolving systems and applications.

We have continued the implementation of virtual server technology which enables us to run several instances of Windows on the same server hardware. There are now more than 130 virtual machines in use, including Database, Web, SharePoint, file and print, testing servers and remote desktop workstations for personnel working off-site. Virtualisation uses the underlying physical server resources efficiently and helps

minimise hardware costs, computer room space, power and cooling requirements.

The communications links to our Outer Harbour facilities at Kwinana were upgraded in October 2013. The technology used in these links now automatically adjusts data transfer rates to maintain microwave signal connectivity during events such as heavy rain. In response to the ever-growing threat of cyber-attack, an assessment and subsequent update of our firewall and intrusion detection systems was undertaken. These systems were upgraded in March 2014 and improvements also introduced to our procedures and processes to respond to cyber-attacks.

A health check of the database technology that supports our financial and human resources systems was conducted during 2013-14. The results identified that we have a mature and well-managed environment, and recommended that we continue with planned upgrades to minimise future support costs.

We continue to improve our data backup and recovery techniques such as implementing improved disk-to-disk backup techniques. These techniques further improve our recovery capability and restore time objectives. A test of the Information Systems Contingency Plan demonstrated that we can meet our recovery time objective of 24 hours.

In 2014 we have been preparing to relocate our disaster recovery data centre.

In preparation we have separated our Test and Development environments from our disaster recovery facilities. We expect to have completed the relocation in July 2014.

There has also been a focus on providing new capability to the users of Fremantle Ports' systems, while increasing the robustness, stability, user experience and sustainability of our key systems. In the ongoing development of information systems, some noteworthy achievements include:

- a replacement land management system with e-invoicing
- systems to support the expanding commercial use of reclaimed Rous Head land
- safety systems enhancements
- new web client functionality and integration of our port management system (Voyager) with marine operations systems
- strengthening the business governance of ICT at Fremantle Ports.



The C.Y. O'Connor Memorial on Victoria Quay was cleaned in 2013 under expert guidance to remove a build-up of contaminants.



A depiction of the Fremantle Harbour entrance is one of the plaques at the base of the statue.

Managing our assets

Fremantle Ports continues to develop and implement a best-practice strategic assessment management framework. When fully developed and integrated, this project will provide a simple, logical and innovative approach for optimising the whole-of-life cycle cost of asset delivery in meeting the agreed level of service while minimising risk exposure.

Achievements this year include:

- completion of the asset class management plan for railways which provides a life cycle management plan for the entire asset class including long-term capital and maintenance forecasts, key performance indicators and recommended intervention points
- development of an electronic inspection tablet and condition asset register for the berths and jetties, improving safety during inspections, minimising reporting time and refining data accuracy for planning
- development of an asset life cycle cost model which uses condition data provided by the inspection tablet to estimate remaining life of asset components, to assess the most cost-effective rehabilitation option and the risks and costs associated with deferring rehabilitation
- introduction of a Strategic Asset Management (SAM) newsletter, circulated quarterly to all staff, to raise awareness of asset management at Fremantle Ports
- completion by an external consultant of a high-level review of asset management practices across the business so we can continue to develop and improve our asset management capabilities
- presentation of a paper *Integrating Asset Management across Fremantle Ports* at the Asset Management Conference.

The main focus for the 2014-2015 year will be the completion of asset class management plans for navigational aids, electrical services, cargo-handling equipment, seawalls and buildings.

OBJECTIVE:

Ensuring business sustainability through our excellent performance throughout the organisation, innovation, business improvement and community and stakeholder engagement

Key outcomes sought:

- Government financial targets are met
 - Improved safety and environmental performance
 - Improved stakeholder and community support
-

Safety, Environmental and Quality (SEQ) Certification Audits

An audit conducted by SAI Global in May 2014 found that Fremantle Ports has a strong commitment to the management system and its continual improvement throughout the organisation. It noted that:

- risk reviews had been carried out and recorded
- strategic objectives and targets for environmental, quality and safety were cascading down to the operational areas and projects
- key performance indicator trends were monitored and reported at various levels within the organisation
- internal auditing and compliance evaluation processes were comprehensive (e.g. corporate governance, process and safety audits, environmental licence compliance evaluations, audits on planning approvals)
- permit to work system was being implemented at Kwinana Bulk Terminal and Kwinana Bulk Jetty
- areas of concern from the previous SAI Global audit had been actioned.

Opportunities for improvement were identified and an action plan is being developed to address these.

Marine Safety Plan

Fremantle Ports' Marine Safety Plan, which is required under the *Port Authorities Act 1999*, was approved by the Board in July 2013 for submission to the Minister for Transport.

The plan describes Fremantle Ports' marine safety objectives, existing safety, quality and environmental systems and risk and incident data. It sets out responsibilities for marine safety, major marine risks in port limits and the controls in place to manage these, as well as the review process.

The plan applies to all marine operations and activities within the Port of Fremantle limits, including commercial shipping operations and marine operations undertaken by any support or service organisation, such as towage and pilot transport. The interaction between commercial shipping and recreational craft is also included.

The plan will be reviewed every three years or earlier if warranted because of changes to legislation, processes or business profile.

Emergency preparedness and response

Our Business Continuity Management Policy was reviewed and updated in May 2014.

Under our Business Continuity Management Framework, Fremantle Ports has identified critical business activities and maximum allowable outage times for most critical areas, with response plans developed. A workshop was held in February 2014 to test Fremantle Ports' crisis management and business continuity plans. This session was facilitated by an external crisis expert and involved testing against three scenarios.

Fremantle Ports' business continuity plans have been described previously by the Auditor General as being at a high level of maturity, with response plans in place and tested, key responsibilities identified and responsible staff trained.

Building evacuation and other exercises were practiced also and training was conducted for all new and existing chief wardens and floor wardens.

As well as implementing programmed internal drills, Fremantle Ports also participates in inter-agency exercises on emergency and crisis management training, with the next of these, a State oil spill exercise, scheduled for November 2014.



Oil spill recovery exercise using a self inflatable boom

Environmental Management

Marine quality monitoring

Fremantle Ports has had a structured Marine Quality Monitoring Program in place since 2001 as a component of its Environmental Management System. Our organisation voluntarily monitors the quality of water, sediment and mussels for contaminants in all operational areas. This includes the Inner Harbour at Fremantle, Rous Head Harbour, shipping channels, the Kwinana Bulk Jetty and the Kwinana Bulk Terminal.

A Marine Quality Management Plan framework has now been developed with the objectives being to:

- assess the environmental impacts of Fremantle Ports related activities
- satisfy the requirements of ISO 14001: 2004 Environment standard certification
- integrate and support the MQMP with monitoring carried out by other agencies
- meet environmental licence requirements.

The framework is designed to assess the health of the marine environment by outlining data collection methodology and provide comparative guidelines to interpret the data.



Fremantle Ports is supporting current research on Little Penguins and their coastal marine habits. (Photo by Dr Belinda Cannell)

Dust management

Fremantle Ports' Kwinana Bulk Terminal is located in the Kwinana Industrial Area and is surrounded by other potential dust-generating operations. The Department of Environmental Regulation licence for the terminal requires continuous monitoring and reporting of ambient dust concentrations during unloading of cement clinker. Fremantle Ports elects to monitor dust at the terminal continuously throughout the year, regardless of site activities.

Our dust monitoring plan, which aims to continuously improve dust management performance, was reviewed this year by external consultants, resulting in a number of actions.

Bitou Bush eradication program

The CSIRO has been assisting Fremantle Ports in the eradication of bitou bush at the Kwinana Bulk Terminal. This species, discovered in the terminal in 2012, has been declared a weed of national significance.

Innovative lighting

Fremantle Ports has installed 10 off-grid hybrid solar and wind-powered streetlights at the Rous Head Industrial Park. The streetlights are in the area designated to be public open space. Designed and made by a Bunbury company, they have magnetic levitation wind turbines that rotate in light wind conditions with no mechanical friction to slow them

down. The thin film flexible solar panels eliminate the need for standard fixed rigid solar panels, creating a streamlined design. The concealed batteries provide a minimum of two days' autonomy with no sun or wind, something that rarely happens for long in Fremantle.

Valuing our Community

A good relationship with the community is important for Fremantle Ports' success as a business and our sustainability as a working port. We engage with the community through the annual port open day, community liaison groups and support and involvement in a wide range of organisations and educational institutions.

The Fremantle Ports Inner Harbour Community Liaison Group met four times during the reporting period. The group has 30 members who represent a wide range of community groups and precinct areas. Information and views are exchanged to help with mutual understanding of priorities. This knowledge is taken into account in strategic planning.

Fremantle Ports also participated in the Community and Industries Forum, which is held quarterly and is coordinated by the Kwinana Industries Council.



Steel-hulled bark Europa was an impressive sight entering the Inner Harbour in July 2013.



Enjoying a photo opportunity at Maritime Day

Community contribution

Fremantle Ports provides monetary and in-kind sponsorship for a wide range of community organisations in the Inner and Outer Harbour areas. The support reflects Fremantle Ports' priorities and values as well as community priorities identified through annual surveying and other consultation.

Community events

Fremantle Ports was the anchor sponsor for the ninth year for the Fremantle Dockers Starlight Purple Haze Game and its associated fundraising. An amount of \$151,163 was raised for the Starlight Children's Foundation. Starlight works to improve the quality of lives of seriously ill and hospitalised children and their families. Fremantle Ports has helped to grow the event to include participation by schools and businesses throughout the wider community.

Other sponsorships and support included the Fremantle Festival, the Kwinana Festival, the Fremantle Heritage Festival, the Fremantle Ports Swim Thru and the Coogee Jetty-to-Jetty Swim.

Port events

Thousands of people made their way to the fifth Fremantle Ports Maritime Day on Saturday 31 August 2013 to tour a range of ships and boats, sample fantastic food from a Fremantle Ports versus Navy cook-off, look at historical port photos,

visit more than 35 information booths and enjoy the free entertainment, which included the naval cadet drum band from Indonesian tall ship *Dewaruci*.

Fremantle Ports hosted three Dutch tall ships and one from the UK during July and August 2013. British sail training vessel *Lord Nelson* and the Dutch ships *Tecla*, a former herring drifter, bark *Europa* and schooner *Oosterschelde* all held open days and many people visited Victoria Quay to look around the ships.

Heritage

A photographic exhibition, DVD, commemorative booklet and morning tea marked the 50th anniversary of the Fremantle Ports Administration Building on 5 March 2014.

The eight floor office tower, topped by the signal station, was designed by architects Hobbs, Winning and Leighton in the post-war international style and built by AT Brine and Sons Ltd. The building's features and superb location overlooking the working port have been enjoyed by many hundreds of port employees over the years and there are also many admirers amongst architects, engineers and others in the community.

The historic statue of CY O'Connor near the entrance to Fremantle Ports' Administration Building on Victoria Quay received some cleaning and maintenance attention recently.

WA Museum expert Dr Ian MacLeod, who had recently performed a condition report on the statue at the request of Fremantle Ports, is a world authority on the preservation of bronze statues. His advice and guidance was sought by Fremantle Ports regarding the best procedures to adopt for cleaning and sealing the heritage-listed monument.

As part of the cleaning process, the statue received high-pressure water blasting. The main task was to remove a build up of corrosive contaminants and then to apply a wax-type product to seal the bronze.

CY O'Connor was the State Engineer-in-Chief responsible for the design and construction of Fremantle Inner Harbour. The statue was created by sculptor Pietro Porcelli in 1911 and is sited so that the figure faces north-east, looking towards the harbour. The cleaning and waxing of the panels at the statue's base have given renewed clarity to three beautiful bas-reliefs illustrating the range of O'Connor's engineering achievements.

Environmental research

Support was provided for a three-year project researching the resilience of Little Penguins and the coastal marine habitats they use by Murdoch University Research Associate Dr Belinda Cannell. Dr Cannell has been researching Little Penguins on both Penguin and Garden Islands for more



Fremantle Ports employees volunteered on Anzac Day to hand out flags in Fremantle

than a decade to understand the biology of the species in order to recommend good management of the colonies. Fremantle Ports is providing some funding to cover the costs of three satellite tags and three GPS tags.

Support also continued for the Coastal and Estuarine Dolphin Project by Murdoch and Curtin universities.

Volunteering

A workplace giving program and a workplace volunteering program were introduced during the reporting period. Fremantle Ports has partnered with United Way for both programs. Employees nominated the Disabled Surfers Association as the charity to be supported through voluntary salary deductions in 2014.

Education support

In March 2014, Fremantle Ports fulfilled a three-year commitment to coordinate the Kwinana Industries Youth Art Awards. The 2014 awards celebrated the creativity of 97 talented finalists from 11 secondary schools. Their 110 artworks included paintings, sculpture, ceramics, photography, film, woodwork, and fashion and textiles.

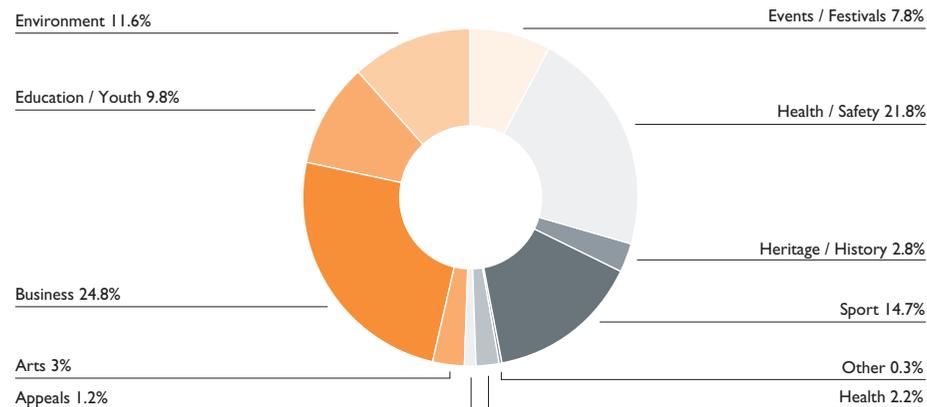
Career discussions and tours on an emergency boat were some of the activities arranged by Fremantle Ports through the Kwinana Industries Council for groups of Year 10 students from a range of schools in the Kwinana, Rockingham and Cockburn areas. The three groups were female students (iWomen), educational support students

(iDiversity) and male students (iMen). The programs were designed and delivered to provide awareness and career horizon expansion for selected students.

About 700 primary school students were entertained and educated by musical performances through Fremantle Ports' support for Musica Viva's Live Performance Plus program. The support enabled four outstanding professional ensembles, presenting jazz and bee bop, classical, traditional Irish music and Aboriginal dance, to perform in schools.

Community Sponsorship

2013-14



In the Kwinana Industries Youth Art Awards, Hamilton Senior High School student Rae-Anne Fraser received a merit award in the Materials Design and Technology category for her design, Rainbow-Serpent

Complaints Management

Fremantle Ports recognises that people have a right to complain about services or aspects of operations. Complaints are a valuable form of feedback, provide an opportunity to improve services and operations, and can warn of potential problems.

Complaints contact information is provided in community and industry publications where appropriate and the website homepage has a feedback link. The Complaints Management Policy and associated procedure, reviewed every two years, were reviewed in early 2014. The policy and procedure are explained to all new staff during induction.

All complaints are logged into an electronic Complaints Management System for prompt action. Complaints are received in person or via phone, letter or email. An all-hours telephone number is available for emergency calls, including environmental issues. Calls taken during office hours and emails are promptly referred to the External Affairs team.

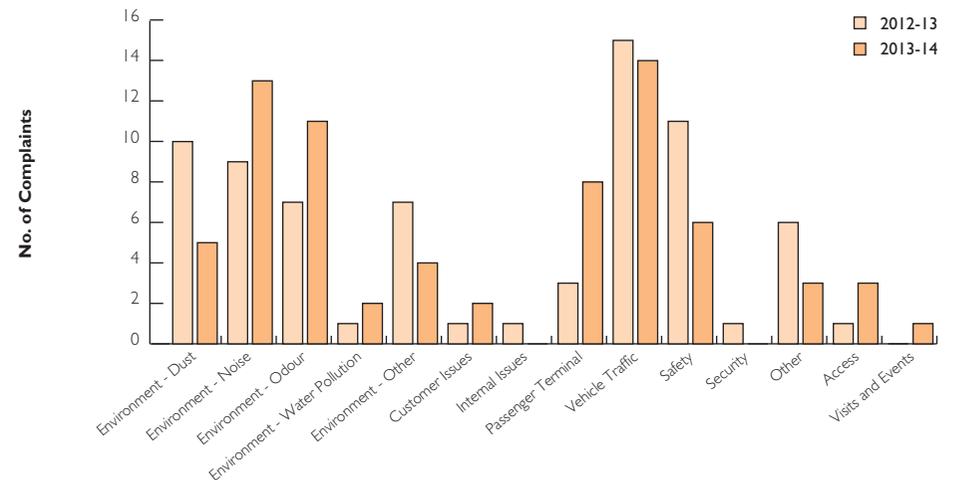
Information provided to the public on three major projects this year the Rous Head Industrial Park, the North Quay Rail Terminal and the Tydemans and Napier roads intersection upgrade included an information line number which recorded messages. Project team members responded to messages and logged any complaints.

During the year, a Container Supply Chain Feedback phone hotline and email address were established to enable industry (tenants, transport and logistics operators, empty container park and container terminal operators, importers, exporters, freight forwarders and customs brokers) to provide feedback on the container supply chain associated with the Inner Harbour.

Complaints and incidents were reported and discussed at the Inner Harbour Community Liaison Group quarterly meetings and those details were included in meeting minutes posted on the website. The group members represent a wide range of community organisations and precinct areas.

