



FREMANTLE
PORTS

2017

ANNUAL
REPORT



Hon
Rita Saffioti MLA

To the Hon Rita Saffioti MLA

Minister for Transport; Planning; Lands

In accordance with the provisions of the *Port Authorities Act 1999* and other relevant legislation, 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 2017.

Dr Jim Limerick

Chairman
Board of Directors



Swan River Bridge at the DP World Terminal, North Quay

The aim of this report is to inform our customers, community and stakeholders about our organisation, its strategic priorities, performance and governance for the 2016-17 financial year.

For customer inquiries or to provide feedback on the report please email: mail@fremantleports.com.au



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Highlights



A new business plan setting Fremantle Ports' goals, priorities and strategies to 2021 was developed and implemented.

COMMERCIAL RESULTS



Positive commercial results were achieved, well ahead of budget forecasts, enabling a return to Government of \$43.179 million.

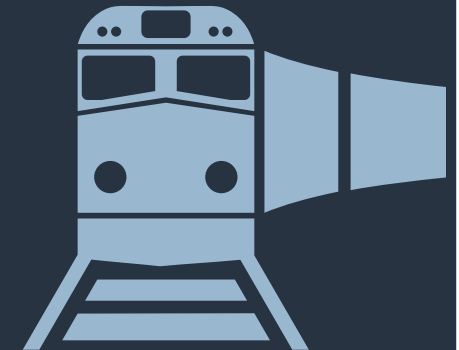
WORKPLACE SAFETY



Workplace safety continued to improve significantly, with the best results in 12 years.

RAIL SHARE

The rail share for transporting container freight grew to 15.2 per cent, comparing well with the best in the nation.





The mega-liner, *Ovation of the Seas*, was welcomed to Fremantle on its Australian debut on 6 December.

This is the largest passenger vessel to have visited Australia and a record number of passengers was successfully handled through the Fremantle Passenger Terminal.

BULK TRADES



New bulk trades being handled through Kwinana bulk facilities including **bauxite, silica sands and spodumene.**

IT STRATEGY



A new Information Technology Strategy is being implemented to **modernise, simplify and integrate** Fremantle Ports' IT services.

EXTERNAL AUDIT



Certification to international safety, environmental and quality standards was retained following an external audit.

COMMUNITY



Fremantle Ports' annual Maritime Day showing aspects of the working port and maritime educational pathways was presented with a high level of industry and community participation.



Chairman's Overview



Dr Jim Limerick

Overall trade through the Port of Fremantle has been flat this year, consistent with the broader business climate in Western Australia. Despite the subdued trading conditions, Fremantle Ports' financial performance has remained sound, principally as a result of considered expenditure restraint.

Although revenue was down by 4.2 per cent from the previous year, profit before tax decreased by a modest 1.4 per cent to \$68.2 million. The economic rate of return was 13.8 per cent. The total contribution to State Government in taxes, dividends and fees amounted to \$43.179 million.

Pleasingly, over the past 12 months Fremantle Ports has had its best safety results in 12 years and everyone who works here is to be commended on this result. As the graphs in the body of this report show, there were three lost-time injuries during the year compared with 16 four years ago. Injuries of all categories have reduced significantly and it is particularly pleasing to see the continuing improvement in our safety performance. But our goal remains zero injury, zero harm.

The proposal to privatise the Fremantle Ports business, announced by the former government in May 2015, put considerable constraints on our ability to drive significant change in the business while the process for the proposed port sale was underway. The McGowan Labor Government elected in March 2017 has decided that Fremantle Ports will remain in State ownership and, with the constraints of the sale process now gone, the organisation is keen to make the

most of the exciting challenges that lie ahead.

We have taken this opportunity to do a strategic refresh across all aspects of our business, starting with a close look at what we do well, what we have achieved, where we could do better and how we can best respond to changes and opportunities in our business environment. The Board is pleased to see the strong commitment at all levels to the various work streams established to take our new Business Plan forward. Achievement of the goals within it will position us well to continue our success into the future.

A critically important issue for our business going forward is the development of a master plan to guide the future development of port and landside links to manage trade growth over the next 30 to 50 years. This matter is being championed by the Western Australian Government and Fremantle Ports is fully appreciative of the priority given to it by the State Government. This will assist Fremantle Ports in undertaking its statutory function to plan for future growth and development of the port.



A particular source of pride in May 2017 was the achievement of an excellence rating from the Infrastructure Sustainability Council of Australia (ISCA) for the way Fremantle Ports has developed roads and services, public open space and the highly successful fairy tern sanctuary at Rous Head. The decision to be part of the ISCA sustainability ratings program is consistent with Fremantle Ports' commitment to continuous improvement and we have gained valuable learnings from participating in this benchmarking.

The future success of Fremantle Ports depends heavily on the extent to which we can anticipate, understand and service the needs of port users. We have continued to consult closely with our customers this year with the aim of adding value where opportunities are identified. In this regard, I would like to acknowledge the WA Port Operations Task Force and the Freight and Logistics Council of Western Australia for their ongoing contributions in relation to freight and logistics matters.

Our success is equally dependent on the goodwill of the communities which are impacted by our operations and we value

the feedback provided by Fremantle Ports' Inner Harbour Community Liaison Group.

Lastly, the Board wishes to commend Fremantle Ports' staff for their clear-eyed focus on the business over the past two years, given the uncertainty created by the proposed port sale. We thank them for the way they responded to the significant additional demands it placed on them.

Dr Jim Limerick

Chairman



ISCA CEO Antony Sprigg presents the Certificate of Excellence to Dr Limerick.



Container trade has grown by an average of 1.7% annually over the past five years.



Chief Executive Officer's Report



With a disciplined approach to budgetary management as a priority of our Business Plan, Fremantle Ports was able to buffer itself against unfavourable economic and market conditions this year.

Although revenue was down, overall performance was strong, both in financial results and in what has been achieved throughout our business.

The container trade volume overall was similar to the previous year's result. As is evident from the detailed trade figures provided elsewhere in this report, there were mixed results for the non-containerised and bulk trade sectors.

As well as achieving a positive return for Western Australia from our commercial operations, we were successful this year in negotiating some new agreements with some of our existing customers and in identifying and securing some new business opportunities. Some of these relate to our bulk business, others to our landside operations at the Rous Head Industrial Park. Situated on land reclaimed in the 2010 harbour deepening, this area is now fully leased and close to being fully developed.

During the period of the potential port sale, Fremantle Ports took a business-as-usual approach, but some infrastructure and other projects necessarily were put on hold pending the outcome of the proposed divestment of our assets to the private sector.

Following the incoming Western Australian Government's confirmation that it will not proceed with the privatisation, we have been able to get on with some of those, but our way forward goes well beyond this.

All Western Australians depend in one way or another on the ability of this busy port to deliver what is required and expected of it now and in the years ahead. With an energised, talented and committed workforce, Fremantle Ports has made excellent progress towards the achievement of a new set of strategic priorities developed during the year for the performance areas we see as essential to future success.

Our five-year Business Plan, implemented from the first half of 2016-17, is focused on and sets clear targets for improving financial performance through expenditure restraint and revenue growth; more proactive customer service and stakeholder management; actively developing new business and trade; promoting investment in the port by creating planning certainty; and developing a safe, agile and high-performing organisation.

Fremantle Ports well recognises the importance of employee engagement to the achievement of goals and becoming



more innovative. More than 50 people across the organisation have been involved in cross-divisional work streams set up to identify and realise opportunities for our business.

This approach, encouraging people to put their names forward for the opportunity to contribute, has worked well, bringing together people from diverse backgrounds, capabilities and perspectives to take our plans forward.

The gains from collaborative effort and new thinking can be found across the organisation in areas such as identifying and implementing revenue-raising and cost-saving ideas, negotiating new trade opportunities and undertaking value chain workshops with key customers to better understand and respond to their business.

The recruitment of a Chief Information Officer in March 2017 to holistically manage Fremantle Ports' various Information Technology branches has been a positive step arising from IT reviews. It is already proving its worth towards achievement of better integrated, more modern IT systems with reduced complexity, cost and risk.

Fremantle Ports has continued to work collaboratively this year with other

government agencies, port customers, tenants and industry bodies on many issues, to positive effect. The continuing improvement in supply chain coordination, improved safety in ship mooring, and upgrading to a smart metering system for electricity supply are among many tangible examples.

We have also continued to connect with our community with regular liaison and via our well-established and wide-ranging program of community contribution in areas such as education, wildlife research and support for cultural activities and events.

A disappointment this year was the decision by Carnival Cruises to discontinue homebasing at Fremantle. Our understanding is that lack of infrastructure and other issues at some west coast regional ports was the reason. We have had positive feedback from Carnival and other cruise companies over many years and we note that transit calls to Fremantle by international cruise ships will increase in 2017-18.

It was also pleasing that Fremantle Ports has once again been recognised by the Office of Auditor General as among the top 20 large agencies for financial reporting and financial controls.

The strategic input from our Board over the past 12 months in setting Fremantle Ports' course to 2021 and beyond has been of great importance and I thank our Chairman, Dr Limerick and Directors for their guidance and support. I also extend warmest thanks to my fellow members of the Executive and all our employees for their contribution to a very successful year.

Chris Leatt-Hayter

Chief Executive Officer



The development of sites on land reclaimed at Rous Head is close to completion.



Corporate Snapshot

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.

In 2016-17, the port handled 81.7 per cent of the State's seaborne imports by value and 10.2 per cent by value of seaborne exports. The total value of trade was \$26.066 billion, which represents an hourly average of \$2.98 million.

The CY O'Connor designed Inner Harbour, which has been operating at the mouth of the Swan River since 1897, 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 are allocated to the two-berth, purpose-built Fremantle Passenger Terminal at Victoria Quay.

Bulk commodities such as petroleum, grain, alumina, iron ore, 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 bulk port facilities at Kwinana are privately operated by Alcoa, BP Refinery and CBH Group.

Fremantle Ports' revenue base also includes income from some 100 tenancies, most of which are located on North Quay and reclaimed land at Rous Head.

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 berths, 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.

More than 2000 people (public and private sector) are directly employed at the Port of Fremantle. Economic activity at the port generates directly and indirectly almost 6000 full-time equivalent jobs in Western Australia.

STAKEHOLDERS

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

CULTURE AND VALUES

Our new vision, which was adopted this year, is to be Australia's best maritime gateway.

- Best place to trade
- Best place to invest
- Best neighbour
- Best place to work

Our mission is to create value by providing safe, reliable, efficient and competitive access to global markets.

VALUES

- Respect and integrity
- Safety and wellbeing
- Responsiveness and delivery
- Continuous improvement and innovation
- Sustainability

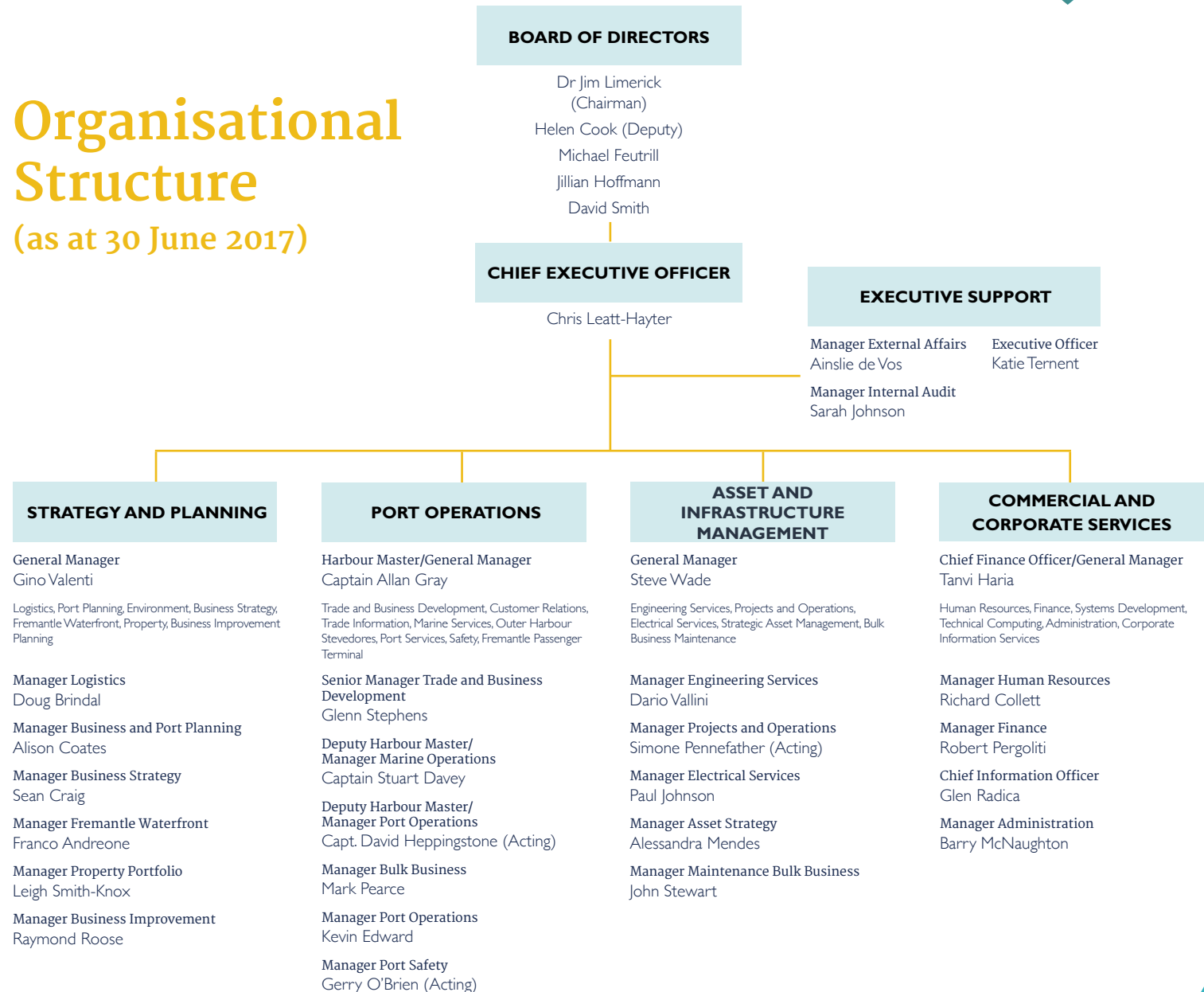


BUSINESS PRINCIPLES

- Minimising or reducing adverse land transport impacts
- Building synergies with others' plans
- Protecting the environment
- Ensuring commercially sound and justifiable outcomes
- Continuing to improve port safety and security
- Supporting local communities
- 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 focus closely on understanding the needs and expectations of our stakeholders. The principles continued to be applied this year to guide strategic and project planning, port operations, risk management and decision making.

Organisational Structure (as at 30 June 2017)





Board



DR JIM LIMERICK

Dr Limerick was appointed Chairman of the Board on 1 October 2010, having served as a Director from 1 October 2009. Dr Limerick worked in technical and management roles in the resources industry from 1976 -1986 and at senior levels in government administration from 1987-2008. He was appointed Director General of the Department of Industry and Resources from 2001 and, at various times, was a member of the Western Australian Planning Commission and a member of the LandCorp Board. He has been influential for over a decade in strategic planning for future industrial infrastructure in WA and in 2008 was awarded the Australian Public Service Medal. He 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 2018



HELEN COOK (DEPUTY CHAIR)

Ms 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, a Councillor of the National Gallery of Australia, Director of the Cruthers Art Foundation and Chairman of the Chamber of Arts and Culture WA. She is also Councillor of the Australian Institute of Directors (WA) and a member of the Major Performing Arts Panel of the Australia Council, overseeing significant Federal funding for Australia's major performing arts companies. Helen is 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: 31 December 2018



MICHAEL FEUTRILL

Mr 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 2017



JILLIAN HOFFMANN

Ms Hoffmann, appointed to the Board on 17 May 2011, is Senior Vice President, Marketing and Trading at Woodside Energy Ltd, Australia's largest oil and gas company. Her previous roles at Woodside include Vice President Commercial and Vice President Environment and Heritage. She has 25 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 2017



DAVID SMITH

Mr Smith was appointed to the Board on 1 January 2015. He is a former Partner with PricewaterhouseCoopers (PwC). At PwC, he led client-focused teams across external and internal audit services, accounting and broader business advice in industries covering resources, services, media, construction and engineering. He has a Bachelor of Commerce from the University of Melbourne, is a Fellow of the Institute of Chartered Accountants and a Member of the Australian Institute of Company Directors. He is a Director of St. Bartholomew's House Inc., a Director of Royal Fremantle Golf Club Inc., a former independent External Chair of the Risk Assurance and Audit Committee of Port Hedland Port Authority and a former member of the University of Melbourne Audit and Finance Committees.

Expiry of present term: 31 December 2017



FIONA LANDER

Ms Lander was appointed to the Board on 24 August 2012. She commenced as Partner, Public Sector with Deloitte in January 2017. Prior to this, Ms Lander was Executive General Manager External Affairs and Information Technology, Perth Airport Pty Ltd for more than six years. Ms Lander has an extensive background in the State Government, having held Senior Executive Service positions in a range of human service portfolios. 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 Member of South Metropolitan TAFE's Governing Council, Director of Youth Focus and Vice President of Meerilinga Young Children's Foundation.

Resigned: 30 January 2017



Executive Team



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

Chief Finance Officer and General Manager Commercial and Corporate Services

Tanvi Haria was appointed as Chief Finance Officer (CFO), member of the Executive Team and Secretary to the Board of Directors in 2013. Tanvi joined Fremantle Ports in 1998 and prior to her appointment as CFO and General Manager Commercial and Corporate Services, held the position of Manager Finance at Fremantle Ports. She has more than 25 years of broad business experience in strategy, corporate governance and commercial and financial management gained in a variety of industries. Tanvi has tertiary qualifications in business and accounting, is a Fellow of CPA Australia and a member of the Australian Institute of Company Directors. She is a strong advocate of philanthropy and was a member of the Princess Margaret Hospital Foundation inaugural Emerging Leaders in Philanthropy program. Tanvi is a Councillor of the CPA Australia WA Divisional Council and a Board member of Muscular Dystrophy WA.



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 over 40 years' wide-ranging experience in construction and project management in Australia and overseas in the resources and manufacturing sectors. He held the position of General Manager Marine and Technical Services until mid-2009, which incorporated both engineering and operational functions, and was appointed to his current position in 2009. Steve is a Chartered Civil Engineer and Associate Member of the Resolution Institute.



GINO VALENTI

General Manager Strategy and Planning

Gino Valenti has tertiary qualifications in chemistry and is a Graduate Member of the Australian Institute of Company Directors. He joined Fremantle Ports in 1998 in the role of Safety and Environment Manager. 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. Gino held the position of General Manager Business Sustainability from 2005 to 2009 prior to being appointed General Manager Strategy and Planning.



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, a Vice President of the International Harbour Masters Association and a Board member of the Australian Maritime College.



GLENN STEPHENS

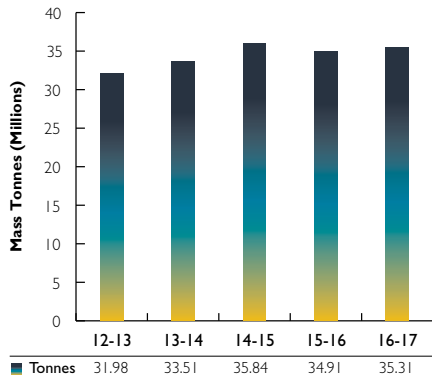
Senior Manager Trade and Business Development

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 Cruise WA Committee.

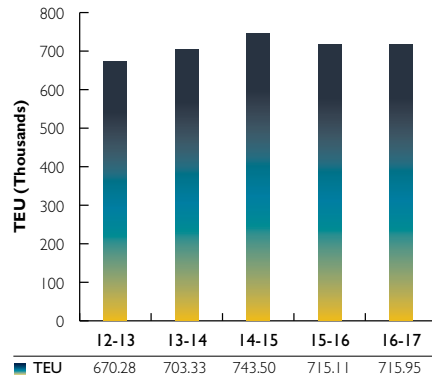


Key Business Results

Total Port Trade (Mass Tonnes)
Comparison 2012-13 to 2016-17

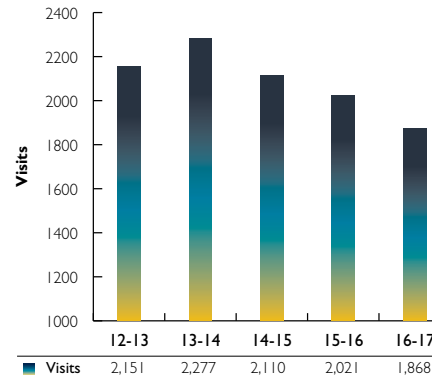


Total Container Trade - TEU
Comparison 2012-13 to 2016-17



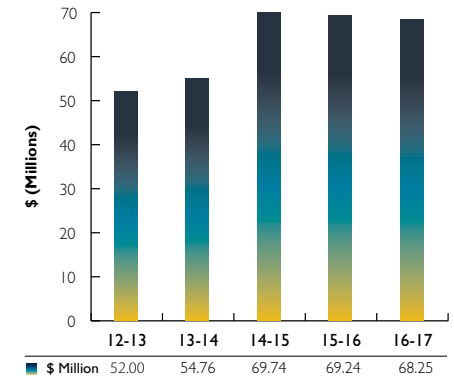
The Statement of Corporate Intent forecast for total container trade in 2016-17 was annual growth of 2.0 per cent

Total Ship Visits (excluding Naval)
Comparison 2012-13 to 2016-17

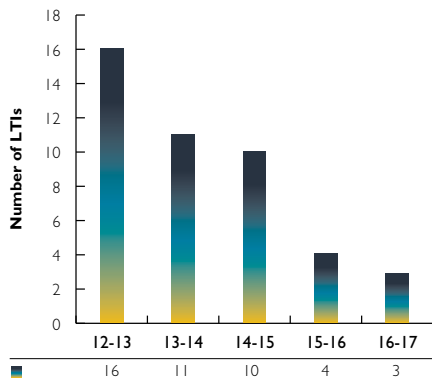


Note: Naval vessels not included. The statement of Corporate Intent forecast for total ship visits in 2016-17 was 1,981.

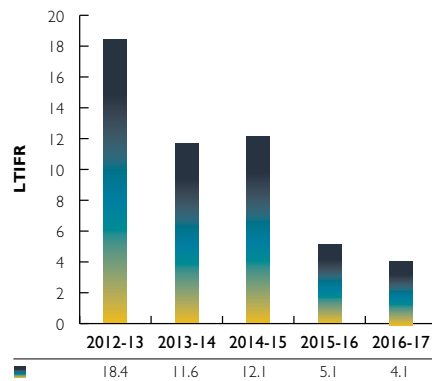
Operating Profit Before Income Tax Equivalent Payments
Comparison 2012-13 to 2016-17



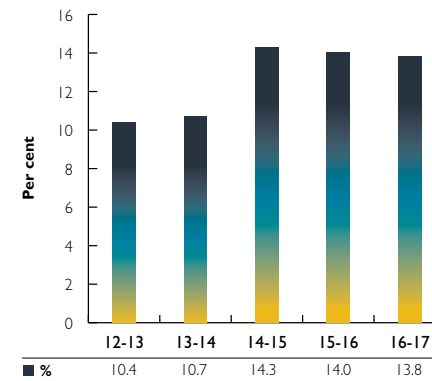
Lost Time Injury Reduction
2012-13 to 2016-17



Lost Time Injury Frequency Rate - Monthly Average
2012-13 to 2016-17

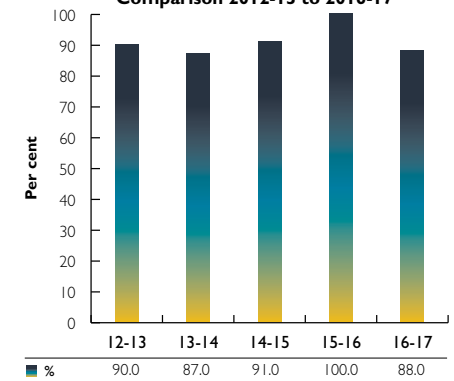


Economic Rate of Return on Assets
Comparison 2012-13 to 2016-17



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

Shipping Line/Agent Survey Level of Overall Satisfaction with Fremantle Ports' Services
Comparison 2012-13 to 2016-17



In 2016-17, 81% of respondents were satisfied or very satisfied. Target range 80-90%.



Government Goals


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, Fremantle Ports’ strategic objectives, targeted outcomes, measures and results.

| GOAL | FREMANTLE PORTS’ OBJECTIVES | KEY OUTCOMES SOUGHT | MEASURES | RESULTS |
|---|--|--|--|--|
| <p>RESULTS-BASED SERVICE DELIVERY</p>  <p>Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians</p> | <p>Provide reliable and efficient services to meet customer needs and add value</p> <p>Work collaboratively with key joint service providers to deliver more holistic services</p> | <p>Customer satisfaction maintained at a high level</p> <p>Increased efficiency and capability of port operations in all trade sectors</p> | <ul style="list-style-type: none"> ■ Annual customer survey results ■ Equipment and berth availability at Kwinana Bulk Terminal and Kwinana Bulk Jetty ■ Loading/unloading rates ■ Truck turnaround times ■ Rail share of container trade | <ul style="list-style-type: none"> ■ Responses to annual customer survey show 88% of shipping lines and agents satisfied with Fremantle Ports’ services. ■ The rail share for container freight was 15.2%, up from 14.5% last year. ■ Fremantle currently has the best crane rate among the five capital city ports. ■ Average truck turnaround time is well ahead of the five capital city ports average. |




| GOAL | FREMANTLE PORTS' OBJECTIVES | KEY OUTCOMES SOUGHT | MEASURES | RESULTS |
|---|--|--|--|--|
| <p data-bbox="212 699 459 791">FINANCIAL AND ECONOMIC RESPONSIBILITY</p>  <p data-bbox="134 1066 510 1246">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 data-bbox="577 699 875 783">Achieve financial targets in line with State Government expectations</p> <p data-bbox="577 802 860 919">Establish an optimised and flexible organisation with minimised overheads and costs</p> <p data-bbox="577 938 869 1054">Create conditions that support investment in the port by service providers and other key stakeholders</p> | <p data-bbox="925 699 1216 783">Existing trade and business is maintained and new opportunities captured.</p> <p data-bbox="925 802 1229 855">Improve business outcomes in all trade and service areas</p> | <ul data-bbox="1279 699 1541 1110" style="list-style-type: none"> ■ Government financial targets are met ■ Financial dashboard - expenditure income, profit, rate of return, maintenance expenditure, capital works expenditure ■ Trade outcomes compared to budget and forecasts ■ Land vacancy rates | <ul data-bbox="1626 699 2101 1283" style="list-style-type: none"> ■ After-tax profit of \$47.6 million well above forecast, enabling contribution to government of \$43.2 million in tax, dividends and fees ■ Recognised by the State Auditor General in 2016 as among the top 20 best practice large State Government agencies for financial reporting and financial controls ■ New customers confirmed for Fremantle Ports' bulk business sector ■ Significant cost savings identified and achieved through expenditure review ■ Rous Head Industrial Park fully leased and development underway on the last remaining site on land reclaimed in the 2010 Inner Harbour deepening. |



| GOAL | FREMANTLE PORTS' OBJECTIVES | KEY OUTCOMES SOUGHT | MEASURES | RESULTS |
|--|--|--|--|---|
| <p data-bbox="203 691 472 783">SOCIAL AND ENVIRONMENTAL RESPONSIBILITY</p>  <p data-bbox="132 1083 530 1203">Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State</p> | <p data-bbox="577 691 878 842">Maintain our safety, environmental and quality management systems in line with best practice and our existing certifications.</p> | <p data-bbox="925 691 1236 794">Improved safety and environmental performance Maintain community support</p> | <ul style="list-style-type: none"> <li data-bbox="1279 691 1563 715">■ Environmental incidents <li data-bbox="1279 735 1529 759">■ Lost-time injury rate <li data-bbox="1279 780 1514 836">■ Annual community survey <li data-bbox="1279 857 1507 880">■ Complaints trends <li data-bbox="1279 901 1435 925">■ Risk profile | <ul style="list-style-type: none"> <li data-bbox="1626 691 2040 815">■ Best safety outcomes for 12 years. Further embedding of safety culture contributing to 25% reduction in lost-time injuries <li data-bbox="1626 836 2002 956">■ Certification to international environmental, quality and safety standards retained following external audit <li data-bbox="1626 976 2096 1064">■ Majority of survey respondents satisfied with Fremantle Ports and ongoing role of Inner Harbour as a busy working port. <li data-bbox="1626 1085 2092 1173">■ Fremantle Ports' Inner Harbour community liaison meetings constructive and well attended, with positive feedback <li data-bbox="1626 1193 1951 1217">■ Follow up on all complaints |



| GOAL | FREMANTLE PORTS' OBJECTIVES | KEY OUTCOMES SOUGHT | MEASURES | RESULTS |
|---|---|--|--|--|
| <p data-bbox="199 699 472 762">STATE BUILDING - MAJOR PROJECTS</p>  <p data-bbox="132 1035 490 1155">Building strategic infrastructure that will create jobs and underpin Western Australia's long-term economic development</p> | <p data-bbox="577 699 878 847">Creating certainty for our stakeholders and customers by planning how the port will be developed in the future</p> | <p data-bbox="927 699 1234 895">Progress 30 to 50 year master plan for the port as a priority inter-agency project Identify and implement any short-term opportunities to develop new facilities</p> | <ul data-bbox="1279 699 1570 911" style="list-style-type: none"> ■ Progress on master plan development ■ Timely completion of infrastructure projects ■ Stakeholder support for Victoria Quay visioning | <ul data-bbox="1628 699 2056 863" style="list-style-type: none"> ■ Inter-agency master planning project underway to meet future trade needs ■ Conceptual work undertaken for Passenger Terminal and Victoria Quay enhancements |



Shared Responsibilities

Fremantle Ports has shared responsibilities with a number of Western Australian 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; Department of Fire and Emergency Services, Western Australia Police; Department of Water and Environmental Regulation, Department of Biodiversity Conservation and Attractions; Department of Planning, Lands and Heritage; Department of Mines, Industry Regulation and Safety; Department of Jobs, Tourism, Science and Innovation.