Fremantle Ports - Complaints Register

2013-14 compared to 2012-13





Signage is one of a number of actions taken to deter overnight camping on the North and South Moles.

Complaints statistics are reported to the Board quarterly as part of a corporate scorecard with attention drawn to trends.

The year's complaints were diverse with most related to the environment, vehicle traffic, safety and the Fremantle Passenger Terminal. While some could be resolved quickly, others required investigation and action.

The problem of camper vans increasingly parking overnight on South and North moles resulted in a number of complaints from members of the public. While closing the gates to the moles at night would solve this problem, this action would disadvantage fishers and others who visit the moles in vehicles. Fremantle Ports has been working with the City of Fremantle to address this

problem by increasing patrols from both organisations and introducing additional signage about the illegality of overnight camping.

Out of 12 complaints about odour, 10 were related to livestock vessels. A berthing policy implemented a number of years ago means that livestock vessels are mainly berthed at the western end of North Quay, away from residential areas. Where there is a cluster of odour complaints during a ship visit, or a vessel generates complaints over multiple visits, the circumstances are investigated.

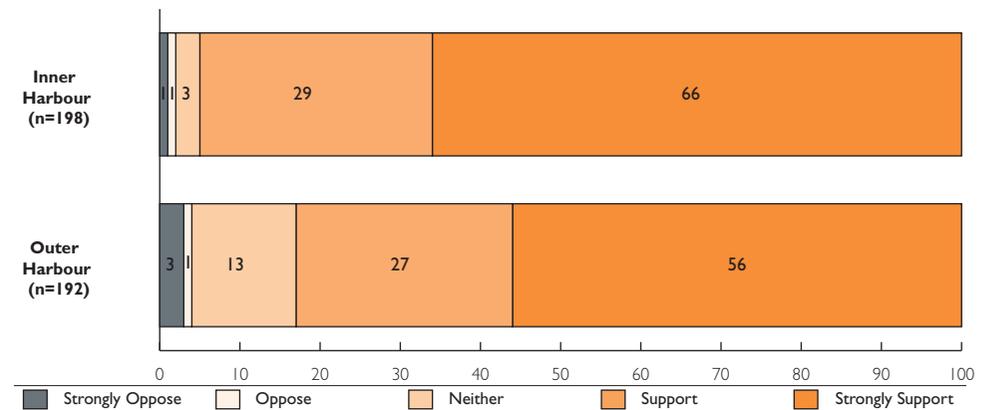
Three odour complaints received in May 2014 about one livestock vessel visit resulted in Fremantle Ports contacting the shipping agent to investigate whether the ship was

partly loaded on arrival. This was not the case and weather conditions at the time were deemed to be the significant contributor to odour experienced in the Fremantle CBD.

A livestock vessel that was the subject of a noise complaint in 2013 was assessed during a following visit. Sound levels measured were below the level deemed "noisy".

While the issue of rail noise near the Roundhouse in Fremantle was largely re-solved in 2012-13, rail noise in South Fremantle and North Fremantle has resulted in five complaints this year. Fremantle Ports has begun facilitating discussion between the rail operator and the community to work on a viable solution.

Community Support for Increased Use of Rail



Australian ports and related land-side logistics chains face major challenges from growth in trade. Ensuring adequate capacity and reconciling community and stakeholders' needs is vital. Fremantle Ports' ability to continue to service trade needs sustainably and efficiently and to reach its potential, thus maximising return on investment, will be achieved by:

- greater coordination and efficiency in the supply chain, working with industry and relevant government agencies
- improving road and rail linkages to the Inner and Outer Harbours
- getting more containers on rail for transport to and from the port
- protecting the port and associated freight corridors from urban encroachment by ensuring that buffer zones are maintained and planning guidelines applied appropriately
- maximising the use of port land to improve berth and terminal productivity
- increasing container storage capacity at the port and inland
- providing sufficient capacity to handle growth in break-bulk and bulk trades
- ensuring planning approvals for additional port facilities are achieved in a timely way to provide for trade growth
- maintaining community support by minimising social and environmental impacts of port operations.



General cargo ships such as AAL Fremantle are handled at common-user berths.

Success in meeting these challenges requires continued cooperation from Government, industry and other port service providers to improve systems and practices, upgrade infrastructure and technology, maximise the use of existing assets, and plan and develop appropriately.

Trade at Fremantle Ports owned facilities is forecast to grow from its current level of 15.9 million tonnes to more than 36 million mass tonnes by 2031, with the majority of that growth occurring in containerised cargo and bulk cargo. As outlined in the previous sections of our Report on Operations, attention has been given during the year to all the above factors, with good progress made in most areas.

DISCLOSURES AND LEGAL COMPLIANCE

Directors' Report for the year ended 30 June 2014

2014 **FREMANTLE PORTS** ANNUAL REPORT

The Board of Directors of the Fremantle Port Authority (Fremantle Ports) has pleasure in submitting its report for the financial year ended 30 June 2014.

DIRECTORS

The following were Directors of Fremantle Ports at the date of this report:

Dr Jim Limerick (Chairman)

Director since 1 October 2009
Chairman since 1 October 2010

Dr Fred Affleck (Deputy Chairman)

Deputy Chairman since 27 August 2011
Deputy Chairman ceased 30 June 2014

Helen Cook (Deputy Chair)

Deputy Chairman since 1 July 2014

Michael Feutrill

Director since 1 December 2010

Jillian Hoffmann

Director since 17 May 2011

Fiona Lander

Director since 24 August 2012

Directors' biographies are shown on pages 12 and 13.

DIRECTORS' MEETINGS

Attendance by Directors at meetings held during the financial year ended 30 June 2014 was:

	Eligibility to attend Meetings of Directors	Meetings of Directors	Eligibility to attend Audit and Risk Management Committee	Audit and Risk Management Committee
Number of meetings held		11		5
Numbers of meetings attended by:				
Jim Limerick	11	11	-	-
Fred Affleck	11	10	5	5
Michael Feutrill	11	10	5	4
Jillian Hoffmann	11	10	5	5
Fiona Lander	11	11	-	-

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 \$54.757 million (2013: \$52.004 million). The income tax expense attributable to the profit for the financial year was \$16.816 million (2013: \$15.808 million).

DISCLOSURES AND LEGAL COMPLIANCE

Directors' Report for the year ended 30 June 2014

2014 **FREMANTLE PORTS** ANNUAL REPORT

DIVIDENDS

The Board of Directors provided \$18.795 million (2013: \$10.903 million) for dividends in respect of the results for the financial year ended 30 June 2013. This dividend was paid in the financial year ended 30 June 2014.

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:

	2014 \$'000	2013 \$'000
Profit before income tax	54,757	52,004
Income tax expense	(16,816)	(15,808)
Profit for the period	37,941	36,196
Other comprehensive (loss)/income	(96)	846
Retained earnings at 1 July	148,127	121,988
Dividends paid in the financial year	(18,795)	(10,903)
Retained earnings at 30 June	167,177	148,127

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

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Fremantle Ports will continue to work closely with customers and stakeholders to fulfil its trade facilitation role. Major infrastructure project opportunities are currently being explored for the Inner and Outer Harbours which, if progressed, will further contribute 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 are 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 \$'000	Post-employment Superannuation \$'000	Total \$'000
J Limerick	50	5	55
F Affleck	33	3	36
M Feutrill	25	2	27
J Hoffmann	25	2	27
F Lander	25	2	27

DIRECTORS' BENEFITS

No Director of Fremantle Ports has 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.

Details of emoluments provided to senior executives:

	Salary \$'000	Other \$'000	Post-employment Superannuation \$'000	Total \$'000
C Leatt-Hayter	425	11	63	499
G Valenti	341	8	32	381
S Wade	327	5	48	380
A Gray	340	8	31	379
T Haria	302	8	28	338

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 ISO 14001 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 15 August 2014.



Chairman



Director

27 August 2014

DISCLOSURES AND LEGAL COMPLIANCE

Financial Statements for the year ended 30 June 2014



2014 **FREMANTLE PORTS** ANNUAL REPORT

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Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

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 2. Revenue and other income
 3. Profit before income tax
 4. Income tax expense
 5. Dividends
 6. Current assets
 7. Non-current assets
 8. Current and non-current liabilities
-

9. Financial instruments

10. Commitments

11. Provisions

12. Other liabilities

13. Equity

14. Notes to Statement of Cash Flows

15. Remuneration of auditors

16. Related parties

17. Contingent liabilities

18. Events subsequent to end of the reporting period

Directors' Declaration

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DISCLOSURES AND LEGAL COMPLIANCE

Statement of Comprehensive Income for the year ended 30 June 2014

2014 **FREMANTLE PORTS** ANNUAL REPORT

	Note	2014 \$'000	2013 Restated* \$'000
Revenue	2.1	204,480	204,589
Expenditure			
General administration		(34,413)	(34,397)
Asset maintenance		(33,493)	(33,534)
Port operations expenses		(29,887)	(34,259)
Depreciation and amortisation expense	3	(14,932)	(14,152)
Finance costs	3	(12,472)	(13,976)
Marine expenses		(8,963)	(8,973)
Rates and taxes		(7,396)	(6,471)
Port utilities		(5,938)	(6,424)
Other expenses		(1,386)	241
Environmental expenses		(843)	(640)
Profit before income tax		54,757	52,004
Income tax expense	4	(16,816)	(15,808)
Profit after income tax for the period		37,941	36,196
Other comprehensive income/(loss)			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (losses)/gains on defined benefit plans	11.4	(137)	1,209
Income tax effect	4	41	(363)
Total other comprehensive (loss)/income		(96)	846
Total comprehensive income for the period, net of tax		37,845	37,042

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer Note 1.2
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 2014

2014 **FREMANTLE PORTS** ANNUAL REPORT

	Note	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.1	42,290	30,079
Trade and other receivables	6.2	27,655	24,147
Inventories	6.3	2,782	2,482
Total current assets		72,727	56,708
Non-current assets			
Receivables	7.1	6,661	7,144
Property, plant and equipment	7.2	448,338	413,298
Deferred tax assets	4	30,530	28,773
Total non-current assets		485,529	449,215
Total assets		558,256	505,923
LIABILITIES			
Current liabilities			
Trade and other payables	8.1	15,175	18,965
Interest bearing borrowings	8.2	1,608	1,575
Current tax liability	4	1,281	3,751
Provisions	11.1	12,878	13,705
Other liabilities	12	1,182	1,330
Total current liabilities		32,124	39,326

	Note	2014 \$'000	2013 \$'000
Non-current liabilities			
Interest bearing borrowings	8.2	236,308	226,181
Provisions	11.2	16,098	15,591
Other liabilities	12	1,490	1,508
Total non-current liabilities		253,896	243,280
Total liabilities		286,020	282,606
Net Assets		272,236	223,317
EQUITY			
Contributed equity	13	105,059	75,190
Retained earnings	13	167,177	148,127
Total equity	13	272,236	223,317

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 2014

2014 **FREMANTLE PORTS** ANNUAL REPORT

	Note	Contributed equity \$'000	Retained earnings Restated* \$'000	Total equity \$'000
Balance at 1 July 2012		54,700	121,988	176,688
Profit for the period		-	36,196	36,196
Other comprehensive income		-	846	846
Total comprehensive income for the year	13	-	37,042	37,042
Transactions with owners in their capacity as owners				
Equity contributions	13	20,490	-	20,490
Dividends paid	5	-	(10,903)	(10,903)
Balance at 30 June 2013	13	75,190	148,127	223,317
Balance at 1 July 2013		75,190	148,127	223,317
Profit for the period		-	37,941	37,941
Other comprehensive loss		-	(96)	(96)
Total comprehensive income for the year	13	-	37,845	37,845
Transactions with owners in their capacity as owners				
Equity contributions	13	29,869	-	29,869
Dividends paid	5	-	(18,795)	(18,795)
Balance at 30 June 2014	13	105,059	167,177	272,236

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer Note 1.2

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 2014

2014 **FREMANTLE PORTS** ANNUAL REPORT

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		218,353	226,142
Payments to suppliers and employees		(146,295)	(144,767)
Interest received		2,141	2,608
Interest paid		(12,793)	(14,181)
Income tax paid		(21,000)	(31,569)
Net cash inflow from operating activities	14	40,406	38,233
Cash flows from investing activities			
Purchase of property, plant and equipment		(49,428)	(29,353)
Proceeds from sale of property, plant and equipment		5	2
Net cash outflow from investing activities		(49,423)	(29,351)
Cash flows from financing activities			
Repayment of borrowings		(9,836)	(15,898)
Proceeds from borrowings		20,000	-
Payment of finance lease liabilities		(454)	(491)
Proceeds from finance lease receivable		444	407
Dividends paid	5	(18,795)	(10,903)
Equity contribution received	13	29,869	20,490
Net cash inflow/(outflow) from financing activities		21,228	(6,395)
Net increase in cash and cash equivalents		12,211	2,487
Cash and cash equivalents at 1 July		30,079	27,592
Cash and cash equivalents at 30 June	6.1	42,290	30,079

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue on 15 August 2014 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 2014.

I.1 Basis of preparation

In accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB), Fremantle Ports is a not-for-profit reporting entity that prepares general purpose financial statements. Fremantle Ports also complies with the financial reporting provisions of the *Port Authorities Act 1999*.

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 Fremantle Ports' operations.

According to AASB 101 *Presentation of Financial Statements*, expenses classified by nature are not reallocated among various functions within the entity. However, Fremantle Ports 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 Fremantle Ports which allocates labour expenses to significant expense items in the Statement of Comprehensive Income based on the nature of the expenses incurred. Fremantle Ports believes that the allocation is more relevant to the understanding of the financial performance of Fremantle Ports 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.2 Changes in accounting policy, disclosures, standards and interpretations

I.2 (i) *Changes in accounting policies, new and amended standards and interpretations*

In the current year, Fremantle Ports has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Fremantle Ports's accounting policies, except for those highlighted below.

AASB 119 Employee Benefits (Revised)

Fremantle Ports retrospectively applied the AASB 119 (Revised) changes in relation to accounting for defined benefit plans, in accordance with the transitional provisions set out in the revised standard. Some of the key changes that impacted Fremantle Ports include the following:

- The interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a net-interest amount under AASB 119 (Revised), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. In view of this change, \$0.846 million was charged to Fremantle Ports' Statement of Comprehensive Income for the year ended 30 June 2013 with a consequential Other Comprehensive Income gain. There was no impact on the overall equity of Fremantle Ports.

AASB 119 (Revised) also requires more extensive disclosures. These have been provided in Note 11.4.

AASB 119 (Revised) has been applied retrospectively, with the permitted exception for sensitivity disclosures for the defined benefit obligation for the comparative period (year ended 30 June 2013).

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.2 Changes in accounting policy, disclosures, standards and interpretations (continued)

I.2 (i) Changes in accounting policies, new and amended standards and interpretations (continued)

Impact on Statement of Comprehensive Income and Other Comprehensive Income
(increase/(decrease)) in profit/other comprehensive income:

	Under Previous Accounting Policy \$'000	AASB 119 \$'000	As Presented \$'000
2014			
Statement of Comprehensive Income			
General administration	137	(137)	-
Loss before income tax	137	(137)	-
Income tax benefit	(41)	41	-
Loss for the period	96	(96)	-
Statement of Other Comprehensive Income			
Re-measurement on defined benefit plans	-	137	137
Income tax effect	-	(41)	(41)
Other comprehensive loss for the period, net of tax	-	96	96
Total comprehensive loss for the period, net of tax	96	-	96

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.2 Changes in accounting policy, disclosures, standards and interpretations (continued)

I.2 (i) Changes in accounting policies, new and amended standards and interpretations (continued)

Impact on Statement of Comprehensive Income and Other Comprehensive Income
(increase/(decrease)) in profit/other comprehensive income:

	As Previously Stated \$'000	AASB 119 \$'000	Restated \$'000
2013			
Statement of Comprehensive Income			
General administration	(1,209)	1,209	-
Profit before income tax	(1,209)	1,209	-
Income tax expense	363	(363)	-
Profit for the period	(846)	846	-
Statement of Other Comprehensive Income			
Re-measurement on defined benefit plans	-	(1,209)	(1,209)
Income tax effect	-	363	363
Other comprehensive income for the period, net of tax	-	(846)	(846)
Total comprehensive income for the period, net of tax	(846)	-	(846)

The transition did not have an impact on the Statement of Financial Position or the Statement of Cash Flows.