Examples of areas in which there has been liaison with other State Government agencies this year are:

- Department of Transport and regional ports on emergency response preparedness and training (Operation Beadon)
- Western Australia Police on emergency and incident management
- State Records Office on records holding, loans, digital archiving
- Department of Transport on scoping of master planning project
- Department of Water and Environmental Regulation for water quality monitoring and Kwinana Bulk Terminal and Kwinana Bulk Jetty licensing compliance
- Main Roads Western Australia and the Public Transport Authority on Fremantle Rail Bridge protection works



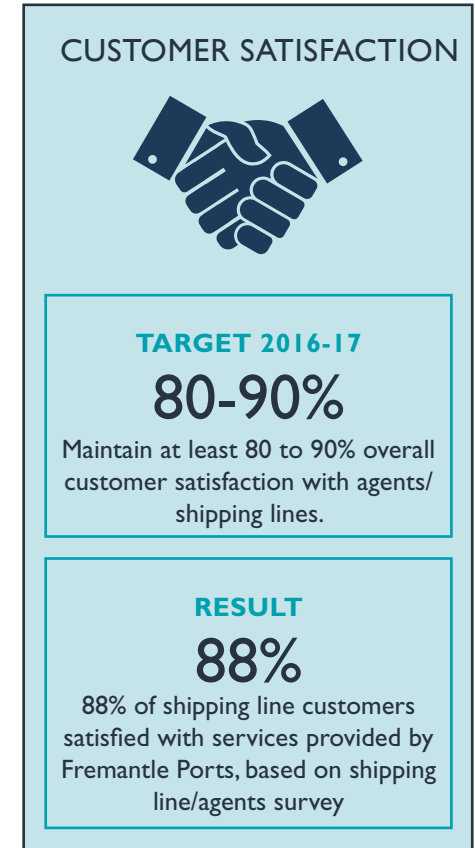
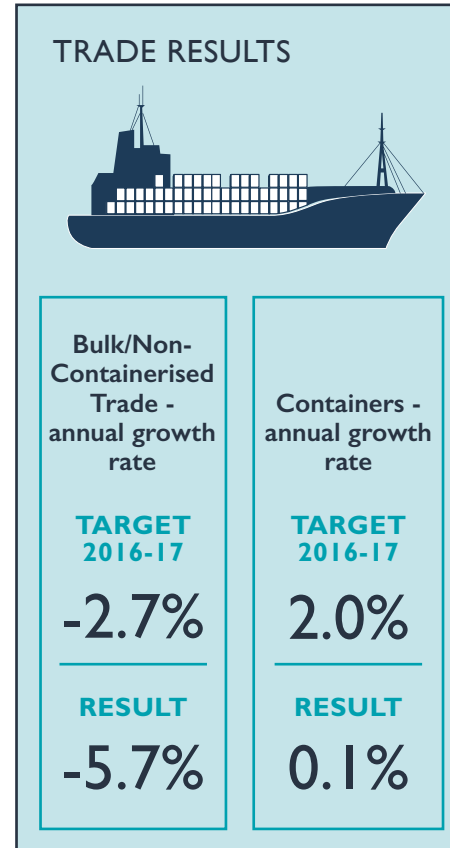
Stockpiling rocks at J Berth, Victoria Quay in preparation for construction of an underwater rock mound to protect the Fremantle Rail Bridge



How we planned to succeed

ECONOMIC

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.





Service Delivery

Minimise berthing delays (2016-2017)

| | | UNAVAILABILITY OF SERVICES | | UNAVAILABILITY OF BERTHS | |
|-----------------------------------|-------------------------|----------------------------|----------|--------------------------|----------|
| | | TARGET | RESULT | TARGET | RESULT |
| INNER HARBOUR - CONTAINER VESSELS | TOTAL VESSELS AFFECTED | <1% | 0.2% | <12% | 2.6% |
| | AVERAGE HOURS PER DELAY | <5 hrs | 10.4 hrs | <20 hrs | 16.2 hrs |
| KWINANA BULK TERMINAL | TOTAL VESSELS AFFECTED | <1% | 0.0% | <40% | 64.7% |
| | AVERAGE HOURS PER DELAY | <5 hrs | 0.0 hrs | <120 hrs | 86.6 hrs |
| KWINANA BULK JETTY | TOTAL VESSELS AFFECTED | <2% | 1.7% | <25% | 33.1% |
| | AVERAGE HOURS PER DELAY | <5 hrs | 10.4 hrs | <50 hrs | 60.7 hrs |



Best practice

environmental, safety & other business systems

Social

CERTIFICATION TO INTERNATIONAL ENVIRONMENTAL, QUALITY AND SAFETY STANDARDS MAINTAINED

TARGET 2016-17
Continue to comply with ISO 14001, ISO 9001 and AS/NZ 4801 standards and further improve environmental, quality and safety management systems

RESULT
Certification to ISO 14001, ISO 9001 and AS/NZ 4801 was maintained in external audit

TIME LOST TO INJURIES

TARGET 2016-17
Zero lost-time injuries | 10% reduction in lost-time injury frequency rate

RESULT
3 compared with 4 the previous year | Lost-time injury frequency rate was 4.1 compared with 5.1 the previous year, a reduction of 20%

COMMUNITY SATISFACTION

TARGET 2016-17
70% overall satisfaction (based on community survey results)

RESULT
Overall satisfaction:
Inner Harbour: 61%
Outer Harbour: 57%
Support for the Inner Harbour in its role as a busy working port was:
Inner Harbour: 68%
Outer Harbour: 73%

ACTIONS ON COMPLAINTS AND SUGGESTIONS

TARGET 2016-17
Follow up all complaints and continue to implement improvement opportunities

RESULT
All complaints followed up with actions electronically monitored



AIM:

Improve our financial and economic performance to deliver to the expectations of our shareholders, customers and the broader State



Administration Building maintenance

IDENTIFYING COST SAVINGS

One of the priority projects within the five-year Business Plan approved by the Board in October 2016 is an organisation-wide expenditure review.

This has covered all major expenditure items and has been tackled under three broad streams of work:

- disciplined cost control through each division
- staff consultation to generate cost-saving initiatives and reinforce the need and importance of expenditure control
- implementation of specific cost-saving opportunities.

The focus on reducing discretionary expenditure has been significant, contributing to our overall reduction in expenditure of \$8.3 million or 5.4 per cent compared to 2015-16.

ASSET MANAGEMENT AND MAINTENANCE

Maintaining and monitoring our assets is an integral and important part of Fremantle Ports' business.

We continued to develop and implement our asset management system this year.

A new project plan is being developed to ensure that the asset management system fully supports Fremantle Ports' 2021 Business Plan and meets the requirements of the international asset management standard ISO 55001.

The implementation of a new maintenance management system has progressed and includes integration with the financial system, enabling effective tracking of actual costs per maintenance task and related assets.

A deferral tool has been implemented within all life cycle cost models, linking expenditure to condition and risk. This allows asset managers and asset owners to assess the impact of deferrals on the condition and risk ratings of an asset, resulting in improved decision making.

The total asset maintenance expenditure for 2016-17 was \$29.5 million.

Among works completed:

- A 180-metre section of the North Mole seawall was repaired as part of the planned maintenance program.
- The vertical arm of the Siwertell ship unloader at Kwinana Bulk Jetty was overhauled and realigned in September,

resulting in a notable improvement in performance. This auger-type unloader was purchased in 2001.

- Gravity fenders at Kwinana Bulk Jetty were repaired. The fenders are 35-tonne concrete blocks slung under the wharf from chains.
- A significant portion of the roofing at the Macrofert shed at the Kwinana Bulk Jetty has been replaced to address corrosion issues.

ADMINISTRATION BUILDING UPGRADE

Over the past 10 years, Fremantle Ports has been systematically refurbishing the exterior of its nine-storey Administration Building on Victoria Quay. Ground-floor works have included removing degraded and failing concrete, treatment of corroded reinforcing steel, painting, retiling, window sealing and infill panel replacement.



The ShoreTension hydraulic mooring system is deployed to increase safety and stability for ships in the Inner Harbour when stormy weather is forecast.

OPERATIONAL CONTROL SYSTEMS

The Kwinana Bulk Jetty control system network monitors and controls the operation of equipment as well as equipment security and availability. Recommendations for improvements resulting from an audit conducted on this system have all been completed, increasing reliability, efficiency and security.

A new navigational aids communication and control system has been designed in-house and developed by external software specialists to better maintain and monitor Fremantle Ports' navigational lights.

MOORING SAFETY

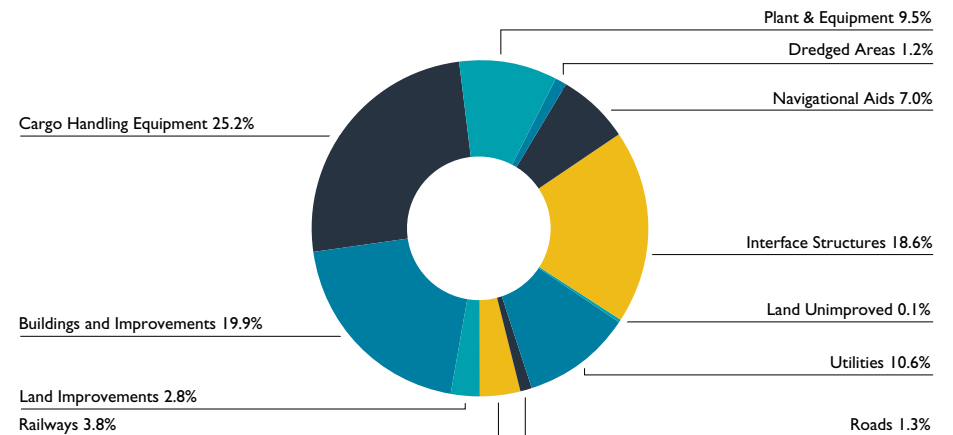
Immensely strong storm bollards have been installed on Berths 11 and 12 in the Inner Harbour to provide more effective mooring capability during storm conditions. They are being used with the ShoreTension hydraulic mooring system purchased by Fremantle Ports to protect ships in heavy weather conditions.



Gravity fenders at the Kwinana Bulk Terminal have been repaired.

Asset Maintenance and Service Costs

2016-17





AIM:

Ensure strong, ongoing support by continuing to provide first-rate customer service and taking a more proactive approach to stakeholder engagement

Fremantle Ports has continued to implement a Stakeholder Management Plan which provides a strategic framework for understanding and managing stakeholder interests and expectations and taking these into account in our decision making. The plan outlines Fremantle Ports' commitment to stakeholders and provides a systematic, coordinated approach for capturing and prioritising stakeholder issues and following through with action plans.

Customer relationship management sits within our overall Stakeholder Management Plan and is applied through a range of processes, including: customer liaison; surveys; specific industry forums; and maintaining our customer information data base.

Recognising the importance of understanding needs, expectations and levels of service delivery, we have continued to work closely with customers and joint service providers to monitor satisfaction, identify improvement opportunities and provide for future needs. Value chain analysis has continued to be applied to understand how our inter-connected services create value for our customers and what improvements can be put in place to benefit both the

customer and our organisation. Examples of activities undertaken this year are:

- environmental scans to ensure we are informed of any industry issues or opportunities in advance
- in-depth analysis of commodities handled (e.g. grain exports, motor vehicle imports) to ensure we fully understand customer requirements in relation to such trades

- evaluating options for upgrading material handling systems to increase import capacity at the Kwinana Bulk Terminal
- new export opportunities for bauxite, spodumene and silica sands facilitated.

The customer survey carried out in 2017 showed that 88 per cent of shipping line customers were satisfied or very satisfied with Fremantle Ports' services.



Silica sands loading at the Kwinana Bulk Jetty

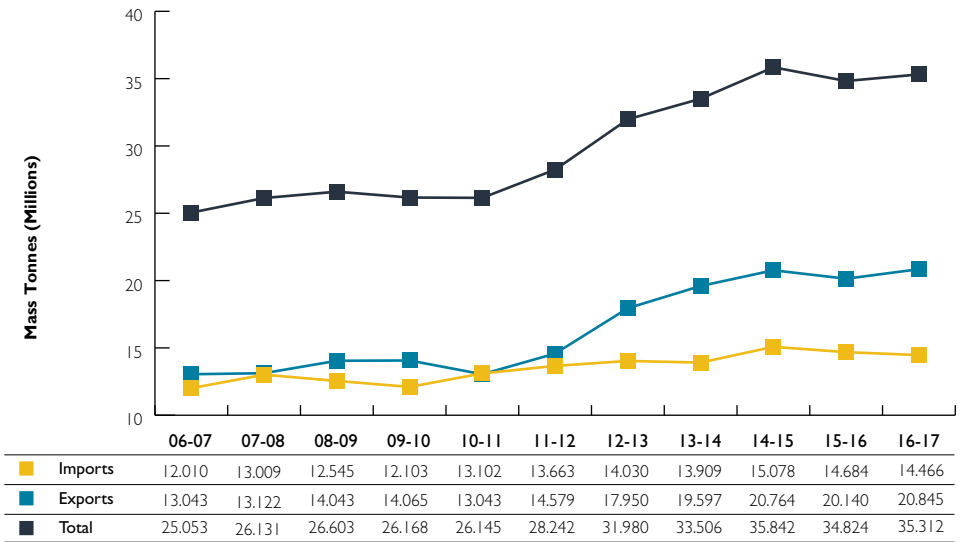


AIMS:

- Identify and capitalise on opportunities for trade and business growth
- Add value for existing and potential customers, building stronger relationships
- Create demand for our facilities and services
- Strengthen our competitive advantage

Total Port Trade

2006-07 to 2016-17



TOTAL TRADE

Total port trade in 2016-17 increased by 1.4 per cent to 35.31 million tonnes, 0.49 million tonnes up compared with the previous financial year. This was primarily due to the substantial increase in bulk grain exported from the Outer Harbour.

IMPORTS

Total imports in 2016-17 decreased by 0.22 million tonnes or 1.5 per cent compared with the previous financial year. This decrease is mainly due to bulk shipments of cement clinker declining by 0.28 million tonnes or 26.1 per cent.

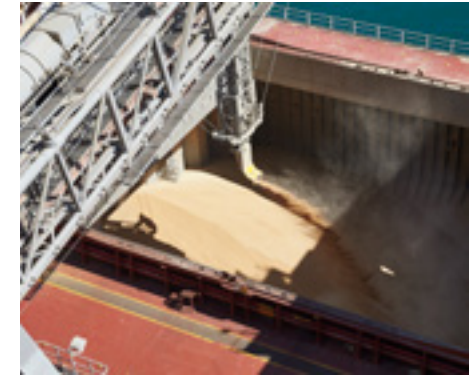
Imports of break-bulk (general cargo) increased by 17,105 tonnes or 5.3 per cent. The import of iron and steel products increased by 16,662 tonnes or 31.6 per cent compared with 2015-16.



EXPORTS

Total exports in 2016-17 increased by 0.71 million tonnes or 3.5 per cent compared with the same period last year. In the Outer Harbour, bulk exports increased by 0.59 million tonnes or 3.6 per cent compared with 2015-16. Exports of bulk grain totalled 6.7 million tonnes, an increase of 1.5 million tonnes or 28.1 per cent compared with the same period last year. Bulk iron ore

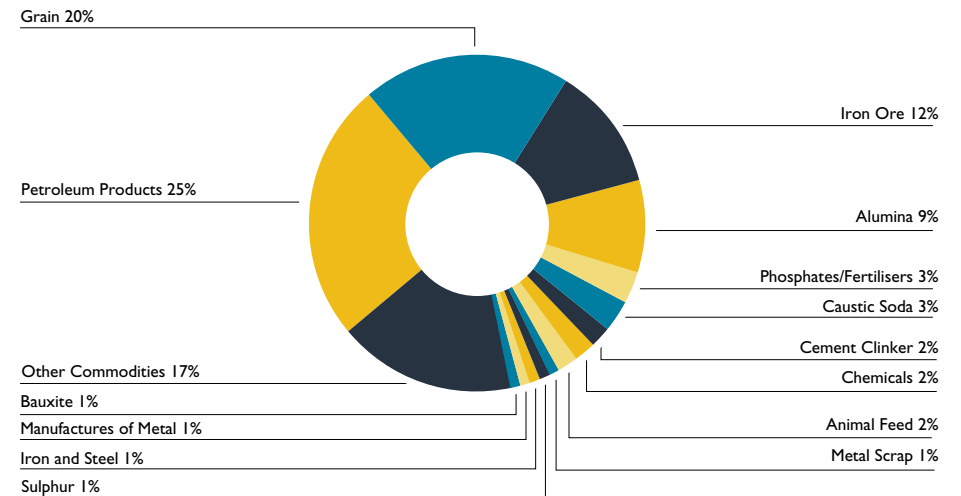
exports in the Outer Harbour decreased by 1.1 million tonnes or 20.1 per cent and refined petroleum decreased by 0.33 million tonnes or 14.7 per cent. Inner Harbour non-containerised cargo increased by 31,319 tonnes or 6.2 per cent when compared with 2015-16.



Loading grain at the Kwinana Grain Terminal

Principal Commodities Imports/Exports

2016-17





Fremantle's Inner Harbour handles almost all of the container trade for Western Australia.

CONTAINER TRADE

WHEN COMPARED WITH 2015-16:

- Total container trade increased by 0.1 per cent. Exports increased by 0.4 per cent and imports decreased 0.1 per cent.
- Total full container trade increased by 1.5 per cent. Full container exports increased by 6.2 per cent or 12,484 TEU (twenty-foot equivalent units) and full imports decreased by 1.2 per cent or 4,281 TEU (twenty-foot equivalent units).
- Empty container exports decreased by 7.8 per cent and empty imports increased by 17.8 per cent.
- Coastal container throughput increased by 4.9 per cent or 4,317 TEU. Coastal full container throughput totalled 67,775 TEU, a decrease of 9.3 per cent. Coastal empty container throughput increased by 11,302 TEU or 84.5 per cent.

The decrease in full container imports was predominantly due to a contraction of commodities used in the construction industry such as manufactured metal, machinery, fabricated construction material, brick, tiles and pavers and iron and steel. The growth in full container exports was basically due to rises in raw commodities. Oaten hay and grains increased by 6,900 TEU or 23.7 per cent and 3,005 TEU or 11.8 per cent respectively.

TOP TEN CONTAINER TRADING PARTNERS

| Total Full Container Trade (TEU) | | |
|--|--------------|--------------|
| COUNTRY | 2015-16 | 2016-17 |
| China | 155,057 | 157,846 |
| Australia (coastal trade) | 74,760 | 67,892 |
| Japan | 28,360 | 33,845 |
| Malaysia | 32,422 | 31,513 |
| Thailand | 29,354 | 28,803 |
| South Korea | 24,032 | 26,617 |
| Indonesia | 20,207 | 25,562 |
| Singapore ¹ | 20,744 | 17,707 |
| United States of America | 17,694 | 17,391 |
| Vietnam | 15,421 | 17,022 |
| Top 10 Countries Percentage of Full Container Trade | 76.0% | 76.0% |

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.



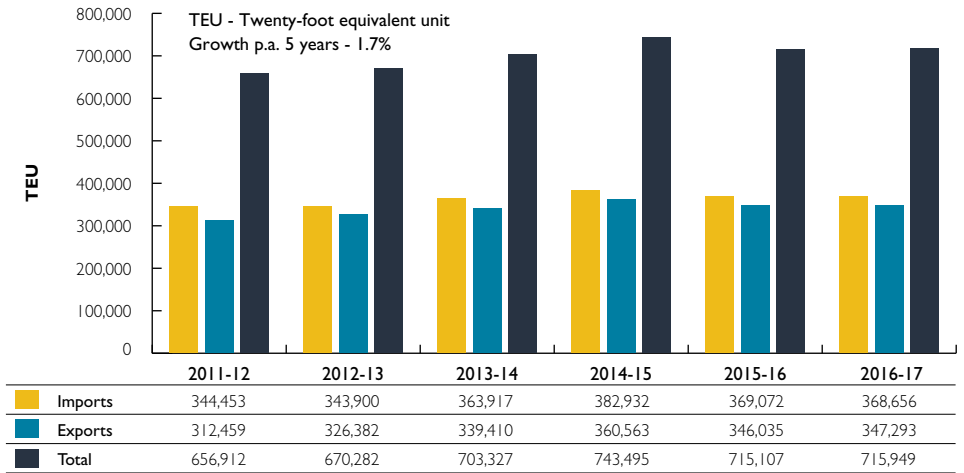
Passat Summer heads into port.



Total container trade was slightly above last year's level.

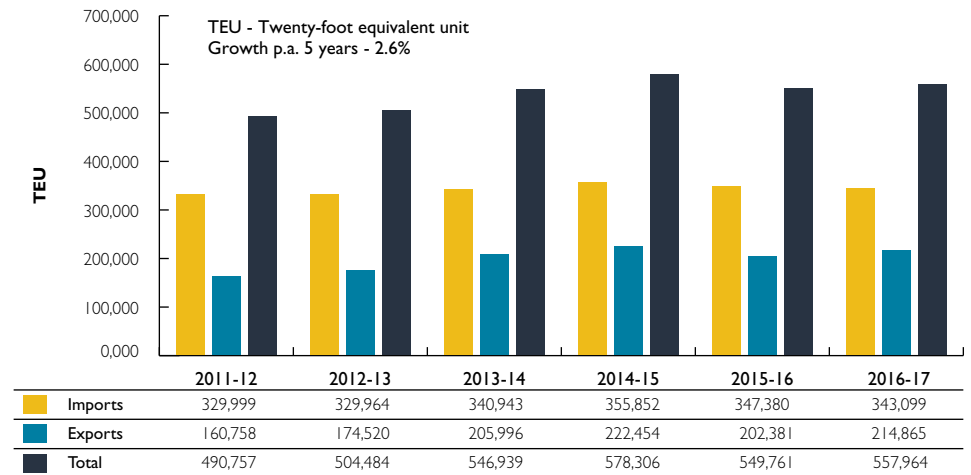
Container Trade Comparison

2011-12 to 2016-17



Full Container Trade Comparison

2011-12 to 2016-17





Vehicle carrier Tiger at H Berth. The heavy duty berths at the eastern end of Victoria Quay handle most of Fremantle Port's motor vehicle imports.

BREAK-BULK CARGO

The total throughput of break-bulk (non-containerised) cargo in the Inner Harbour 2016-17 was 773,784 mass tonnes, an increase of 1.7 per cent compared with the previous year. Imports increased by 1.8 per cent mainly due to rubber manufactures and iron and steel products. Exports increased by 1.7 per cent compared with last year mainly due to an increase in metal scrap by 20,060 tonnes or 12.6 per cent.

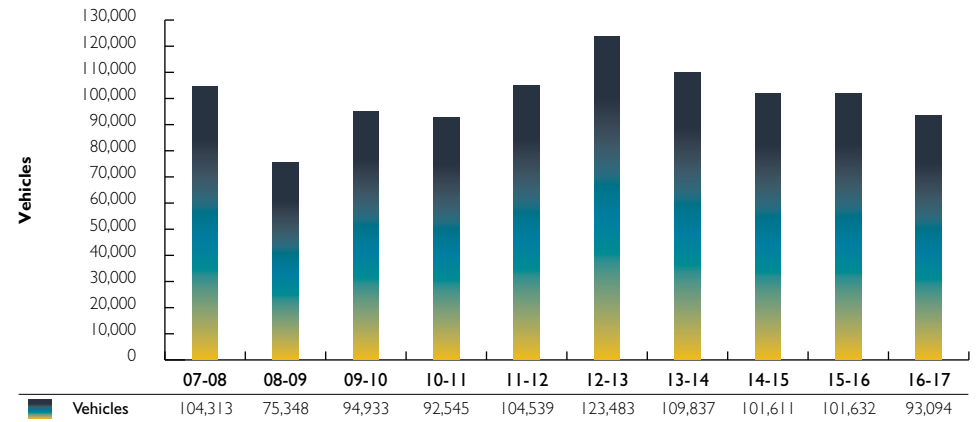
MOTOR VEHICLES IMPORTS

In 2016-17 the total import of new motor vehicles equalled 93,094 units, a decrease of 8,538 units or 8.4 per cent. The combined total of vehicles imported from Japan, Thailand and South Korea made up 76.7 per cent of total imports, with all three countries' imports decreasing in 2016-17. Motor vehicle imports from Japan decreased by 1,350 units or 4.3 per cent, Thailand by 4.0 per cent or 1,115 units and South Korea by

6.5 per cent or 1,025 units. Motor vehicle imports from the USA decreased by 1,429 units or 22.3 per cent and Argentinian imports decreased by 558 units or 78.2 per cent. Imports from Europe totalled 13,624 units, a decrease of 2,350 units or 14.7 per cent, mainly due to imports from Belgium decreasing by 2,091 units or 26.5 per cent compared to 2015-16.

New Motor Vehicles - Imports

2007-08 to 2016-17





New livestock carrier Yangtze Harmony prepares to depart Fremantle on its first visit to the Arabian Gulf.

LIVE SHEEP EXPORTS

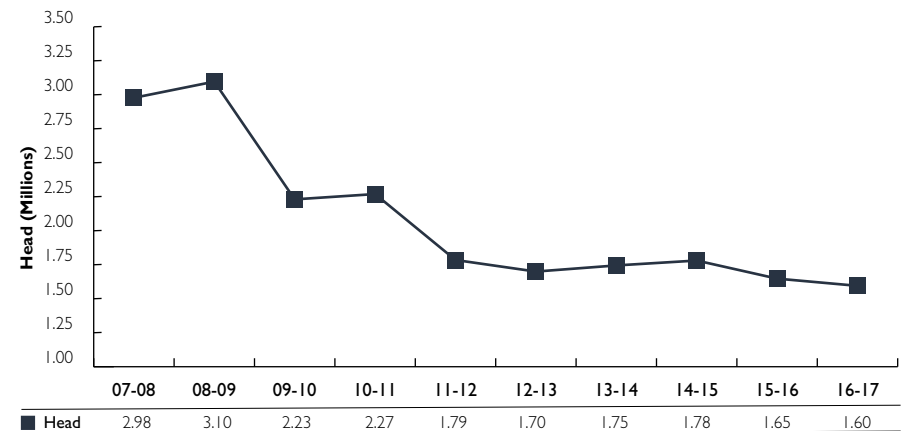
Exports of live sheep totalled 1.6 million head and accounted for 87.5 per cent of Australia's live sheep exports. The Middle East was the destination for 99.4 per cent of exports from Fremantle. Kuwait was the largest market for live sheep in 2016-17 with 0.58 million head exported, however, exports decreased by 0.14 million head compared with 2015-16. Exports to Bahrain decreased by 85,000 head or 73.9 per cent and exports to Qatar increased by 106,780 head or 29.2 per cent.

LIVE CATTLE EXPORTS

Live cattle exports totalled 136,598 head, a decrease of 29,947 head or 18.0 per cent compared with 2015-16. Trade with Israel decreased by 23,605 or 35.2 per cent and Vietnam decreased by 21,503 head or 57.9 per cent. Turkey was the only destination that experienced significant growth; exports to Turkey increased by 20,641 head or 140.4 per cent.

Live Sheep Exports

2007-08 to 2016-17





The Kwinana Bulk Terminal is one of two bulk port facilities operated by Fremantle Ports.

BULK CARGO

Bulk cargo contributed 27.5 million mass tonnes or 78.0 per cent of total port trade in 2016-17, 1.5 per cent higher than last year. Bulk exports increased by 0.59 million tonnes or 3.6 per cent and imports decreased by 0.18 million tonnes or 1.7 per cent. Fremantle Ports' principal bulk cargo, petroleum products, decreased by 0.17 million tonnes to 8.7 million mass tonnes or 1.9 per cent in 2016-17 when compared with the same period last year. Refined petroleum exports (includes bunkers) were down 0.33 million tonnes or 14.7 per cent compared with 2015-16. Refined petroleum imports

increased by 0.18 million tonnes or 32.5 per cent. Crude petroleum imports totalled 6.1 million tonnes, down by 22,922 tonnes or 0.4 per cent. The top three bulk exports were iron ore, wheat and alumina which accounted for 68.1 per cent of total bulk exports.

Iron ore decreased by 1.1 million tonnes or 20.1 per cent, wheat increased by 0.11 million tonnes or 2.8 per cent, and alumina increased slightly by 39,815 tonnes or 1.3 per cent.

Total trade at the Kwinana Bulk Jetty decreased by 102,543 tonnes to 2.45 million tonnes in 2016-17. This was

mainly due to sulphur and cement clinker imports decreasing by 126,792 tonnes or 26.3 per cent and 156,503 tonnes or 50.9 respectively. The principal commodity at the Kwinana Bulk Jetty is phosphates and other fertilisers which increased by 65,814 tonnes or 6.8 per cent. The total trade throughput at the Kwinana Bulk Terminal (KBT) decreased by 0.87 million tonnes or 13.4 per cent to 5.6 million tonnes in 2016-17, mainly due to decreases in iron ore exports. Exports of iron ore totalled 4.3 million tonnes in 2016-17, a decrease of 1.1 million tonnes or 20.1 per cent.



Bulk carrier MV Ken Mei unloading white clinker at the Kwinana Bulk Terminal for Cockburn Cement

| TRADE BY CARGO CLASS (MASS TONNES) | | |
|------------------------------------|-------------------|-------------------|
| CARGO | IMPORTS | EXPORTS |
| Liquid Bulk | 8,088,940 | 2,019,341 |
| Dry Bulk | 2,612,134 | 14,815,537 |
| Non - Containerised | 341,847 | 431,937 |
| Containerised | 3,423,375 | 3,578,458 |
| TOTAL | 14,466,296 | 20,782,798 |

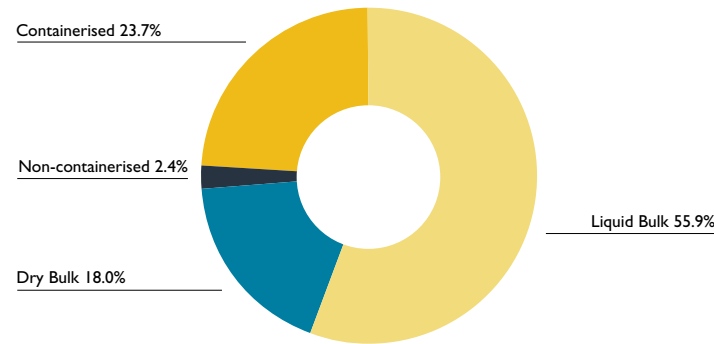


Kwinana Bulk Jetty



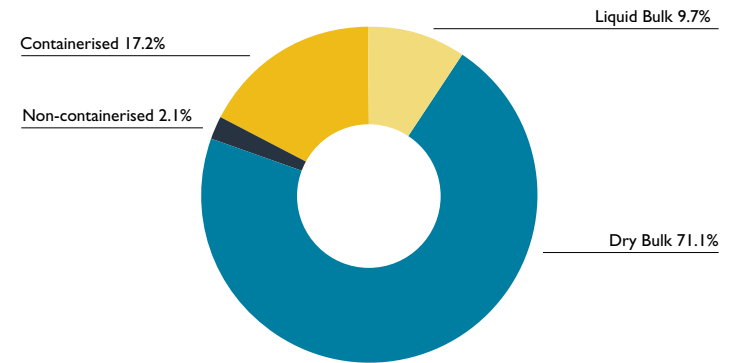
Trade by Cargo Class Imports

2016-17 (Mass Tonnes)



Trade by Cargo Class Exports

2016-17 (Mass Tonnes)



MAJOR OVERSEAS TRADING REGIONS

In 2016-17 trade with Asia totalled 22.8 million tonnes which accounted for 64.6 per cent of total port trade. Trade with Asia increased by 1.0 million tonnes or 4.6 per cent in 2016-17 when compared with 2015-16. Trade with South East Asia increased by 1.04 million tonnes or 13.3 per cent and trade with Southern Asia increased by 0.26 million tonnes

or 27.3 per cent. Trade with East Asia decreased by 0.29 million tonnes or 2.3 per cent. This decline was mainly due to a reduction in wheat exports and cement clinker imports. Trade with the Middle East decreased by 0.42 million tonnes or 8.2 per cent mainly due to a reduction in bulk imports of caustic soda, phosphate and bulk exports of barley. Trade to Western Europe increased by 0.24 million tonnes or 29.2 per cent.

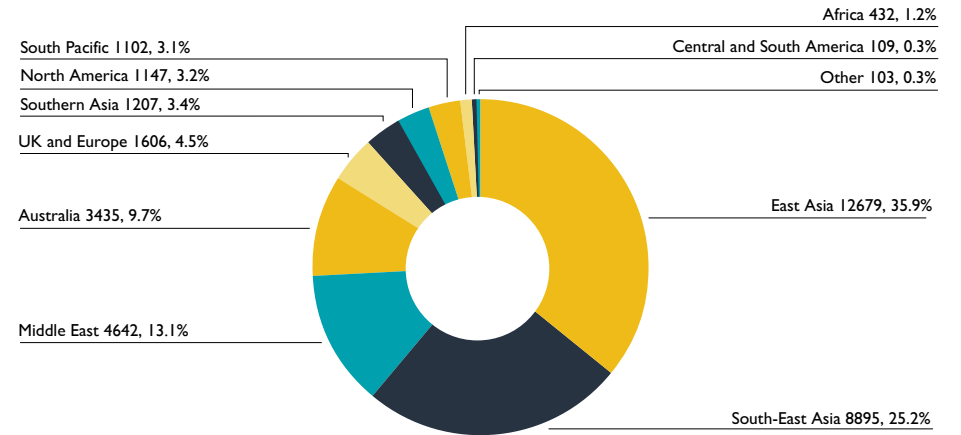
This increase was due to bulk grains exports, particularly canola seed to Germany.

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 shown in the appendix of Statistical Information.)



Principal Areas of Trade

2016-17 Mass Tonnes (000's)



The trade in new motor vehicle imports is expected to pick up in 2017-18.

TRADE OUTLOOK FOR 2017-18

There has been very subdued growth in the container trade in recent years with the average annual growth in container trade being 1.7 per cent over the last 5 years. Though increases in full exports were significant in 2016-17, the volatility of raw export commodities and the unlikelihood of an upsurge in imports make forecasting difficult. Our forecast for the container trade based on discussions with shipping lines and some shippers is for a

conservative increase of 2.0 per cent for total TEU container throughput in 2017-18.

New motor vehicle imports fell sharply in 2016-17 by 8,538 units or 8.4 per cent when compared to 2015-16. In 2017-18 a moderate growth of 3.0 per cent or 2,800 units is forecast.

Kwinana Bulk Jetty and Kwinana Bulk Terminal Bulk (KBT) bulk cargo tonnages represent around 23.0 per cent of total port bulk cargo volumes. Trade throughput

at the Kwinana Bulk Jetty is forecast to increase in 2017-18 to 2.7 million tonnes, influenced by expected rises in silica sand exports. As a result of additional exports of bauxite and some other commodities, trade through KBT is expected to grow by 3.4 per cent in 2017-18.

Petroleum products (Fremantle Port's major bulk commodity) are forecast to decrease by 0.3 million tonnes to around 8.3 million tonnes in 2017-18 and dry bulk alumina exports in 2017-18 are expected to remain at levels similar to 2016-17 or 3.1 million tonnes.



Exports of grains from CBH Group's Kwinana terminal reached 6.7 million tonnes in 2016-17, an increase of 1.5 million tonnes compared with 2015-16. Over the past three years, the crop harvest has been robust with average monthly shipments of grain from CBH in Kwinana greater than 0.50 million tonnes. This season, initial grain forecasts have declined due to lower than expected rainfall which is critical to the overall harvest outcome. Fremantle Ports forecasts that bulk grain exports from Kwinana in 2017-18 will be in the region of 4.5 to 5.0 million tonnes.

BULK BUSINESS GROWTH

Fremantle Ports' bulk business is an increasingly important trade sector, generating 31.2 per cent of overall revenue in 2016-17.

At the Kwinana Bulk Terminal (KBT), one of the two large bulk-handling facilities owned and operated by Fremantle Ports, berth occupancy is high (77 per cent in 2016-17). To ensure planned increases in products such as cement clinker, a project team was established and is currently evaluating material-handling system options to increase KBT's import capacity.

New agreements were negotiated for the continuation of Mineral Resources Ltd's iron ore exports from the Kwinana Bulk Terminal and sulphur imports over the Kwinana Bulk Jetty used in the Murrin Murrin nickel mining operations near Leonora.

Over the past year, several additional export trades have commenced for the bulk business sector. One of these is the export of spodumene, which is an

important source of lithium for use in ceramics, mobile phone and automotive batteries, and medicine, and as a fluxing agent. Five shipments from the Mount Marion project near Kalgoorlie were exported from the Kwinana Bulk Terminal.

Regular exporting of bauxite is occurring from the Kwinana Bulk Terminal and silica sands are being exported across the Kwinana Bulk Jetty.



Bauxite stacks, Kwinana Bulk Terminal



The visit of *Ovation of the Seas* was a highlight of a busy cruise season.

CRUISE SHIPPING

Royal Caribbean's *Ovation of the Seas*, the biggest cruise ship ever to visit Australia, made its debut in Fremantle on 6 December. Launched in Europe in 2016, the ship is 168,666 gross tonnes and 348 metres in length. It can carry 5,000 passengers. Fremantle Ports was represented on a committee, working with Cruising Australia, the City of Fremantle, Fremantle Chamber of Commerce and WA Tourism to ensure that this very large ship was suitably welcomed to Fremantle.

Other inaugural calls during the reporting year were *Maasdam*, *Emerald Princess*, *Artania* and *Sirena*.

In all there were 60 cruise ship visits (compared with 58 last year) made by 15 individual ships with a total of 150,602 passengers. Of the 60 ship visits, 45 were homebased (complete passenger exchange at Fremantle) and 15 visits were international (transit passengers). Most of the homebased calls were made by *Astor*, *Pacific Eden* and *Sun Princess*.

In May, Carnival Australia announced it would cease homebasing P&O and Princess cruise line services out of Fremantle from 2018. Fremantle Ports understands the decision related to infrastructure and other issues with some WA regional ports. Carnival has provided Fremantle Ports with positive feedback

about Fremantle Passenger Terminal and port services over the years.

At this stage, the number of cruise ships visits expected for 2017-18 is 44, comprising 24 homebasing visits and 20 international visits (an increase in international visits of five from the reporting year). Fremantle Ports and Tourism WA will continue to work with cruise line operators to ensure high service levels in Fremantle and to grow the cruising business.

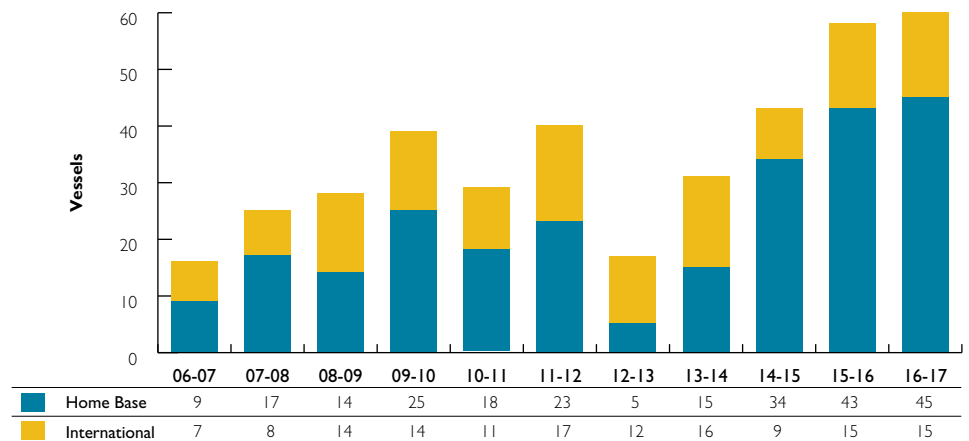
Fremantle Ports is currently looking at some further upgrading of the Fremantle Passenger Terminal to improve passenger amenity and connections with the City of Fremantle.



Pacific Eden

Cruise Vessels Visiting Fremantle Port

2006-07 to 2016-17





Scientists on German research ship RV Sonne have been studying climate evolution and the impacts of climate change on the Great Barrier Reef and other coastal ecosystems.



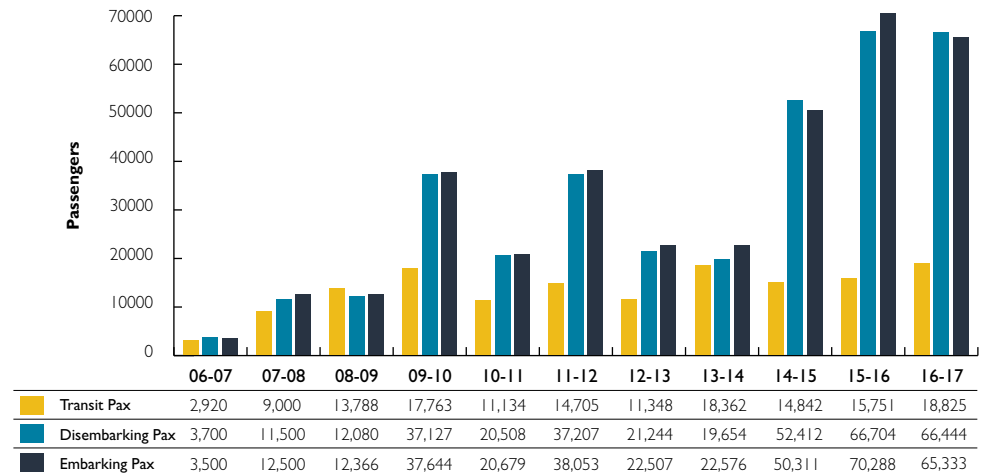
The Indian Navy's guided missile frigate INS Shivalik



The Royal Australian Navy's amphibious assault ship HMAS Adelaide at Victoria Quay

Passengers Through Fremantle Port

2006-07 to 2016-17



NAVAL AND RESEARCH SHIPS

Australian, New Zealand, Spanish and Italian naval ships visited the Fremantle Inner Harbour before and after Exercise Ocean Explorer which took place off the WA coast between 10-13 March. This was the largest number of naval vessels to be accommodated on Victoria Quay in 10 years. The vessels HMAS Adelaide, HMAS Darwin, HMAS Melbourne, New Zealand Navy vessels HMNZS Te Kaha and HMNZS Endeavour were accommodated in Fremantle due to the large number of foreign navy vessels

occupying available berths at the Royal Australian Navy base HMAS Stirling at Garden Island.

Three Indian Navy ships, frigate INS Shivalik, tanker INS Jyoti and frigate INS Kamorta visited in June.

The Spanish Armada ship ESPS Cristobal Colon visited in February and Italian naval ship ITS Carabiniere in January.

The November visit of the Japanese Antarctic research ship Shirase II marked the 51st annual visit in an unbroken relationship with the Port of Fremantle.

The 138m Shirase, a powerful ice-breaker, is Japan's main Antarctic support vessel. It normally makes one single long voyage each season to Antarctica from Japan via Fremantle, transporting Antarctica researchers to and from Antarctica and delivering stores.

RV Sonne, one of the world's most high-tech research vessels, attracted a record number of visitors (3200) for the ship when it was open to the public at Victoria Quay in June.



AIMS:

- increase certainty for shareholders and customers by planning how the port will be developed over the long term to cater for future demand
- promote increased investment in the port
- ensure that we can continue to deliver against our long-term financial and customer service goals

MASTER PLANNING

Liaison with other Government departments is taking place on the likely program of work related to the preparation of a master plan to set out the strategic vision for the port. The inter-agency project aligns with the State Government's commitment to begin planning for the Outer Harbour at Kwinana and the associated road and rail links as part of a long-term integrated transport plan for the State.

This preparatory work will feed into the work of the taskforce which will be established by our Minister to oversee the planning.

The planning process will require significant, wide-ranging stakeholder consultation and will be taking a forward-looking view, considering matters such as shipping, trade and logistics trends, technological advancements, commercial implications, environmental issues, land uses, corridor protection and community expectations.

VICTORIA QUAY

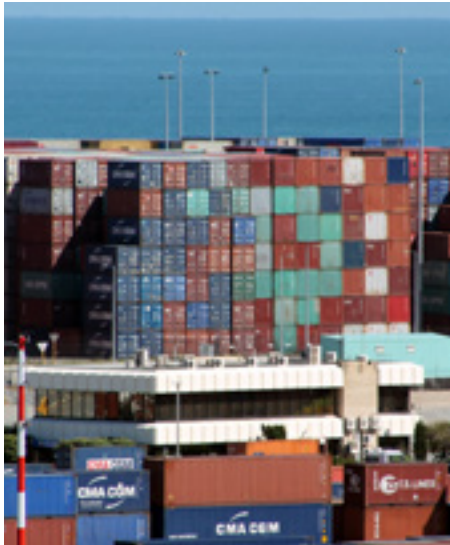
One of the priorities identified in Fremantle Ports' 2021 Business Plan was the need to develop a new vision for the western end of Victoria Quay. Consistent with the State Government's commitment to rejuvenating this part of the port, the aim is to determine how this area will best be developed in alignment with the previous planning studies undertaken as well as with the current expectations of the community and other key stakeholders.

During the year, Fremantle Ports has undertaken initial work on the preparation of this vision which it will further progress in 2017-18 in consultation with the City of Fremantle and other relevant stakeholders. This work will include identification of new commercial development opportunities to attract more visitors and tourists to the area. An additional component of the scope of work will be to consider improvement opportunities for the Fremantle Passenger Terminal and its connections to the city.

The eastern end of Victoria Quay, which has reinforced, heavy duty berths, makes a critical contribution to accommodating the overall trade task for the State. It is required for the foreseeable future for operational purposes, in particular for motor vehicle and machinery imports.



King Willem-Alexander and Queen Maxima of the Netherlands visited Victoria Quay on 31 October.



Container stacks, North Quay

LANDSIDE LOGISTICS

RAIL

Despite the subdued conditions for container trade, the Inner Harbour rail services carried 108,000 TEU (twenty-foot equivalent units) in 2016-17, an increase of 4 per cent on the previous year's record. This represents a market share for rail of 15.2 per cent, up from 14.5 per cent last year.

Notably, growth was solid in the latter part of the year with a market share of nearly 17 per cent in the last quarter. Since 2009-10, rail volumes have grown at a compound rate of nearly 10 per cent annually, well above trade growth over that period.

Rail is performing an increasingly important role in moving containers to and from Fremantle, and the objective is to further build this market share. The State Government's commitment to continue with and increase the level of subsidy will assist this to occur.



At 15.2 per cent, the rail share of container trade compares well with the best amongst Australian capital city ports.



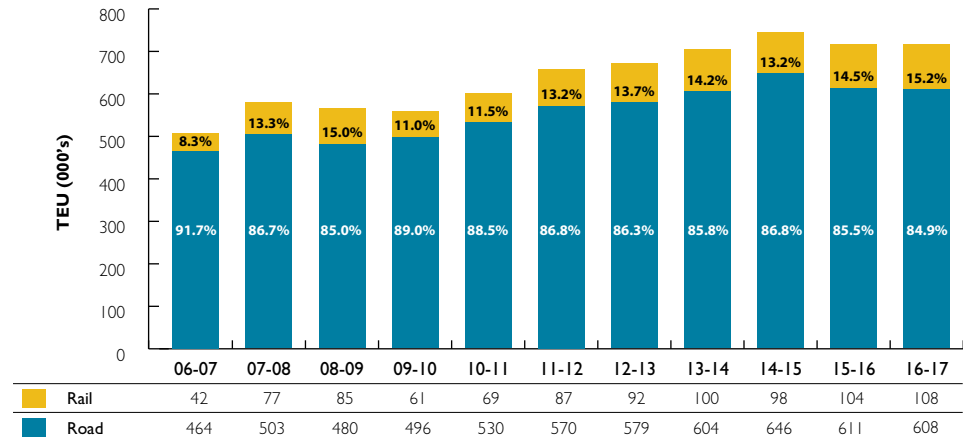
Truck turnaround times at the North Quay container terminals are above the average of the five capital city ports.



Increased use of rail for container freight is reducing truck congestion on roads linking with the port.

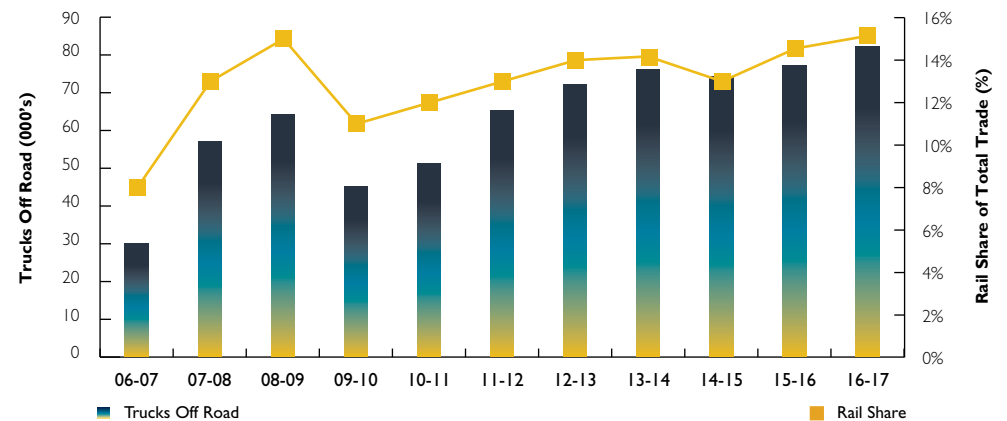
North Quay Rail and Road Services Volumes (TEU)

2006-07 to 2016-17



Rail Share and Trucks Off Road

2006-07 to 2016-17

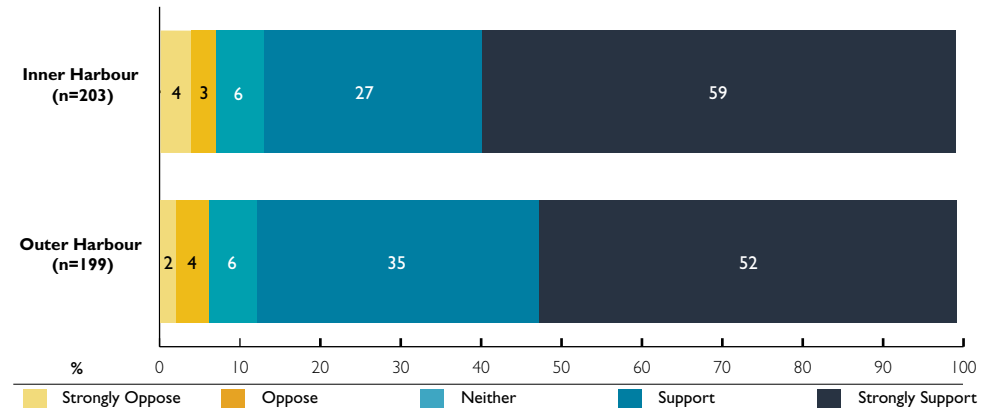




COMMUNITY SUPPORT FOR RAIL

Community Support for Increased Use of Rail

2016-17



Please note : Percentage figures were subject to rounding.

ROAD

Recognising the central importance of road transport for the Inner Harbour and surrounding communities, Fremantle Ports conducts a truck survey each year to monitor numbers of truck movements and identify trends in trucking productivity. The 15th Annual Truck Survey was conducted over a two-week period in September 2016, and indicated a marginal decline in average truck loadings. Some of the main findings were:

- Truck numbers grew by 4 per cent against a backdrop of relatively static trade levels, with Port Beach Road (the northern corridor) accounting for the majority of increased truck movements. The number of container trucks observed on Tydeman Road remained fairly static compared with 2015.
- An increase in unladen (empty) truck movements was observed, accounting for 29 per cent of all movements, compared with 26 per cent in 2015.
- In terms of off-peak operations, there was a slight increase in activity during peak weekday periods but an increase in weekend activity was also evident. In general, trucking operations at the Inner Harbour have been operating smoothly with few significant delays being experienced and average truck processing times remaining at very good levels by Australian standards.



The spread of truck activity has expanded further into off-peak periods, effectively increasing the capacity of the port and its key service providers.

In parallel with the Truck Survey, Fremantle Ports commenced a review of the Truck Productivity Strategy which was developed following a major study in 2013.

Consultation with industry has occurred as part of this review through an operator survey and this work has indicated clearly that most of the changes introduced over recent years are widely seen to have had positive impacts on productivity and efficiency.

- Of a range of industry changes introduced over the past five years, 87 per cent were considered by industry to have had positive productivity impacts. The main negative influences were related to the tough business environment in WA in recent times.
- Truck turn times at the container terminals have improved by 30 per cent and remain the best in Australia.
- Container volumes on the rail shuttle service have increased by 9.7 per cent annually since the GFC.

- The role of the major off-port empty container park has significantly increased, accounting for 16 per cent of total market holdings in 2016 compared with 8 per cent in 2011.
- The reclamation project at the Inner Harbour has increased the port's operational land areas by creating larger and more efficient operational sites for high productivity logistics activities, empty container parks (ECPs), and an improved road design.
- Uncontrolled truck queuing has been almost eradicated in the Inner Harbour port precinct with the introduction of stricter policy, performance requirements, a new Truck Marshalling Area and Congestion Management System and a dedicated on-the-ground Traffic Coordinator.
- Key Performance Indicators (KPIs) introduced into new leases have positively changed operating behaviours by setting service standards for on-port service providers.

WA PORT OPERATIONS TASK FORCE

The Task Force, a long-standing forum comprising industry and Government agency representatives, celebrated its 30th anniversary this year. This group has continued to act as an ongoing forum for addressing issues before they escalate and damage supply chain efficiency.

It has responded to changes in a dynamic industry and has facilitated beneficial change in a range of areas such as introduction of booking systems at terminals and empty container parks. Fremantle Ports assumed the role of hosting and funding the Task Force in 2010. Through the Logistics Branch, it also provides the essential resources to address supply chain issues identified through discussion with the industry.



AIM:

Attain and maintain high levels of performance in safety and all other aspects of our work to support achievement of current and future goals



Simple modifications to the export conveyor system at the Kwinana Bulk Terminal have improved safety and product handling, and reduced cleaning costs and environmental impact.

OUR PEOPLE

STAFFING

Fremantle Ports' full-time equivalent employees total at 30 June 2017 was 297, compared with 307 last year. The natural attrition rate was 2.36 per cent and resignations comprised 2.69 per cent. The total attrition rate was 5.05 per cent.

EMPLOYEE RELATIONS

The *Bulk and General Stevedoring Enterprise Agreement* and the *Operations and Services Enterprise Agreement* were successfully renegotiated, and were registered and ratified by Fair Work on 19 April 2017. The *Administration and Management Enterprise Agreement* covering about 160 employees is due to expire on 20 January 2018. Renegotiation of this agreement will start in the second half of 2017.

ORGANISATIONAL CAPABILITY, SUSTAINABILITY, DEVELOPMENT AND GROWTH

The organisation's principal focus has shifted from possible privatisation to the integration of the new Business Plan, which has involved all staff. The aim is to ensure that each employee understands the new goals and how their own role will make a meaningful contribution to their achievement. Key elements include:

- developing alignment at an individual, branch and divisional level with the Business Plan, to ensure that each employee has a clear line of sight between their work and the achievement of branch, divisional and, ultimately, organisational goals
- undertaking activities focused on motivating staff to vigorously pursue implementation of the Business Plan, including ensuring that staff are kept up to date through regular communication, provided with opportunities to get involved in the work and are adequately supported through any change
- regular reporting of progress to the Board, Executive, Management Team and broader organisation.

HEALTH AND WELLNESS

With the increasing focus on mental health in the workplace, a Mental Health Policy was approved this year and managers participated in mental health awareness training. An awareness training program will be delivered to all employees.

Other activities included as part of Fremantle Ports' Health and Wellness program, included information sessions on healthy life style and general fitness. Opportunities were provided for skin checks, flu vaccinations, and general health and fitness assessments. Information was provided on superannuation.

Ergonomic assessments have been introduced for all new employees to ensure that workstation set-up will promote good ergonomic practices.



Year 10 students from Manjimup Senior High School visited Fremantle Port with their teachers to investigate post-school career and education options.



Notre Dame University Bachelor of Science student Alexandra de Moeller, who is majoring in environmental science and geography, completed six weeks' full time work experience with Fremantle Ports.

WORK EXPERIENCE, TRAINEESHIPS AND EDUCATION SUPPORT

During the year, we have hosted 12 work experience placements and more than 120 students gained an understanding of our operations and career opportunities in the maritime industry.

Fremantle Ports is actively involved with various educational institutions, including participating in the Kwinana Industry Council's iWomen, iMen, iDiversity and iScience education partnership programs, plus collaboration with external organisations promoting an increased focus on women in leadership, such as the National Association of Women in Operations (NAWO), Women's International Shipping and Trading Association (WISTA) and the local Kwinana Industries Council (KIC) women's networks.

Employees have actively engaged with the development and awareness of local youth through involvement in mock interviews, presentations to student and teacher groups, plus involvement with a Year 11 and 12 student conference held at Murdoch University. More information on education support is on page 53.

OCCUPATIONAL HEALTH AND SAFETY

As a continuing part of its *Safety for Life* program, Fremantle Ports has introduced a number of initiatives in the past year to ensure the high level of safety, for which the port has been recognised, is maintained. The program commits management and staff to integrate safety across all operations and to provide a safe and healthy environment for employees, contractors and visitors.

In a workplace which, by its nature, contains numerous hazards, the organisation has clear safety targets. The Board and Executive maintain a close watch on safety performance and together with management take a strong leadership role towards achieving and maintaining a safe workplace. Consultation and communication with staff and contractors are seen as priorities and these themes are reinforced by regular safety articles and headline pages in the monthly staff newsletter.

The organisation maintains a strategic approach towards maintaining the health and safety of its employees and contractors, recognising that an organisation requires good systems and a

positive safety culture to achieve optimum safety results. The organisation's practice of regularly reviewing its safety systems and submitting them to external audit has set high performance levels that continue to demonstrate a robust safety system which meets industry expectations.

Fremantle Ports was recertified to the Australian Standard AS/NZ 4801 during the major triennial Safety, Environmental and Quality audit by SAI Global, which found good evidence that permits to work, job safety analyses and workplace inspections were being performed.



Working at heights is a core risk against which certified safety training is conducted every three years.



The importance of teamwork and planning were emphasised during Fremantle Ports' inaugural and highly successful Safety Games, held as part of Safe Work Australia's National Safe Work Month in October. Competitors pictured were involved in one of the tasks associated with the games at the Kwinana Bulk Terminal.

SAFETY SNAPSHOTS

LOST-TIME INJURIES

- There were three lost-time injuries in 2016-17 compared with four the previous year. The Lost Time Injury Frequency Rate not only improved on the previous year, but also was the best result achieved in the past 12 years, while not reaching the improvement target set by the port.

SAFETY REPORTS

- The number of safety reports including hazards, near misses and people reports recorded in 2016-17 was the lowest recorded in the preceding six years.

SPRAINS AND STRAINS INJURY REDUCTION

- The total number of sprains and strains injuries was the best annual result attained in the preceding 12 years.

AUDITS AGAINST CRITICAL RISK STANDARDS

- An audit tool to assess compliance against Fremantle Ports' critical risk standards is continuing. Two audits were completed in June, with a total of 25 completed this financial year. These audits will be ongoing throughout 2017-18. A new risk matrix has been developed to align with the incident management and action management process.

SAFETY RECOGNITION

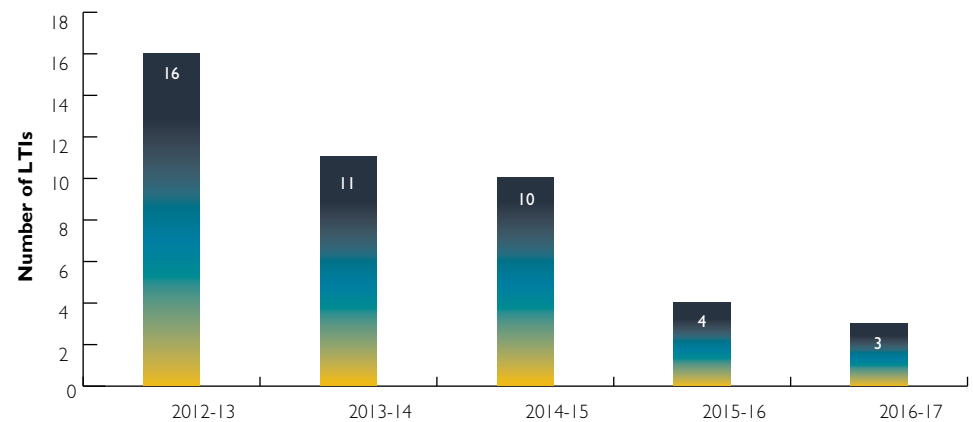
Fremantle Ports was the only WA organisation among the top five recognised in Safe Work Australia's Workplace Participation Reward from more than 90 entries.

Our entry was based on the special activities created and held at Fremantle Ports: The Safety Games, mental health talks, and the introduction of fact/fiction quizzes at toolbox meetings at Fremantle and Kwinana worksites.

The award was given for outstanding spirit, participation, creativity and sustainability during 2016 National Safe Work Month in October.

Lost Time Injury Reduction

2012-13 to 2016-17





Routine check of safety compliance in jetty repair project

SAFETY TRAINING ATTENDANCE

- The safety training attendance monthly average was above the current year target, and is the second best attained in the preceding five years.

EXECUTIVE, BOARD AND MANAGEMENT PARTICIPATION

- Executive and Board participation in safety activities exceeded the improvement target and was equal to the best result attained in the four years this measure has been recorded. Management participation and engagement was above the current year target and the previous year's result.

See also page 126 for compliance with occupational safety, health and injury management reporting.

PORT SECURITY

Fremantle Ports has continued to deliver efficient and effective security outcomes consistent with the *Maritime Transport and Offshore Facilities Security Act 2003 (Cth)* and Regulations and the *International Ship and Port Facility Security Code*. Security measures are set according to requirements under national 'alert' levels set by the Federal Government.

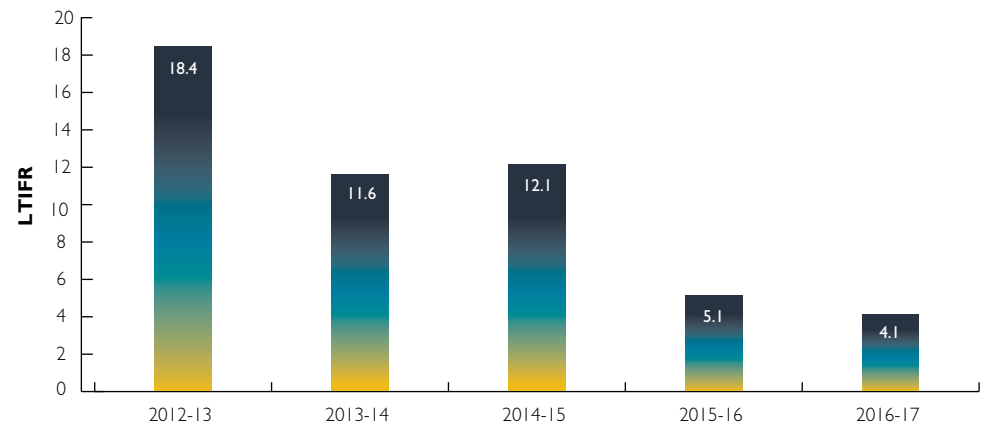
Fremantle Ports received approval from the Federal Department of Infrastructure and Regional Development for a new Maritime Security Plan covering both Inner and Outer Harbour operations.