AASB 119 (Revised) has also changed the requirements for accounting for annual leave obligations. The key change that impacted Fremantle Ports is limited to the measurement of annual leave. Where the annual leave obligation is not expected to be wholly settled within the next reporting period the liability must be measured on a discounted basis at a rate reflective of the maturity of future expected cash flows. The impact of this change is considered immaterial as the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.2 Changes in accounting policy, disclosures, standards and interpretations (continued)

I.2 (ii) Accounting Standards and Interpretations issued but not yet effective

The following new and amended Australian Accounting Standards and Interpretations were available for early adoption but have not been assessed for application by Fremantle Ports in these financial statements:

		Operative for reporting periods beginning on/after
AASB 2012-13	<p>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</p> <p>AASB 2012-13 add application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legal enforceable right to set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p>	01-Jan-14
AASB 2013-3	<p>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</p> <p>AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i>. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.</p>	01-Jan-14
AASB 1031	<p>Materiality</p> <p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p>	01-Jan-14

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.2 Changes in accounting policy, disclosures, standards and interpretations (continued)

I.2 (ii) Accounting Standards and Interpretations issued but not yet effective (continued)

		Operative for reporting periods beginning on/after
Annual Improvements to IFRS 2010-2012 Cycle	<p>Annual Improvements to IFRS 2010-2012 Cycle</p> <p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process (IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38 and IAS 24). These amendments have not yet been adopted by the AASB.</p>	01-Jul-14
Annual Improvements to IFRS 2011-2013 Cycle	<p>Annual Improvements to IFRS 2011-2013 Cycle</p> <p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process (IFRS 13 and IAS 40). These amendments have not yet been adopted by the AASB.</p>	01-Jul-14
AASB 2013-9	<p>Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments</p> <p>The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.</p> <p>Part A - consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B - makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and make minor editorial amendments to other various standards.</p> <p>Part C - makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 <i>Financial Instruments</i>.</p>	01-Jan-14 01-Jan-17

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.2 Changes in accounting policy, disclosures, standards and interpretations (continued)

I.2 (ii) Accounting Standards and Interpretations issued but not yet effective (continued)

		Operative for reporting periods beginning on/after
AASB 9	<p>Financial Instruments</p> <p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p>	01-Jan-17

I.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 Ports' environmental rehabilitation obligations including the extent of environmental damages to be rectified and the methodology and timing for rectification.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.3 Use of estimates and judgements (continued)

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 11.4.

Impairment losses

Various assumptions are required in determining Fremantle Ports' impairment of trade and other receivables including an assessment of credit risk and likelihood of subsequent recovery.

Revenue recognition

Revenue totalling \$7.872 million is due and receivable however has not been brought to account as it did not meet the recognition criteria of AASB 119 Revenue. Fremantle Ports has determined it is not probable of receipt, however all necessary steps will be taken to ensure Fremantle Port rights are enforced.

Sick leave, annual leave and long service leave

Various assumptions are required when determining Fremantle Ports' sick leave, annual leave and long service leave obligations. These assumptions and the related carrying amounts are discussed in Note 1.17.

I.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.

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, interest receivable under finance leases and interest charged on overdue trade and other receivables. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.4 Revenue recognition (continued)

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 is recognised as the legal entitlement arises and 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.

I.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.

I.6 Finance costs

Finance costs comprise finance charges payable under finance leases, interest payable on borrowings calculated using the effective interest rate method and interest payable on overdue trade and other payables. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.7 National Tax Equivalent Regime (Income tax)

Fremantle Ports operates within the national tax equivalent regime (NTER) whereby an equivalent amount in respect of income tax is payable to the WA Government. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of participation in the NTER, Fremantle Ports is required to comply with AASB 112 *Income Taxes*.

I.8 Income tax

Income tax expense/(benefit) on the profit or loss for the year comprises current and deferred tax. Income tax expense/(benefit) is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income or directly 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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.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.

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

Capitalisation/expensing of assets

Items of property, plant and equipment purchased or constructed costing more than \$5,000 are recorded at the cost of acquisition less accumulated depreciation and impairment losses. Items of property, plant and equipment purchased or constructed costing \$5,000 or less are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total). 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.11 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

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.

Derecognition

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

Depreciation

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.

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

Class	Depreciation Rates (%)		
Channels and breakwaters	1.92	-	3.70
Land improvements	2.50	-	10.00
Buildings and improvements	2.00	-	10.00
Plant and equipment	2.50	-	30.74
Berths, jetties and infrastructure	2.00	-	20.00
Plant and equipment under lease	19.10	-	33.36

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 in the Statement of Comprehensive Income.

Leased assets held at the end of the reporting period are being amortised over periods ranging from 1 to 5 years (2013: 3 to 5 years).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.13 Leased assets (continued)

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 9.2 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 approximate 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

All annual leave, long service leave and sick leave provisions are in respect of employees' services up to the end of the reporting period.

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

Annual leave

Annual leave benefits represent present obligations from employees' services provided to the end of the reporting date and are measured on a discounted basis (at a rate reflective of the maturity of future expected cash flows) and on the basis of remuneration rates expected to be paid when the liability is settled.

The provision for annual leave is classified as a current liability as Fremantle Ports does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Sick leave and long service leave

Sick leave and long service leave benefits are assessed on the basis of present value of estimated future payments, discounted by the Commonwealth Government Bonds rates estimated to be applicable to the relevant period. An average of 4.25% (2013: 5.00%) per annum rate of increase in employee wage and salary rates was assumed in the present value calculations.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.17 Employee benefits (continued)

Sick leave and long service leave (continued)

Unconditional sick leave and long service leave provisions are classified as current liabilities as Fremantle Ports does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional sick leave and long service leave provisions are classified as non-current liabilities because Fremantle Ports has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

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 (Pension), 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 2014.

Employees who were 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 2007. From 16 April 2007, 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. On 30 March 2012, employees were granted with the opportunity to have their contributions paid to a complying superannuation fund of their choice. Those members not electing to nominate their own fund remain either in the WSS Schemes or the GESB Superannuation Scheme. 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 Fremantle Ports liability for superannuation charges.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.18 Employee superannuation (continued)

Defined benefit plan

Fremantle Ports' net obligation in respect of defined benefit 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.

A net defined benefit asset or liability is shown on the Statement of Financial Position equal to:

- The present value of the accrued defined benefit obligations; less
- The fair value of the Scheme assets; plus
- Any adjustment for the limitation on the net asset.

The defined benefit cost to be included in the Statement of Comprehensive Income is made up of the following elements:

- Current service cost (notional cost of employer-financed benefits accruing during the year);
- Net interest (notional interest on the Scheme's liabilities);
- Past service cost, if any, recognised during the year; and
- The effect of settlements and/or curtailments (i.e. significant events), if any, during the year.

Remeasurements of the net defined benefit liability/(asset) is immediately recognised in Other Comprehensive Income.

I.19 Dividends

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 generally due within 2 months.

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 (GST) 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 Australian Taxation Office (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

Where Fremantle Ports receives support from the WA Government (See Note 13), the amount received is recognised directly as a credit to contributed equity.

I.24 Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

2. REVENUE AND OTHER INCOME

2.1 Revenue

Revenue consists of the following items:

	2014 \$'000	2013 \$'000
Revenue		
Charges on cargo	134,848	135,580
Rentals and leases	18,794	18,993
Charges on ships	18,443	17,485
Shipping services	12,582	12,327
Miscellaneous revenue	11,075	11,079
Port utilities and services	6,719	6,553
	202,461	202,017
Interest		
Bank interest receivable	225	380
Interest receivable from cash equivalents	796	1,049
Interest receivable under finance leases	998	994
Other interest receivable	-	149
	2,019	2,572
Total revenue	204,480	204,589

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

3. PROFIT BEFORE INCOME TAX

	Note	2014 \$'000	2013 \$'000
(i) Expenses			
Profit before income tax includes the following specific expenses:			
Finance costs			
Finance charges payable under finance leases		34	40
Borrowings		12,431	13,685
Other finance costs		7	251
Total finance costs		12,472	13,976
Depreciation and amortisation			
Channels and breakwaters		4,155	4,158
Land improvements		249	183
Buildings and improvements		877	950
Plant and equipment		2,968	2,768
Berths, jetties and infrastructure		6,209	5,646
Plant and equipment under lease		474	447
Total depreciation and amortisation		14,932	14,152
Net loss on derecognition of property, plant and equipment		1,090	21
Other charges against assets			
Impairment reversal of trade receivables	6.2	(56)	(581)
Impairment of trade receivables	6.2	11	-
		(45)	(581)
Rental expense relating to operating leases		332	351

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

3. PROFIT BEFORE INCOME TAX (CONTINUED)

	2014 \$'000	2013 \$'000
(ii) Employee benefits expenses		
Wages and salaries	38,772	37,962
Workers' compensation	1,032	859
Pension costs	4,337	5,499
Employee benefits	(110)	590
Retirement benefit obligations	(173)	(1,296)
	43,858	43,614

4. INCOME TAX EXPENSE

Major components of income tax expense for the year are:

	2014 \$'000	2013 \$'000
Statement of Comprehensive Income		
Current income tax:		
Current income tax charge	(18,616)	(16,473)
Adjustments in respect of previous years	84	146
Deferred income tax:		
Deferred income tax charge	1,716	519
Income tax expense reported in the Statement of Comprehensive Income	(16,816)	(15,808)
Other Comprehensive Income		
Deferred tax related to items recognised in other comprehensive income during the year:		
Net loss/(gain) on actuarial gains and losses	41	(363)
Income tax benefit/(expense) charged to Other Comprehensive Income	41	(363)

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

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4. INCOME TAX EXPENSE (CONTINUED)

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

	2014 \$'000	2013 \$'000
Profit before income tax	54,757	52,004
Tax at statutory income tax rate of 30% (2013: 30%)	(16,427)	(15,601)
Tax effect of amounts which are taxable in calculating taxable income:		
Depreciation	(303)	(304)
Sundry items	(165)	(49)
	(16,895)	(15,954)
Adjustments in respect of previous years	79	146
	(16,816)	(15,808)

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

4. INCOME TAX EXPENSE (CONTINUED)

	2014 Statement of Financial Position \$'000	2013 Statement of Financial Position \$'000	2014 Statement of Comprehensive Income \$'000	2013 Statement of Comprehensive Income \$'000
Deferred tax liabilities				
Finance lease receivables	(2,143)	(2,276)	133	123
Others	(609)	(510)	(99)	(86)
Gross deferred tax liabilities	(2,752)	(2,786)		
Deferred tax assets				
Employee benefits	7,241	7,306	(65)	(646)
Accelerated depreciation for accounting purposes	20,127	20,824	(697)	822
Prepaid rental	1,038	1,028	10	(3)
Deferred income	2,498	-	2,498	-
Others	2,378	2,401	(23)	(54)
Gross deferred tax assets	33,282	31,559		
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,752)	(2,786)		
Net deferred tax assets	30,530	28,773		
Deferred tax charge			1,757	156

Current Tax Liabilities

The current tax liability of \$1.281 million (2013: \$3.751 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 2014

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5. DIVIDENDS

	2014 \$'000	2013 \$'000
Dividend paid in the financial year	18,795	10,903

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 65% (2013: 65%) of after tax profits, adjusted for special circumstances as approved by Government. In accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June 2014 have not been provided as they are expected to be approved by Government and declared by the Board after the balance date.

A dividend of \$18.795 million (2013: \$10.903 million) in respect of the financial results for the year ended 30 June 2013 was paid by 30 June 2014.

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.

	2014 \$'000	2013 \$'000
Cash at Bank and Cash on Hand	801	698
At Call Deposits	2,489	11,381
Term Deposits	39,000	18,000
Cash and cash equivalents in the Statement of Cash Flows	42,290	30,079

(i) *Significant Terms and Conditions*

Interest on Cash at Bank was at prevailing rates. The weighted average interest rate at 30 June 2014 was 2.53% (2013: 3.13%).

Interest on At Call Deposits was at prevailing rates. The weighted average interest rate at 30 June 2014 was 2.51% (2013: 3.10%).

The weighted average interest rate for Term Deposits at 30 June 2014 was 3.14% (2013: 3.99%). Term Deposits are held until their maturity dates, which are generally for periods of 60 days or less.

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

6. CURRENT ASSETS (CONTINUED)

6.1 Cash and cash equivalents (continued)

(ii) *Fair Value*

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

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	2014 \$'000	2013 \$'000
Trade Debtors		25,592	20,401
Less: Provision for Impairment of Receivables		(1,394)	(1,477)
		24,198	18,924
Other Debtors		374	895
Accrued Income		1,216	2,457
Finance Lease Receivable	10.2	483	444
Prepayments		1,384	1,427
Balance at 30 June		27,655	24,147

(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.

6. CURRENT ASSETS (CONTINUED)

6.2 Trade and other receivables (continued)

(ii) *Impairment losses*

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

	2014 \$'000	2013 \$'000
Balance at 1 July	1,477	2,116
Impairment loss recognised	12	-
Impairment loss recovered	(62)	(639)
Amount written off	(33)	-
Balance at 30 June	1,394	1,477

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

	2014 \$'000	2013 \$'000
Not more than 3 months	5,219	3,794
More than 3 months but less than 6 months	21	36
More than 6 months but less than 1 year	13	501
More than 1 year	1,423	1,426
	6,676	5,757

(iii) *Fair Value*

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

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

6. CURRENT ASSETS (CONTINUED)

6.3 Inventories

	2014 \$'000	2013 \$'000
Stores - at cost	2,782	2,482

7. NON-CURRENT ASSETS

7.1 Receivables

Receivables represent Finance Lease Receivable

	Note	2014 \$'000	2013 \$'000
Finance Lease Receivable	10.2	6,661	7,144

(i) *Fair Value*

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

7.2 Property, Plant and Equipment

	2014 \$'000	2013 \$'000
Channels and Breakwaters		
At Cost	163,548	163,548
Less: Accumulated depreciation	(37,020)	(32,865)
	126,528	130,683

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

7.2 Property, Plant and Equipment (continued)

	2014 \$'000	2013 \$'000
Land		
At Cost	45,994	45,571
	45,994	45,571
Land Improvements		
At Cost	24,342	8,746
Less: Accumulated depreciation	(3,959)	(3,815)
	20,383	4,931
Buildings and Improvements		
At Cost	28,093	27,481
Less: Accumulated depreciation	(12,603)	(11,916)
	15,490	15,565
Plant and Equipment		
At Cost	67,952	65,053
Less: Accumulated depreciation	(30,622)	(28,066)
	37,330	36,987
Berths, Jetties and Infrastructure		
At Cost	236,622	196,511
Less: Accumulated depreciation	(52,049)	(46,143)
	184,573	150,368
Leased plant and equipment		
At Cost	2,131	2,524
Less: Accumulated amortisation	(1,160)	(1,552)
	971	972

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

7. NON-CURRENT ASSETS (CONTINUED)

7.2 Property, Plant and Equipment (continued)

	2014 \$'000	2013 \$'000
Total Property, Plant and Equipment at net book value	431,269	385,077
Add: Work in Progress (at cost)	17,069	28,221
Total Property, Plant and Equipment	448,338	413,298

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

	2014 \$'000	2013 \$'000
Land		
At Cost	12,365	13,057
	12,365	13,057
Buildings and Improvements		
At Cost	7,377	7,317
Less: Accumulated depreciation	(2,802)	(2,594)
	4,575	4,723
Included in Accumulated depreciation above is the depreciation charge for the year	276	278

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

7. NON-CURRENT ASSETS (CONTINUED)

7.2 Property, Plant and Equipment (continued)

Reconciliations of carrying amounts

	2014 \$'000	2013 \$'000
Channels and Breakwaters		
Carrying amount at 1 July	130,683	134,841
Depreciation for the year	(4,155)	(4,158)
Carrying amount at 30 June	126,528	130,683
Land		
Carrying amount at 1 July	45,571	44,752
Additions	423	-
Transfer from work in progress	-	819
Carrying amount at 30 June	45,994	45,571
Land Improvements		
Carrying amount at 1 July	4,931	4,551
Transfer from work in progress	16,241	563
Disposals	(540)	-
Depreciation for the year	(249)	(183)
Carrying amount at 30 June	20,383	4,931
Buildings and Improvements		
Carrying amount at 1 July	15,565	16,475
Transfer from work in progress	1,187	41
Disposals	(385)	(1)
Depreciation for the year	(877)	(950)
Carrying amount at 30 June	15,490	15,565

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

7. NON-CURRENT ASSETS (CONTINUED)

7.2 Property, Plant and Equipment (continued)

Reconciliations of carrying amounts (continued)

	2014 \$'000	2013 \$'000
Plant and Equipment		
Carrying amount at 1 July	36,987	34,204
Additions	742	-
Transfer from work in progress	2,703	5,565
Disposals	(134)	(14)
Depreciation for the year	(2,968)	(2,768)
Carrying amount at 30 June	37,330	36,987
Berths, Jetties and Infrastructure		
Carrying amount at 1 July	150,368	151,715
Transfer from work in progress	40,449	4,306
Disposals	(35)	(7)
Depreciation for the year	(6,209)	(5,646)
Carrying amount at 30 June	184,573	150,368
Leased plant and equipment		
Carrying amount at 1 July	972	715
Additions	473	708
Amortisation for the year	(474)	(447)
Disposals	-	(4)
Carrying amount at 30 June	971	972
	431,269	385,077

7. NON-CURRENT ASSETS (CONTINUED)

7.2 Property, Plant and Equipment (continued)

Reconciliations of carrying amounts (continued)

	2014 \$'000	2013 \$'000
Work in Progress		
Carrying amount at 1 July	28,221	10,163
Additions	49,428	29,352
Transfers to property, plant and equipment	(60,580)	(11,294)
Carrying amount at 30 June	17,069	28,221
Total Property, Plant and Equipment	448,338	413,298

Impairment of property, plant and equipment

There were no indicators of impairment to property, plant and equipment at 30 June 2014.

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.

	2014 \$'000	2013 \$'000
Trade creditors and Amounts payable	8,474	12,038
Accrued expenses	6,701	6,927
	15,175	18,965

8. CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

8.1 Trade and Other Payables (continued)

(i) *Significant Terms and Conditions*

Trade creditors 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	2014 \$'000	2013 \$'000
Current			
Special borrowings		1,213	1,142
Lease liabilities	10.2	395	433
		1,608	1,575
Non-Current			
Direct borrowings		213,831	202,525
Special borrowings		21,885	23,099
Lease liabilities	10.2	592	557
		236,308	226,181

8. CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

8.2 Interest Bearing Borrowings (continued)

Financing arrangements

Fremantle Ports has access to the following lines of credit:

	2014 \$'000	2013 \$'000
Total facilities available:		
Liquidity facility, direct and special borrowings	241,129	270,400
Facilities utilised at the end of the reporting period:		
Liquidity facility, direct and special borrowings	236,929	226,766
Total facilities not utilised at the end of the reporting period:		
Liquidity facility, direct and special borrowings	4,200	43,634

At reporting date, Fremantle Ports has an approved financing facility from Western Australian Treasury Corporation (WATC) for 2015 of \$255.037 million.

8. CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

8.2 Interest Bearing Borrowings (continued)

(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, except for lease liabilities, 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 2014 on the loan portfolio is 5.20% per annum (2013: 5.27% per annum).

Special Borrowings include amounts to fund the acquisition of a new bulk unloader and other assets at Fremantle Ports' Kwinana Bulk Terminal. Interest and principal is payable quarterly. Interest rates on the Special Borrowings are fixed and range from 5.65% to 6.24% per annum (2013: 5.65% to 6.24% per annum).

The interest rates implicit in the Lease Liabilities range from 3.02% to 7.80% (2013: 3.13% to 7.80%).

(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.

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Notes to the Financial Statements for the year ended 30 June 2014

8. CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

8.2 Interest Bearing Borrowings (continued)

(iii) Interest Rate Risk Exposures (continued)

2014	Weighted Average Interest Rate	Variable interest rate \$'000	Fixed Interest Rate						Total \$'000
			1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	More than 5 years \$'000	
Interest Bearing Borrowings									
Direct borrowings	5.20%	213,831	-	-	-	-	-	-	213,831
Special borrowings	6.02%	-	1,213	1,288	1,368	1,453	1,542	16,234	23,098
Lease liabilities	4.33%	-	395	306	189	92	5	-	987
		213,831	1,608	1,594	1,557	1,545	1,547	16,234	237,916

2013	Weighted Average Interest Rate	Variable interest rate \$'000	Fixed Interest Rate						Total \$'000
			1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	More than 5 years \$'000	
Interest Bearing Borrowings									
Direct borrowings	5.27%	202,525	-	-	-	-	-	-	202,525
Special borrowings	6.02%	-	1,142	1,213	1,288	1,368	1,453	17,777	24,241
Lease liabilities	4.73%	-	433	269	190	81	17	-	990
		202,525	1,575	1,482	1,478	1,449	1,470	17,777	227,756

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.

	2014		2013	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Special borrowings	23,098	26,180	24,241	26,646

9. FINANCIAL INSTRUMENTS

9.1 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).

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.1 Financial Risk Management Objectives and Policies (continued)

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.

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:

	Carrying Amount \$'000	+0.50% change Profit \$'000	+0.50% change Equity \$'000	(0.50%) change Profit \$'000	(0.50%) change Equity \$'000
2014					
Financial Assets					
Cash and cash equivalents	42,290	211	211	(211)	(211)
Financial Liabilities					
Interest bearing borrowings	213,831	(1,069)	(1,069)	1,069	1,069
Total (Decrease)/Increase		(858)	(858)	858	858
2013					
Financial Assets					
Cash and cash equivalents	30,079	150	150	(150)	(150)
Financial Liabilities					
Interest bearing borrowings	202,525	(1,013)	(1,013)	1,013	1,013
Total (Decrease)/Increase		(863)	(863)	863	863

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.1 Financial Risk Management Objectives and Policies (continued)

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 9.2.

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 and 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.

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.1 Financial Risk Management Objectives and Policies (continued)

2014	Carrying Amount \$'000	Including Interest			Total \$'000
		< 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000	
Financial liabilities					
Trade and other payables	15,175	15,175	-	-	15,175
Interest bearing borrowings	237,916	14,343	59,353	296,168	369,864
	253,091	29,518	59,353	296,168	385,039

2013	Carrying Amount \$'000	Including Interest			Total \$'000
		< 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000	
Financial liabilities					
Trade and other payables	18,965	18,965	-	-	18,965
Interest bearing borrowings	227,756	14,394	56,327	282,528	353,249
	246,721	33,359	56,327	282,528	372,214

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.2 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 at Note 8.2(iv).

	Note	2014 \$'000	2013 \$'000
Financial assets			
Cash and cash equivalents	6.1	42,290	30,079
Trade and other receivables	6.2	27,655	24,147
Receivables (non-current)	7.1	6,661	7,144
Financial Liabilities			
Trade and other payables	8.1	15,175	18,965
Interest bearing borrowings:			
Obligations under finance leases	10.2	987	990
Variable rate borrowings	8.2	213,831	202,525
Fixed rate borrowings	8.2	23,098	24,241

10. COMMITMENTS

10.1 Capital Works

Capital Commitments

	2014 \$'000	2013 \$'000
Commitments for the acquisition of property, plant and equipment contracted for at the end of the reporting period but not recognised as liabilities:		
Within one year	4,524	10,581

10. COMMITMENTS (CONTINUED)

10.2 Lease Commitments

Finance Leases Payable

	2014 \$'000	2013 \$'000
Future minimum lease payments in relation to finance leases payable at the end of the reporting period are as follows:		
Within one year	425	467
Later than one year but not later than five years	617	583
Minimum lease payments	1,042	1,050
Future finance charges	(55)	(60)
Present value of lease liabilities	987	990

Representing Lease Liabilities

	Note	2014 \$'000	2013 \$'000
Current	8.2	395	433
Non-current	8.2	592	557
		987	990

Finance leases payable are in respect of computer and office equipment and security equipment, expiring within 1 to 5 years (2013: 1 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.

10. COMMITMENTS (CONTINUED)**10.2 Lease Commitments (continued)***Operating Leases Payable*

	2014 \$'000	2013 \$'000
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	338	253
Later than one year but not later than five years	244	169
	582	422

Operating leases payable are in respect of motor vehicles.

Finance Lease Receivable

	2014 \$'000	2013 \$'000
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	5,214	6,292
	10,608	11,686
Unearned finance income	(3,464)	(4,098)
Present value of minimum lease payments receivable	7,144	7,588

10. COMMITMENTS (CONTINUED)

10.2 Lease Commitments (continued)

Representing Finance Lease Receivable

	Note	2014 \$'000	2013 \$'000
Current	6.2	483	444
Non-current	7.1	6,661	7,144
		7,144	7,588

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% (2013: 8.59%) per annum.

Operating Leases Receivable

	2014 \$'000	2013 \$'000
Future minimum rentals receivable for operating leases at the end of the reporting period but not recognised as assets:		
Within one year	14,558	14,769
Later than one year but not later than five years	28,361	32,789
Later than five years	11,580	4,496
	54,499	52,054

Operating leases receivable are in respect of property rentals.

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Notes to the Financial Statements for the year ended 30 June 2014

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II. PROVISIONS

II.1 Current

	2014 \$'000	2013 \$'000
Fringe Benefits Tax	32	32
Employee Benefits	10,876	11,223
Retirement Benefit Obligations	378	374
Other	1,592	2,076
	12,878	13,705

II.2 Non-Current

	2014 \$'000	2013 \$'000
Employee Benefits	3,914	3,746
Retirement Benefit Obligations	8,832	9,008
Other	3,352	2,837
	16,098	15,591

II.3 Aggregate Employee Benefits

	2014 \$'000	2013 \$'000
Current Liability	11,254	11,597
Non-Current Liability	12,746	12,754
	24,000	24,351

11. PROVISIONS (CONTINUED)

11.3 Aggregate Employee Benefits (continued)

Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2014 \$'000	2013 \$'000
Within 12 months of the end of the reporting period	3,118	3,356
More than 12 months after the end of the reporting period	653	538
	3,771	3,894

Long service leave liabilities have been classified as current when there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2014 \$'000	2013 \$'000
Within 12 months of the end of the reporting period	1,399	1,337
More than 12 months after the end of the reporting period	4,431	4,178
	5,830	5,515

Sick leave liabilities have been classified as current when there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2014 \$'000	2013 \$'000
Within 12 months of the end of the reporting period	942	1,229
More than 12 months after the end of the reporting period	4,247	4,331
	5,189	5,560

11. PROVISIONS (CONTINUED)

11.4 Retirement benefit obligations

Nature of the benefit provided by the Schemes

Pension Scheme

The employer-financed benefit is a pension benefit payable on retirement, death or invalidity, or a lump sum on resignation.

Gold State Super

Some former Pension Scheme members have transferred to Gold State Super (GSS). In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

Description of the regulatory framework

The Pension and GSS Schemes operate under the *State Superannuation Act 2000* (Western Australia) and the *State Superannuation Regulations 2001* (Western Australia).

Although the Schemes are not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the Schemes in accordance with the spirit of the SIS legislation.

As exempt public sector superannuation Schemes (as defined in the SIS legislation), the Schemes are not subject to any minimum funding requirements.

Description of other entities' responsibilities for the governance of the Scheme

The Government Employees Superannuation Board (GESB) is the Pension and GSS Schemes Trustee and is responsible for the governance of the Schemes. As Trustee, GESB has a legal obligation to act solely in the best interests of Schemes beneficiaries. GESB has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets; and
- Compliance with the Heads of Government Agreement (referred to above).

11. PROVISIONS (CONTINUED)

11.4 Retirement benefit obligations (continued)

Description of risks

There are a number of risks to which the Schemes expose Fremantle Ports. The more significant risks relating to the Pension Scheme defined benefits are:

- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.
- Pensioner Mortality risk - The risk that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.
- Inflation risk - The risk that inflation is higher than anticipated, increasing pension payments, and the associated employer contributions.

The more significant risks relating to the GSS defined benefits are:

- Inflation risk - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, and/or that inflation (which affects the indexation of deferred benefits) will be higher than assumed, increasing defined benefit amounts and associated employer contributions.
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

Description of significant events

There were no plan amendments, curtailments or settlements during the year.

Reconciliation of the Net Defined Benefit Liability

	2014 \$'000	2013 \$'000
Pension Scheme		
Defined Benefit Obligation	7,884	7,657
Fair value of scheme assets	-	-
Deficit/(Surplus)	7,884	7,657
Adjustments for effect of asset ceiling	-	-
Net defined liability	7,884	7,657

11. PROVISIONS (CONTINUED)

11.4 Retirement benefit obligations (continued)

Reconciliation of the Net Defined Benefit Liability (continued)

	2014 \$'000	2013 \$'000
Gold State Super		
Defined Benefit Obligation	1,326	1,725
Fair value of scheme assets	-	-
Deficit/(Surplus)	1,326	1,725
Adjustments for effect of asset ceiling	-	-
Net defined liability	1,326	1,725

Reconciliation of the Fair Value of Scheme Assets

	2014 \$'000	2013 \$'000
Pension Scheme		
Fair value of scheme assets at the beginning of the year	-	-
Employer contributions	165	165
Benefits paid	(165)	(165)
Fair value of scheme assets at end of the year	-	-
Gold State Super		
Fair value of scheme assets at the beginning of the year	-	-
Employer contributions	456	467
Benefits paid	(456)	(467)
Fair value of scheme assets at end of the year	-	-



11. PROVISIONS (CONTINUED)

11.4 Retirement benefit obligations (continued)

Reconciliation of the Effect of the Asset Ceiling

The asset ceiling has no impact on the net defined benefit liability.

Fair value of Scheme assets

There are no assets in the Pension Scheme to support the State Share of the Benefit and no assets in the Gold State Super for current employees to support the transferred benefits. Hence, there is/are:

- No fair value of Scheme assets;
- No asset allocation of Scheme assets;
- No financial instruments issued by the employer;
- No assets used by the employer;
- No asset-liability matching strategies.

Funding arrangements

The employer contributes, as required, to meet the benefits paid.

Expected contributions

	2015 \$'000
Pension Scheme	
Expected employer contributions	170
Gold State Super	
Expected employer contributions	207

II. PROVISIONS (CONTINUED)

II.4 Retirement benefit obligations (continued)

Maturity profile of defined benefit obligation

Pension Scheme

The weighted average duration of the Fremantle Ports defined benefit obligation is 16.1 years.

Gold State Super

The weighted average duration of the Fremantle Ports defined benefit obligation is 5.5 years.

Reconciliation of the Defined Benefit Obligation

2014 changes in the defined benefit obligation and fair value of plan assets:

	1 July 2013	Costs charged to Statement of Comprehensive Income (SoCI)			Benefits Paid	Re-measurement gains/(losses) in other comprehensive income (OCI)				Contributions by Employer	Total 30 June 2014
		Service Cost	Net Interest	Subtotal incl. in SoCI (Note 3(ii))		Actuarial changes arising from changes in Financial Assumptions	Actuarial changes arising from changes in Liability Experience	Actuarial changes arising from changes in Demographic Assumptions	Sub-Total incl. in OCI		
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Pension Scheme defined benefit obligation	7,657	-	256	256	(165)	(393)	529	-	136	-	7,884
Gold state super defined benefit obligation	1,725	-	56	56	(456)	(22)	23	-	1	-	1,326
Benefit liability	9,382			312	(621)	(415)	(552)	-	137	-	9,210

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

II. PROVISIONS (CONTINUED)

II.4 Retirement benefit obligations (continued)

Reconciliation of the Defined Benefit Obligation (continued)

2013 changes in the defined benefit obligation and fair value of plan assets:

	1 July 2012	Costs charged to Statement of Comprehensive Income (SoCI)			Benefits Paid	Re-measurement gains/(losses) in other comprehensive income (OCI)				Contributions by Employer	Total 30 June 2013
		Service Cost	Net Interest	Subtotal incl. in SoCI (Note 3(ii))		Actuarial changes arising from changes in Financial Assumptions	Actuarial changes arising from changes in Liability Experience	Actuarial changes arising from changes in Demographic Assumptions	Sub-Total incl. in OCI		
2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Pension Scheme defined benefit obligation	8,550	-	241	241	(165)	(829)	(54)	(86)	(969)	-	7,657
Gold state super defined benefit obligation	2,368	-	64	64	(467)	(104)	(69)	(67)	(240)	-	1,725
Benefit liability	10,918			305	(632)	(933)	(123)	(153)	(1,209)	-	9,382

Sensitivity Analysis

The defined benefit obligation as at 30 June 2014 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity. Scenario E and F relate to expected salary increase and indexation rate sensitivity.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower than expected pension increase rate assumption

Scenario D: 0.5% pa higher than expected pension increase rate assumption

Scenario E: 0.5% pa lower expected salary increase and indexation rate assumption

Scenario F: 0.5% pa higher expected salary increase and indexation rate assumption

II. PROVISIONS (CONTINUED)**II.4 Retirement benefit obligations (continued)**

Sensitivity Level	Base Case	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F
		Discount Rate		Pension Increase Rate		Salary Increase & Indexation Rate	
		(0.50%)	+0.50%	(0.50%)	+0.50%	(0.50%)	+0.50%
Pension Scheme							
Discount Rate	3.69% pa	3.19% pa	4.19% pa	3.69% pa	3.69% pa	-	-
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	2.00% pa	3.00% pa	-	-
Defined benefit obligation (\$'000)	7,884	8,533	7,307	7,377	8,442	-	-
Gold State Super							
Discount Rate	3.69% pa	3.19% pa	4.19% pa	-	-	3.69% pa	3.69% pa
Salary increase rate	5.00% pa	5.00% pa	5.00% pa	-	-	4.50% pa	5.50% pa
Defined benefit obligation (\$'000)	1,326	1,361	1,291	-	-	1,296	1,355

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other obligations.

11. PROVISIONS (CONTINUED)

11.4 Retirement benefit obligations (continued)

Significant Actuarial Assumptions at the Reporting Date

	2014 \$'000	2013 \$'000
Pension Scheme		
Assumptions to Determine Superannuation Expense for the Following Year		
Discount rate (active members)	3.38%	2.84%
Discount rate (pensioners)	3.38%	2.84%
Expected salary increase rate	5.00%	5.50%
Expected pension increase rate	2.50%	2.50%
Assumptions to determine Defined Benefit Obligation at the Valuation Date		
Assumptions to Determine Superannuation Expense		
Discount rate (active members)	3.69%	3.38%
Discount rate (pensioners)	3.69%	3.38%
Expected salary increase rate	5.00%	5.00%
Expected pension increase rate	2.50%	2.50%
Gold State Super		
Assumptions to Determine Superannuation Expense for the Following Year		
Assumptions to Determine Superannuation Expense		
Discount rate (active members)	3.38%	2.84%
Discount rate (pensioners)	3.38%	2.84%
Expected salary increase rate	5.00%	5.50%
Expected pension increase rate	2.50%	2.50%
Assumptions to determine Defined Benefit Obligation at the Valuation Date		
Assumptions to Determine Superannuation Expense		
Discount rate (active members)	3.69%	3.38%
Discount rate (pensioners)	3.69%	3.38%
Expected salary increase rate	5.00%	5.00%
Expected pension increase rate	2.50%	2.50%

The discount rate is based on the Government bond maturing in April 2014. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

11. PROVISIONS (CONTINUED)

11.5 Reconciliations

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

	2014 \$'000
Fringe Benefits Tax	
Carrying amount at 1 July	32
Provisions made during the year	127
Amounts utilised in the year	(127)
Carrying amount at 30 June	32
Other	
Carrying amount at 1 July	4,913
Provisions made during the year	536
Amounts utilised in the year	(505)
Carrying amount at 30 June	4,944

12. OTHER LIABILITIES

	2014 \$'000	2013 \$'000
Current		
Prepaid Rental Income	1,060	1,318
Interest Received in Advance	122	12
	1,182	1,330
Non-Current		
Prepaid Rental Income	1,490	1,508

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements for the year ended 30 June 2014

13. EQUITY

	Note	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2012		54,700	121,988	176,688
Equity contribution during the year		20,490	-	20,490
Total comprehensive income		-	37,042	37,042
Dividends paid	5	-	(10,903)	(10,903)
Balance at 30 June 2013		75,190	148,127	223,317
Equity contribution during the year		29,869	-	29,869
Total comprehensive income		-	37,845	37,845
Dividends paid	5	-	(18,795)	(18,795)
Balance at 30 June 2014		105,059	167,177	272,236

In May 2013, Fremantle Ports was granted approval from the WA Government to be reimbursed for its share of costs associated with the Kewdale Intermodal Rail Supply Chain (KIRSC) capital project, by way of an equity contribution. During the year ended 30 June 2014 an equity contribution of \$29.869 million was received (2013: \$1.471 million). No further contributions are anticipated.