In October 2016, Fremantle Ports was required to assist in preparing for Iron Eagle, a joint exercise between Australian and US Special Forces. The exercise was the largest of its kind ever conducted in Perth waters and was carried out successfully, reinforcing the excellent relationship Fremantle Ports has with the armed forces and in particular, anti-terrorist teams.

Fremantle Ports is an approved Issuing Body under the *Maritime Transport and Offshore Facilities Security Regulations 2003 (Cth)* for the purpose of receiving, processing and printing the Maritime Security Identification Cards (MSICs). In 2016-17, there were 3,178 MSICs processed, compared with 3,969 the previous year.

Lost Time Injury Frequency Rate - Monthly Average

2012-13 to 2016-17



LTIFR Frequency Rate = number of loss time injuries x 1,000,000/total hours worked



INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

The need to modernise, simplify, standardise and lower the cost of Fremantle Ports' IT environment has been a key driver in the development of an Information Technology Strategy and Plan. This follows external reviews of IT services and the appointment of a Chief Information Officer with a mandate to lead transformative change, with IT branches managed as a single service area.

As well as developing a clear strategy and framework, an initial focus for the first year has been on developing the governance framework, including guiding principles to be applied in decision-making. Other first year priorities are ensuring that the capability and capacity is in place and identifying systems requiring early attention. Activities included:

- To facilitate landside logistics, real-time information on port traffic and congestion conditions was provided directly to truck operators in their vehicle cabins via Transport Certification Australia's Traveller Information Service.

- Processing of general cargo electronic manifests was moved to a cloud-based online service for our customers. This service will be expanded to dangerous cargo manifests early in the 2017-18 financial year.
- The cloud-based Congestion Management System was enhanced to automate email notifications on Fremantle Ports' Variable Messaging System display boards to inform truck operators of truck traffic conditions at the terminals before their arrival.
- Fremantle Ports' first mobile app that assists truck operators to comply with Container Chain of Responsibility legislation was enhanced to provide relevant information during ship-loading operations to comply with international Safety of Life at Sea guidelines and requirements.
- BP was given self service access to Dynamic Under Keel Clearance (DUKC) reports on the company's bulk cargo shipments. (DUKC is draft-enhancing technology.)

STRENGTHENING CYBER SECURITY

Measures were put in place to provide additional levels of security on Fremantle Ports' systems, including email, that are accessible via the internet.

Significant enhancements to this system were initiated and substantially progressed.

TECHNOLOGY RENEWAL

Major milestones were achieved in Fremantle Ports' long-standing program to replace port operational systems underpinned by legacy technology that makes them increasingly difficult to maintain. An example is the replacement of our maintenance management system with a fit-for-purpose asset management and maintenance system designed to achieve savings through providing deeper insights into asset maintenance costs.

SMART METERING

The electricity billing system was replaced with contemporary technology integrating and automating management and administration. The newly-installed system will facilitate improvements in billing and also data collection for auditing.



Water and sediment quality monitoring



Fremantle Ports volunteers planting in the dunes at Kwinana Bulk Terminal

ENVIRONMENTAL MANAGEMENT

- Fremantle Ports retained certification to the international environmental standard ISO 14001 following an audit by compliance and risk specialists SAI Global. No major non-conformances were identified.
- Results of Fremantle Ports' annual marine quality monitoring program showed that the port-related activities are not having a significant detrimental effect on the marine environment. In 2016-17, monitoring was undertaken at 28 sites in the Inner and Outer harbours. Results of the monitoring of water, sediments and mussels are provided to the Cockburn Sound Management Council and the Department of Water and Environment Regulation.
- The Infrastructure Sustainability Council of Australia awarded a rating of excellence following an assessment of the project undertaken by Fremantle Ports for the construction of roads and services for the Rous Head Industrial Park.
- In an Australian first, Wesfarmers' EVOL LNG was approved by Fremantle Ports to bunker liquefied natural gas (LNG), providing access to this cleaner shipping fuel alternative for LNG-powered marine vessels visiting the port. LNG fuel has a better environmental footprint than traditional carbon fuel such as diesel and heavy fuel oil. The LNG bunkering will initially be for the new dual fuel offshore support vessels.
- Environmental surveys of cruise ships visiting Fremantle Port continued this year. The information gathered is helpful in understanding the technical capabilities of vessels and what emerging technologies are being implemented in line with global initiatives to reduce shipping emissions. A significant logistical improvement this year was the changeover to online surveying, reducing administrative workloads and allowing efficient analysis of collected data. Due to the success of the surveys and the value of the information obtained, the survey has now been extended beyond cruise ships, to gather information on all vessel types coming to Fremantle.
- Soil and groundwater assessment guidelines have been developed by tenants, providing a framework of responsibilities for soil and groundwater assessment. The purpose is to ensure that site conditions at the start of a lease are understood; to determine whether the site is suitable for commercial/industrial use and whether any contamination of soil or groundwater has occurred during the lease.
- A coast care day coordinated by Fremantle Ports at the Kwinana Bulk Terminal with help from Natural Resource Management was well supported by staff. As well as planting various types of salt and wind tolerant seedlings in the dunes, the activity involved a beach clean-up between the terminal's two jetties.



The shell sand built up by Fremantle Ports in the breeding sanctuary created at Rous Head is ideal for the scrape nests made by fairy terns.



Fremantle Ports is funding the purchase of satellite and GPS tracking devices being used to monitor the distances travelled by Little Penguins to forage.

SUPPORTING WILDLIFE RESEARCH

Fremantle Ports continued to support research into Little Penguins, dolphins in the Inner Harbour and fairy terns.

- Fremantle Ports is currently supporting Murdoch University research into the resilience of penguins near the Perth metropolitan area (Penguin and Garden islands) to climate change and coastal development.
- A dolphin study, funded by Fremantle Ports and conducted by Curtin University's Centre for Marine Science and Technology, is continuing to look at foraging behaviour and effects of underwater noise in the Inner Harbour.
- Fairy terns had another successful breeding season over the 2016-17 summer at Fremantle Ports' nesting sanctuary at Rous Head. Adult numbers over three seasons have increased from 90 pairs in 2014-15 to 160 pairs in 2015-16 and 190 pairs last summer. Fremantle Ports is working closely with the Conservation Council of WA to monitor the sanctuary's success. Data collected is also contributing to a broader (South West WA) citizen-science

project looking at the demographic structure of the migratory population and the conservation significance of local breeding populations. Fremantle Ports has provided the Conservation Council with a grant to establish a South West fairy tern conservation network.

VALUING OUR COMMUNITY

As one of Western Australia's most important strategic assets, our future sustainability is related to a very large extent on the support of the local and wider WA community for our operations. We strive to support the economic, social and environmental aspirations of communities in which we operate, with a view to building sustainable futures together.

Our independently-chaired Inner Harbour Community Liaison Group met four times during the year, with a sharing of information and views. We engaged with the community in a number of other ways: through our education program, our annual Maritime Day, participation in forums and support for a wide range of projects and programs.

The support given reflects our priorities and values as well as community priorities identified through annual surveying and consultation.

COMMUNITY SUPPORT

For the 12th year, Fremantle Ports was the anchor sponsor for the Fremantle Dockers Purple Haze Game which raised more than \$138,100 for the Starlight Children's Foundation. This brings the overall total raised since our involvement with this initiative to more than \$1.1 million.

Fremantle Ports funded two new outboard motors for the dories on Sail Training Ship *Leeuwin II*. The Fremantle Surf Lifesaving Club and the Dismantle bike rescue program for youth at risk were among other community sponsorships.

Community events supported included the Fremantle Festival, Rockingham Community Fair, Castaways Sculpture Awards, Coogee Jetty to Jetty 21st anniversary swim and the long-established annual Fremantle Ports Swim Thru.



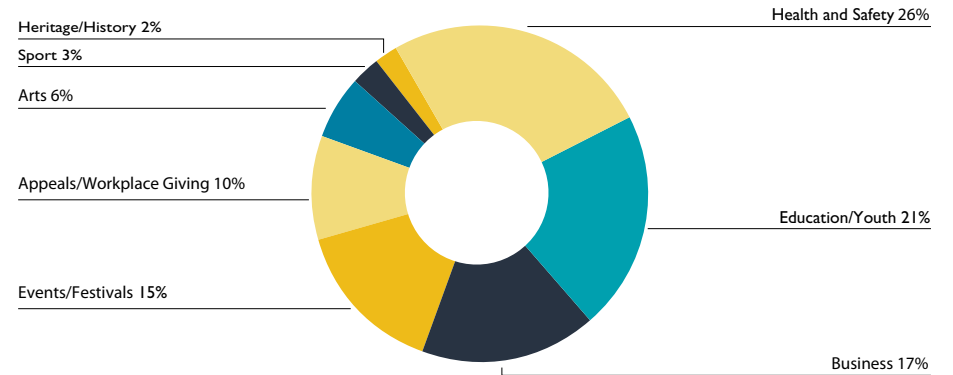
The Dogs' Refuge Home at Shenton Park received volunteering and other support during the year.



Taiko On percussive group performed at Maritime Day, courtesy of the Consulate General of Japan.

Community Sponsorship

2016-17



PORT EVENTS

Fremantle Ports' annual Maritime Day on 12 November was one of the most successful yet. An estimated 16,000 visitors took up the opportunity to enjoy displays and demonstrations in B Shed and elsewhere on Victoria Quay, the RAN submarine HMAS Sheean, a Svitzer tug, FP Response, STS Leeuwin, free harbour rides, a display of historic photographs, artists at work and many other maritime-themed activities.

A Japanese percussive group, school musical performances, bands, fashion parades and marching displays were on the entertainment bill and the annual cook-off was contested this year by Fremantle Ports, the Royal Australian Navy and Qube.

This increasingly popular and diverse event is a joint initiative of Fremantle Ports and the WA branch of the Company of Master Mariners of Australia, with strong support from port service providers and others associated with Fremantle's maritime sector.



Fremantle Ports volunteers cooked for Manna Inc, which provides healthy meals for homeless and disadvantaged people.



Students from Murdoch University's Kulbardi Aboriginal Centre toured the Inner Harbour.

VOLUNTEERING AND WORKPLACE GIVING

Our workplace giving and volunteering program provided significant help to the community during the year. Staff contributed a total of 336 hours of volunteering to benefit the Shenton Park Dogs' Refuge Home; Manna, a charity providing meals for homeless people; St Patrick's Community Care Centre; and Wanslea Grandcare.

Almost \$22,000 was presented to our 2016-17 workplace giving charity partners, Wanslea Family Services and Shenton Park Dogs' Refuge Home, which included \$10,000 from Fremantle Ports.

Volunteers also contributed to Anzac Day commemorative events.

EDUCATION SUPPORT

Fremantle Ports held its second careers information session for teachers involved in advising students about education, training and employment opportunities. Fremantle Ports, South Metropolitan TAFE, Total AMS, Svitzer, the Company of Master Mariners and the Leeuwin Ocean Adventure Foundation gave presentations to the 28 participants.

Fremantle Ports has been making a significant contribution over a number of years to the Kwinana Industries Council's internationally-awarded education development program. This year, almost 100 students involved in the program visited the port to learn about port operations and engage in maritime career-focused activities, such as harbour tours, presentations, career workshops and mentoring.

Two groups of students from Murdoch University's Kulbardi Aboriginal Centre visited Fremantle Ports this year to participate in a student mentoring program. Twice a year, Fremantle Ports also participates in the Deadly Dreaming program which is an Indigenous Youth Transition event to encourage young people to consider university study.

Fremantle Ports Maritime Scholarships were provided at Hillman Primary School and Rockingham Senior High School. Student achievement awards for Aboriginal Bridging Course graduates at Curtin University and an achievement award in Maritime Studies at South Metropolitan TAFE were sponsored. Fremantle Ports also continued to sponsor

one of the nine Discover Your Potential scholarships at Murdoch University's Rockingham campus.

Garden projects at Hillman and Richmond primary schools were provided with some funding. Fremantle Ports was also a sponsor of the Kwinana Industries Council Youth Art Awards held in March. Water safety education was provided at a number of schools through sponsorship of the Paraplegic Benefit Fund (PBF) Aqua Program.



A donation of native plants by Fremantle Ports for National School Tree Day has helped Richmond Primary School to expand and improve its landscaped area.



SIGNIFICANT ISSUES

HANDLING LARGER SHIPS

The Inner Harbour, deepened in 2010 to 14.7 metres, has ensured that the Port of Fremantle can handle any of the largest container ships currently visiting Australia's capital city ports.

The international trend towards larger container ships is expected to continue, with future operational and infrastructure implications for all Australian container ports. Modelling undertaken this year shows that Fremantle Ports' container terminals will be able to handle significantly larger ships than those currently calling, as the graphic on the next page shows.

INLAND FREIGHT FACILITIES

During the year, Fremantle Ports worked closely with the Department of Transport to investigate and evaluate potential intermodal sites which are integral to the rail supply chain for container freight. The findings of this work will be taken into account in industry discussions and as part of the planned master planning process for port and related landside facilities.

URBAN ENCROACHMENT

Incompatible land uses in proximity to the port and its land transport corridors have the potential to reduce efficiency or restrict the ability of the port to develop to its optimum capacity. This can result from complaints due to the impacts

of port operations impacting amenity (typically noise, odour, dust, and road congestion) or constraints on growth due to public risk criteria being exceeded.

In its liaison with government agencies this year, Fremantle Ports has continued to emphasise the importance of ensuring

that planning processes are adequate and applied effectively to ensure that the current and future needs of the port are taken into account when regional planning is undertaken or subsequently when local planning decisions are made.

CONTAINER SHIPPING SIZE vs PORT HANDLING CAPACITY

The increase in vessel size is an international reality as a requirement for efficiency gains through economies of scale.

CONTAINER SHIP FORMULA FOR CONTAINER CARRYING CAPACITY

Length x Breadth x Draft
i.e. container ships vary in design and this influences cargo capacity

FREMANTLE PORT INNER HARBOUR - 2017

Largest container ships currently visiting:
 305.6m x 40m x 14.5m (6589 TEU)
 300.0m x 40m x 14.5m (6732 TEU)
 300.0m x 42.8m x 14.5m (7849 TEU)

Current capacity:
 299.9m x 48.2m x 14m (9289 TEU)
 324.8m x 42.8m x 14.5m (8089 TEU)
 332.0m x 43.2m x 14.5m (8400 TEU)

Current facilities:

Future capacity:
 336.7m x 45.6m x 15.13m (8400 TEU)
 365.5m x 51.2m x 16.0m (14000 TEU)

PORT CAPABILITY FACTORS

- Wharf length
- Water depth
- Turning basin and channel width
- Cranage
- Landside container storage

WHAT'S NEEDED TO ENABLE NEW PANAMAX VESSELS TO BE HANDLED IN THE INNER HARBOUR?

Deepen harbour to increase draft capability from current 14/14.5m if required
 Introduce bigger cranes (height and reach)
 Increase towage efficiency (type and size)



Directors' 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 2017.

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

Helen Cook (Deputy Chair)

Deputy Chair since 1 July 2014

Jillian Hoffmann

Director since 17 May 2011

David Smith

Director since 1 January 2015

Michael Feutrill

Director since 1 December 2010

Fiona Lander

Director since 24 August 2012, resigned 30 January 2017

Directors' biographies are shown on pages 12-13.

DIRECTORS' MEETINGS

Attendance by Directors at meetings (including non-face-to-face meetings pursuant to Schedule 2 of the *Port Authorities Act 1999*) held during the financial year ended 30 June 2017 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 | | 12 | | 4 |
| Numbers of meetings attended by: | | | | |
| Dr Jim Limerick | 12 | 11 | - | - |
| Helen Cook | 12 | 12 | 2 | 2 |
| Jillian Hoffmann | 12 | 11 | 4 | 4 |
| David Smith | 12 | 12 | 4 | 4 |
| Michael Feutrill | 12 | 10 | - | - |
| Fiona Lander | 7 | 7 | 2 | 2 |

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 \$68.247 million (2016: \$69.236 million). The income tax expense attributable to the profit for the financial year was \$20.692 million (2016: \$16.912 million).



DIVIDENDS

In accordance with Government Financial Policy, Western Australian (WA) Ports are required to pay dividends of 75% (2016: 65%) of after tax profits, adjusted for special circumstances as approved by Government. From 1 July 2014, an amendment to Section 84 of the *Port Authorities Act 1999* came into effect which provides for Government to request an interim dividend be recommended by the Board. An interim dividend for the year ended 30 June 2017 was not required to be declared by the Board (2016: \$20.973 million).

In respect of the financial year results for the year ended 30 June 2016, a payment of \$12.362 million (2016: \$8.458 million) representing the balance of the final dividend totalling \$33.335 million (2016: \$30.692 million) was made by 31 December 2016.

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:

| | 2017 \$'000 | 2016 \$'000 |
|--------------------------------------|------------------------|------------------------|
| Profit before income tax | 68,247 | 69,236 |
| Income tax expense | (20,692) | (16,912) |
| Profit for the period | 47,555 | 52,324 |
| Other comprehensive loss | (251) | (401) |
| Retained earnings at 1 July | 190,231 | 167,739 |
| | 237,535 | 219,662 |
| Dividends paid in the financial year | (12,362) | (29,431) |
| Retained earnings at 30 June | 225,173 | 190,231 |



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

Following the Western Australian State election and the appointment of a new Government in March 2017, the Government has indicated its desire to no longer progress the divestment of Fremantle Ports. Fremantle Ports will continue to operate the business and work closely with its customers and stakeholders to fulfil its trade facilitation role.

The Government has indicated that it will be appointing a task force to progress planning for new port facilities in the Outer Harbour. The Board supports this work being progressed, which will assist Fremantle Ports in undertaking its statutory function under s.30(1)(a) of the *Port Authorities Act 1999* to 'plan for future growth and development of the port'.

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:

| Position | Name | Period of Membership* | Short-term benefits Board and committee fees | Post-employment benefits Superannuation | Total |
|--------------|------------|-----------------------|--|---|--------|
| | | | \$'000 | \$'000 | \$'000 |
| Chairman | J Limerick | 12 months | 84 | 8 | 92 |
| Deputy Chair | H Cook | 12 months | 48 | 5 | 53 |
| Director | J Hoffmann | 12 months | 47 | 4 | 51 |
| Director | D Smith | 12 months | 45 | 4 | 49 |
| Director | M Feutrill | 12 months | 42 | 4 | 46 |
| Director | F Lander | 7 months | 26 | 2 | 28 |

* The period of membership column refers to the Board member's membership during the 2016/17 financial year.

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:

| Name | Salary \$'000 | Other \$'000 | Post-employment benefits Superannuation \$'000 | Other long-term benefits Long service leave \$'000 | Total \$'000 |
|----------------|------------------|-----------------|---|---|-----------------|
| C Leatt-Hayter | 578 ¹ | 21 | 69 | 18 | 686 |
| G Valenti | 371 | 8 | 35 | 15 | 429 |
| A Gray | 369 | 13 | 36 | 12 | 430 |
| T Haria | 345 | 9 | 35 | 14 | 403 |
| S Wade | 318 | 6 | 46 | 13 | 383 |

¹ Includes one off payment in accordance with employment contract for additional duties carried out at the request of the Board during 2014/15 and 2015/16.

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 18 August 2017.

Chairman

Director

25 August 2017

DISCLOSURES AND LEGAL COMPLIANCE

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017



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DISCLOSURES AND LEGAL COMPLIANCE

DIRECTORS' DECLARATION



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

- (a) the financial statements and notes, set out on pages 61 to 105 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 2017 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 18 August 2017.

Chairman

Director

25 August 2017

DISCLOSURES AND LEGAL COMPLIANCE

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017



| | Note | 2017 \$'000 | 2016 \$'000 |
|---|------|----------------|----------------|
| Revenue | A.1 | 214,056 | 223,337 |
| Expenditure | | | |
| General administration | | (34,066) | (39,085) |
| Port operations expenses | | (30,750) | (31,857) |
| Asset maintenance | | (29,514) | (31,512) |
| Depreciation and amortisation expense | A.2 | (16,762) | (16,589) |
| Finance costs | A.2 | (10,145) | (11,400) |
| Marine expenses | | (9,080) | (9,221) |
| Rates and taxes | | (8,181) | (8,258) |
| Port utilities | | (5,332) | (5,021) |
| Environmental expenses | | (372) | (604) |
| Other expenses | | (1,607) | (554) |
| Profit before income tax | | 68,247 | 69,236 |
| Income tax expense | A.4 | (20,692) | (16,912) |
| Profit after income tax for the period | | 47,555 | 52,324 |
| Other comprehensive loss | | | |
| <i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Re-measurement losses on defined benefit plans | D.2 | (358) | (573) |
| Income tax effect | A.4 | 107 | 172 |
| Total other comprehensive loss | | (251) | (401) |
| Total comprehensive income for the period, net of tax | | 47,304 | 51,923 |

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 2017



| | Note | 2017 \$'000 | 2016 \$'000 |
|----------------------------------|------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C.2 | 96,173 | 51,387 |
| Trade and other receivables | E.1 | 22,333 | 26,221 |
| Inventories | E.2 | 3,366 | 3,241 |
| Total current assets | | 121,872 | 80,849 |
| Non-current assets | | | |
| Receivables | E.1 | 4,935 | 5,560 |
| Property, plant and equipment | B.1 | 426,097 | 440,279 |
| Intangible assets | B.2 | 217 | - |
| Deferred tax assets | A.4 | 25,774 | 26,607 |
| Total non-current assets | | 457,023 | 472,446 |
| Total assets | | 578,895 | 553,295 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | E.3 | 14,306 | 12,524 |
| Interest bearing borrowings | C.3 | 1,373 | 1,308 |
| Current tax liability | A.4 | 2,075 | 1,387 |
| Provisions | D.1 | 14,064 | 13,630 |
| Other liabilities | E.4 | 1,358 | 1,359 |
| Total current liabilities | | 33,176 | 30,208 |

| | Note | 2017 \$'000 | 2016 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Non-current liabilities | | | |
| Interest bearing borrowings | C.3 | 196,455 | 208,136 |
| Provisions | D.1 | 17,595 | 18,206 |
| Other liabilities | E.4 | 1,437 | 1,455 |
| Total non-current liabilities | | 215,487 | 227,797 |
| Total liabilities | | 248,663 | 258,005 |
| Net Assets | | 330,232 | 295,290 |
| EQUITY | | | |
| Contributed equity | C.6 | 105,059 | 105,059 |
| Retained earnings | C.6 | 225,173 | 190,231 |
| Total equity | C.6 | 330,232 | 295,290 |

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 2017



| | Note | Contributed equity \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|------|------------------------------|-----------------------------|------------------------|
| Balance at 1 July 2015 | | 105,059 | 167,739 | 272,798 |
| Profit for the period | | - | 52,324 | 52,324 |
| Other comprehensive loss | | - | (401) | (401) |
| Total comprehensive income for the period | C.6 | - | 51,923 | 51,923 |
| Transactions with owners in their capacity as owners | | | | |
| Dividends paid | A.3 | - | (29,431) | (29,431) |
| Balance at 30 June 2016 | C.6 | 105,059 | 190,231 | 295,290 |
| Balance at 1 July 2016 | | 105,059 | 190,231 | 295,290 |
| Profit for the period | | - | 47,555 | 47,555 |
| Other comprehensive loss | | - | (251) | (251) |
| Total comprehensive income for the period | C.6 | - | 47,304 | 47,304 |
| Transactions with owners in their capacity as owners | | | | |
| Dividends paid | A.3 | - | (12,362) | (12,362) |
| Balance at 30 June 2017 | C.6 | 105,059 | 225,173 | 330,232 |

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 2017



| | Note | 2017 \$'000 | 2016 \$'000 |
|---|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 237,514 | 243,768 |
| Payments to suppliers and employees | | (139,679) | (151,339) |
| Interest received | | 2,691 | 2,874 |
| Interest paid | | (10,349) | (12,080) |
| Income tax paid | | (19,064) | (16,935) |
| Net cash inflow from operating activities | A.5 | 71,113 | 66,288 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (1,978) | (7,362) |
| Proceeds from sale of property, plant and equipment | | 16 | 539 |
| Purchase of intangible assets | | (260) | - |
| Net cash outflow from investing activities | | (2,222) | (6,823) |

| | Note | 2017 \$'000 | 2016 \$'000 |
|---|------|-----------------|-----------------|
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (11,757) | (12,775) |
| Payment of finance lease liabilities | | (560) | (569) |
| Proceeds from finance lease receivable | | 574 | 527 |
| Dividends paid | A.3 | (12,362) | (29,431) |
| Net cash outflow from financing activities | | (24,105) | (42,248) |
| Net increase in cash and cash equivalents | | 44,786 | 17,217 |
| Cash and cash equivalents at 1 July | | 51,387 | 34,170 |
| Cash and cash equivalents at 30 June | C.2 | 96,173 | 51,387 |

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



ABOUT THESE STATEMENTS

Fremantle Ports is a not-for-profit reporting entity for the purposes of Australian Accounting Standards (AASs). The nature of operations and principal activities are described in the Directors' Report.

The financial statements were authorised for issue on 18 August 2017 by the Board of Directors of Fremantle Port Authority ('Fremantle Ports').

STATEMENT OF COMPLIANCE

The financial statements are general purpose financial reports prepared in accordance with AASs (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB). They also comply with the financial reporting provisions of the Port Authorities Act 1999.

BASIS OF PREPARATION

The financial statements have been prepared on an accrual accounting basis and in accordance with the historical cost convention. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

ROUNDING

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

COMPARATIVE FIGURES

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

CURRENCY

The functional and presentation currency of Fremantle Ports is Australian dollars.

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 AASB that are relevant to its operations and effective for the current reporting period. Their adoption has not resulted in a significant or material change to Fremantle Ports' accounting policies.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Fremantle Ports did not early adopt any new amended AASs and Interpretations issued but not yet effective. Refer to Note F.9 for additional information on new and amended AASs and interpretations issued but not yet effective.

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The notes are organised into the following sections:

| | PAGE | |
|-----------|--|----------|
| A. | Performance for the year | 67 - 73 |
| B. | Property, Plant and Equipment and Other Assets | 74 - 77 |
| C. | Capital Management | 77 - 84 |
| D. | Employee Benefits | 85 - 93 |
| E. | Other Assets and Liabilities | 94 - 97 |
| F. | Other Items | 97 - 105 |



KEY ESTIMATES AND JUDGEMENTS

In applying the Fremantle Ports accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the organisation. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances known to management. Actual results may differ from those judgements, estimates and assumptions.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies are:

| NOTE | AREA OF JUDGEMENT | PAGE |
|------------|---|----------|
| F.5 | Provision for environmental remediation | 99 - 100 |
| D.2 | Defined benefit plans | 86 - 93 |
| E.1 | Impairment losses | 94 - 96 |
| D.1 | Annual leave, sick leave and long service leave | 85 - 86 |

FINANCIAL AND CAPITAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Fremantle Ports risk management framework. The Audit and Risk Management Committee has oversight of Fremantle Ports' internal control system and risk management processes, including the oversight of the internal audit function.

Fremantle Ports' management of financial and capital risks is aimed at ensuring that available capital, funding and cash flows are sufficient for Fremantle Ports.

The below risks arise in the normal course of Fremantle Ports business. Risk information can be found in the following sections:

| NOTE | DESCRIPTION | PAGE |
|---------------------|--------------------|--------------|
| C. | Capital risk | 77 - 79 |
| C. | Liquidity risk | 79 |
| C. & C.3 | Interest rate risk | 70 - 78 & 82 |
| C. | Credit risk | 78 |



A. PERFORMANCE FOR THE YEAR

IN THIS SECTION

This section addresses financial performance for the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made. The section also includes the tax position of Fremantle Ports for and at the end of the reporting period.

A.1 REVENUE AND OTHER INCOME

Recognition and measurement

Revenue is recognised in the Statement of Comprehensive Income to the extent that it is probable that the economic benefits will flow to Fremantle Ports and the revenue can be reliably measured.

- **Revenue from services**

Revenue for services rendered is recognised to the extent that the service is provided at the Statement of Financial Position date. Where a contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

- **Contributed assets**

Contributed assets or services received by Fremantle Ports are recognised as income at the fair value of the assets or services where they can be reliably measured.

- **Interest revenue**

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.

The interest receivable component of finance lease receivables is also recognised using the effective interest rate method.

- **Deferred income**

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

- **Other revenue**

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 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 where applicable.



A.1 REVENUE AND OTHER INCOME (continued)

Revenue consists of the following items:

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Revenue | | |
| Charges on cargo | 134,770 | 144,474 |
| Rentals and leases | 23,634 | 20,900 |
| Charges on ships | 21,238 | 20,856 |
| Shipping services | 12,495 | 12,789 |
| Miscellaneous revenue | 11,829 | 14,241 |
| Port utilities and services | 7,563 | 7,238 |
| | 211,529 | 220,498 |
| Interest | | |
| Interest receivable from cash equivalents | 1,583 | 1,241 |
| Interest receivable under finance leases | 944 | 980 |
| Other interest receivable | - | 618 |
| | 2,527 | 2,839 |
| Total revenue | 214,056 | 223,337 |

A.2 EXPENSES

Recognition and measurement

Finance costs

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

Classification

The 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.

DISCLOSURES AND LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017



A.2 EXPENSES (continued)

Total employee benefits expenses are disclosed below.

| | Note | 2017 \$'000 | 2016 \$'000 |
|--|------|----------------|----------------|
| Expenses | | | |
| Profit before income tax includes the following specific expenses: | | | |
| Finance costs | | | |
| Finance charges payable under finance leases | | 28 | 35 |
| Borrowings | | 10,117 | 11,365 |
| Total finance costs | | 10,145 | 11,400 |
| Depreciation and amortisation | | | |
| Channels and breakwaters | B.1 | 4,118 | 4,180 |
| Land improvements | B.1 | 783 | 728 |
| Buildings and improvements | B.1 | 900 | 880 |
| Plant and equipment | B.1 | 3,133 | 2,975 |
| Berths, jetties and infrastructure | B.1 | 7,249 | 7,285 |
| Plant and equipment under lease | B.1 | 536 | 541 |
| Intangible assets | B.2 | 43 | - |
| Total depreciation and amortisation | | 16,762 | 16,589 |
| Net loss on derecognition of property, plant and equipment | | 1,276 | 234 |
| Impairment reversal of trade receivables | E.1 | - | (11) |
| Rental expense relating to operating leases | | 388 | 495 |

| | Note | 2017 \$'000 | 2016 \$'000 |
|-----------------------------------|------|----------------|----------------|
| Employee benefits expenses | | | |
| Wages and salaries | | 39,808 | 41,649 |
| Workers' compensation | | 977 | 1,555 |
| Pension costs | | 4,263 | 4,183 |
| Employee benefits | | (501) | 555 |
| Retirement benefit obligations | | 225 | 637 |
| | | 44,772 | 48,579 |

A.3 DIVIDENDS PAID AND PROPOSED

Recognition and measurement

Dividends are declared and recognised as a liability in the period in which the Minister's approval and the Treasurer's concurrence is received.

| | Note | 2017 \$'000 | 2016 \$'000 |
|----------------------|------|----------------|----------------|
| Interim dividend | | - | 20,973 |
| Final dividend | | 12,362 | 8,458 |
| Total dividends paid | C.6 | 12,362 | 29,431 |



A.3 DIVIDENDS PAID AND PROPOSED (continued)

In accordance with Government Financial Policy, Western Australian (WA) Ports are required to pay dividends of 75% (2016: 65%) of after tax profits, adjusted for special circumstances as approved by Government. From 1 July 2014, an amendment to Section 84 of the *Port Authorities Act 1999* came into effect which provides for Government to request an interim dividend be recommended by the Board. An interim dividend for the year ended 30 June 2017 was not required to be declared by the Board (2016: \$20.973 million).