In September 2012, Fremantle Ports was granted approval from the WA Government to be reimbursed the applicable income tax payable on third party contributions associated with the termination of a major commercial contract, by way of an equity contribution. During the year ended 30 June 2013 an equity contribution of \$3.547 million was received. No further contributions are anticipated.

In May 2011, Fremantle Ports was granted approval from the WA Government to be reimbursed the applicable income tax payable on third party contributions associated with the upgrade of the Kwinana Bulk Berth 2, by way of an equity contribution. During the year ended 30 June 2013 an equity contribution of \$13.822 million was received. No further contributions are anticipated.

In February 2010, Fremantle Ports was granted in-principle approval from the WA Government to be reimbursed the applicable income tax payable on an estimated insurance settlement relating to a fire at the Kwinana Bulk Terminal, by way of an equity contribution. During the year ended 30 June 2013 an equity contribution of \$1.650 million was received. No further contributions are anticipated.

14. NOTES TO STATEMENT OF CASH FLOWS

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

	2014 \$'000	2013 \$'000
Net Profit after income tax	37,941	36,196
Non cash items		
Depreciation	14,458	13,705
Amortisation of leased assets	474	447
Net loss on derecognition of property, plant and equipment	1,090	21
Contribution of assets	(423)	-
Taxable items presented in Other Comprehensive Income		
Remeasurements of defined benefit liability	(96)	846
Changes in assets and liabilities:		
Receivables	(3,512)	3,881
Inventories	(1,042)	(916)
Prepaid expenses	19	(106)
Payables	(3,790)	778
Prepaid rental income and interest received in advance	(166)	(368)
Employee benefits	(351)	(946)
Income tax payable	(2,470)	(14,878)
Deferred tax assets	(1,757)	(519)
Others	31	93
Net cash inflow from operating activities	40,406	38,234

15. REMUNERATION OF AUDITORS

	2014 \$'000	2013 \$'000
Remuneration for audit of the financial statements	164,500	157,000

16. RELATED PARTIES

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

Dr. Jim Limerick, Chairman
 Dr. Fred Affleck, Deputy Chairman (ceased 30 June 2014)
 Ms. Helen Cook, Deputy Chair (appointed 1 July 2014)
 Mr. Michael Feutrill
 Ms. Jillian Hoffmann
 Ms. Fiona Lander

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

17. CONTINGENT LIABILITIES AND ASSETS

There are no contingent assets at reporting date.

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 Fremantle Ports 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.

17. CONTINGENT LIABILITIES AND ASSETS (CONTINUED)

Contaminated sites (continued)

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 2014, a provision for environmental remediation of \$3.559 million (2013: \$3.511 million) has been provided for sites classified by the DEC as 'contaminated – remediation required'.

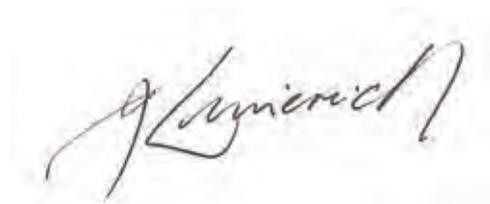
18. EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

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.

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

- (a) the financial statements and notes, set out on pages 62 to 125 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 2014 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 15 August 2014.



Chairman



Director

27 August 2014

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 2014, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, 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 Australian Auditing Standards, and other relevant ethical requirements.

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 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Fremantle Port Authority for the year ended 30 June 2014 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
29 August 2014

DISCLOSURES AND LEGAL COMPLIANCE

Financial Performance Indicators

In addition to the key performance indicators provided, the following financial performance indicators, which are not subject to audit, are provided to assist users to assess the financial 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.

	2014 \$'000		2013 \$'000	
Total Current Assets	72,727		56,690	
Total Current Liabilities	31,523	= 2.3	39,326	= 1.4

Free Cash Flow – Graph 2

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

	2014 \$'000		2013 \$'000	
Net Cashflow from Operations (after interest)	40,406		38,233	
Net Cashflow from Operations (before interest)	53,199	= 76.0%	52,414	= 72.9%

DISCLOSURES AND LEGAL COMPLIANCE

Financial Performance Indicators

Debtors Average Collection Period – Graph 3

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

	2014 \$'000		2013 \$'000	
Average Trade Debtors	19,163 × 365	= 32 days	21,791 × 365	= 36 days
Sales Revenue	219,280		223,039	

Interest Cover - Graph 4

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

	2014 \$'000		2013 \$'000	
Earnings Before Interest and Tax	67,229	= 5.39 times	65,980	= 4.72 times
Total Interest Costs	12,472		13,976	

Return on Assets – Graph 5

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

	2014 \$'000		2013 \$'000	
Earnings Before Interest and Tax	67,229	= 12.6%	65,980	= 13.3%
Average Total Assets	532,090		498,112	

DISCLOSURES AND LEGAL COMPLIANCE

Financial Performance Indicators

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.

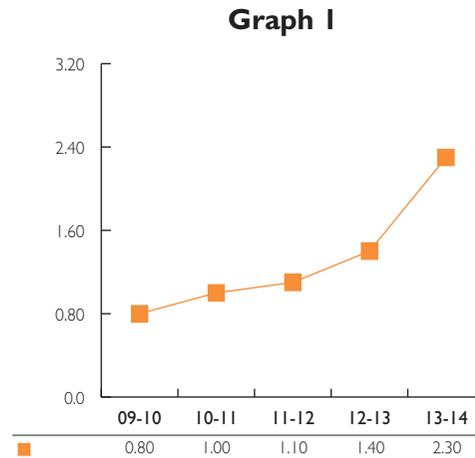
	2014 \$'000		2013 \$'000	
Operating EBIT (excluding significant items) + Depreciation				
– Deprival Value Depreciation	65,929		60,871	
	—————	= 10.7%	—————	= 10.4%
Current Assets	615,119		583,838	
+ Deprival Value of Assets				
– Accumulated Deprival Value Depreciation				

DISCLOSURES AND LEGAL COMPLIANCE

Financial Performance Indicators

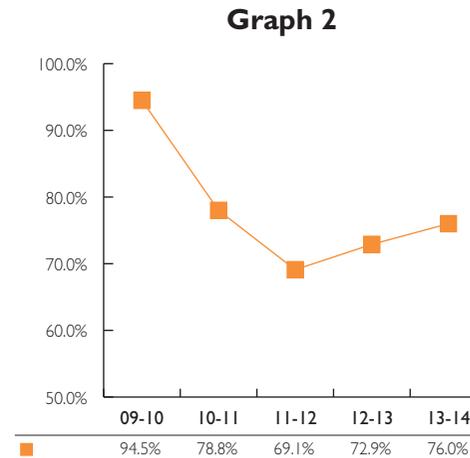
Graph 1: Current Ratio Comparison

2009-10 to 2013-14



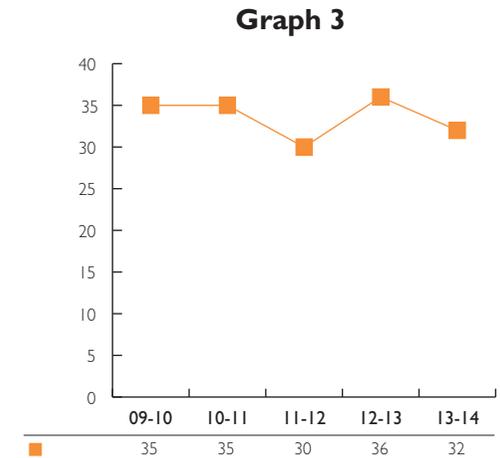
Graph 2: Free Cash Flow Comparison

2009-10 to 2013-14



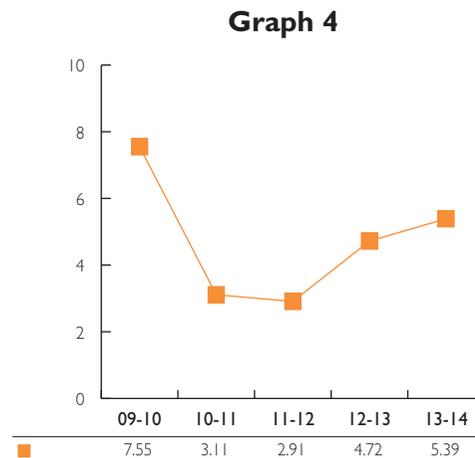
Graph 3: Debtors Average Collection Period Comparison

2009-10 to 2013-14



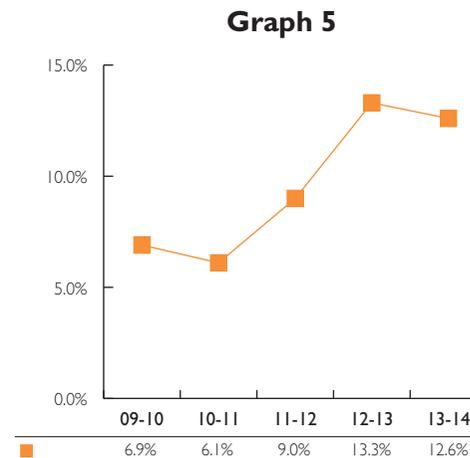
Graph 4: Interest Cover Comparison

2009-10 to 2013-14



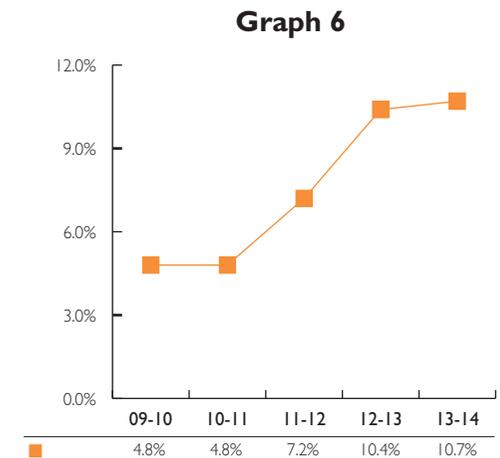
Graph 5: Return on Assets Comparison

2009-10 to 2013-14



Graph 6: Economic Rate of Return Comparison

2009-10 to 2013-14



DISCLOSURES AND LEGAL COMPLIANCE

Key Performance Indicators for the year ended 2014

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,

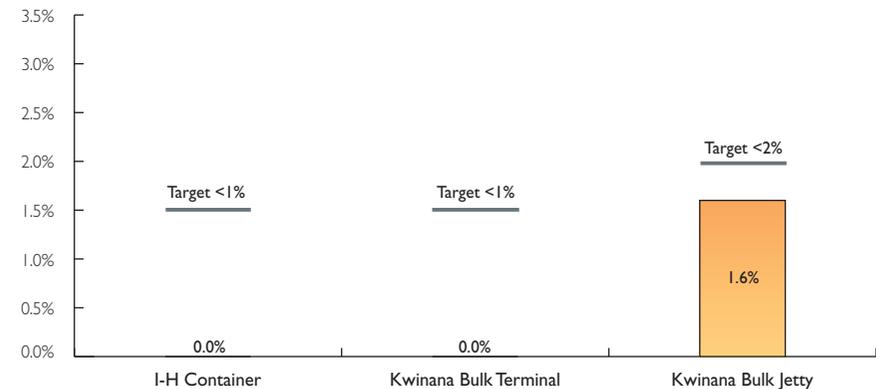
towage and mooring. This performance indicator measures the percentage of ships affected and the average hours per delay for unavailability of services and berths.

Figures 1 and 2 below show that in the Inner Harbour container shipping sector, Fremantle Port's Inner Harbour did better than its target with no incoming vessel delays recorded as a

result of the unavailability of shipping services. At the Kwinana Bulk Terminal there were no recorded delays of incoming vessels affected due to the unavailability of shipping services and Kwinana Bulk Jetty was within the target of < 2 per cent. The average hours of delay per vessel delayed was well below target for Inner Harbour and Outer Harbour berths.

Fig 1. Delays to Incoming Vessels due to Unavailability of Shipping Services 2013-14

Percentage of Total Vessels Affected



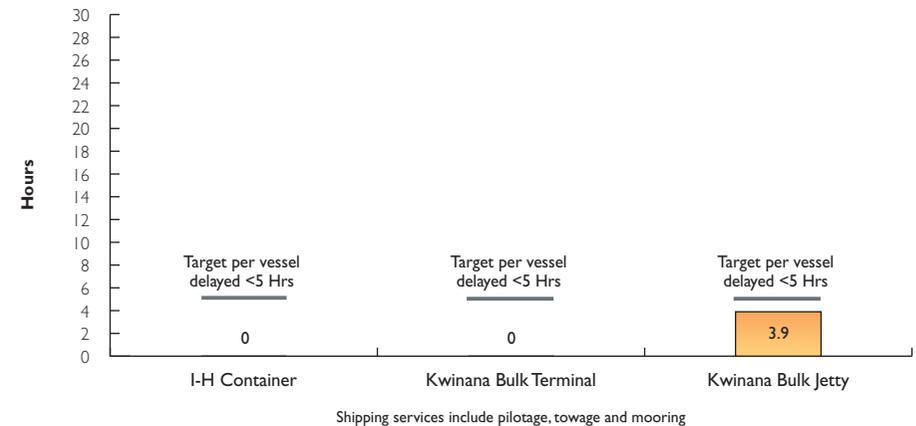
Shipping services include pilotage, towage and mooring

DISCLOSURES AND LEGAL COMPLIANCE

Key Performance Indicators for the year ended 2014

Fig 2. Delays to Incoming Vessels due to Unavailability of Shipping Services 2013-14

Average hours of delay per vessel delayed



Crane Rates

Container stevedoring in Fremantle Ports is carried out by Patrick (Asciano) 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 Fremantle Port's crane rates measured in containers per hour have increased by 46.7 per cent from the December Quarter 1999 to the December Quarter 2013 (latest figures released by Waterline).

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.

The ability for Patrick and DP World to service larger, more efficient ships with new generation cranes will improve productivity. The average size of container vessels has increased from 27,291 gross tons (GT) in 2000-2001 to 43,853 GT in 2013-14, an increase of 60.7 per cent over that period.

The average number of containers exchanged per container vessel in 2013-14 increased to 1,371 TEU compared to 1,354 TEU last year.

DISCLOSURES AND LEGAL COMPLIANCE

Key Performance Indicators for the year ended 2014

Fig 3. Container Terminal Performance Indicators Comparison of Crane Rates between Fremantle and Five Ports Average

December 1999 to December 2013
Containers per Hour



Source: Waterline, Bureau of Infrastructure, Transport and Regional Economics

CUSTOMER SATISFACTION

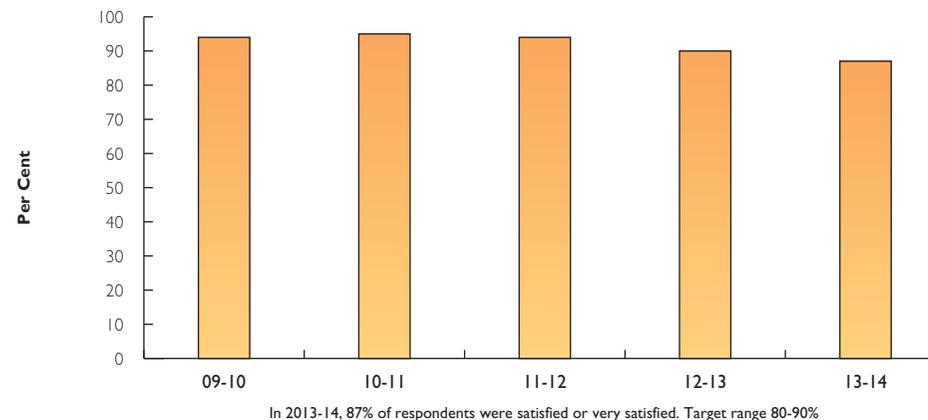
Fremantle Ports conducted a survey of shipping lines in 2014. The survey was conducted as part of Fremantle Ports' customer liaison program with major lines and agents. A total of 23 shipping lines were surveyed and the response rate was 85 per cent.

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

Figure 4 shows that 87 per cent of respondents were satisfied or very satisfied with services provided by Fremantle Ports which was within the target range of 80-90 per cent.

Fig 4. Shipping Line/Agent Survey Services - 2009-10 to 2013-14

Level of Overall Satisfaction with Fremantle Ports' Services



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

Fig 5. Unavailability of Berths 2013-14

% of total vessels affected

Figure 5 shows that 4 per cent of Inner Harbour container vessels incurred delays due to unavailability of berths (percentage of total vessels affected), which was well within target. Unavailability of berths at Kwinana Bulk Terminal was higher than target at 66 per cent, but within target at the Kwinana Bulk Jetty. Trade at the Kwinana Bulk Terminal increased by 11.2 per cent in 2013-14 compared with 2012-13, mainly due to iron ore exports and clinker imports.