In respect of the financial year results for the year ended 30 June 2016, a payment of \$12.362 million (2016: \$8.458 million) representing the balance of the final dividend totalling \$33.335 million (2016: \$30.692 million) was made by 31 December 2016.

A.4 INCOME TAX EXPENSE

Recognition and Measurement

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*.

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, 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 goodwill or 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.



A.4 INCOME TAX EXPENSE (continued)

Major components of income tax expense for the year are:

| | 2017 \$'000 | 2016 \$'000 |
|---|-----------------|-----------------|
| Statement of Comprehensive Income | | |
| Current income tax: | | |
| Current income tax charge | (19,848) | (19,911) |
| Adjustments in respect of previous years | 96 | 5,084 |
| Deferred income tax: | | |
| Deferred income tax charge | (940) | (2,085) |
| Income tax expense reported in the Statement of Comprehensive Income | (20,692) | (16,912) |
| Other Comprehensive Income | | |
| Deferred tax related to items recognised in other comprehensive income during the year: | | |
| Net actuarial losses | 107 | 172 |
| Income tax benefit charged to Other Comprehensive Income | 107 | 172 |

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:

| | 2017 \$'000 | 2016 \$'000 |
|--|-----------------|-----------------|
| Profit before income tax | 68,247 | 69,236 |
| Tax at statutory income tax rate of 30% (2016: 30%) | (20,474) | (20,771) |
| Tax effect of amounts which are taxable in calculating taxable income: | | |
| Depreciation | (280) | (310) |
| Sundry items | (32) | (18) |
| | (20,786) | (21,099) |
| Adjustments in respect of previous years | 94 | 4,187 |
| Income tax expense | (20,692) | (16,912) |

DISCLOSURES AND LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017



A.4 INCOME TAX EXPENSE (continued)

| | 2017 Statement of Financial Position \$'000 | 2016 Statement of Financial Position \$'000 | 2017 Statement of Comprehensive Income \$'000 | 2016 Statement of Comprehensive Income \$'000 |
|--|---|---|---|---|
| Deferred tax liabilities | | | | |
| Finance lease receivables | (1,668) | (1,840) | 172 | 158 |
| Others | (532) | (543) | 11 | (6) |
| Gross deferred tax liabilities | (2,200) | (2,383) | | |
| Deferred tax assets | | | | |
| Employee benefits | 7,981 | 8,065 | (84) | 358 |
| Accelerated depreciation for accounting purposes | 16,621 | 17,698 | (1,077) | (2,005) |
| Prepaid rental | 1,059 | 1,080 | (21) | 13 |
| Deferred income | 75 | - | 75 | - |
| Others | 2,238 | 2,147 | 91 | (431) |
| Gross deferred tax assets | 27,974 | 28,990 | | |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (2,200) | (2,383) | | |
| Net deferred tax assets | 25,774 | 26,607 | | |
| Deferred tax charge | | | (833) | (1,913) |

Current Tax Liabilities

The current tax liability of \$2.075 million (2016: \$1.387 million) represents the amount of income taxes payable in respect of current and prior financial periods.

DISCLOSURES AND LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017



A.5 NOTES TO THE STATEMENT OF CASH FLOWS

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

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Profit after income tax | 47,555 | 52,324 |
| Non cash items | | |
| Depreciation | 16,183 | 16,048 |
| Amortisation of leased assets | 536 | 541 |
| Amortisation of intangible assets | 43 | - |
| Net loss on derecognition of property, plant and equipment | 1,276 | 234 |
| Net contribution of assets | (985) | (1,003) |
| Taxable items presented in Other Comprehensive Income | | |
| Remeasurements of the net defined benefit liability | (251) | (401) |
| Changes in assets and liabilities | | |
| Receivables | 3,896 | 2,113 |
| Inventories | (309) | (1,334) |
| Prepaid expenses | 62 | 295 |
| Payables | 1,782 | (3,326) |
| Prepaid rental income and interest received in advance | (19) | (58) |
| Employee benefits | (276) | 1,192 |
| Income tax payable | 688 | (2,107) |
| Deferred tax assets | 833 | 1,913 |
| Others | 99 | (143) |
| Net cash inflow from operating activities | 71,113 | 66,288 |

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Non-cash investing activities | | |
| Acquisition of property, plant and equipment by means of finance lease | 683 | 732 |



B. PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS

IN THIS SECTION

This section addresses property, plant and equipment and intangible assets including, where applicable, the accounting policies applied and the key estimates and judgements made.

B.1 PROPERTY, PLANT AND EQUIPMENT

Recognition and Measurement

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 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.

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 resultant future economic benefits 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 and amortisation

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 - 16.67 |
| Buildings and improvements | 2.22 - 20.00 |
| Plant and equipment | 2.50 - 25.00 |
| Berths, jetties and infrastructure | 1.25 - 20.00 |
| Plant and equipment under lease | 19.14 - 32.24 |

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.

DISCLOSURES AND LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017



B. PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS (continued)

B.1 PROPERTY, PLANT AND EQUIPMENT (continued)

| | Note | Channels and Breakwaters \$'000 | Land \$'000 | Land Improvements \$'000 | Buildings and Improvements \$'000 | Plant and Equipment \$'000 | Berth, Jetties and Infrastructure \$'000 | Leased plant and equipment \$'000 | Work in Progress \$'000 | Total \$'000 |
|------------------------------------|------|------------------------------------|----------------|-----------------------------|--------------------------------------|-------------------------------|---|--------------------------------------|----------------------------|-----------------|
| COST | | | | | | | | | | |
| At 1 July 2015 | | 164,064 | 45,994 | 27,046 | 28,423 | 69,195 | 255,214 | 1,890 | 8,022 | 599,848 |
| Additions | | - | - | 865 | 190 | 388 | 394 | 732 | 7,394 | 9,963 |
| Transfer from Work in Progress | | - | - | 662 | 1,155 | 4,549 | 1,832 | - | (8,198) | - |
| Disposals | | - | - | (70) | (472) | (1,364) | (665) | (297) | (450) | (3,318) |
| At 30 June 2016 | | 164,064 | 45,994 | 28,503 | 29,296 | 72,768 | 256,775 | 2,325 | 6,768 | 606,493 |
| Additions | | - | - | 496 | 489 | 184 | - | 683 | 1,978 | 3,830 |
| Transfer from Work in Progress | | - | - | - | 13 | 34 | 5,737 | - | (5,784) | - |
| Disposals | | - | (78) | - | (36) | (438) | (3,611) | (100) | - | (4,263) |
| At 30 June 2017 | | 164,064 | 45,916 | 28,999 | 29,762 | 72,548 | 258,901 | 2,908 | 2,962 | 606,060 |
| DEPRECIATION AND IMPAIRMENT | | | | | | | | | | |
| At 1 July 2015 | | 41,178 | - | 4,581 | 12,629 | 33,335 | 58,973 | 991 | - | 151,687 |
| Depreciation and amortisation | A.2 | 4,180 | - | 728 | 880 | 2,975 | 7,285 | 541 | - | 16,589 |
| Disposals | | - | - | (59) | (201) | (1,034) | (471) | (297) | - | (2,062) |
| At 30 June 2016 | | 45,358 | - | 5,250 | 13,308 | 35,276 | 65,787 | 1,235 | - | 166,214 |
| Depreciation and amortisation | A.2 | 4,118 | - | 783 | 900 | 3,133 | 7,249 | 536 | - | 16,719 |
| Disposals | | - | - | - | (34) | (366) | (2,470) | (100) | - | (2,970) |
| At 30 June 2017 | | 49,476 | - | 6,033 | 14,174 | 38,043 | 70,566 | 1,671 | - | 179,963 |
| NET BOOK VALUE | | | | | | | | | | |
| At 30 June 2016 | | 118,706 | 45,994 | 23,253 | 15,988 | 37,492 | 190,988 | 1,090 | 6,768 | 440,279 |
| At 30 June 2017 | | 114,588 | 45,916 | 22,966 | 15,588 | 34,505 | 188,335 | 1,237 | 2,962 | 426,097 |

Impairment of property, plant and equipment

There were no indicators of impairment to Property, plant and equipment in the current or prior reporting period.



B. PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS (continued)

B.1 PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Land | | |
| At Cost | 13,399 | 13,911 |
| | 13,399 | 13,911 |
| Buildings and Improvements | | |
| At Cost | 7,738 | 7,555 |
| Less: Accumulated depreciation | (3,433) | (3,145) |
| | 4,305 | 4,410 |
| Included in Accumulated depreciation above is the depreciation charge for the year | 298 | 295 |

B.2 INTANGIBLE ASSETS

Recognition and Measurement

Capitalisation/expensing of intangible assets

Intangible assets separately acquired and/or developed costing more than \$5,000 are carried at the cost of acquisition less any accumulated amortisation and impairment losses. Intangible assets acquired and/or developed costing \$5,000 or less are immediately expensed 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 or the development of the intangible asset and, where developed, includes the cost of direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Research costs are expensed to the Statement of Comprehensive Income as incurred.

Initial recognition and measurement

Intangible assets are initially recognised at cost.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income as amortisation expense.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis and is treated as a change in accounting estimate.



B. PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS (continued)

B.2 INTANGIBLE ASSETS (continued)

| CLASS | AMORTISATION RATE (%) |
|-------------------|-----------------------|
| Computer software | 33.33 |

| | Note | Computer Software \$'000 | Total \$'000 |
|------------------------|------|-----------------------------|-----------------|
| COST | | | |
| At 30 June 2016 | | - | - |
| Additions | | 260 | 260 |
| At 30 June 2017 | | 260 | 260 |
| AMORTISATION | | | |
| At 30 June 2016 | | - | - |
| Amortisation | A.2 | 43 | 43 |
| At 30 June 2017 | | 43 | 43 |
| NET BOOK VALUE | | | |
| At 30 June 2016 | | - | - |
| At 30 June 2017 | | 217 | 217 |

C. CAPITAL MANAGEMENT

IN THIS SECTION

This section addresses cash, debt and capital position including, where applicable, the accounting policies applied and the key estimates and judgements made.

KEY FINANCIAL AND CAPITAL RISKS IN THIS SECTION

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 obligations. Fremantle Ports' borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are either at fixed rates with varying maturities or at variable rates. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than as detailed in the interest rate sensitivity analysis in the table below, Fremantle Ports has limited exposure to interest rate risk because it has no borrowings other than WATC borrowings and finance leases (fixed interest rate).

Sensitivity analysis

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

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



C. CAPITAL MANAGEMENT (continued)

KEY FINANCIAL AND CAPITAL RISKS IN THIS SECTION (continued)

Sensitivity analysis (continued)

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

| | Carrying Amount \$'000 | +0.50% change | +0.50% change | (0.50%) change | (0.50%) change |
|----------------------------------|---------------------------|------------------|------------------|-------------------|-------------------|
| | | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| 2017 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 96,173 | 481 | 481 | (481) | (481) |
| Financial Liabilities | | | | | |
| Interest bearing borrowings | 185,548 | (928) | (928) | 928 | 928 |
| Total (Decrease)/Increase | | (447) | (447) | 447 | 447 |

| | Carrying Amount \$'000 | +0.50% change | +0.50% change | (0.50%) change | (0.50%) change |
|----------------------------------|---------------------------|------------------|------------------|-------------------|-------------------|
| | | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| 2016 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 51,387 | 257 | 257 | (257) | (257) |
| Financial Liabilities | | | | | |
| Interest bearing borrowings | 196,481 | (982) | (982) | 982 | 982 |
| Total (Decrease)/Increase | | (725) | (725) | 725 | 725 |

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 C.1.

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 E.1.

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.



C. CAPITAL MANAGEMENT (continued)

KEY FINANCIAL AND CAPITAL RISKS IN THIS SECTION (continued)

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 as they fall due.

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 WA Government for outstanding borrowings in case of default.

| | Carrying Amount \$'000 | Including Interest | | | Total \$'000 |
|------------------------------|---------------------------|-----------------------|-----------------------|---------------------|-----------------|
| | | < 12 months \$'000 | 1 - 5 years \$'000 | > 5 years \$'000 | |
| 2017 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 14,306 | 14,306 | - | - | 14,306 |
| Interest bearing borrowings | 197,828 | 10,616 | 37,257 | 233,477 | 281,350 |
| | 212,134 | 24,922 | 37,257 | 233,477 | 295,656 |

| | Carrying Amount \$'000 | Including Interest | | | Total \$'000 |
|------------------------------|---------------------------|-----------------------|-----------------------|---------------------|-----------------|
| | | < 12 months \$'000 | 1 - 5 years \$'000 | > 5 years \$'000 | |
| 2016 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 12,524 | 12,524 | - | - | 12,524 |
| Interest bearing borrowings | 209,444 | 11,770 | 42,599 | 251,120 | 305,489 |
| | 221,968 | 24,294 | 42,599 | 251,120 | 318,013 |

C.1 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.

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.



C. CAPITAL MANAGEMENT (continued)

C.1 FINANCIAL INSTRUMENTS (continued)

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 C.3.

| | Note | 2017 \$'000 | 2016 \$'000 |
|----------------------------------|------|----------------|----------------|
| Financial assets | | | |
| Cash and cash equivalents | C.2 | 96,173 | 51,387 |
| Trade and other receivables | E.1 | 22,333 | 26,221 |
| Receivables (non-current) | E.1 | 4,935 | 5,560 |
| Financial liabilities | | | |
| Trade and other payables | E.3 | 14,306 | 12,524 |
| Interest bearing borrowings: | | | |
| Obligations under finance leases | C.3 | 1,250 | 1,108 |
| Variable rate borrowings | C.3 | 185,548 | 196,481 |
| Fixed rate borrowings | C.3 | 11,030 | 11,855 |

C.2 CASH AND CASH EQUIVALENTS

Recognition and Measurement

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank, at call deposits and short term deposits with original maturities of three months or less. Funds surplus to operational requirements have been invested in At Call Deposits and Term Deposits to maximise earnings.

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

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Cash at Bank and Cash on Hand | 968 | 741 |
| At Call Deposits | 3,205 | 5,646 |
| Term Deposits | 92,000 | 45,000 |
| Cash and cash equivalents in the Statement of Cash Flows | 96,173 | 51,387 |

Significant Terms and Conditions

Interest on Cash at Bank was at prevailing rates. The weighted average interest rate at 30 June 2017 was 1.24% (2016: 1.97%).

Interest on At Call Deposits was at prevailing rates. The weighted average interest rate at 30 June 2017 was 1.14% (2016: 1.72%).

The weighted average interest rate for Term Deposits at 30 June 2017 was 2.38% (2016: 2.33%). Term Deposits are held until their maturity dates, which are generally for periods of 60 days or less.

Fair Value

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



C. CAPITAL MANAGEMENT (continued)

C.3 INTEREST BEARING LIABILITIES

Recognition and Measurement

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.

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.

| | Note | 2017 \$'000 | 2016 \$'000 |
|--------------------|------|----------------|----------------|
| Current | | | |
| Special borrowings | | 877 | 825 |
| Lease liabilities | C.4 | 496 | 483 |
| | | 1,373 | 1,308 |
| Non-Current | | | |
| Direct borrowings | | 185,548 | 196,481 |
| Special borrowings | | 10,153 | 11,030 |
| Lease liabilities | C.4 | 754 | 625 |
| | | 196,455 | 208,136 |

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.

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 while the principal repayments are deferred as part of the loan product flexibility. The weighted average interest rate at 30 June 2017 on the loan portfolio is 4.19% per annum (2016: 4.37% 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 are payable quarterly. Interest rates on the Special Borrowings are fixed and range from 6.22% to 6.39% per annum (2016: 6.22% to 6.39% per annum).

The interest rates implicit in the Lease liabilities range from 2.05% to 5.78% (2016: 2.33% to 5.78%).



C. CAPITAL MANAGEMENT (continued)

C.3 INTEREST BEARING LIABILITIES (continued)

Interest Rate Risk Exposures

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

| 2017 | Weighted Average Interest Rate | Fixed Interest Rate | | | | | | | Total \$'000 |
|------------------------------------|--------------------------------|-------------------------------|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------|
| | | Variable interest rate \$'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 | 4.19% | 185,548 | - | - | - | - | - | - | 185,548 |
| Special borrowings | 6.30% | - | 877 | 932 | 991 | 1,054 | 1,120 | 6,056 | 11,030 |
| Lease liabilities | 3.28% | - | 496 | 348 | 192 | 113 | 101 | - | 1,250 |
| | | 185,548 | 1,373 | 1,280 | 1,183 | 1,167 | 1,221 | 6,056 | 197,828 |

| 2016 | Weighted Average Interest Rate | Fixed Interest Rate | | | | | | | Total \$'000 |
|------------------------------------|--------------------------------|-------------------------------|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------|
| | | Variable interest rate \$'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 | 4.37% | 196,481 | - | - | - | - | - | - | 196,481 |
| Special borrowings | 6.30% | - | 825 | 877 | 932 | 991 | 1,054 | 7,176 | 11,855 |
| Lease liabilities | 3.52% | - | 483 | 353 | 213 | 59 | - | - | 1,108 |
| | | 196,481 | 1,308 | 1,230 | 1,145 | 1,050 | 1,054 | 7,176 | 209,444 |



C. CAPITAL MANAGEMENT (continued)

C.3 INTEREST BEARING LIABILITIES (continued)

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.

| | 2017 | | 2016 | |
|--------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying Amount \$'000 | Fair Value \$'000 | Carrying Amount \$'000 | Fair Value \$'000 |
| Special borrowings | 11,030 | 12,834 | 11,855 | 14,244 |

C.4 LEASE PAYABLES

Recognition and Measurement

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 lower of the estimated useful life of the assets and the lease term. 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 (2016: 1 to 4 years).

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term as this represents the pattern of benefits derived from the leased assets.

Finance Leases Payable

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Future minimum lease payments in relation to finance leases payable at the end of the reporting period are as follows: | | |
| Within one year | 523 | 510 |
| Later than one year but not later than five years | 782 | 642 |
| Minimum lease payments | 1,305 | 1,152 |
| Future finance charges | (55) | (44) |
| Present value of lease liabilities | 1,250 | 1,108 |

Representing Lease Liabilities

| | Note | 2017 \$'000 | 2016 \$'000 |
|-------------|------|----------------|----------------|
| Current | C.3 | 496 | 483 |
| Non-current | C.3 | 754 | 625 |
| | | 1,250 | 1,108 |



C. CAPITAL MANAGEMENT (continued)

C.4 LEASE PAYABLES (continued)

Finance leases payable are in respect of computer and office equipment and security equipment, expiring within 1 to 5 years (2016: 1 to 4 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.

C.5 FINANCING FACILITIES

Fremantle Ports has access to the following lines of credit:

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Total facilities available: | | |
| Liquidity facility, working capital, direct and special borrowings | 200,510 | 216,935 |
| Facilities utilised at the end of the reporting period: | | |
| Liquidity facility, working capital, direct and special borrowings | 196,578 | 208,336 |
| Total facilities not utilised at the end of the reporting period: | | |
| Liquidity facility, working capital, direct and special borrowings | 3,932 | 8,599 |

At reporting date, Fremantle Ports has an approved financing facility from WATC for 2018 of \$221.633 million.

C.6 EQUITY

Recognition and Measurement

Where Fremantle Ports receives support by way of equity from the WA Government the amount received is recognised directly as a credit to contributed equity.

| | Note | Contributed equity \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|------|---------------------------------|--------------------------------|---------------------------|
| Balance at 1 July 2015 | | 105,059 | 167,739 | 272,798 |
| Total comprehensive income for the period | | - | 51,923 | 51,923 |
| Dividends paid | A.3 | - | (29,431) | (29,431) |
| Balance at 30 June 2016 | | 105,059 | 190,231 | 295,290 |
| Total comprehensive income for the period | | - | 47,304 | 47,304 |
| Dividends paid | A.3 | - | (12,362) | (12,362) |
| Balance at 30 June 2017 | | 105,059 | 225,173 | 330,232 |



D. EMPLOYEE BENEFITS

IN THIS SECTION

This section addresses liabilities due to employees including, where applicable, the accounting policies applied and the key estimates and judgements made.

D.1 PROVISIONS

Recognition and Measurement

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.

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 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 Bond rate estimated to be applicable to the relevant period. The present value calculation assumed estimated employee wage and salary growth rates at an average of 2.60% (2016: 3.00%).

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.

Key estimates and judgements

This assessment requires a determination of various assumptions as to future events and circumstances, in particular, wage increase rates, inflation rates and employee retention rates.



D. EMPLOYEE BENEFITS (continued)

D.1 PROVISIONS (continued)

Current

| | Note | 2017 \$'000 | 2016 \$'000 |
|--------------------------------|------|----------------|----------------|
| Fringe benefits tax | F.2 | 34 | 35 |
| Employee benefits | | 11,785 | 11,553 |
| Retirement benefit obligations | D.2 | 549 | 497 |
| Other | F.2 | 1,696 | 1,545 |
| | | 14,064 | 13,630 |

Non-Current

| | Note | 2017 \$'000 | 2016 \$'000 |
|--------------------------------|------|----------------|----------------|
| Employee benefits | | 3,436 | 4,169 |
| Retirement benefit obligations | D.2 | 10,835 | 10,662 |
| Other | F.2 | 3,324 | 3,375 |
| | | 17,595 | 18,206 |

Aggregate Employee Benefits

| | 2017 \$'000 | 2016 \$'000 |
|-----------------------|----------------|----------------|
| Current liability | 12,334 | 12,050 |
| Non-current liability | 14,271 | 14,831 |
| | 26,605 | 26,881 |

Assessments indicate that actual settlement of the leave liabilities is expected to occur as follows:

| | 2017 \$'000 | | 2016 \$'000 | |
|-------------------------|---|--|---|--|
| | Within 12 months of the end of the reporting period | More than 12 months after the end of the reporting period | Within 12 months of the end of the reporting period | More than 12 months after the end of the reporting period |
| Annual leave | 3,289 | 721 | 3,319 | 745 |
| Long service leave | 1,663 | 4,663 | 1,464 | 4,778 |
| Sick leave | 1,519 | 3,366 | 1,748 | 3,668 |
| Total leave liabilities | 6,471 | 8,750 | 6,531 | 9,191 |

D.2 RETIREMENT BENEFIT OBLIGATIONS

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 2017.



D. EMPLOYEE BENEFITS (continued)

D.2 RETIREMENT BENEFIT OBLIGATIONS (continued)

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 became 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.

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.

Key estimates and judgements

This assessment requires a determination of various actuarial assumptions as to future events and circumstances, in particular, the pensioner mortality rate, discount rate and pension and salary increase rates.

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.



D. EMPLOYEE BENEFITS (continued)

D.2 RETIREMENT BENEFIT OBLIGATIONS (continued)

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 WA 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.

As a constitutionally protected scheme, the scheme is not required to pay tax.

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 Scheme 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).

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:

- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.
- 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.

Description of significant events

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



D. EMPLOYEE BENEFITS (continued)

D.2 RETIREMENT BENEFIT OBLIGATIONS (continued)

Reconciliation of the Net Defined Benefit Liability

| | 2017 \$'000 | | 2016 \$'000 | |
|---|----------------|------------------|----------------|------------------|
| | Pension Scheme | Gold State Super | Pension Scheme | Gold State Super |
| Defined benefit obligation | 10,049 | 1,335 | 9,730 | 1,429 |
| Fair value of scheme assets | - | - | - | - |
| Deficit | 10,049 | 1,335 | 9,730 | 1,429 |
| Adjustments for effect of asset ceiling | - | - | - | - |
| Net defined benefit liability | 10,049 | 1,335 | 9,730 | 1,429 |

Reconciliation of the Fair Value of Scheme Assets

| | 2017 \$'000 | | 2016 \$'000 | |
|---|----------------|------------------|----------------|------------------|
| | Pension Scheme | Gold State Super | Pension Scheme | Gold State Super |
| Fair value of scheme assets at the beginning of the year | - | - | - | - |
| Employer contributions | 232 | 147 | 219 | - |
| Benefits paid | (232) | (147) | (219) | - |
| Fair value of scheme assets at end of the year | - | - | - | - |

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

| | 2018 \$'000 |
|---------------------------------|----------------|
| Pension Scheme | |
| Expected employer contributions | 233 |
| Gold State Super | |
| Expected employer contributions | 316 |

Maturity profile of defined benefit obligation

Pension Scheme

The weighted average duration of the Fremantle Ports defined benefit obligation is 16.3 years.

Gold State Super

The weighted average duration of the Fremantle Ports defined benefit obligation is 3.8 years.



D. EMPLOYEE BENEFITS (continued)

D.2 RETIREMENT BENEFIT OBLIGATIONS (continued)

Reconciliation of the Defined Benefit Obligation

2017 changes in the defined benefit obligation and fair value of plan assets:

| | Note | 1 July 2016 \$'000 | Costs charged to Statement of Comprehensive Income (SoCI) | | | Benefits Paid \$'000 | Re-measurement losses/(gains) in other comprehensive income (OCI) | | | | Contributions by Employer \$'000 | Total 30 June 2017 \$'000 |
|---|------|-----------------------|--|------------------------|-------------------------------------|-------------------------|--|---|---|-------------------------------------|--|---------------------------------|
| | | | Service Cost \$'000 | Net Interest \$'000 | Subtotal incl. in SoCI \$'000 | | Actuarial changes arising from changes in Financial Assumptions \$'000 | Actuarial changes arising from changes in Liability Experience \$'000 | Actuarial changes arising from changes in Demo- graphic Assumptions \$'000 | Sub-Total incl. in OCI \$'000 | | |
| 2017 | | | | | | | | | | | | |
| Pension Scheme defined benefit obligation | | 9,730 | - | 217 | 217 | (232) | (95) | 429 | - | 334 | - | 10,049 |
| Gold State Super defined benefit obligation | | 1,429 | - | 29 | 29 | (147) | (22) | 46 | - | 24 | - | 1,335 |
| Defined benefit liability | D.1 | <u>11,159</u> | | | 246 | (379) | (117) | 475 | - | 358 | - | 11,384 |



D. EMPLOYEE BENEFITS (continued)

D.2 RETIREMENT BENEFIT OBLIGATIONS (continued)

Reconciliation of the Defined Benefit Obligation (continued)

2016 changes in the defined benefit obligation and fair value of plan assets:

| 2016 | Note | 1 July 2015 \$'000 | Costs charged to Statement of Comprehensive Income (SoCI) | | | Benefits Paid \$'000 | Re-measurement losses/(gains) in other comprehensive income (OCI) | | | | | Total 30 June 2016 \$'000 |
|---|------|-----------------------|--|------------------------|-------------------------------------|-------------------------|--|---|---|-------------------------------------|---|---------------------------------|
| | | | Service Cost \$'000 | Net Interest \$'000 | Subtotal incl. in SoCI \$'000 | | Actuarial changes arising from changes in Financial Assumptions \$'000 | Actuarial changes arising from changes in Liability Experience \$'000 | Actuarial changes arising from changes in Demo- graphic Assumptions \$'000 | Sub-Total incl. in OCI \$'000 | Contri- butions by Employer \$'000 | |
| Pension Scheme defined benefit obligation | | 9,129 | - | 248 | 248 | (219) | 551 | (4) | 25 | 572 | - | 9,730 |
| Gold State Super defined benefit obligation | | 1,393 | - | 35 | 35 | - | (15) | (10) | 26 | 1 | - | 1,429 |
| Defined benefit liability | D.1 | 10,522 | | | 283 | (219) | 536 | (14) | 51 | 573 | - | 11,159 |

Sensitivity Analysis

The defined benefit obligation as at 30 June 2017 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



D. EMPLOYEE BENEFITS (continued)

D.2 RETIREMENT BENEFIT OBLIGATIONS (continued)

| 2017 | 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 | 2.26% | 1.76% | 2.76% | 2.26% | 2.26% | - | - |
| Pension increase rate | 2.50% | 2.50% | 2.50% | 2.00% | 3.00% | - | - |
| Defined benefit obligation (\$'000) | 10,049 | 10,902 | 9,292 | 9,289 | 10,897 | - | - |
| Gold State Super | | | | | | | |
| Discount rate | 2.26% | 1.76% | 2.76% | - | - | 2.26% | 2.26% |
| Salary increase rate | 3.70% | 3.70% | 3.70% | - | - | 3.20% | 4.20% |
| Defined benefit obligation (\$'000) | 1,335 | 1,361 | 1,311 | - | - | 1,314 | 1,358 |

| 2016 | 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 | 2.26% | 1.76% | 2.76% | 2.26% | 2.26% | - | - |
| Pension increase rate | 2.50% | 2.50% | 2.00% | 2.00% | 3.00% | - | - |
| Defined benefit obligation (\$'000) | 9,730 | 10,551 | 9,000 | 9,056 | 10,475 | - | - |
| Gold State Super | | | | | | | |
| Discount rate | 2.26% | 1.76% | 2.76% | - | - | 2.26% | 2.26% |
| Salary increase rate | 3.50% | 3.50% | 3.50% | - | - | 3.00% | 4.00% |
| Defined benefit obligation (\$'000) | 1,429 | 1,462 | 1,398 | - | - | 1,407 | 1,453 |

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



D. EMPLOYEE BENEFITS (continued)

D.2 RETIREMENT BENEFIT OBLIGATIONS (continued)

Significant Actuarial Assumptions at the Reporting Date

| | 2017 \$'000 | 2016 \$'000 | | 2017 \$'000 | 2016 \$'000 |
|--|---|---|--|---|---|
| Pension Scheme | | | Gold State Super | | |
| <i>Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year</i> | | | <i>Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year</i> | | |
| Discount rate | 2.26% | 2.74% | Discount rate | 2.26% | 2.74% |
| Expected salary increase rate | 2.50% for 16/17 2.50% for 17/18 2.50% for 18/19 and then 3.50% | 4.00% | Expected salary increase rate | 2.50% for 16/17 2.50% for 17/18 2.50% for 18/19 and then 3.50% | 4.00% |
| Expected pension increase rate | 2.50% | 2.50% | Expected pension increase rate | 2.50% | 2.50% |
| <i>Assumptions to determine defined benefit obligation at the valuation date</i> | | | <i>Assumptions to determine defined benefit obligation at the valuation date</i> | | |
| Discount rate | 2.26% | 2.26% | Discount rate | 2.26% | 2.26% |
| Expected salary increase rate | 1.50% for 17/18 1.10% for 18/19 1.00% for 19/20 and then 3.70% | 2.50% for 16/17 2.50% for 17/18 2.50% for 18/19 and then 3.50% | Expected salary increase rate | 1.50% for 17/18 1.10% for 18/19 1.00% for 19/20 and then 3.70% | 2.50% for 16/17 2.50% for 17/18 2.50% for 18/19 and then 3.50% |
| Expected pension increase rate | 2.50% | 2.50% | Expected pension increase rate | 2.50% | 2.50% |

The discount rate is based on the Government bond maturing in April 2025.



E. OTHER ASSETS AND LIABILITIES

IN THIS SECTION

This section addresses trade receivables, trade and other payables, and other assets and liabilities including, where applicable, the accounting policies applied and the key estimates and judgements made.

E.1 RECEIVABLES

Recognition and Measurement

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.

Receivables represent Debtors, Accrued income, Finance lease receivable and Prepayments. Accrued income includes 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 C.1.

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 a 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.

Key estimates and judgements

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



E. OTHER ASSETS AND LIABILITIES (continued)

E.1 RECEIVABLES (continued)

Current

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Trade debtors | 17,838 | 22,611 |
| Less: Provision for impairment of receivables | (808) | (855) |
| | 17,030 | 21,756 |
| Other debtors | 394 | 448 |
| Accrued income | 3,170 | 2,286 |
| Finance lease receivable | 625 | 574 |
| Prepayments | 1,114 | 1,157 |
| Balance at 30 June | 22,333 | 26,221 |

Non-Current

| | 2017 \$'000 | 2016 \$'000 |
|--------------------------|----------------|----------------|
| Finance lease receivable | 4,935 | 5,560 |

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.

Impairment losses

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

| | 2017 \$'000 | 2016 \$'000 |
|---------------------------|----------------|----------------|
| Balance at 1 July | 855 | 987 |
| Impairment loss recovered | - | (12) |
| Amount written off | (47) | (120) |
| Balance at 30 June | 808 | 855 |

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

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Not more than 3 months | 2 | 159 |
| More than 3 months but less than 6 months | 45 | - |
| More than 6 months but less than 1 year | - | - |
| | 47 | 159 |

Fair Value

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



E. OTHER ASSETS AND LIABILITIES (continued)

E.1 RECEIVABLES (continued)

Finance Lease Receivable

| | 2017 \$'000 | 2016 \$'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 | 1,978 | 3,056 |
| | 7,372 | 8,450 |
| Unearned finance income | (1,812) | (2,316) |
| Present value of minimum lease payments receivable | 5,560 | 6,134 |
| | | |
| | 2017 \$'000 | 2016 \$'000 |
| Current | 625 | 574 |
| Non-current | 4,935 | 5,560 |
| | 5,560 | 6,134 |

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% (2016: 8.59%) per annum.

E.2 INVENTORIES

Recognition and Measurement

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

| | 2017 \$'000 | 2016 \$'000 |
|------------------|----------------|----------------|
| Stores - at cost | 3,366 | 3,241 |

E.3 TRADE AND OTHER PAYABLES

Recognition and Measurement

Trade and other 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. Accrued expenses comprise interest and charges for goods and services received but not invoiced as at the end of the reporting period.

| | 2017 \$'000 | 2016 \$'000 |
|-------------------------------------|----------------|----------------|
| Trade creditors and Amounts payable | 9,330 | 7,743 |
| Accrued expenses | 4,976 | 4,781 |
| | 14,306 | 12,524 |

Significant Terms and Conditions

Trade creditors are usually settled within 30 days.



E. OTHER ASSETS AND LIABILITIES (continued)

E.3 TRADE AND OTHER PAYABLES (continued)

Fair Value

The Directors consider the carrying amounts of Trade creditors, Amounts payable and Accrued expenses represent their fair value.

E.4 OTHER LIABILITIES

| | 2017 \$'000 | 2016 \$'000 |
|------------------------------|----------------|----------------|
| Current | | |
| Prepaid rental income | 915 | 1,310 |
| Interest received in advance | 193 | 49 |
| Deferred income | 250 | - |
| | 1,358 | 1,359 |
| Non-Current | | |
| Prepaid rental income | 1,437 | 1,455 |

F. OTHER ITEMS

IN THIS SECTION

This section addresses information on items which require disclosure to comply with Australian Accounting Standards and the *Port Authorities Act 1999*.

E.I RELATED PARTIES

Related party transactions

Fremantle Ports is a Government Trading Enterprise that is wholly-owned and controlled by the State of Western Australia.

Related parties of Fremantle Ports include:

- all WA Cabinet Ministers, their close family members, and their controlled or jointly controlled entities;
- all senior officers, their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of Government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Significant transactions with Government-related entities

Main Roads WA

Fremantle Ports transferred land with a carrying amount of \$77,526 to Main Roads WA, an agency controlled by the State of Western Australia. The transfer of the land took place in February 2017 for no consideration and was made so that the land could be dedicated as a road pursuant to section 168(5) of the Planning and Development Act 2005.

A loss of \$77,526 on derecognition of the land was recognised in Other expenses in the Statement of Comprehensive Income.



F. OTHER ITEMS (continued)

F.1 RELATED PARTIES (continued)

Significant transactions with Government-related entities (continued)

Department of Treasury

Fremantle Ports recovered costs totalling \$213,072 from the Department of Treasury, an agency controlled by the State of Western Australia. The amount recovered, recognised in Revenue in the Statement of Comprehensive Income, relates to consultancy charges incurred by Fremantle Ports in relation to Government consideration of the potential divestment of Fremantle Ports as part of the due diligence process.

Material transactions with related parties

Outside of general citizen type transactions and those disclosed above, Fremantle Ports had no other known related party transactions with key management personnel or their close family members, or their controlled or jointly controlled entities.

Compensation of key management personnel of Fremantle Ports

Fremantle Ports has determined that key management personnel include WA Cabinet Ministers and senior officers of Fremantle Ports. However, Fremantle Ports is not obligated to reimburse the compensation of Ministers and therefore no disclosure is required. The disclosures in relation to Ministers' compensation may be found in the *Annual Report on State Finances* published by the WA Government.

Total compensation of senior officers of Fremantle Ports for the reporting period is:

| | 2017 \$'000 |
|--|----------------|
| Short-term employee benefits | 2,330 |
| Post-employment benefits | 248 |
| Other long-term benefits | 72 |
| Total compensation paid to key management personnel | 2,650 |

F.2 OTHER PROVISIONS

Reconciliations

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

| | Note | 2017 \$'000 | 2016 \$'000 |
|---------------------------------|------|----------------|----------------|
| Fringe Benefits Tax | | | |
| Carrying amount at 1 July | | 35 | 25 |
| Provisions made during the year | | 136 | 141 |
| Amounts utilised in the year | | (137) | (131) |
| Carrying amount at 30 June | D.1 | 34 | 35 |
| Other | | | |
| Carrying amount at 1 July | | 4,920 | 5,073 |
| Provisions made during the year | | 155 | 225 |
| Amounts utilised in the year | | (55) | (378) |
| Carrying amount at 30 June | D.1 | 5,020 | 4,920 |



F. OTHER ITEMS (continued)

F.3 LEASE COMMITMENTS

Operating Leases Payable

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Future minimum rental amounts payable in relation to operating leases payable at the end of the reporting period but not recognised as liabilities are as follows: | | |
| Within one year | 937 | 528 |
| Later than one year but not later than five years | 1,165 | 506 |
| | 2,102 | 1,034 |

Operating leases payable are in respect of motor vehicles, a pilot vessel and vessel traffic system.

Operating Leases Receivable

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Future minimum rental amounts receivable for operating leases at the end of the reporting period but not recognised as assets: | | |
| Within one year | 18,399 | 15,037 |
| Later than one year but not later than five years | 35,331 | 26,630 |
| Later than five years | 64,000 | 46,781 |
| | 117,730 | 88,448 |

Operating leases receivable are in respect of property rentals.

F.4 CAPITAL COMMITMENTS

| | 2017 \$'000 | 2016 \$'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 | 2,858 | 464 |

F.5 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), Fremantle Ports 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 Regulation (DER). In accordance with the Act, the DER 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', Fremantle Ports may have a liability in respect of investigation or remediation expenses.

A provision for remediation expenses has been recognised for sites classified as 'contaminated – remediation required' or 'possibly contaminated - investigation required'. A remaining portion of the sites require further investigation to determine the extent of, if any, potential remediation requirements and consequently, it is not yet practicable to reliably estimate the potential timing or financial effect. Amounts required to undertake further detailed site investigations and assessment have been recognised.



F. OTHER ITEMS (continued)

F.5 CONTINGENT LIABILITIES AND ASSETS (continued)

At 30 June 2017, a provision for environmental remediation of \$3.470 million (2016: \$3.451 million) has been provided for sites classified by the DER as 'contaminated – remediation required' or 'possibly contaminated - investigation required'.

Key estimates and judgements

This assessment requires management to make certain estimates and apply judgement in determining assumptions as to future events and circumstances, in particular, the extent of environmental damages to be rectified and the methodology and timing for rectification.

F.6 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.

F.7 REMUNERATION OF AUDITORS

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Remuneration for audit of the financial statements | 177 | 173 |

F.8 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.



F. OTHER ITEMS (continued)

F.9 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been early adopted by Fremantle Ports for the financial year ended 30 June 2017 are outlined in the table below:

| | | | | |
|--------------------|--|------------|-----------------------------|-------------|
| AASB 2016-1 | <i>Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses</i> This Standard makes amendments to AASB 112 <i>Income Taxes</i> to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. | 1-Jan-2017 | No material impact expected | 30-Jun-2018 |
| AASB 2016-2 | <i>Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107</i> The amendments to AASB 107 <i>Statement of Cash Flows</i> are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). | 1-Jan-2017 | No material impact expected | 30-Jun-2018 |
| AASB 2016-4 | <i>Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities</i> This Standard amends AASB 136 <i>Impairment of Assets</i> to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarify that not-for-profit entities holding non-cash-generating specialised assets at fair value in accordance with AASB 13 <i>Fair Value Measurement</i> [under the revaluation model in AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i>] no longer need to consider AASB 136. Not-for-profit entities holding such assets at cost may determine recoverable amounts using current replacement cost in AASB 13 as a measure of fair value for the purposes of AASB 136. | 1-Jan-2017 | No material impact expected | 30-Jun-2018 |



F. OTHER ITEMS (continued)

F.9 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

| Pronouncement | Summary | Application date of standard | Impact on Fremantle Ports' Financial Statements | Application date for Fremantle Ports |
|--|--|------------------------------|---|--------------------------------------|
| AASB 9, and relevant amending standards | <p>Financial Instruments</p> <p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p> | 1-Jan-2018 | No material impact expected | 30-Jun-2019 |



F. OTHER ITEMS (continued)

F.9 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

| Pronouncement | Summary | Application date of standard | Impact on Fremantle Ports' Financial Statements | Application date for Fremantle Ports |
|---|---|------------------------------|---|--------------------------------------|
| AASB 15, and relevant amending standards | <p>Revenue from Contracts with Customers</p> <p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation | 1-Jan-2019 | Impact assessment not yet finalised | 30-Jun-2020 |
| AASB 16 | <p>Leases</p> <p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> | 1-Jan-2019 | No material impact expected | 30-Jun-2020 |



F. OTHER ITEMS (continued)

F.9 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

| Pronouncement | Summary | Application date of standard | Impact on Fremantle Ports' Financial Statements | Application date for Fremantle Ports |
|----------------------------------|--|------------------------------|---|--------------------------------------|
| AASB 16 | <p>Leases (continued)</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p> | 1-Jan-2019 | No material impact expected | 30-Jun-2020 |
| AASB 1058 AASB 2016-8 | <p>Income of Not-for-Profit Entities Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-For-Profit Entities</p> <p>AASB 1058 and AASB 2016-8 will defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which not-for-profit entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases.</p> <p>Consequently AASB 1004 <i>Contributions</i> is also amended, with its scope effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context.</p> | 1-Jan-2019 | Impact assessment not yet finalised | 30-Jun-2020 |



F. OTHER ITEMS (continued)

F.9 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

| Pronouncement | Summary | Application date of standard | Impact on Fremantle Ports' Financial Statements | Application date for Fremantle Ports |
|------------------|--|------------------------------|---|--------------------------------------|
| AASB 1059 | <p>Service Concession Arrangements: Grantors</p> <p>This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.</p> <p>The Standard applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services.</p> <p>The Standard requires the grantor to:</p> <ol style="list-style-type: none"> recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor; when the grantor controls the asset. reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset; initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 <i>Fair Value Measurement</i>. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 <i>Property, Plant and Equipment</i> or AASB 138 <i>Intangible Assets</i>, as appropriate, except as specified in this Standard; recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator. The liability is recognised using either or both of the financial liability model or the grant of a right to the operator model disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements | 1-Jan-2019 | Impact assessment not yet finalised | 30-Jun-2020 |



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FREMANTLE PORT AUTHORITY

Opinion

I have audited the financial report of Fremantle Port Authority (the Authority), which comprises the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In my opinion, the financial report of 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 2017 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Fremantle Port Authority in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Revenue recognition

Revenue is an important measure used to evaluate the performance of the Authority and is determined by taking into account multiple components, including charges on cargo, charges on ships, shipping services, port utilities and services, and rentals and leases. Each of these revenue components is recognised based on the relative agreed rates, charges and rent. Furthermore, revenue is recognised in accordance with the Authority's revenue recognition policies. Revenue recognition is considered to be complex due to the significant volume of transactions, the variety of contractual terms, the different rates and charges, and the risk of management override.

Our audit procedures included, among other things, assessing the appropriateness of the Authority's revenue recognition accounting policy in line with Australian Accounting Standards. We tested the effectiveness of key controls over the various components of revenue. We also performed testing on journal entries for any management override of internal controls related to revenue recognition. In addition, we also assessed the existence and accuracy of the revenue recorded, based among other things on debtors' confirmation of balances, inspection of services contracts with customers and analytical review procedures.

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7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

For completeness of revenue, we documented our understanding of management's process for year-end accrual of revenue and also performed independent testing on the accrued revenue to ensure that revenue was recognised in the correct period. In addition, we performed analytical review procedures over revenue related balances, including but not limited to, sales trend analysis, comparisons with forecasts and prior year results, debtors' turnover and aging analysis. Finally, we reviewed the Authority's revenue disclosures contained in the notes to the financial statements. Revenue and Other Income is reported at Note A.1 to the financial statements.

Responsibility of the Directors for the Financial Report

The directors of the Authority are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 5 of the Port Authorities Act 1999. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian government has made policy or funding decisions affecting the continued existence of the Authority.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Page 2 of 3



I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Fremantle Port Authority for the year ended 30 June 2017 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 these financial report. If users of the financial report are concerned with the inherent risks arising from publication on 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
31 August 2017



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 net GST receivable/payable, this ratio is used to ascertain the extent to which current assets may be realised to meet current liabilities.

| | 2017 \$'000 | | 2016 \$'000 | |
|---------------------------|------------------------------|-------|------------------------------|-------|
| Total Current Assets | 121,872 | = 3.7 | 80,849 | = 2.8 |
| Total Current Liabilities | 32,612 | | 29,144 | |

FREE CASH FLOW - GRAPH 2

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

| | 2017 \$'000 | | 2016 \$'000 | |
|--|------------------------------|---------|------------------------------|---------|
| Net Cashflow from Operations (after interest) | 71,113 | = 87.3% | 66,288 | = 84.6% |
| Net Cashflow from Operations (before interest) | 81,462 | | 78,368 | |

DEBTORS AVERAGE COLLECTION PERIOD - GRAPH 3

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

| | 2017 \$'000 | | 2016 \$'000 | |
|-----------------------|------------------------------|-----------|------------------------------|-----------|
| Average Trade Debtors | 19,017 × 365 | = 31 days | 21,949 × 366 | = 34 days |
| Sales Revenue | 227,930 | | 236,883 | |



INTEREST COVER - GRAPH 4

Provides an indication of Fremantle Ports' ability to meet interest costs from operating profit.

| | 2017 \$'000 | | 2016 \$'000 | |
|----------------------------------|------------------------------|--------------|------------------------------|--------------|
| Earnings Before Interest and Tax | 78,392 | | 80,636 | |
| Total Interest Costs | 10,145 | = 7.73 times | 11,400 | = 7.07 times |

RETURN ON ASSETS - GRAPH 5

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

| | 2017 \$'000 | | 2016 \$'000 | |
|----------------------------------|------------------------------|---------|------------------------------|---------|
| Earnings Before Interest and Tax | 78,392 | | 80,636 | |
| Average Total Assets | 566,095 | = 13.9% | 550,561 | = 14.7% |

ECONOMIC RATE OF RETURN - GRAPH 6

In accordance with Government policy, 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 non-current assets of Fremantle Ports.

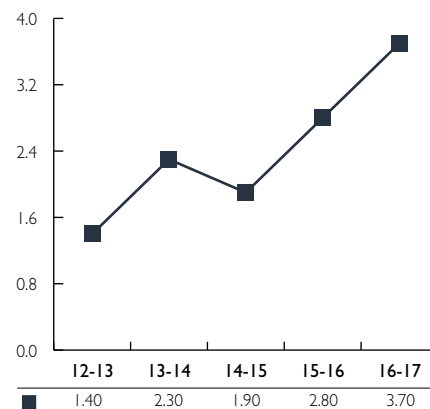
| | 2017 \$'000 | | 2016 \$'000 | |
|---|------------------------------|---------|------------------------------|---------|
| Operating EBIT (excluding significant items) + Depreciation - Deprival Value Depreciation | 76,484 | | 79,386 | |
| Average Written Down Deprival Value of Assets | 552,967 | = 13.8% | 566,610 | = 14.0% |



Graph 1 - Current Ratio Comparison

2012-13 to 2016-17

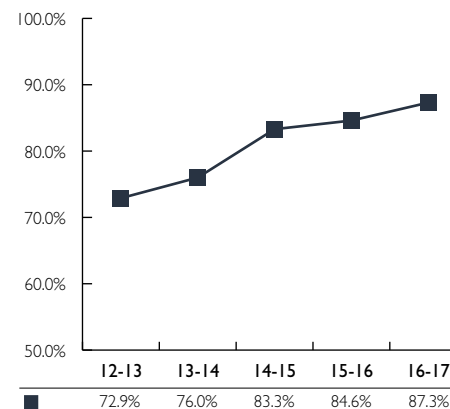
GRAPH 1



Graph 2 - Free Cash Flow Comparison

2012-13 to 2016-17

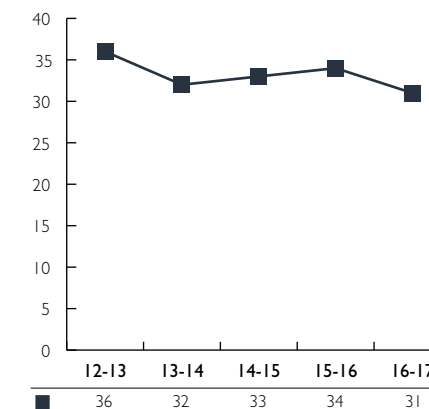
GRAPH 2



Graph 3 - Debtors Average Collection Period Comparison (days)

2012-13 to 2016-17

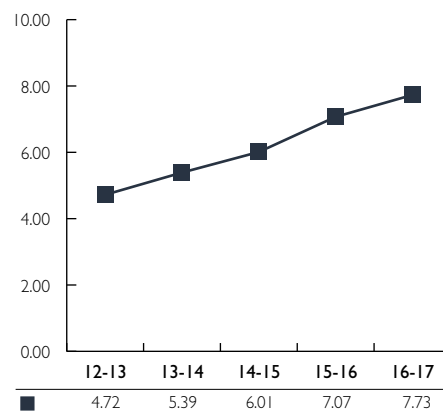
GRAPH 3



Graph 4 - Interest Cover Comparison (times)

2012-13 to 2016-17

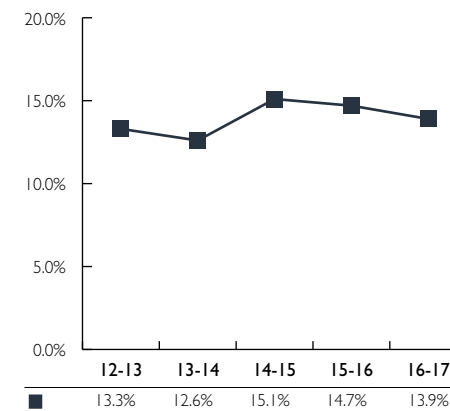
GRAPH 4



Graph 5 - Return on Assets Comparison

2012-13 to 2016-17

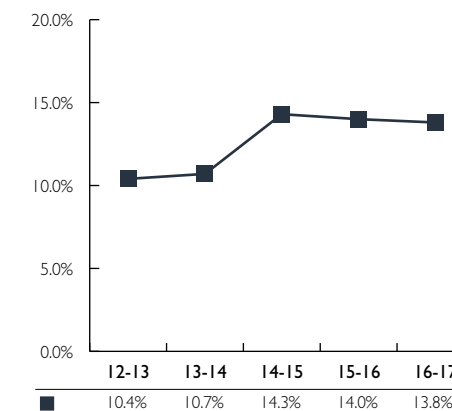
GRAPH 5



Graph 6 - Economic Rate of Return Comparison

2012-13 to 2016-17

GRAPH 6



DISCLOSURES AND LEGAL COMPLIANCE

KEY PERFORMANCE INDICATORS for the year ended 30 June 2017



AIM:

Ensure strong, ongoing support by continuing to provide first-rate customer service and taking a more proactive approach to stakeholder engagement

CUSTOMER SERVICE AND ENGAGEMENT

CUSTOMER SATISFACTION

Fremantle Ports conducted a survey of shipping lines in 2017. The survey was conducted as part of Fremantle Ports' customer liaison program with major lines and agents.

Figure 1 shows that 88 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.

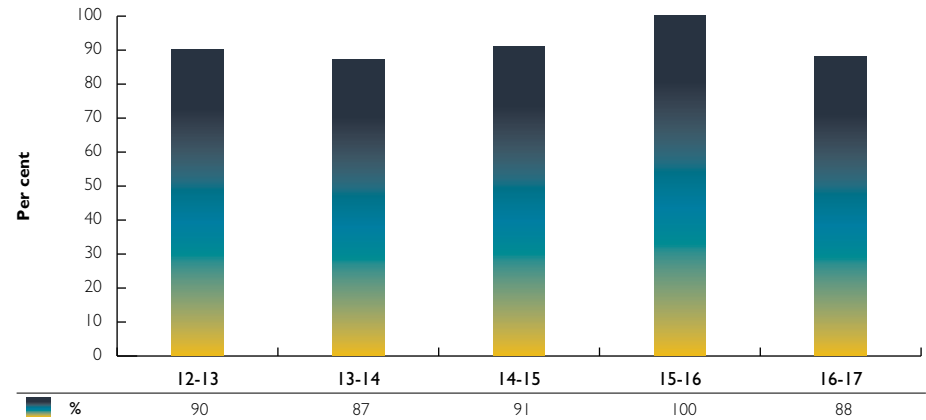
BERTHING DELAYS - INCOMING VESSELS

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.

Fig 1. Shipping Line/Agent Survey Services

2012-13 to 2016-17

Level of Overall Satisfaction with Fremantle Ports' Services



In 2016-17, 81% of respondents were satisfied or very satisfied. Target range 80-90%.



Fig 2. Delays to Incoming Vessels due to Unavailability of Shipping Services 2016-17

Percentage of total vessels affected

Figure 2 shows that the Inner Harbour container, Kwinana Bulk Terminal and Kwinana Bulk Jetty shipping sectors achieved better than target.

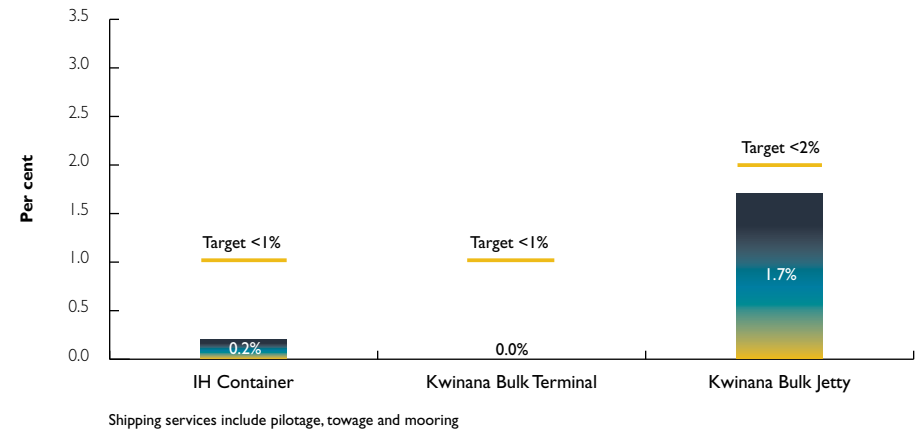
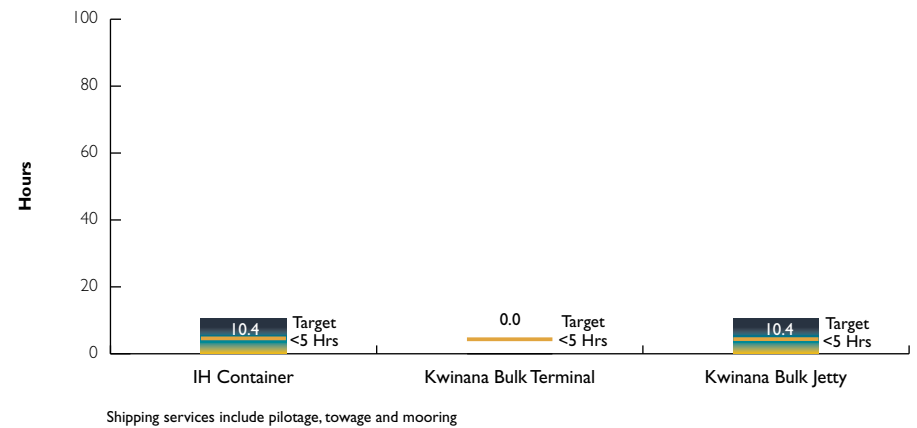


Fig 3. Delays to Incoming Vessels due to Unavailability of Shipping Services 2016-17

Average hours of delay per vessel delayed

Figure 3 shows the Inner Harbour container berthing operations and Kwinana Bulk Jetty exceeded target delays as a result of unavailability of shipping services. The delays were due to the affected vessels awaiting pilot services.



DISCLOSURES AND LEGAL COMPLIANCE

KEY PERFORMANCE INDICATORS for the year ended 30 June 2017



AIMS:

- increase certainty for shareholders and customers by planning how the port will be developed over the long term to cater for future demand
- promote increased investment in the port
- ensure that we can continue to deliver against our long-term financial and customer service goals

Fig 4. Unavailability of Berths 2016-17

Percentage of Total Vessels Affected

Figure 4 shows Kwinana Bulk Terminal and Kwinana Bulk Jetty incurred delays due to the unavailability of berths. Berthing delays at Kwinana Bulk Terminal exceeded target by 24.7 per cent, however, some of the delays were caused by vessels arriving before their nominated time for berthing. The Kwinana Bulk Jetty was in excess of target at 33.1 per cent mainly due to the higher than average vessel numbers for seasonal imports of fertilisers in the latter half of 2016-17.

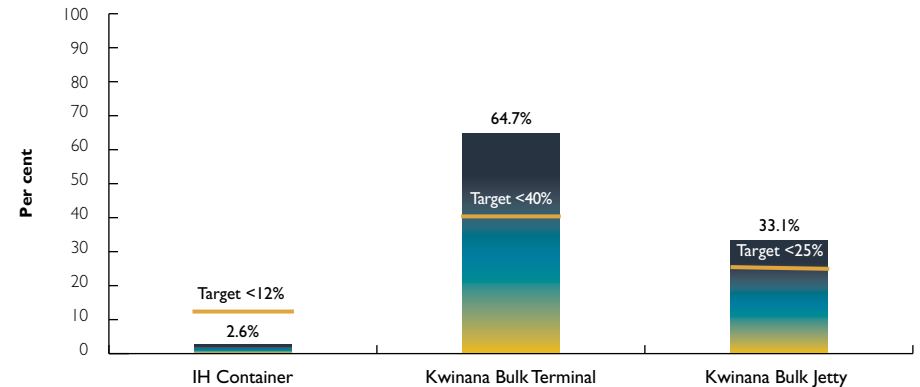
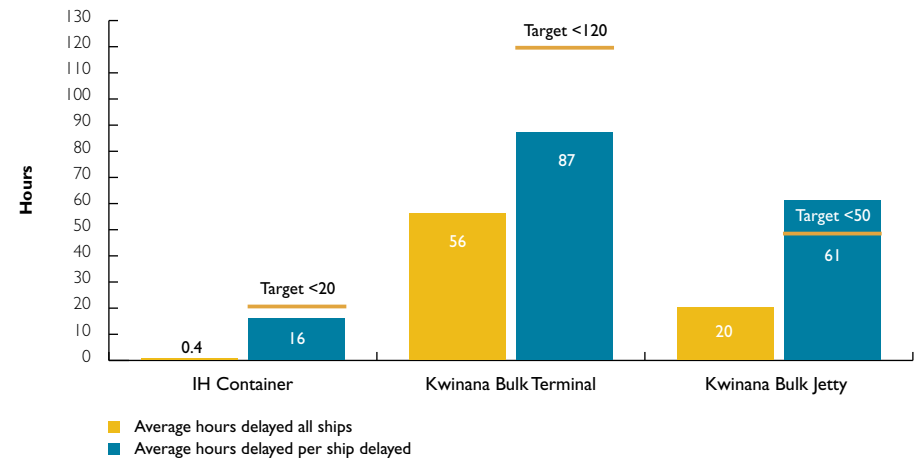


Fig 5. Unavailability of Berths 2016-17

Average hours of delay

Figure 5 shows that the average hours of delay to the unavailability of berths at Kwinana Bulk Terminal and the Inner Harbour container berths were within target. Kwinana Bulk Jetty exceeded the target for the average hours of ships delayed due to higher than average vessel number in the latter half of 2016-17.





CRANE RATES

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

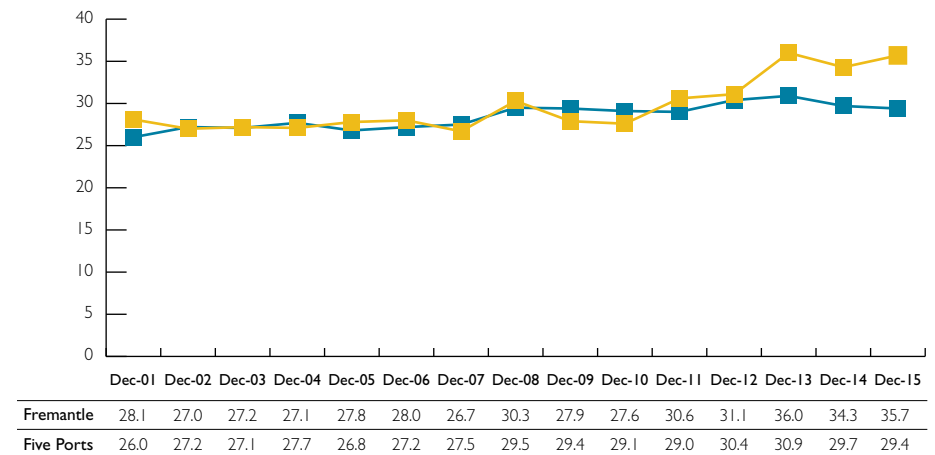
Figure 6 shows that Fremantle Port's crane rates measured in containers per hour have increased by 51.9 per cent from the December Quarter 2002 to the December Quarter 2016 (latest figures released by Waterline).

been above the five port average from the December quarter 2012 to the December quarter 2016.