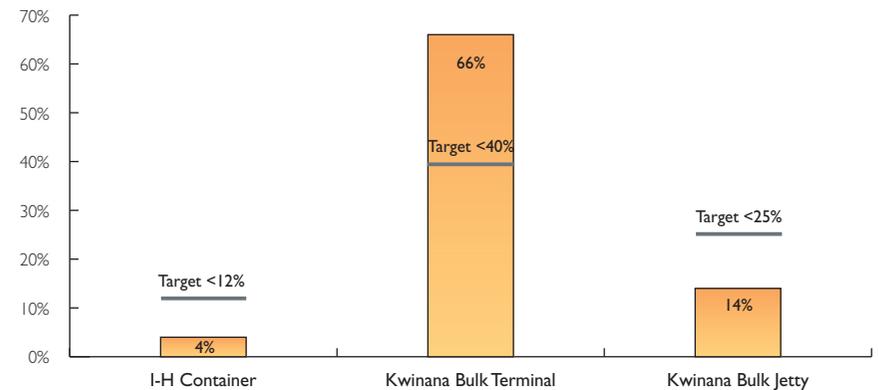
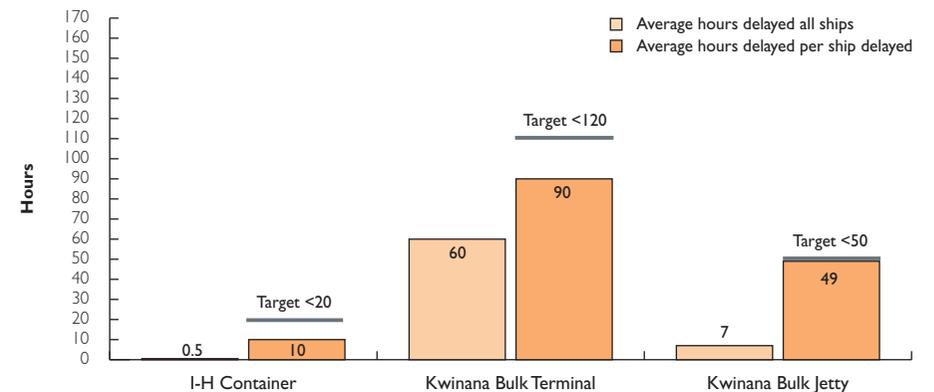


Fig 6. Unavailability of Berths 2013-14

Average hours of delay

Figure 6 shows that Fremantle Ports was within its target for average hours of delay due to unavailability of berths in the Inner Harbour and Outer Harbour (Kwinana Bulk Terminal and Kwinana Bulk Jetty). Berth utilisation at Kwinana Bulk terminal decreased to 80.1 per cent in 2013-14 compared to 84.1 per cent in 2012-13.



DISCLOSURES AND LEGAL COMPLIANCE

Key Performance Indicators for the year ended 2014



2014 **FREMANTLE PORTS** ANNUAL REPORT

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 BULK AND NON-CONTAINERISED TRADE

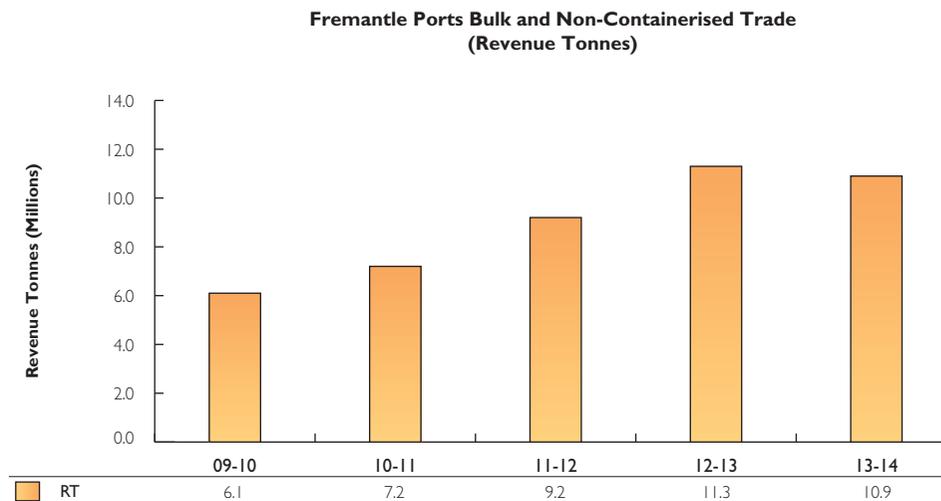
Figure 7 shows that the total chargeable bulk and non-containerised trade was 0.4 million tonnes or 3.6 per cent lower than last year. Total exports increased by 0.3 million tonnes or 5.4 per cent to 5.4 million tonnes in 2013-14 while total imports decreased by 0.7 million tonnes or 11.1 per cent to 5.5 million tonnes.

Total Trade in the Outer Harbour (Kwinana Bulk Terminal and Kwinana Bulk Jetty) totalled 7.8 million tonnes, an increase of 0.3 million tonnes or 5.3 per cent. Imports in the Outer Harbour increased by 4.4 per cent or 0.13 million tonnes mainly due to cement clinker at Kwinana Bulk Terminal. Exports in the Outer Harbour grew by 0.26 million tonnes or 5.9 per cent due to the increase of iron ore exported from Kwinana Bulk terminal. The overall decrease in bulk and non-containerised trade was 0.4 million

tonnes or 3.6 per cent, predominantly caused by the decline of non-containerised imports in the Inner Harbour. This resulted from the slowing of the mining industry in the north-west which resulted in decreases in major commodity imports such as industrial vehicles by 47.6 per cent, industrial and agricultural machinery by 69.2 per cent, other transport equipment by 56.7 per cent and iron and steel products by 47.7 per cent when compared to 2012-13.

Fig 7. Fremantle Ports Bulk and Non-Containerised Trade

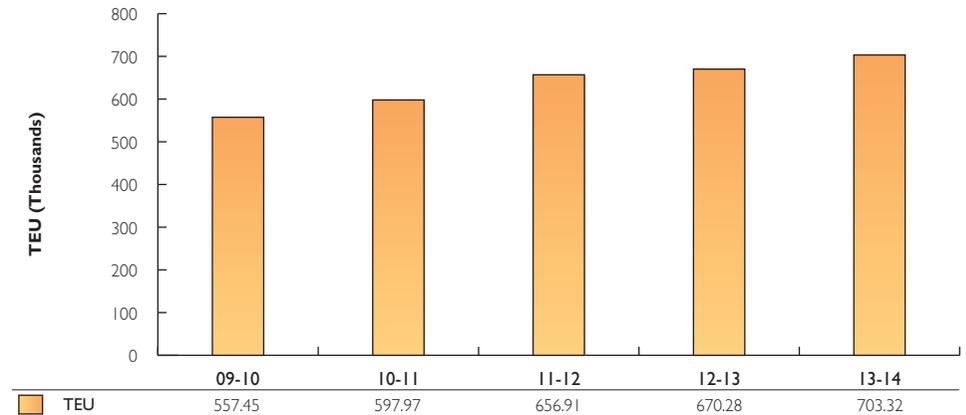
Revenue Tonnes



Note: The Statement of Corporate Intent forecast for Fremantle Ports trade in 2013-14 was annual growth of -1.2 per cent.

Fig 8. Total Container Trade

TEU



The Statement of Corporate Intent forecast for total container trade in 2013-14 was annual growth of 2.0 per cent

TOTAL CONTAINER TRADE

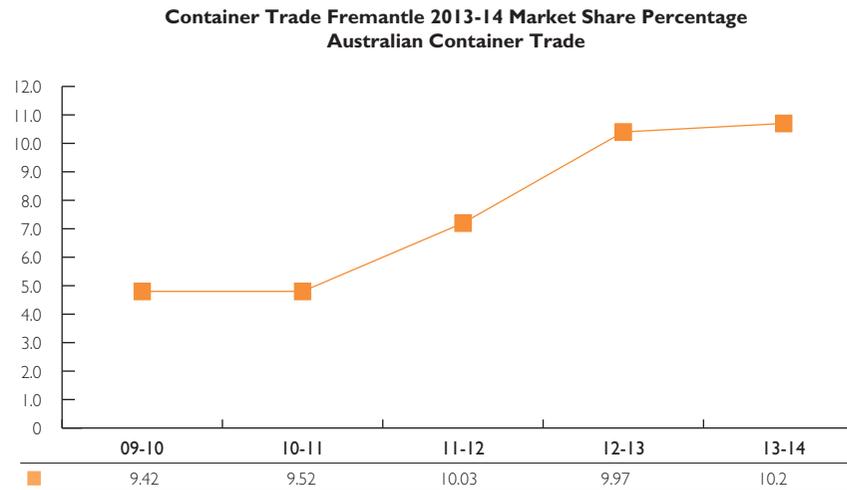
Figure 8 shows that container trade has increased by 26.3 per cent since 2009-10 and by 4.9 per cent over the 12 months to 30 June 2014.

The main features of the container trade over the past 12 months were as follows:

- Total container exports increased by 4.0 per cent and imports increased by 5.8 per cent.
- Full container exports increased by 18.0 per cent or 31,476 TEU and full imports increased by 3.3 per cent or 10,979 TEU.
- Empty container exports decreased by 12.1 per cent and empty imports increased by 64.9 per cent.
- Coastal container throughput totalled 83,803 TEU, an increase of 23.9 per cent on 2012-13. Coastal full container throughput totalled 67,866 TEU, 17.6 per cent up on 2012-13.
- The number of container vessel visits to Fremantle Port increased from 490 visits in 2012-13 to 502 visits in 2013-14.
- The average size of container vessels has increased to 43,853 gross tons (GT) or by 5.9 per cent compared to 2012-13.

Fig 9. Container Trade Fremantle

2013-14 Market Share % Australian Container Trade



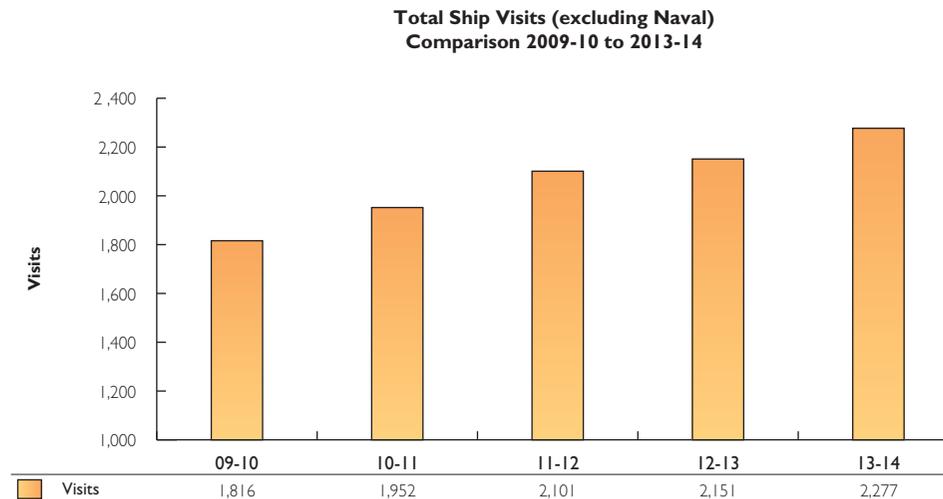
CONTAINER TRADE - MARKET SHARE

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), decreased by 0.6 per cent to 9.97 per cent over the previous year.

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 5.9 per cent over the 12 months to 30 June 2014.

Fig 10. Total Ship Visits



Commercial ship visits increased by five visits in the Inner Harbour and increased by 104 visits in the Outer Harbour.

The only significant changes to vessel numbers in the Inner Harbour were an increase in container vessels by 12 visits and an increase of livestock carriers by 10 visits. The increase of 104 commercial ship visits to the Outer Harbour is predominantly due to increases in vessels at anchorage calling for DAFF survey or bunkers (fuel oil).

Business Sustainability

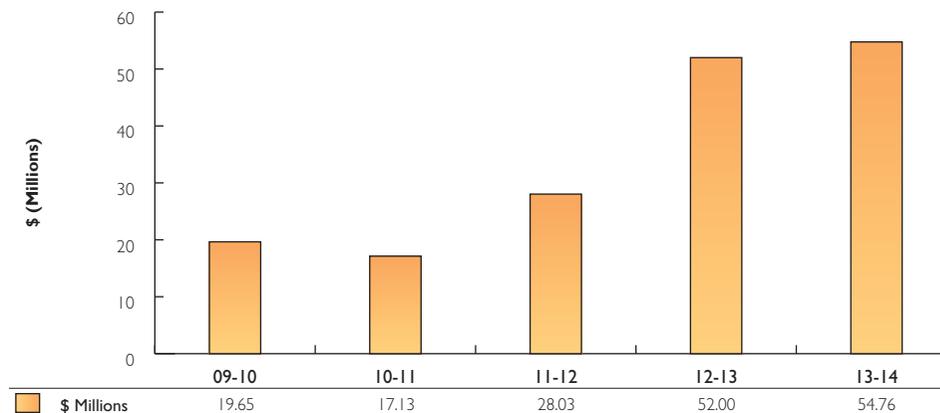
OUR OBJECTIVE:

- 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 stakeholders requirements.

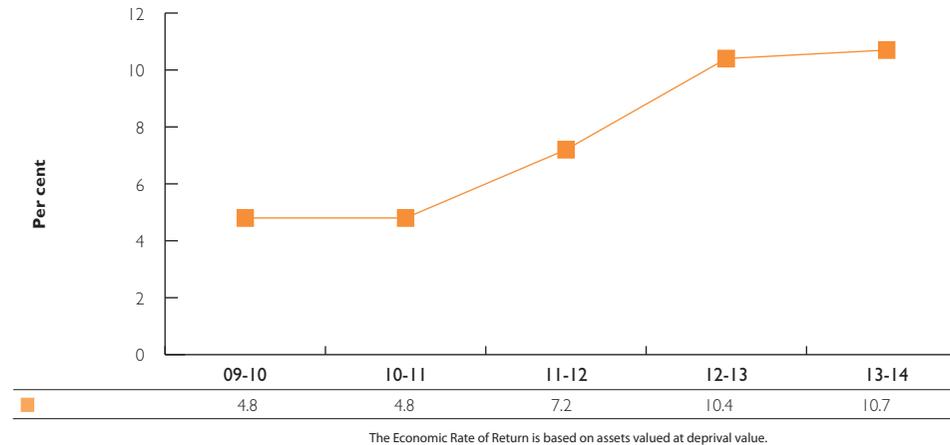
Fig 11. Operating Profit before Income Tax Equivalent Payments



FREMANTLE PORTS' PROFIT BEFORE INCOME TAX EQUIVALENT (Excluding Individually Significant Items)

Figure 11 shows that operating profit before income tax equivalent reached \$54.76 million in 2013-14 which was 5.3 per cent higher than 2012-13.

Fig 12. Economic Rate of Return on Assets



ECONOMIC RATE OF RETURN ON ASSETS

Figure 12 show that the Economic Rate of Return on Assets was 10.7 per cent for the financial year 2013-14. This compares to a target of 8.1 per cent for the year, as agreed by the State Government.

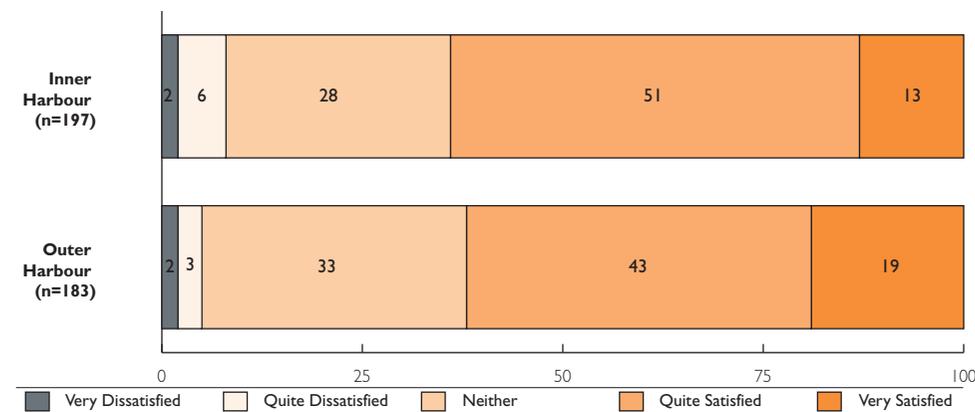
COMMUNITY SATISFACTION

Fremantle Ports conducted a community satisfaction survey in June 2014 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.

Figure 13 shows that 64 per cent of respondents in the Inner Harbour and 62 per cent in the Outer Harbour were very satisfied or quite satisfied with the performance of Fremantle Ports overall and that 28 per cent and 33 per cent respectively were neither satisfied nor dissatisfied.

Fig 13. Overall Satisfaction with Fremantle Ports – June 2014

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





LEGISLATIVE FRAMEWORK

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

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

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

There were no significant amendments to the *Port Authorities Act 1999* or the *Port Authorities Regulations 2001* that impacted on Fremantle Ports for the year ended 30 June 2014.

The *Ports Legislation Amendment Act 2014* was assented on 20 May 2014, with some amendments impacting on Fremantle Ports with effect from 1 July 2014. These include provision of interim dividends in the *Port Authorities Act 1999* and gazettal of Pilotage fees removed from the *Port Authorities Regulations 2001*.

BOARD OF DIRECTORS

Fremantle Ports' governing body is a Board of five Directors appointed by and responsible to the Minister for Transport. Directors are selected for their range of relevant experience and skills. They may hold office for up to three years, and are eligible to be re-appointed.

Details of the Directors are included on page 12 and 13.

The enabling legislation sets out the roles, responsibilities and powers of the Board, and the Chief Executive Officer, who is appointed by the Board (subject to the Minister's agreement) and who is responsible for day-to-day management.

BOARD ROLE AND ACTIVITIES

The Board sets the strategic direction of Fremantle Ports, agreeing goals for management and monitoring the achievement of those goals. Directors agree the key objectives and strategies through a five-year Strategic Development Plan and a five year Statement of Corporate Intent which requires approval by the Minister. Quarterly progress reports are submitted to the Minister and each of these plans is updated annually.

Meetings of the full Board are held monthly, with an agenda that includes:

- significant matters requiring Board decision
- other strategic items for discussion
- risk and safety management
- trade and other port operational matters
- financial performance
- community relations matters.

DIRECTORS' CODE

The Directors' Code of Conduct identifies the minimum standards of conduct required of all Directors of the Fremantle Port Authority in carrying out their duties and responsibilities. Directors agree to be bound by the Code, which covers professional and personal behaviour, communication and official information. It incorporates elements of the Fremantle Ports' *Code of Conduct* and the guidelines issued by the Australian Institute of Company Directors, the Institute of Chartered Accountants and the Western Australian Public Sector Commission.

COMPLIANCE WITH PUBLIC SECTOR STANDARDS AND ETHICAL CODES

Fremantle Ports' Code of Conduct developed in alignment with the Public Sector Commission guidelines continues to be promoted and applied.

Fremantle Ports has detailed guidelines and processes in place which support the Code 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.

Periodic hypothetical case studies are discussed with the Management Team, covering a range of ethical issues in relation to *Fremantle Ports' Code of Conduct*.

In 2013-14, there were two incidents involving reportable misconduct.

AUDITING SYSTEMS AND PROCESSES

Audit and Risk Management Committee

The Board's Audit and Risk Management Committee has a minimum of three Directors and has been chaired since November 2012 by Dr Fred Affleck, Deputy Chairman of the Board. With Dr Fred Affleck's term as Director ending on 30 June 2014, the Board has appointed Ms. Jill Hoffmann as Chair of the Audit and Risk Management Committee from 1 July 2014.

The committee's role is to support and assist the Board of Directors and Chief Executive Officer in exercising due care, diligence and skill in fulfilling its corporate oversight and monitoring responsibilities. Key elements of fulfilling this primary objective include:

- providing independent and objective non-executive review and monitoring of Fremantle Ports' financial reporting process, integrity of financial statements, the system of internal control, performance of the internal audit process, risk management framework and systems, and process for monitoring and managing compliance with legal, internal policies and industry standards
- providing direction and oversight of the Internal Audit Activity
- facilitating and maintaining an open avenue of communication between the Audit and Risk Management Committee, Board of Directors, Executive, Senior Management, External Audit and Internal Audit.

The Committee has a formal Charter that was last reviewed and approved by the Board in June 2013.

Internal Audit

Fremantle Ports' Internal Audit function is performed by a co-sourced arrangement. The function provides the Board with an independent appraisal of the operation and effectiveness of systems and controls. It also assists Fremantle Ports in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the organisation's risk management, control, and governance processes.

The results of all audits are reported to the Audit and Risk Management Committee and include recommendations regarding the adequacy of financial, operational, administrative and system controls.

Audits and reviews are performed in accordance with the approved rolling Strategic Audit Plan. Key operational reviews and audits undertaken during the year include:

- Development application approval process
- Payroll and personnel processes
- Manifest and Portbill processing
- Monitoring of Legislative and Regulatory Changes
- Inventory Management
- Purchasing, tendering, contract development and accounts payable processes

- Ethics and Fraud Governance
- Contact Relationship Management System post-implementation review
- Fringe Benefits Tax Compliance
- Management of the Gifts and Benefits Policy
- Budgeting processes
- Strategic Asset Management
- Port Security
- IT application and software licence management

In accordance with the International Standards for the Professional Practice of Internal Auditing (standards) an external quality assessment of the Internal Audit function was undertaken in January 2012 to confirm conformance to the standards, the Institute of Internal Auditor's Code of Ethics and the Internal Audit Activity's charter. This was undertaken by independent validation of Fremantle Ports' Internal Audit Activity's self assessment. Independent validation was provided by Sutherland Rose.

During 2013-14 the Audit and Risk Management Committee also reviewed and revised the Internal Audit Charter. This has subsequently been approved by the Board of Directors.

External Audit

In compliance with the *Port Authorities Act 1999* Fremantle Ports must have the financial

report for a financial year audited by the Auditor General. The Auditor General has outsourced the audit to RSM Bird Cameron for a three-year period which commenced with the audit for the year ending 30 June 2013.

RISK MANAGEMENT

Fremantle Ports pays close attention to the management of risk. An electronic risk register is maintained on strategic and operational risks, with risk management analysis undertaken as part of all major projects.

The Management Team is required to report twice yearly to the Executive on the status of the register and the progress on risk reduction. This enables the Board to be kept informed of changes to the risk profile and any new risks that have the potential to adversely impact on Fremantle Ports' business and operations.

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.

DISCLOSURES AND LEGAL COMPLIANCE

Governance

ADVERTISING AND MARKET RESEARCH EXPENDITURE 2013-14

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

Advertising Agencies	NIL
Marketing Research Organisations	
IPSOS Australia	\$51,430
Polling Organisations	NIL
Direct Mail Organisations	
Fremantle Herald (distribution of leaflets)	\$21,160
Community Newspaper Group (distribution of leaflets)	\$5,045
Media Advertising Organisations	
Fremantle Herald	\$1,564
Sign A Rama	\$4,192
Seek (recruitment adverts)	\$1,353
Acorn Design (includes tenders, recruitment adverts)	\$22,860
Optimum Media Decisions (OMD) (includes tenders, recruitment adverts)	\$51,843
Ontime Publications	\$6,000
The Company of Master Mariners of Australia	\$1,650
HE Air Ads	\$1,050
The Fremantle Book	\$850
Turner Design	\$1,460
Executive Media	\$2,294
Faircount Media Asia Pty Ltd	\$4,950
Pirate 88FM	\$1,683
Events and Beyond	\$4,200
Rottneest Express	\$1,575
Chamber of Commerce and Industry	\$600
Total	\$185,759

DISABILITY ACCESS AND INCLUSION PLAN OUTCOMES

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

The Fremantle Ports 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.

Fremantle Ports has contributed to the success again this year of the Kwinana Industries Council's iWomen project to create greater awareness of industry career opportunities. The target group is female secondary school students in the port area.

Fremantle Ports is also contributing to the KIC's iDiversity program to reach out to secondary school students with disabilities, again to increase understanding of industry and careers.

SUBSTANTIVE EQUALITY AND DIVERSITY

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.

Employee Equity Index and Representation	Representation	Equity Index
Women	25.4%	81
People from culturally diverse backgrounds	11.3%	91
Indigenous Australians	0.0%	0
People with disabilities	0.8%	56
Youth (under 25 years)	1.8%	-
Mature Employees (45 years and over)	57.1%	-
Management Tier 2 (Women)	50.0%	-
Management Tier 3 (Women)	14.3%	-

RECORDKEEPING

Fremantle Ports continues to be rewarded with the benefits of implementing recordkeeping best practices and meeting compliance requirements. The following information is provided in accordance with the *State Records Act 2000* Section 61 and the State Records Commission Standard 2, Principle 6.

Efficiency and effectiveness of Fremantle Ports' recordkeeping systems

In addition to general periodic reviews and audits the following recent reviews have been undertaken:

- Fremantle Ports' recordkeeping plan was reviewed early in 2014 using the State Records Office self-evaluation checklist. A maturity rating was determined against six recordkeeping principles and one standard. The results demonstrated that Fremantle Ports has a rating of "Very Good" with one area of improvement identified under Principle 5 - Retention and Disposal of digital records. A digital retention and disposal program is now being implemented, involving the assessment of 3.5 terabytes of digital records stored across shared network drives and Fremantle Ports' electronic document management system. An electronic information audit tool has been implemented to index, categorise and de-duplicate digital records. The final phase of the project will be to systematically transfer corporate records to a separate archival database where records can be retained and disposed of under Fremantle Ports' annual retention and disposal program.



Records Management team members in their new tee-shirts

Access to shared drives will then be minimised and audited to ensure all corporate records are retained electronically.

- During the recordkeeping plan review, all records and information management policies were reviewed and revised to take into account a more streamlined approach to digital recordkeeping. A new policy has been developed and implemented governing information that potentially may be stored offsite using a 'cloud' storage solution. A comprehensive risk assessment matrix has also been developed to enable an informed decision to be made on whether a 'cloud' solution is appropriate and to ensure Fremantle Ports' corporate records are secure and protected. This policy has been developed using the Australian Government's and WA Department of Finance's policies and guidelines to ensure all the risks are appropriately managed.
- In 2013, Fremantle Ports reported that a quality and environment audit was undertaken using the quality management standard ISO 9001:2008 and that this had identified a document control improvement. Corporate templates have now been updated to include metadata fields such as date created, date printed and the record number. Including these document control details ensures that printed and electronic documents can be validated and authenticated during their lifecycle. A training program, including a training test, was also implemented across the whole of Fremantle Ports to ensure employees understand what is required. So far, 92 staff out of total of 260 have completed the training.
- An onsite assessment of Fremantle Ports' hardcopy archives stored offsite was undertaken, using a comprehensive risk-assessment checklist developed as part of Fremantle Ports' new Hardcopy Disaster Recovery Plan. This review identified that Fremantle Ports' offsite records are appropriately managed and secure.
- A review of the records management processes was undertaken to assess where improvements could be made. One area for improvement identified related to reducing the number of hard copy files created. As shown in the table below, following 2010, the number of requests for hard copy files has reduced gradually. This has been achieved by only creating hard copy files if requested to do so.

DISCLOSURES AND LEGAL COMPLIANCE

Governance



Catherine Fewings (right) interviews former Fremantle Ports hostesses Marie Novak (left) and Pauline Noble as part of the historical Port Talks series.

End of financial year	Total number of files created	Electronic only files	Hard copy files
2010	1398	21%	79%
2011	1160	22%	78%
2012	1532	47%	53%
2013	2242	56%	44%
2014	3300	50%	50%

Recordkeeping training and induction programs

In addition to participating in a revised induction role play, with supporting help sheets, all administrative staff who create and store corporate records are required now to undertake a compulsory online recordkeeping awareness course. It is anticipated that the training of all relevant staff will be completed within the next 12 months. A Disaster Recovery desktop review and training exercise has been undertaken by the Disaster Recovery Team of 12 key staff. Two of the high-level risks identified for Fremantle Ports are damage to hardcopy records through flood and fire. A video was used to explain the importance of correct handling of damaged records and to show the process of recovering and protecting records damaged by water and smoke. All records management staff are now aware of the steps necessary to minimise damage to hard copy records in the event of a disaster. Four disaster recovery bins,

containing the necessary disaster recovery equipment and contact numbers, are located throughout Fremantle Ports to aid any recovery process.

Training effectiveness

A corporate application training review and gap analysis has been undertaken to determine the training needs of staff. The analysis found that electronic records management training and general computer applications training was adequate and HP TRIM usage is continuing to increase with an average of 100,000 documents registered annually over the past two years.

Staff training for all new computer application programs is now captured in a training plan, with Corporate Information staff having the capacity to take on that role. This improvement ensures that staff training needs are factored in during the project planning phase for new computer applications.

Knowledge management projects

The Knowledge and Information Management program is making an important contribution to building a knowledge and information sharing culture. It is also helping to ensure that knowledge and history are captured and retained for future generations. Port Talks, videoed interviews with long-serving or retired employees, are helping to retain and preserve port history.

Connected Insights sessions are designed to inform and educate people across Fremantle Ports so that attendees get a sense of Fremantle Ports' whole spectrum of activities. Some of Fremantle Ports' major projects, initiatives and insights are presented at an informal gathering. Among topics presented this year were:

- Managing our Corporate Reputation, using case studies to disclose what goes into building and maintaining a positive image for Fremantle Ports

- Powers and Risks of Facebook, including hints and tips on staying safe
- “Smart Ports - European Insights” presented by Fremantle Ports’ Senior Transport Analyst.

COMPLIANCE WITH OCCUPATIONAL SAFETY, HEALTH AND INJURY MANAGEMENT REPORTING

Fremantle Ports is committed to integrating safety into all facets of its operations and providing a safe and healthy work environment for its employees, contractors and visitors. The organisation has clear safety targets, with the ultimate aim of no injuries, no harm and no damage. The Board and Executive Team have continued to take a strong leadership role in ensuring that achieving a safe workplace remains a top priority and incidents reports are on the agenda for every Board meeting.

A detailed report on this topic is on page 46.



Safety harnesses and hard hats are required when working at heights.

STATISTICAL INFORMATION



The Royal Navy's HMS Echo was used in the search for the missing Malaysia Airlines jet MH 370 .

SHIP VISITS AND GROSS TONNAGE							
Year ended 30th June	COMMERCIAL		NON TRADING		TOTAL COMMERCIAL & NON TRADING		NAVAL
	No.	Gross Tonnage	No.	Gross Tonnage	No.	Gross Tonnage	No.
2009	1,774	53,650,220	56	221,352	1,830	53,871,572	17
2010	1,710	53,818,582	106	250,225	1,816	54,068,807	20
2011	1,705	55,049,838	247	656,015	1,952	55,705,853	26
2012	1,734	58,749,125	367	1,587,759	2,101	60,336,884	34
2013	1,733	61,258,030	418	3,174,606	2,151	64,432,636	7
2014	1,874	65,298,549	403	1,138,781	2,277	66,437,330	34

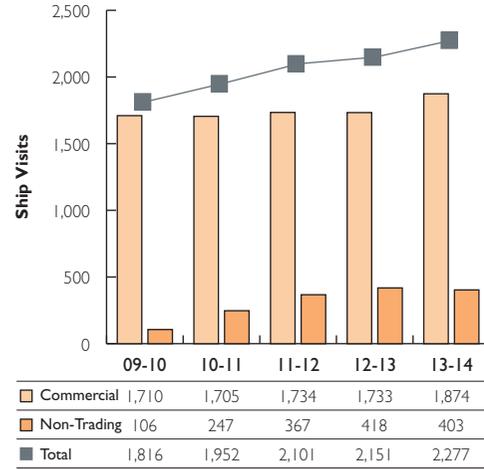


The world's biggest semi-submersible vessel Gavea Lifter; with a deadweight of 50,000 tonnes, arrived at Fremantle on 14 February 2014 for lay-up and survey work. The giant lifter has been used as a temporary wharf at the Australian Marine Complex at Henderson.

SHIPS CLASSIFIED ACCORDING TO CARGO CLASS									
Cargo Class	2011-2012			2012-2013			2013-14		
	No.	Gross Tonnage (000's)	Average Per Ship (000's)	No.	Gross Tonnage (000's)	Average Per Ship (000's)	No.	Gross Tonnage (000's)	Average Per Ship (000's)
Break Bulk/General Carrier	139	1,611	13.7	109	1,264	11.6	107	1,148	10.7
Container	479	19,522	40.8	490	20,224	41.3	502	22,014	43.9
Multi Purpose	24	96.0	4.0	26	150.0	5.8	10	46.0	4.6
Roll-on/Roll-off	24	1,641	68.3	26	1,814	69.8	24	1,698	70.8
Vehicle Carrier	202	11,728	58.0	216	12,475	57.8	190	11,155	58.7
Livestock Carrier	50	1,311	24.2	55	1,240	22.5	65	1,372	21.1
Passenger	40	2,128	53.0	17	1,477	86.9	31	1,837	59.3
Tankers	260	7,922	24.0	281	9,083	32.3	255	8,100	32
Dry Bulk - Grain	114	3,564	28.2	148	4,686	31.7	164	5,076	31.0
Dry Bulk - Other	263	5,862	22.1	276	6,784	24.6	298	6,891	23
Bunkering Only	124	2,923	23.0	80	1,822	22.8	117	2,966	25.4
Other - (Fishing, Tenders, etc.)	382	2,029	1.8	427	3,413	8.0	514	3,320	6
Sub Total	2101	60,337	28.7	2151	64,432	30.0	2277	65,623	28.8
Naval	34			7			34		
Grand Total	2,135	60,337	28.7	2,158	64,432	30.0	2,311	65,623	28.8

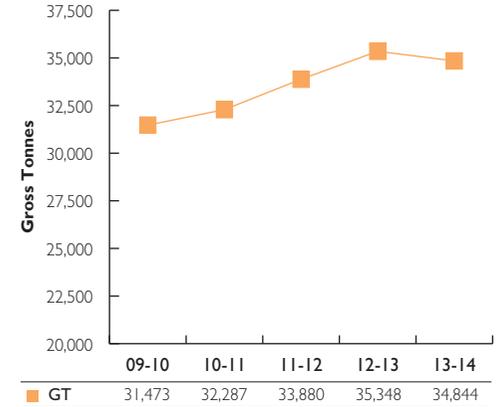
Ship Visits 2009-10 to 2013-14

(Excluding Naval)