Wharfside productivity in Fremantle (crane lifts per hour a vessel spent in berth) was 21.4 per cent higher than the five port average in the December quarter 2016. Productivity has now

Fig 6. Container Terminal Performance Indicators Comparison of Crane Rates between Fremantle and Five Ports Average

December 2002 to December 2016
Containers per hour



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



AIM:

- Identify and capitalise on opportunities for trade and business growth
- Add value for existing and potential customers, building stronger relationships
- Create demand for our facilities and services
- Strengthen our competitive advantage

BUSINESS AND TRADE DEVELOPMENT

TOTAL BULK AND NON-CONTAINERISED TRADE (REVENUE TONNES)

Total trade in the Outer Harbour (Kwinana Bulk Terminal and Kwinana Bulk Jetty) totalled 8.1 million tonnes, a decrease of 1.0 million tonnes or 11.0 per cent. Exports in the Outer Harbour declined by 0.6 million tonnes or 11.2 per cent due to the decrease of iron ore exported from Kwinana Bulk Terminal. Imports in the

Outer Harbour decreased by 10.8 per cent or 0.4 million tonnes mainly due to decreases in sulphur and cement clinker.

The Inner Harbour non-containerised trade increased slightly by 33,000 tonnes or 1.2 per cent. This resulted from an increase of iron and steel products and various bulk liquids imports and exports of scrap metal.

TOTAL CONTAINER TRADE

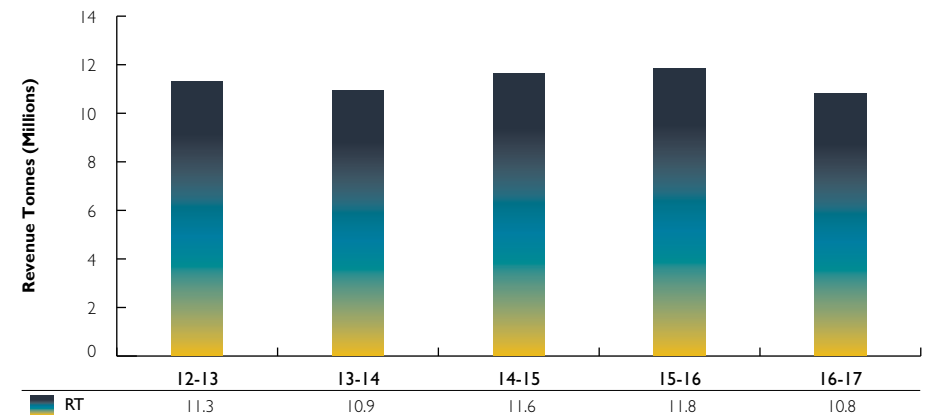
The main features of the container trade over the past 12 months were as follows:

- Exports increased by 0.4 per cent and imports decreased 0.1 per cent.
- Full container trade increased by 1.6 per cent or 8,203 TEU. Full exports increased by 7.2 per cent or 12,484 TEU and full imports decreased by 1.3 per cent or 4,281 TEU.
- The number of container vessel visits to Fremantle Port decreased from 515 visits in 2015-16 to 507 visits in 2016-17.

Fig 7. Fremantle Ports Bulk and Non-Containerised Trade

Revenue Tonnes

Figure 7 shows that the total chargeable bulk and non-containerised trade was 0.97 million tonnes or 8.2 per cent lower than last year. Total exports decreased by 0.6 million tonnes or 8.9 per cent to 5.7 million tonnes while total imports decreased by 0.4 million tonnes or 7.5 per cent to 5.1 million tonnes.



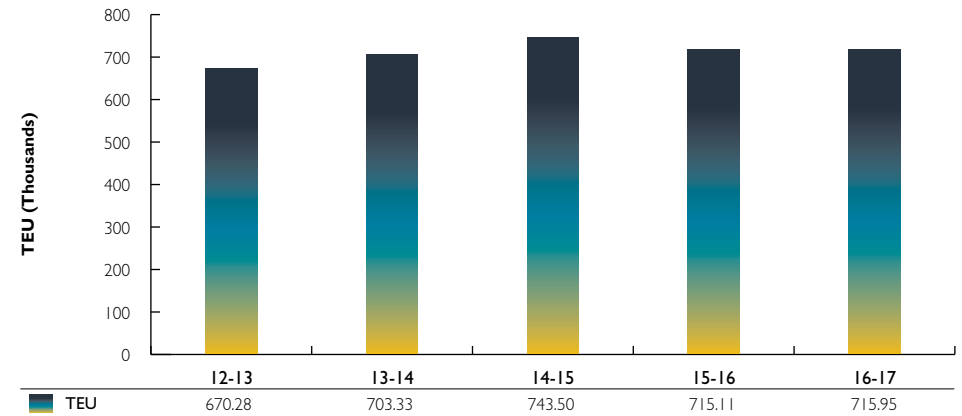
Note: The Statement of Corporate Intent forecast for Fremantle Ports trade in 2016-17 was annual growth of -2.7 per cent.



Fig 8. Total Container Trade - TEU

Comparison 2012-13 to 2016-17

Figure 8 shows that container trade has increased by 6.8 per cent since 2012-13 and increased slightly by 0.1 per cent over the 12 months to 30 June 2017.

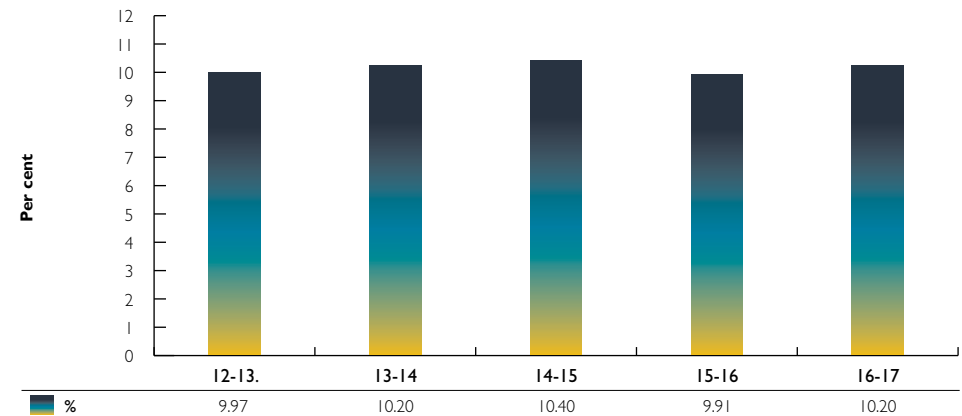


The Statement of Corporate Intent forecast for total container trade in 2016-17 was annual growth of 2.0 per cent

Fig 9. Container Trade Fremantle Ports Market Share Percentage 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), increased by 3.0 per cent to 10.2 per cent over the previous year.





NUMBER OF SHIP VISITS

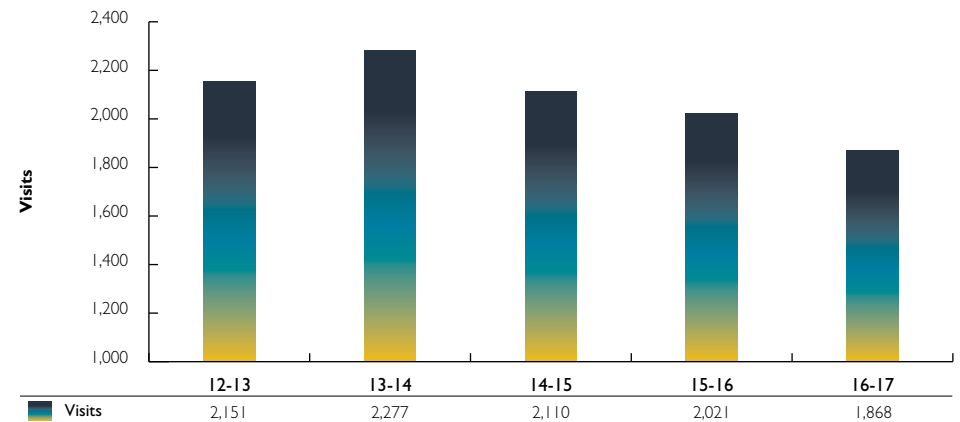
Figure 10 shows that the number of ship visits for commercial, non-trading and fishing vessels (naval vessels of war are excluded) decreased by 7.6 per cent over the 12 months to 30 June 2017.

Commercial ship visits increased by four visits in the Inner Harbour and decreased by 24 visits in the Outer Harbour.

The decrease in commercial ship visits in the Outer Harbour was mainly due to a decrease in vessels calling at the Australian Marine Complex (AMC). Vessels calling at AMC, both commercial and non-trading vessel visits, have declined over the past 12 months mainly due to fewer visits, from tugs and barges since the completion of the North West Gorgon project.

Fig 10. Total Ship Visits (excluding Naval)

Comparison 2012-13 to 2016-17



Note: Naval vessels not included. The Statement of Corporate Intent forecast for total ship visits in 2016-17 was 1,971.

DISCLOSURES AND LEGAL COMPLIANCE

KEY PERFORMANCE INDICATORS for the year ended 30 June 2017



AIM:

Improve our financial and economic performance to deliver to the expectations of our shareholders, customers and the broader State

FINANCIAL AND ECONOMIC

Fig 11. Operating Profit Before Income Tax Equivalent

Comparison 2012-13 to 2016-17

FREMANTLE PORTS' PROFIT BEFORE INCOME TAX EQUIVALENT

Figure 11 shows that operating profit before income tax equivalent in 2016-17 decreased by 0.99 million dollars or 1.4 per cent compared with 2015-16.

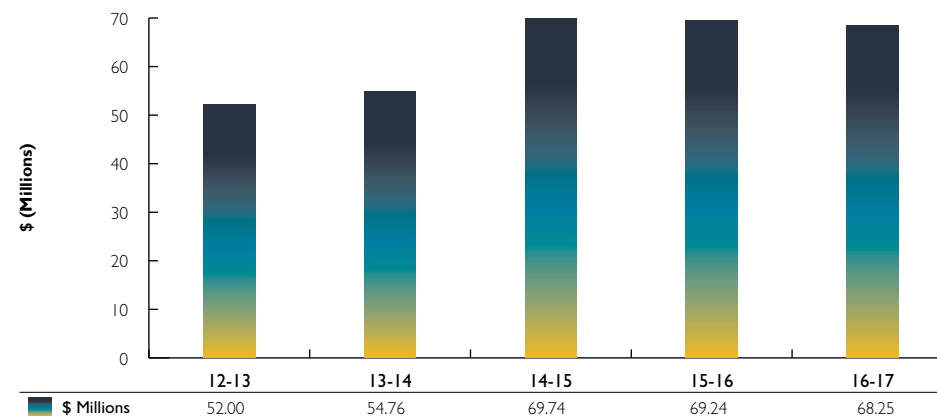
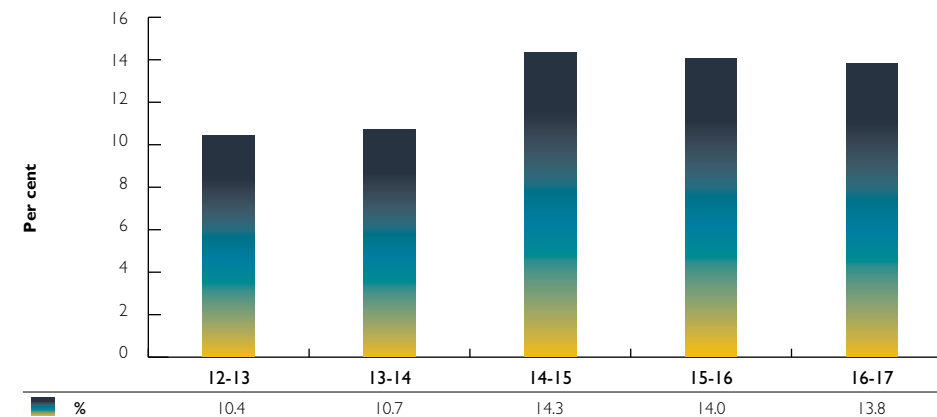


Fig 12. Economic Rate of Return on Assets

Comparison 2012-13 to 2016-17

ECONOMIC RATE OF RETURN

Figure 12 shows that the economic rate of return on assets was 13.8 per cent for financial year 2016-17. This compares with a target of 10.7 per cent for the year, as agreed by the State Government.



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



AIM:

Attain and maintain high levels of performance in safety and all other aspects of our work to support achievement of current and future goals

SAFE, AGILE AND HIGH PERFORMING ORGANISATION

COMMUNITY SATISFACTION

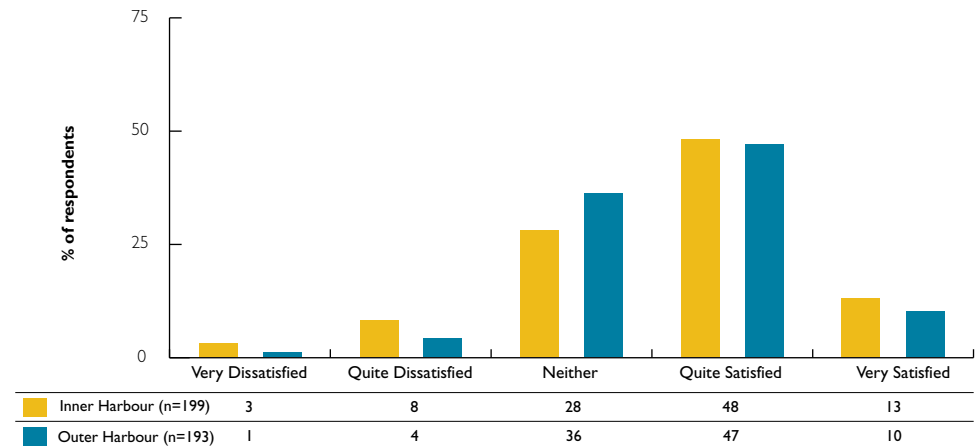
Fremantle Ports conducted an independent community satisfaction survey in June 2017 as part of its community liaison program. This involved a telephone survey with 205 residents in the Inner Harbour area (North Fremantle, South Fremantle, East Fremantle and Fremantle) and 202 residents in the

Outer Harbour (Cockburn, Kwinana and Rockingham). The overall results were analysed by a firm of marketing and communications research consultants.

Figure 13 shows that 61 per cent of respondents in the Inner Harbour and 57 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 36 per cent respectively were neither satisfied nor dissatisfied.

Fig 13. Overall Satisfaction with Fremantle Ports - June 2017

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



Please note : Percentage figures were subject to rounding.



Fremantle Ports Administration Building,
Victoria Quay.

LEGISLATIVE FRAMEWORK

The 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 legislative changes in 2016-17 that would impact our Annual Accounts/financial reporting obligations.

BOARD OF DIRECTORS

Fremantle Ports' governing body is a Board of 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 reappointed.

Details of the Directors are included on pages 12-13.

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 an annual 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.

DIRECTORS' CODE OF CONDUCT AND CHARTER

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.

A *Board Charter*, setting out the responsibilities of the Board and Chief Executive Officer was approved in May 2017.



NOMINATIONS COMMITTEE

To support the Board in succession planning, and appropriate composition and nomination recommendations to the Minister, a Nominations Committee has been formed, with the Board's Deputy Chair, Helen Cook the inaugural chair. A *Nominations Committee Charter* was approved in June 2017.

COMPLIANCE WITH PUBLIC SECTOR STANDARDS AND ETHICAL CODES

Following distribution of a revised Fremantle Ports *Code of Conduct* in hard copy to all employees, an e-learning module has been implemented, requiring all employees to read the Code and answer questions on it to ensure that obligations and responsibilities are understood.

The Code, developed in alignment with the Public Sector Commission guidelines and through an employee consultative process, defines the values and expected behaviours for the way we undertake our business, deal with each other and relate to our customers and the community within which we work.

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.

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

In 2016-17, there was one breach of the standards of appropriate behaviour and the Fremantle Ports *Code of Conduct*, leading to resignation of the person concerned.

A compulsory e-learning course on accountable and ethical decision-making was implemented during the year.

GIFTS AND BENEFITS

Fremantle Ports' gifts and benefits policy, which sets out requirements for responding to offers of gifts, benefits or hospitality was reviewed and updated during the year. This policy, which applies to all employees and Board members, sets out minimum requirements for responding to offers of gifts, benefits or hospitality by an external party to ensure that the integrity of individuals, and of Fremantle Ports, is not compromised or perceived to be compromised.

To complement the updated policy, a compulsory e-learning awareness and training program was implemented.

AUDITING SYSTEMS AND PROCESSES

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Board has a minimum of three Directors and has been chaired since July 2014 by Ms Jillian Hoffman.

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.

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 evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

The results of all internal 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 an endorsed rolling Strategic Audit Plan and approved Annual Internal Audit Plan. Key reviews and audits undertaken during the year include:

- Training management
- Maintenance planning, assignment and performance
- Operational Systems - management of ICT support and service arrangements
- Cyber risk - external threat assessment
- Management of ICT contracts, support and licences
- Revenue Accounts Receivable and Credit Control
- Purchasing, tendering, contract development and accounts payable
- GST compliance

- Health Check of the Data and Information Loss Prevention program

- Capital Works justification process. Improvements implemented during the year include:

- continued research and review of Internal Audit reports and reports to the Audit and Risk Management Committee with the aim of streamlining while providing focused information
- updating the internal audit monitoring and follow up process
- updating and maintenance of a comprehensive risk assurance model that provides information across the four lines of defence.

EXTERNAL AUDIT

In compliance with the *Port Authorities Act 1999*, Fremantle Ports must have the financial report for the financial year audited by the Auditor General. The Auditor General has currently outsourced this audit to RSM Australia Pty Ltd.



PROJECTS APPROVALS AND FUNDING DECISIONS

Fremantle Ports follows rigorous, well-documented capital works approval processes. In so doing the validity of projects and protection of our assets through application of sound strategic asset management principles is ensured.

A Capital Management Policy is in place.

RISK MANAGEMENT

Fremantle Ports has systematically applied its risk management policy and framework to its day-to-day operations as well as to new projects and activities in accordance with the risk management standard AS/NZ ISO 3100.

Achievements for the year include:

- review of key strategic and operational risks and their controls
- use of the Project Development Register to improve the capture and monitoring of risks associated with major projects
- implementation of an internationally respected web-based risk assessment application to provide high-level summary data on marine-related risks

- review, updating and testing of Fremantle Ports' crisis management and business continuity plans
- trialling a project to classify operational risks by processes (based on our Corporate Process Map)
- increased safety, environmental and quality audits of contractors, based on the risk profile of their activities
- ensuring branch managers across the organisation are involved in regular safety observations to identify workplace hazards and risks.

MINISTERIAL DIRECTIVES

There were no ministerial directives in the year under review.

ADVERTISING AND MARKET RESEARCH EXPENDITURE - 2016-17

| | |
|---|---------------------|
| Advertising Agencies | Nil |
| Marketing Research Organisations | |
| IPSOS Australia | \$55,050.00 |
| Polling Organisations | Nil |
| Direct Mail Organisations | |
| Fremantle Herald (distribution of newsletters) | \$15,632.04 |
| Community Newspaper Group (distribution of newsletters) | \$3,657.29 |
| Media Advertising Organisations | |
| Seek (recruitment adverts) | \$1,410.00 |
| Acorn Design (includes tenders, recruitment adverts) | \$30,302.61 |
| Optimum Media Decisions (OMD) (includes tenders, recruitment adverts) | \$48,490.07 |
| The Company of Master Mariners of Australia | \$1,650.00 |
| Air Ads | \$3,670.00 |
| Ontime Publications | \$4,500.00 |
| The West Australian | \$1,213.64 |
| Angry Chicken Publishing | \$5,500.00 |
| Executive Media Pty Ltd | \$2,295.00 |
| Fremantle Surf Club Annual Report | \$370.00 |
| WA News | \$165.00 |
| Tenderlink.com | \$2,025.00 |
| E Shed Markets | \$36,000 |
| Total | \$211,930.65 |



Students from Murdoch University's Kulbardi Aboriginal Centre engaged in a student mentoring program listened to Fremantle Ports staff talk about their personal career journeys.

DISABILITY ACCESS

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

ACROD parking facilities are provided in several locations on Victoria Quay.

SUBSTANTIVE EQUALITY AND DIVERSITY

Fremantle Ports is a family friendly organisation continuing to support employees in balancing work and family responsibilities. As part of this, our organisation offers flexible hours, availability of purchased leave, part-time work opportunities, working from home arrangements and paid maternity and paternity leave.

Fremantle Ports supports and is actively involved in the Kwinana Industries Council iDiversity program, plus collaboration with a number of external organisations promoting an increased focus on women in leadership. The National Association of Women in Operations (NAWO),

Women in Shipping and Trading Association (WISTA) and the local Kwinana Industries Council (KIC) women's networks offer regular networking, learning and mentoring opportunities.

Fremantle Ports is also providing in-kind and financial support for the Centre for Aboriginal Studies at Curtin University and Murdoch University's Kulbardi Centre.



A harbour tour aboard FP Response was a highlight of a visit by participants in the Kwinana Industries Council iDiversity program.

EQUAL OPPORTUNITY PUBLIC SECTOR COMMISSION (PSC) SURVEY

| Summary of data for all employees | Representation | Equity Index |
|---|----------------|--------------|
| Women | 24.8% | 109 |
| People from culturally diverse backgrounds* | 11.0% | 130 |
| Aboriginal Australians * | 0.0% | 0 |
| People with disability* | 1.2% | 85 |
| Youth | 0.3% | n/a |
| Mature Employees | 61.9% | n/a |
| Women in tier 2 management** | 40.0% | n/a |
| Women in tier 3 management*** | 15.8% | n/a |

* based on responses received

** PSC Guidelines define tier 2 as managers reporting to CEO

*** Tier 3 defined as managers reporting to Tier 2 management

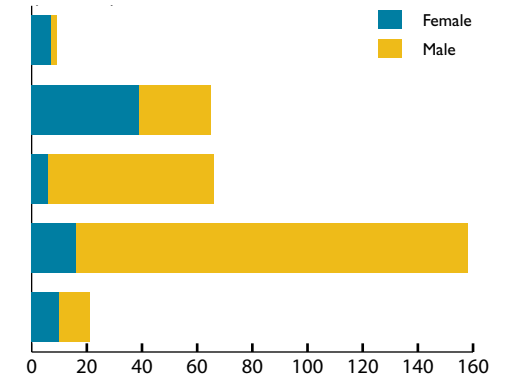


Most of Fremantle Ports' historical records are with the State Records Office and Battye Library, however some items of special interest are retained.

Gender profile as at 30 June 2017

| ACTUAL EMPLOYEE NUMBERS | | | |
|-------------------------------------|------|--------|-------|
| | Male | Female | Total |
| CEO Division | 2 | 7 | 9 |
| Commercial and Corporate Services | 26 | 39 | 65 |
| Asset and Infrastructure Management | 60 | 6 | 66 |
| Port Operations | 142 | 16 | 158 |
| Strategy and Planning | 11 | 10 | 21 |
| | 241 | 78 | 319* |

* Represents head count



RECORDS INFORMATION MANAGEMENT PROGRAMS

Recordkeeping is established as an essential part of our business activities. Compliance with State Records Commission Standard 2, Principle 6, is achieved, and often exceeded, through regular reviews and improvement initiatives. These include:

- A records reduction project has made significant progress. More than 8,000 hardcopy and electronic records have been appraised for archiving or defensible disposal.

- A recordkeeping audit of 86 business systems has been undertaken, mostly to determine whether records within those systems are primary or secondary records, but also to determine the types of records held and their associated retention values. An electronic register has since been created for use when assessing future migration needs of records.
- A review was undertaken of our Disaster Recovery Plan for hardcopy records.

RECORDKEEPING TRAINING AND EFFECTIVENESS

Training and induction program improvements included presenting the recordkeeping induction program in two parts to reduce the complexity and maximise induction benefits. HP Records Manager training, also delivered to employees within a week of their start date, includes document-naming conventions, searching, security and email management.



Training effectiveness is demonstrated in many ways including employee feedback, the reduction in HP Records Manager support calls and increased requests to create new HP Records Manager containers.

External consultants, who undertook an ICT capabilities review, provided positive feedback about the extensive use across the organisation of HP Records Manager as the central storage location for business records. The tight document control and

recordkeeping used for the proposed port sale project documentation was also noted.

Records Manager statistics show that for the 2016-17 financial year 128,296 new documents were registered to HP Records Manager which is a slight increase from the previous year's figure of 121,558. This is a positive result that demonstrates staff are confident in using HP Records Manager and understand its benefits.

COMPLIANCE WITH OCCUPATIONAL SAFETY, HEALTH AND INJURY MANAGEMENT REPORTING

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:

See pages 46-48 for other safety reports.

| MEASURE | ACTUAL RESULTS | | RESULTS AGAINST TARGET | |
|--|----------------|---------|------------------------------|-------------------|
| | 2014-15 | 2016-17 | Target | Comment on result |
| Number of fatalities | 0 | 0 | 0 | Target achieved |
| Lost time injury and/or disease incidence rate* | 12.1 | 4.1 | 0 or 10% reduction | Target achieved |
| Lost time injury and/or disease severity rate | 10 | 0 | 0 or 10% reduction | Target achieved |
| Percentage of injured workers returned to work: | | | | |
| (i) within 13 weeks | 80% | 100% | Not applicable | |
| (ii) within 26 weeks | 90% | 100% | Greater than or equal to 80% | Target achieved |
| Percentage of managers trained in occupational safety, health and injury management responsibilities | 85% | 90% | Greater than or equal to 80% | Target achieved |

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



COMPLAINTS MANAGEMENT

Fremantle Ports is certified to the ISO 9001 'Quality Management System' standard, which includes the requirement to have in place a robust complaints management handling process. We use complaints and other stakeholder feedback as valuable input into our continuous improvement process. We willingly acknowledge that people have a right to complain about services or aspects of operations. Complaints provide an opportunity to improve services and operations, and can alert us to 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 procedures are regularly reviewed.

All complaints in 2016-17 were logged into an electronic Complaints Management System for prompt action. Complaints were 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 or a relevant officer.

Complaints and incidents were reported and discussed at the Inner Harbour Community Liaison Group quarterly meetings this year 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. The Board reviews complaints on a regular basis, with particular attention drawn to trends.

COMPLAINTS RECEIVED

All 72 complaints received this year were taken to a point where no further action was required in terms of follow up with those individuals.

Empty container park providers faced pressures at the start of the peak season in October and again following Christmas, resulting in a number of complaints concerning delays. Steps taken included paying closer attention to on-time arrivals and working with Fremantle Ports in relation to performance requirements set out in operating agreements.

Significant seasonal beach erosion led to several complaints over the summer and autumn about rocks on Port Beach.

Some complaints were received about the cost of parking and faulty parking meters on Victoria Quay.

Three out of seven noise complaints were similar in that people reported loud ongoing engine-type noise. As a result of investigations, the noise was not deemed to be emanating from ships at the port but possibly dewatering works at construction sites not in the port.

Some complaints about the Fremantle Passenger Terminal referred to the condition of the path, particularly the footbridge, and the distance between the terminal and the Fremantle Train Station. Fremantle Ports is liaising with the City of Fremantle and the Public Transport Authority about this issue.

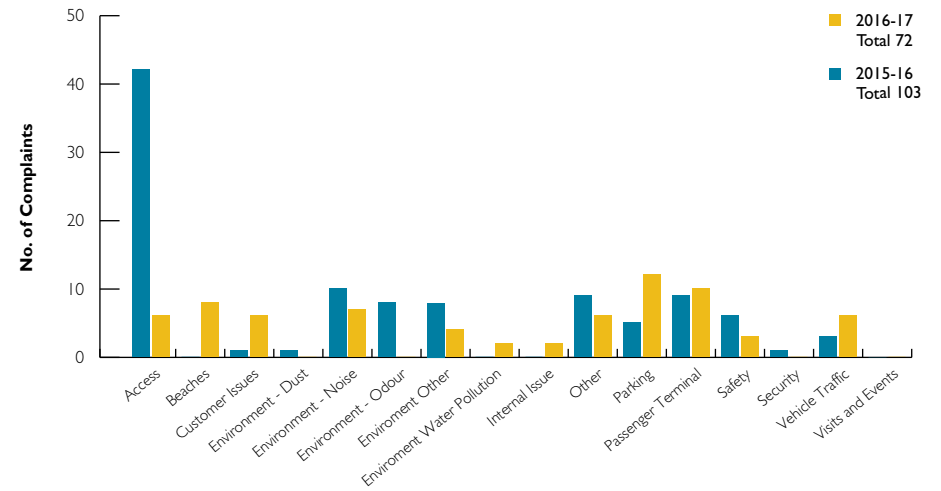
Although there was only one complaint in relation to train noise this year, Fremantle Ports is continuing to liaise with relevant organisations about residents' concerns. Freight rail operators and a number of State Government agencies are working together to find the best approach to addressing rail noise issues within the Perth metropolitan freight network.



Throughout the year a number of complainants thanked us for dealing promptly with issues raised. A person who raised a safety concern wrote: 'Thank you for your prompt response in addressing this matter ... the fact that your team is actively addressing my concerns is very reassuring and is exactly the response one would expect from a professional organisation. Credit to your team.'