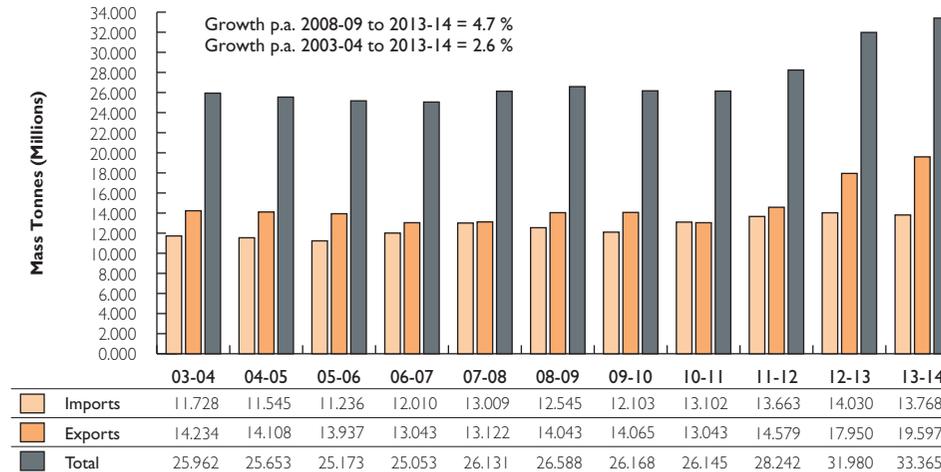
Average Gross Tonnage per Commercial Vessel

2009-10 to 2013-14



Total Port Trade

2003-04 to 2013-14



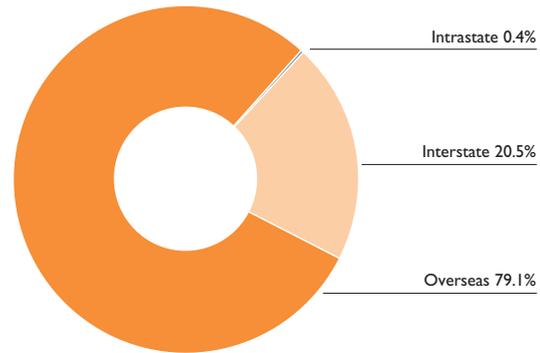


SYNOPSIS OF TRADE 2013-14

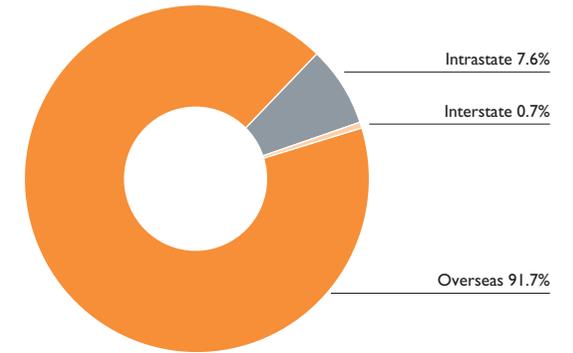
Cargo	Inner Harbour Mass Tonnes	Outer Harbour Mass Tonnes	Port Total Mass Tonnes
Imports			
From Intrastate Ports	15,935	748,575	764,510
From Interstate Ports	798,928	73,105	872,033
From Overseas Ports	3,088,464	9,042,640	12,131,104
TOTAL IMPORTS	3,903,327	9,864,320	13,767,647
Exports			
To Intrastate Ports	67,647	185,017	252,664
To Interstate Ports	24,609	1,812,419	1,837,028
To Overseas Ports	4,045,220	13,356,524	17,401,744
TOTAL EXPORTS	4,137,476	15,353,960	19,491,436
TOTAL CARGO	8,040,803	25,218,280	33,259,083
Bunkers			
Fuel Oil	43,755	62,132	105,887
Total Port Trade	8,084,558	25,280,412	33,364,970



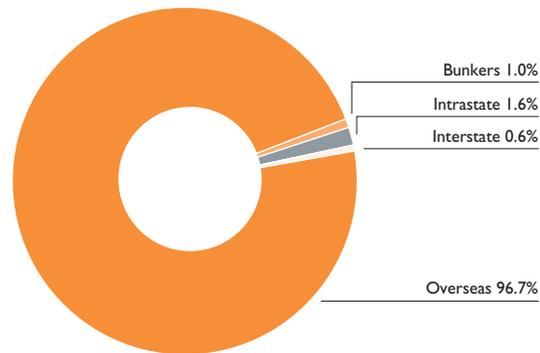
Inner Harbour Imports



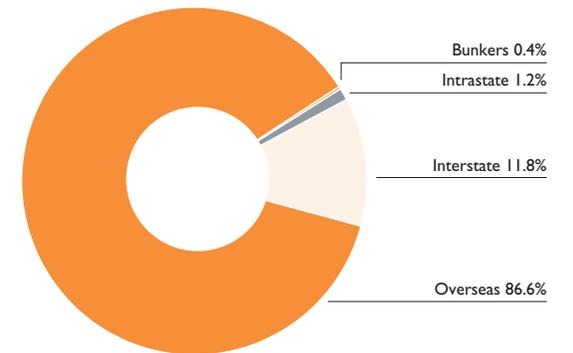
Outer Harbour Imports



Inner Harbour Exports

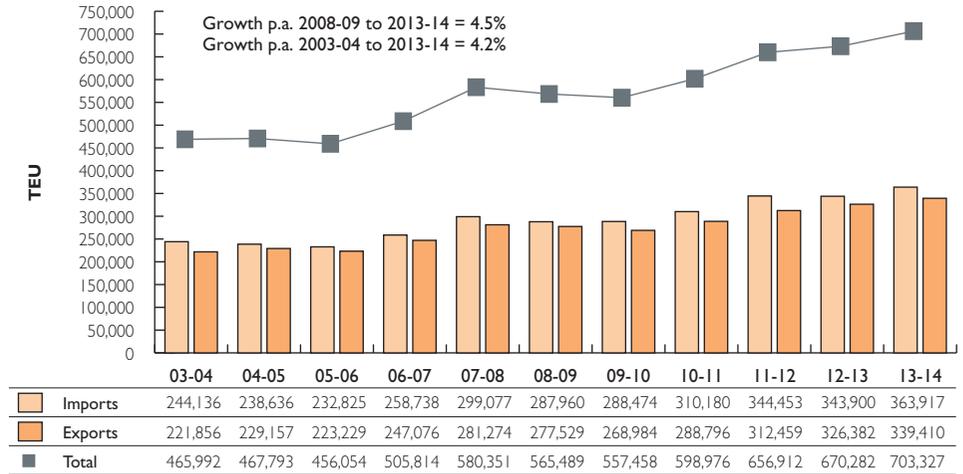


Outer Harbour Exports



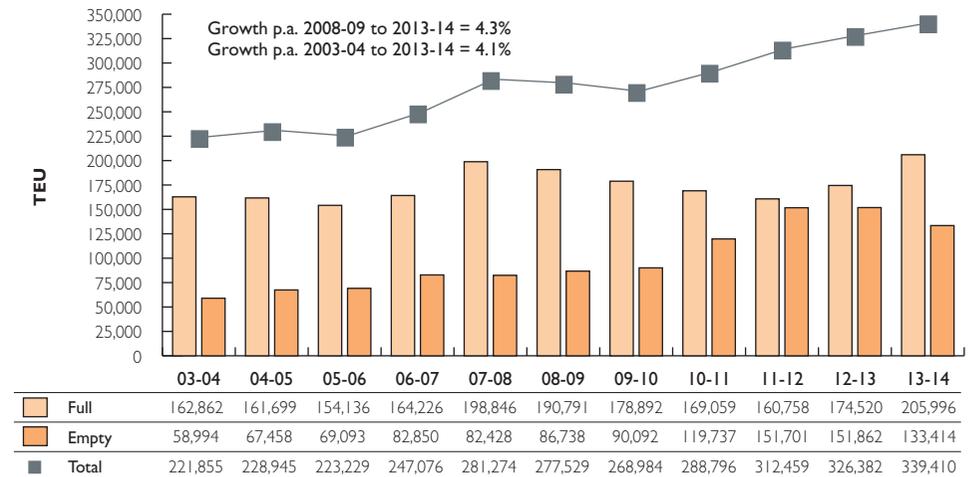
Total Container Trade - TEU

2003-04 to 2013-14



Export Container Trade - TEU

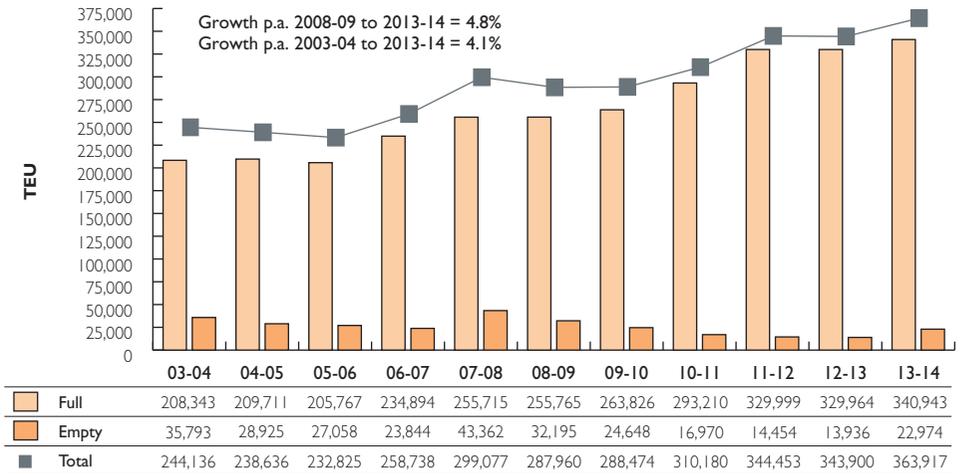
2003-04 to 2013-14





Import Container Trade

2003-04 to 2013-14



PORT OF FREMANTLE CONTAINER TRADE - TEU JULY 1 2013 TO JUNE 30 2014							
COUNTRY	IMPORTS			EXPORTS			GRAND TOTAL
	Full	Empty	Total	Full	Empty	Total	
China	111,959	1,644	113,603	46,672	4,492	51,164	164,767
Singapore	10,182	6,556	16,738	7,355	87,357	94,712	111,450
Australia	60,244	9,659	69,903	7,624	6,318	13,942	83,845
Malaysia	16,839	850	17,689	13,577	30,770	44,347	62,036
Japan	6,576	15	6,591	26,559	190	26,749	33,340
South Korea	9,140	24	9,164	15,364	862	16,226	25,390
Indonesia	9,103	458	9,561	15,093	160	15,253	24,814
Thailand	18,462	16	18,478	5,708	17	5,725	24,203
United States of America	16,670	30	16,700	5,346	149	5,495	22,195
Vietnam	5,985	7	5,992	9,313	4	9,317	15,309
India	4,654		4,654	7,210	4	7,214	11,868
Taiwan	5,412	2	5,414	5,309	29	5,338	10,752
New Zealand	5,136		5,136	3,499	1,727	5,226	10,362
United Arab Emirates	3,798	127	3,925	5,182		5,182	9,107
Germany	7,496		7,496	1,060	283	1,343	8,839
Italy	6,483	196	6,679	481	680	1,161	7,840
United Kingdom	5,675		5,675	2,107	5	2,112	7,787
Netherlands	4,300	12	4,312	2,935	33	2,968	7,280
Philippines	764		764	4,142		4,142	4,906
Belgium	3,278	4	3,282	885	277	1,162	4,444
Other Countries	28,787	3,374	32,161	20,575	57	20,632	52,793
Grand Total	340,943	22,974	363,917	205,996	133,414	339,410	703,327

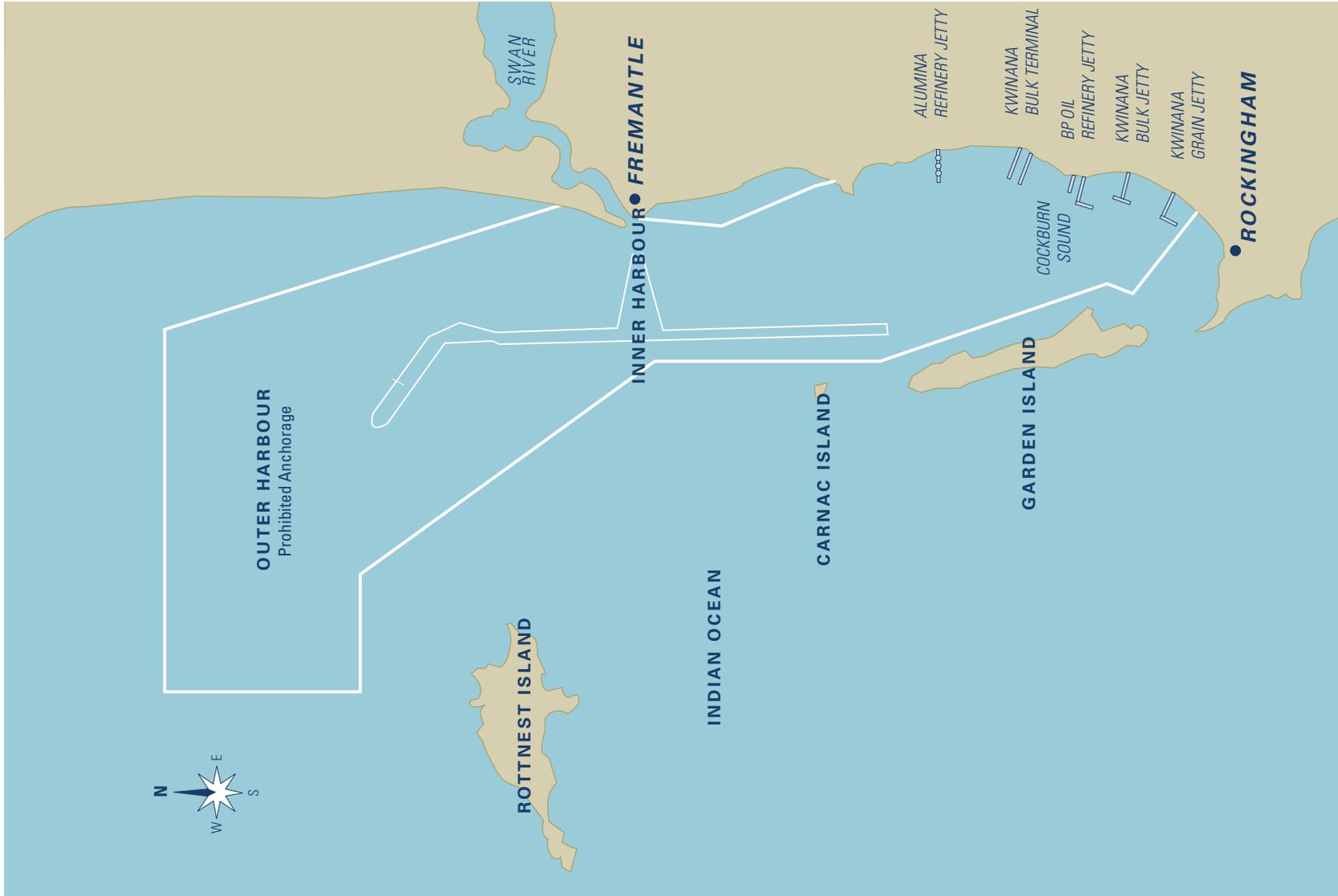
MAJOR CONTAINER COMMODITIES IMPORTED - TEU			
Commodities	2012-13	2013-14	Variance %
Furniture	29,966	32,272	7.7%
Manufactures of Metal	29,001	29,563	1.9%
Chemicals and Related Products	19,370	22,158	14.4%
Paper, Paperboard and Articles of Paper Pulp	19,540	19,183	-1.8%
Machinery - Agricultural, Industrial	20,213	18,317	-9.4%
Iron and Steel Products	21,210	16,809	-20.7%
Rubber Manufactures	17,974	16,524	-8.1%
Household Appliances	14,323	16,454	14.9%
Plastic Wares and Other Manufactures	18,161	16,062	-11.6%
Miscellaneous Manufactured Articles	8,603	15,406	79.1%
Total	198,361	202,748	2.2%
Percentage of Total Full TEU Imports	60.1%	59.5%	

MAJOR CONTAINER COMMODITIES EXPORTED - TEU			
Commodities	2012-13	2013-14	Variance %
Animal Feeds	26,790	31,945	19.2%
Waste Paper	21,197	20,187	-4.8%
Malt	10,500	10,868	3.5%
Scrap Metals	7,118	10,177	43.0%
Titanium Dioxide	6,691	8,814	31.7%
Oats	7,807	7,526	-3.6%
Fresh Meat - Chilled or Frozen	5,661	7,484	32.2%
Chemicals and Related Products	7,499	7,238	-3.5%
Fresh Fruit and Vegetables	6,500	7,124	9.6%
Other Cereals and Cereal Preparations	4,023	6,403	59.2%
Total	103,786	117,766	13.5%
Percentage of Total Full TEU Imports	59.5%	57.2%	

INNER HARBOUR MAP



OUTER HARBOUR MAP



ABOUT THIS ANNUAL REPORT

In accordance with the provisions of the *Port Authorities Act 1999* and other relevant legislation, this Annual Report is provided to the Minister for Transport, the Hon Dean Nalder MLA and is tabled in the Parliament of Western Australia.

This Annual Report complies with the relevant legislation and is designed to inform the public, other stakeholders and customers about Fremantle Ports' services, activities, achievements and future directions.

The report is written and edited by Fremantle Ports staff.

The Annual Report can be reviewed and downloaded from Fremantle Ports' website: www.fremantleports.com.au

Additional copies may be obtained on disk from External Affairs, Telephone: 61 (8) 9430 3555.

Abbreviations

- FTE** Full Time Equivalent
- GT** Gross Tonnes
- KBJ** Kwinana Bulk Jetty
- KBT** Kwinana Bulk Terminal
- TEU** Twenty Foot Equivalent Unit

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Tell us how we are going

We are interested in your feedback on our Annual Report and invite your queries on any aspect of the activities undertaken by Fremantle Ports.

As only limited printed copies of Annual Reports are produced electronic copies of this and previous years' reports are available from our web site.

To provide your comments or ask a question, contact us by:

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