Fremantle Ports - Complaints Register

2016-17 compared to 2015-16



STATISTICAL INFORMATION

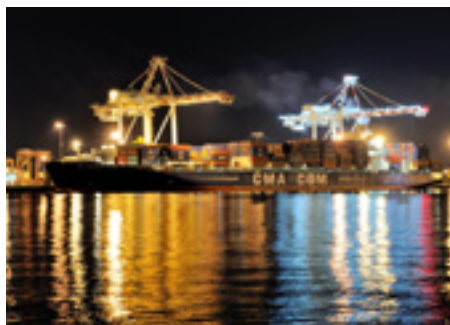


| FIVE YEAR SUMMARY | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| SHIPPING | | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| No. of Ships: | Inner Harbour | 1,051 | 1,068 | 1,075 | 1,037 | 991 |
| | Outer Harbour | 1,100 | 1,209 | 1,035 | 984 | 877 |
| | Naval | 7 | 34 | 45 | 62 | 92 |
| TOTAL | | 2,158 | 2,311 | 2,155 | 2,083 | 1,960 |
| Gross Tonnage (000's): | | | | | | |
| | Inner Harbour | 39,930 | 40,776 | 40,598 | 43,500 | 45,372 |
| | Outer Harbour | 24,502 | 25,661 | 24,743 | 25,743 | 25,638 |
| TOTAL | | 64,432 | 66,437 | 65,341 | 69,243 | 71,010 |
| Turnover per linear metre of wharf | | | | | | |
| Inner Harbour Tonnage Only - (i) | | | | | | |
| | Trade in Tonnes | 2,374 | 2,531 | 2,604 | 2,436 | 2,496 |
| | Gross Tonnage | 12,354 | 12,766 | 12,711 | 13,619 | 14,205 |
| TRADE | | Mass tonnes '000 | Mass tonnes '000 | Mass tonnes '000 | Mass tonnes '000 | Mass tonnes '000 |
| | Total Port Trade | 31,980 | 33,506 | 35,842 | 34,823 | 35,249 |
| Imports: | Inner Harbour | 4,029 | 3,903 | 3,994 | 3,873 | 3,888 |
| | Outer Harbour | 10,001 | 10,006 | 11,084 | 10,811 | 10,578 |
| TOTAL | | 14,030 | 13,909 | 15,078 | 14,684 | 14,466 |
| Exports: | Inner Harbour | 3,554 | 4,137 | 4,265 | 3,894 | 4,115 |
| | Outer Harbour | 14,395 | 15,354 | 16,393 | 16,226 | 16,674 |
| TOTAL | | 17,949 | 19,491 | 20,658 | 20,120 | 20,846 |
| Bunkers: | Inner Harbour | 55 | 44 | 58 | 14 | 21 |
| | Outer Harbour | 55 | 62 | 48 | 6 | 24 |
| TOTAL | | 110 | 106 | 106 | 20 | 45 |

| FIVE YEAR SUMMARY | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| SHIPPING | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| FINANCE | \$ Millions | \$ Millions | \$ Millions | \$ Millions | \$ Millions |
| Revenue from ordinary activities | 204.589 | 204.48 | 229.754 | 223.337 | 214.056 |
| Operating expenses | 123.248 | 122.319 | 130.065 | 126.112 | 118.902 |
| Interest and depreciation charges | 28.128 | 27.404 | 29.952 | 27.989 | 26.907 |
| Profits from ordinary activities before tax | 53.213 | 54.757 | 69.737 | 69.236 | 68.247 |
| Written down value of fixed assets | 413.298 | 448.338 | 448.161 | 440.279 | 426.097 |
| PERCENTAGE OF REVENUE | Per cent | Per cent | Per cent | Percent | Per cent |
| Charges on cargo | 66.27 | 65.95 | 66.59 | 64.69 | 62.96 |
| Charges on ships | 8.55 | 9.02 | 8.6 | 9.34 | 9.92 |
| Charges for shipping services | 6.03 | 6.15 | 5.65 | 5.73 | 5.84 |
| Charges for other services | 19.15 | 18.88 | 19.16 | 20.25 | 21.28 |
| Operating expenses | 60.24 | 59.82 | 56.61 | 56.47 | 55.55 |
| PERSONNEL | No. | No. | No. | No. | No. |
| Employees at 30th June (ii) | 335 | 321 | 322 | 307 | 297 |

(i) Lengths of berths A, B and C are excluded from turnover per linear metre of wharf calculations as these berths are not used for cargo purposes.

(ii) Full time equivalent employees.



Night operations at the North Quay container terminals



Vehicle carrier Glovis Corona

| 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. |
| 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 | 35 |
| 2015 | 1,804 | 64,111,545 | 306 | 1,228,845 | 2,110 | 65,340,390 | 45 |
| 2016 | 1,837 | 68,324,318 | 184 | 919,875 | 2,021 | 69,244,193 | 62 |
| 2017 | 1,813 | 70,597,518 | 55 | 414,223 | 1,868 | 71,011,741 | 92 |



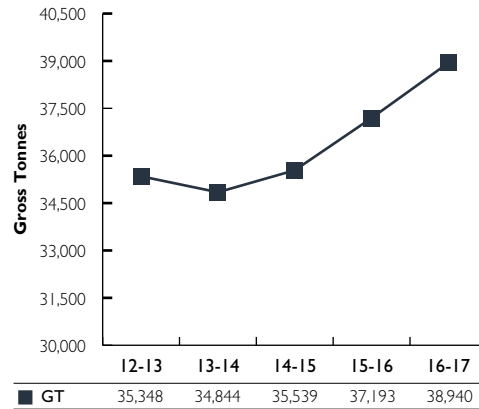
| SHIPS CLASSIFIED ACCORDING TO CARGO CLASS | | | | | | | | | |
|---|--------------|-----------------------|--------------------------|--------------|-----------------------|--------------------------|--------------|-----------------------|--------------------------|
| Cargo Class | 2014-15 | | | 2015-16 | | | 2016-17 | | |
| | 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 | 90 | 938 | 10 | 97 | 1,040 | 11 | 84 | 847 | 10 |
| Container | 511 | 22,340 | 43.7 | 515 | 23,910 | 46.4 | 507 | 25,894 | 51.0 |
| Other - Trading | 86 | 837 | 10 | 44 | 351 | 8 | 16 | 390 | 24 |
| Roll-on/Roll-off | 22 | 1,565 | 71.1 | 24 | 1,706 | 71.1 | 23 | 1,633 | 71.0 |
| Vehicle Carrier | 176 | 10,619 | 60 | 184 | 11,195 | 61 | 194 | 11,183 | 58 |
| Livestock Carrier | 57 | 1,398 | 24.5 | 68 | 1,614 | 23.7 | 58 | 1,417 | 24.4 |
| Passenger | 43 | 2,755 | 64 | 59 | 3,614 | 61 | 60 | 3,483 | 58 |
| Tankers | 235 | 7,747 | 32.9 | 247 | 8,199 | 33.2 | 260 | 8,522 | 32.8 |
| Dry Bulk - Grain | 172 | 5,199 | 30 | 138 | 4,417 | 32 | 168 | 5,421 | 32 |
| Dry Bulk - Other | 320 | 8,264 | 25.8 | 323 | 8,456 | 26.2 | 304 | 7,834 | 25.7 |
| Bunkering Only | 92 | 2,431 | 26 | 137 | 3,811 | 28 | 139 | 3,972 | 28.6 |
| Non Trading - Other | 306 | 1,241 | 4.0 | 185 | 926 | 5.0 | 55 | 414 | 7.5 |
| Sub Total | 2,110 | 65,340 | 31 | 2,021 | 69,244 | 34 | 1,868 | 71,010 | 38 |
| Naval | 45 | | | 61 | | | 92 | | |
| Grand Total | 2,155 | 65,340 | 31 | 2,082 | 69,244 | 34 | 1,960 | 71,010 | 38 |

STATISTICAL INFORMATION



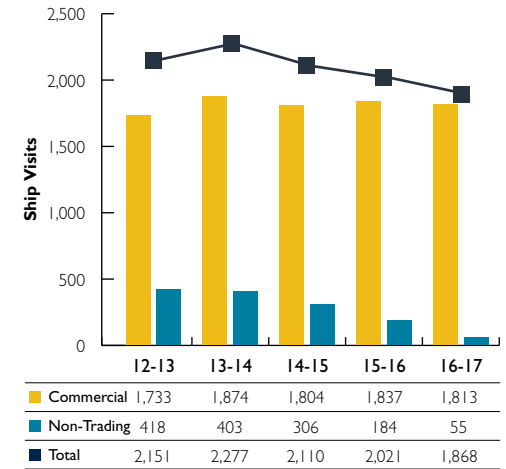
Average Gross Tonnage per Commercial Vessel

2012-13 to 2016-17



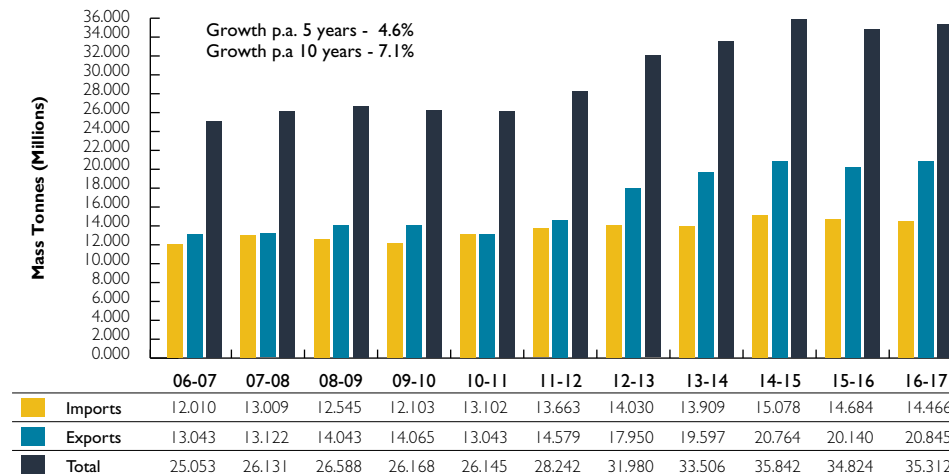
Ship Visits

2012-13 to 2016-17
(Excluding Naval)



Total Port Trade

2006-07 to 2016-17





Break-bulk (non containerised) trade was slightly above last year's result.



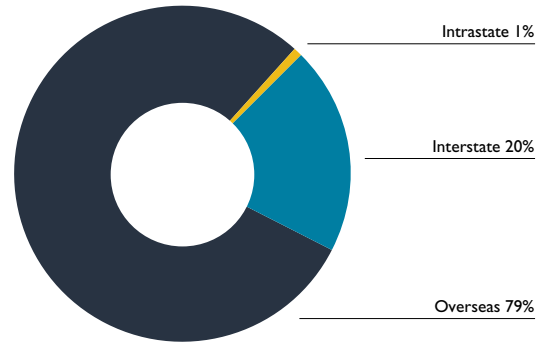
Unloading operations, Kwinana Bulk Jetty

SYNOPSIS OF TRADE 2016-17

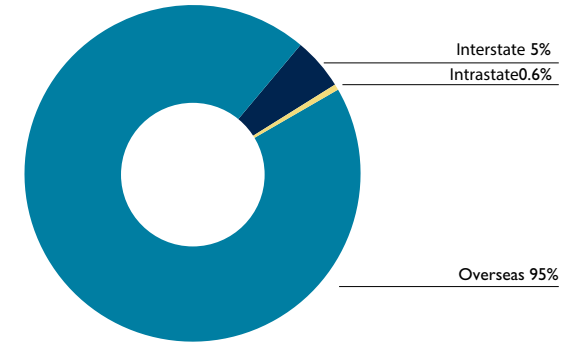
| Cargo | Inner Harbour | Outer Harbour | Port Total |
|-------------------------|------------------|-------------------|-------------------|
| | Mass Tonnes | Mass Tonnes | Mass Tonnes |
| Imports | | | |
| From Intrastate Ports | 26,975 | 490,248 | 517,223 |
| From Interstate Ports | 787,792 | 60,622 | 848,415 |
| From Overseas Ports | 3,073,487 | 10,027,170 | 13,100,658 |
| TOTAL IMPORTS | 3,888,255 | 10,578,041 | 14,466,296 |
| Exports | | | |
| To Intrastate Ports | 15,419 | 198,276 | 213,695 |
| To Interstate Ports | 52,117 | 1,649,897 | 1,702,014 |
| To Overseas Ports | 3,996,913 | 14,825,446 | 18,822,358 |
| TOTAL EXPORTS | 4,064,448 | 16,673,619 | 20,738,067 |
| TOTAL CARGO | 7,952,703 | 27,251,660 | 35,204,363 |
| Bunkers | | | |
| Fuel Oil | 50,188 | 57,017 | 107,205 |
| TOTAL PORT TRADE | 8,002,891 | 27,308,677 | 35,311,568 |



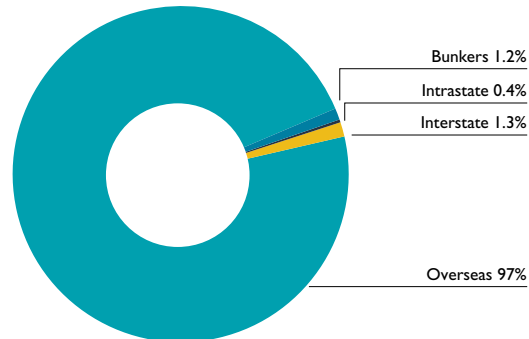
Inner Harbour Imports



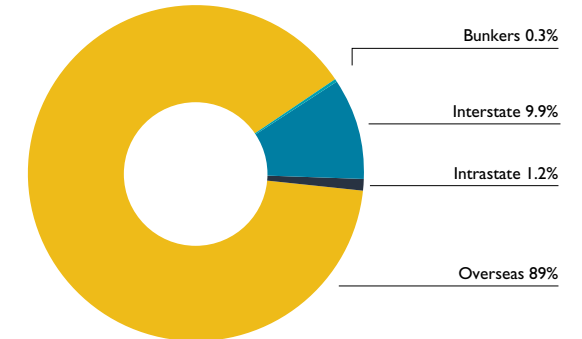
Outer Harbour Imports



Inner Harbour Exports



Outer Harbour Exports

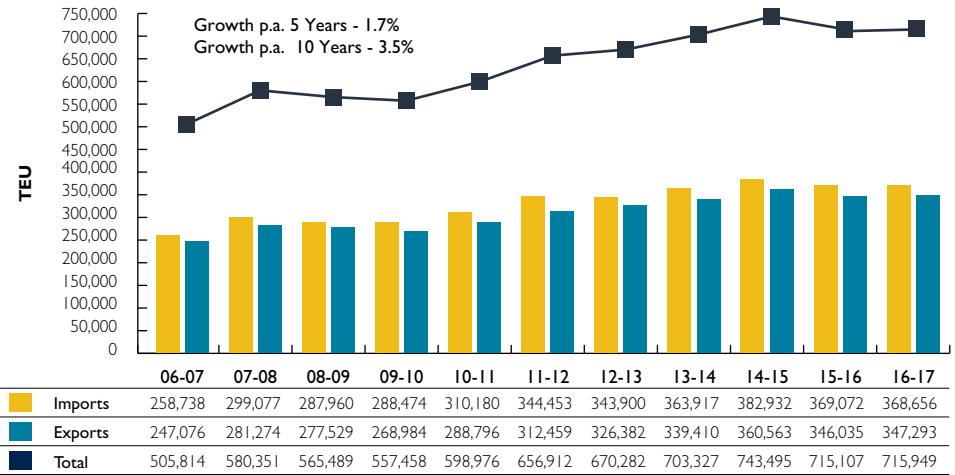




MSC Flaminia

Total Container Trade - TEU

2006-07 to 2016-17

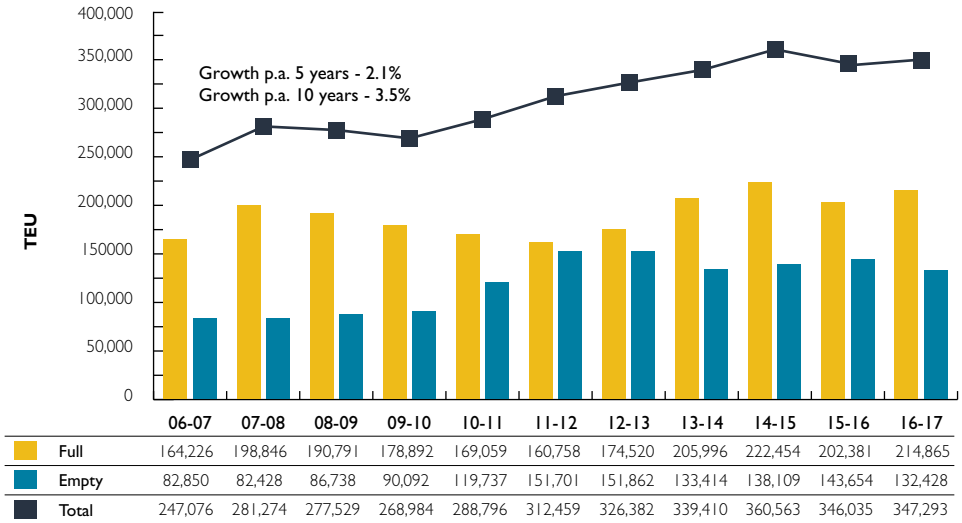


Container shipping manoeuvres, Inner Harbour



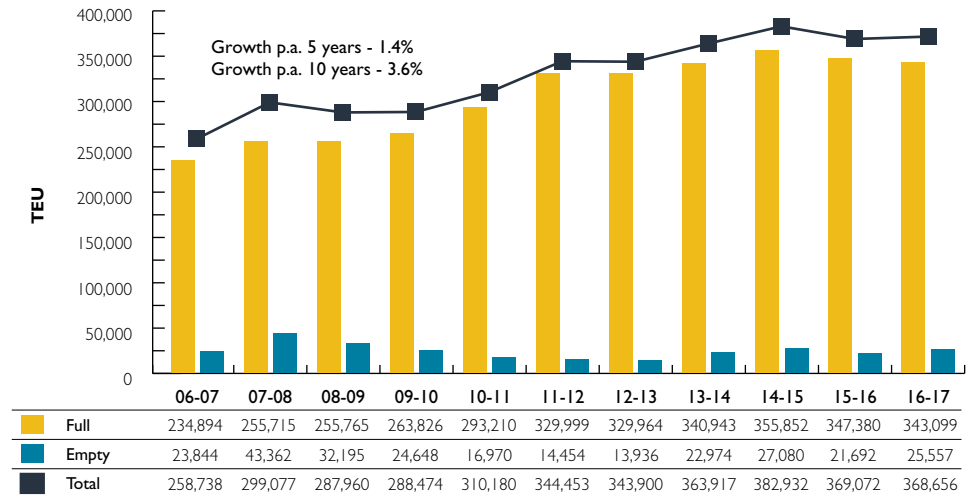
Export Container Trade - TEU

2006-07 to 2016-17



Import Container Trade - TEU

2006-07 to 2016-17



STATISTICAL INFORMATION



| PORT OF FREMANTLE CONTAINER TRADE -TEU July 1 2016 to June 30 2017 | | | | | | | |
|--|----------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Country | Imports | | | Exports | | | Grand Total |
| | Full | Empty | Total | Full | Empty | Total | |
| China | 115,303 | 411 | 115,714 | 42,543 | 3,847 | 46,390 | 162,104 |
| Australia | 66,392 | 15,986 | 82,378 | 1,500 | 8,741 | 10,241 | 92,619 |
| Singapore | 9,780 | 3,967 | 13,747 | 7,927 | 61,497 | 69,424 | 83,171 |
| Malaysia | 17,771 | 528 | 18,299 | 13,742 | 39,303 | 53,045 | 71,344 |
| Thailand | 19,736 | 36 | 19,772 | 9,067 | 14,148 | 23,215 | 42,987 |
| Japan | 6,559 | 11 | 6,570 | 27,286 | 474 | 27,760 | 34,330 |
| South Korea | 8,387 | 18 | 8,405 | 18,230 | 311 | 18,541 | 26,946 |
| Indonesia | 8,546 | 309 | 8,855 | 17,016 | 1,043 | 18,059 | 26,914 |
| United States of America | 12,600 | 2 | 12,602 | 4,791 | 35 | 4,826 | 17,428 |
| Vietnam | 8,167 | 3 | 8,170 | 8,855 | | 8,855 | 17,025 |
| India | 5,436 | | 5,436 | 11,027 | | 11,027 | 16,463 |
| Taiwan | 5,078 | 2 | 5,080 | 8,969 | 989 | 9,958 | 15,038 |
| United Arab Emirates | 2,629 | 53 | 2,682 | 6,520 | | 6,520 | 9,202 |
| New Zealand | 4,423 | | 4,423 | 4,394 | 362 | 4,756 | 9,179 |
| Netherlands | 4,087 | | 4,087 | 3,847 | 216 | 4,063 | 8,150 |
| Germany | 6,231 | 2 | 6,233 | 780 | 172 | 952 | 7,185 |
| Italy | 5,887 | 14 | 5,901 | 409 | 16 | 425 | 6,326 |
| United Kingdom | 4,221 | | 4,221 | 1,756 | 15 | 1,771 | 5,992 |
| Belgium | 3,251 | | 3,251 | 855 | 856 | 1,711 | 4,962 |
| Philippines | 753 | | 753 | 3,363 | 1 | 3,364 | 4,117 |
| Other Countries | 27,862 | 4,215 | 32,077 | 21,988 | 402 | 22,390 | 54,467 |
| Grand Total | 343,099 | 25,557 | 368,656 | 214,865 | 132,428 | 347,293 | 715,949 |



MAJOR EXPORTS BY COMMODITY 2016-17

| Commodity | % Tonnes | Mass Tonnes | Principal Countries (% Commodity Total) |
|---|----------|-------------|--|
| Grain (includes Barley, Canola Seed, Lupins, Oats, Malt, Wheat) | 34.8% | 7,225,168 | China (27.7) Indonesia (13.7) South Korea (10.6) Japan (9.4) Philippines (5.7) Vietnam (5.3) Germany (3.6) Oman (2.4) Belgium (2.3) Yemen Democratic Republic (2.3) |
| Iron Ore | 20.7% | 4,301,860 | China (100) |
| Alumina | 15.4% | 3,197,899 | Malaysia (23.7) India (20.1) China (14.2) Indonesia (9.5) Australia (7.2) Egypt (5.5) Qatar (5.1) Japan (4.0) Russia (3.0) |
| Refined Petroleum | 8.7% | 1,811,230 | Australia (84.4) Singapore (8.0) Malaysia (3.8) United States of America (2.0) |
| Animal Feeds | 2.2% | 452,881 | Japan (45.7) South Korea (17.2) China (15.6) Taiwan (6.0) Kuwait (3.0) Qatar (2.1) Indonesia (2.0) |
| Metal Scrap | 1.9% | 402,765 | Vietnam (21.2) India (18.8) Indonesia (12.5) Kuwait (9.4) Bangladesh (9.0) Taiwan (8.9) Saudi Arabia (5.7) China (5.2) Malaysia (3.1) |
| Bauxite | 1.4% | 283,196 | China (100) |
| Waste Paper | 1.1% | 235,126 | Indonesia (54.4) Thailand (19.4) China (17.7) India (3.2) Malaysia (2.3) |
| Titanium Dioxide | 1.0% | 200,404 | China (18.4) South Korea (13.0) Thailand (11.0) India (10.8) Indonesia (7.0) Netherlands (5.4) Vietnam (5.3) Malaysia (4.8) Philippines (4.4) Japan (3.2) Taiwan (2.5) New Zealand (2.3) |



MAJOR EXPORTS BY COUNTRY 2016-17

| Commodity | % Tonnes | Mass Tonnes | Principal Countries (% Commodity Total) |
|----------------------|----------|-------------|--|
| China | 37.2% | 7,728,121 | Iron Ore (55.7) Grain (25.9) Alumina (5.9) Bauxite (3.7) |
| Australia | 9.4% | 1,961,145 | Refined Petroleum (78) Alumina (11.7) Ammonium Nitrate (2.8) |
| Indonesia | 7.5% | 1,554,200 | Wheat (63.3) Alumina (19.5) Waste Paper (8.2) Metal Scrap (3.3) |
| Malaysia | 6.2% | 1,290,177 | Alumina (58.8) Wheat (9.9) Other Crude Minerals (7.0) Refined Petroleum (5.4) Other Cereals and Cereal Preparations (2.8) Non Ferrous Metals (2.0) |
| Japan | 5.5% | 1,151,518 | Wheat (43.7) Animal Feeds (21.0) Alumina (11.2) Barley (7.8) Malt (2.7) Canola (2.1) Silica Sands (2.0) |
| South Korea | 5.4% | 1,130,469 | Wheat (63.1) Silica Sands (9.6) Animal Feeds (8.1) Alumina (3.2) Lupins (2.4) Titanium Dioxide (2.3) |
| India | 4.3% | 901,646 | Alumina (71.4) Metal Scrap (8.4) Wheat (3.8) Mineral Sands (2.9) Titanium Dioxide (2.4) Oats (2.0) |
| Vietnam | 2.5% | 521,055 | Wheat (58.2) Metal Scrap (16.4) Malt (12.0) Barley (2.5) Titanium Dioxide (2.1) |
| Philippines | 2.2% | 450,597 | Wheat (74.6) Malt (13.4) Titanium Dioxide (2.0) Dairy Products (1.9) |
| Singapore | 2.1% | 442,947 | Refined Petroleum (32.6) Tallow (6.5) Dairy Products (6.4) Wheat (5.9) Malt (4.3) Fresh Fruit and Vegetables (3.8) |
| United Arab Emirates | 1.4% | 290,382 | Grain (43.6) Alumina (21.7) Fresh Fruit and Vegetables (10.8) Other Transport Equipment and Parts (5.4) Animal Feeds (3.6) Sheep (3.1) Other Cereals and Cereal Preparations (2.7) Other Animal Foods Prepared or Manufactured (2.1) |



MAJOR IMPORTS BY COMMODITY 2016-17

| Commodity | % Tonnes | Mass Tonnes | Principal Countries (% Commodity Total) |
|--------------------------------|----------|-------------|---|
| Crude Petroleum | 41.9% | 6,061,746 | United Arab Emirates (42.7) Malaysia (21.5) Papua New Guinea (15.1) Indonesia (9.1) Singapore (6.7) |
| Caustic Soda | 6.4% | 929,362 | Saudi Arabia (26.3) China (15.3) United States of America (14.8) Taiwan (12.9) South Korea (6.8) Qatar (6.8) Australia (6.8) Singapore (4.4) Japan (3.6) |
| Cement Clinker | 6.0% | 865,965 | Japan (46.2) Indonesia (44.1) Malaysia (9.7) |
| Refined Petroleum | 5.4% | 787,199 | Singapore (63.8) Malaysia (17.9) Indonesia (13.5) |
| Phosphates | 4.0% | 574,124 | United States of America (33.7) China (21.6) Morocco (11.5) Saudi Arabia (6.8) Togo (6.5) Australia (5.5) Jordan (5.4) South Korea (3.0) |
| Chemicals and Related Products | 2.8% | 405,075 | China (31.8) Thailand (12.6) Australia (10.4) Singapore (6.1) United States of America (4.9) Malaysia (4.8) Indonesia (4.7) South Korea (2.8) Belgium (2.8) Taiwan (2.5) Germany (2.2) India (2.1) Lithuania (2.0) |
| Urea | 2.6% | 374,918 | Saudi Arabia (43.2) Qatar (16.9) China (13.3) Bahrain (7.8) Australia (5.7) United Arab Emirates (4.7) Malaysia (4.3) Oman (3.8) |
| Sulphur | 2.5% | 354,917 | Canada (99.9) |
| Iron and Steel Products | 2.3% | 333,704 | Australia (24.2) China (23.1) South Korea (13.7) Taiwan (10.2) Singapore (4.7) Thailand (3.6) Indonesia (2.5) Sweden (2.2) Spain (2.2) Malaysia (2.0) |
| Manufactures of Metal | 2.2% | 313,312 | China (45.6) Australia (18.7) Thailand (5.9) Malaysia (4.6) India (3.4) Singapore (3.3) South Korea (2.5) Indonesia (2.1) |



MAJOR IMPORTS BY COUNTRY 2016-17

| Commodity | % Tonnes | Mass Tonnes | Principal Countries (% Commodity Total) |
|--------------------------|----------|-------------|--|
| United Arab Emirates | 18.2% | 2,631,460 | Crude Petroleum (98.3) |
| Malaysia | 12.1% | 1,745,211 | Crude Petroleum (45.6) Refined Petroleum (18.7) Cement Clinker (4.8) Ammonia (19.4) Gypsum (8.1) Iron & Steel Products (5.9) Paper, Paperboard and Articles of Paper Pulp (5.8) Ale, Beer and Stout; Cider (Alcoholic) (5.4) Fabricated Construction Materials (4.8) Caustic Soda (4.6) Manufactures of Metal (4.3) Chemicals and Related Products (3.1) Other Food Preparations (2.3) |
| Australia | 9.4% | 1,366,747 | Non Alcoholic Beverages (2.3) Phosphates (2.3) Crude Petroleum (2.2) Manufactures of Metal (11.0) Caustic Soda (10.9) Chemicals and Related Products (9.9) Phosphates (9.5) Iron & Steel Products (5.9) Furniture and Parts (5.0) Bricks, Tiles, Pavers (4.4) Urea (3.8) Urea Ammonium Nitrate (UAN) (3.7) Plastic Wares and Other Manufactures (3.2) Machinery - Agricultural, Industrial (2.9) Rubber Manufactures (2.6) Paper, Paperboard and Articles of Paper Pulp (2.3) Textile Yarn, Fabrics, Made Up Articles (2.2) Household Appliances (2.1) |
| China | 9.0% | 1,303,500 | |
| Indonesia | 7.9% | 1,137,312 | Crude Petroleum (48.4) Cement Clinker (33.5) Refined Petroleum (9.3) Refined Petroleum (47.4) Crude Petroleum (38.2) Caustic Soda (3.9) Chemicals and Related Products (2.3) |
| Singapore | 7.3% | 1,059,371 | |
| Papua New Guinea | 6.4% | 918,705 | Crude Petroleum (100) |
| Japan | 4.8% | 698,823 | Cement Clinker (57.3) Slag Residue (21.0) New Motor Vehicles (7.0) Caustic Soda (4.8) Rubber Manufactures (4.1) Phosphates (29.6) Caustic Soda (21.1) Crude Petroleum (12.8) Potash (11.1) Urea Ammonium Nitrate (UAN) (4.9) Chemicals and Related Products (3.1) Rubber Manufactures (2.7) |
| United States of America | 4.5% | 652,208 | |
| Saudi Arabia | 3.1% | 448,351 | Caustic Soda (54.5) Urea (36.1) Phosphates (8.7) |
| Canada | 2.6% | 375,913 | Sulphur (94.3) Machinery - Agricultural and Industrial (1.8) Chemicals and Related Products (17.5) New Motor Vehicles (16.5) Lime (12.4) Manufactures of Metal (6.3) Household Appliances (4.3) Iron and Steel Products (4.1) Rubber Manufactures (4.0) Plastic Wares and Other Manufactures (3.9) Refined Petroleum (3.1) Other Food Preparations (2.9) |
| Thailand | 2.0% | 292,360 | Limestone For Steel, Lime Or Cement (2.6) Rice (2.6) Glass (2.2) |



| MAJOR CONTAINER COMMODITIES IMPORTED - TEU | | | |
|--|----------------|----------------|-------------|
| Commodities | 2015-16 | 2016-17 | Variance % |
| Manufactures of Metal | 28,287 | 26,548 | -6.1% |
| Furniture and Parts | 26,834 | 26,416 | -1.6% |
| Chemicals and Related Products | 21,692 | 25,557 | 17.8% |
| Paper, Paperboard and Articles of Paper Pulp | 20,256 | 22,631 | 11.7% |
| Machinery - Agricultural and Industrial | 19,729 | 20,379 | 3.3% |
| Plastic Wares and Other Manufactures | 19,922 | 18,489 | -7.2% |
| Household Appliances | 17,197 | 17,937 | 4.3% |
| Iron and Steel Products | 16,882 | 16,923 | 0.2% |
| Rubber Manufactures | 17,867 | 16,921 | -5.3% |
| Fabricated Construction Materials | 15,681 | 16,841 | 7.4% |
| Total | 204,347 | 208,642 | 2.1% |
| Percentage of Total Full TEU Imports | 58.8% | 60.8% | |

| MAJOR CONTAINER COMMODITIES EXPORTED - TEU | | | |
|---|----------------|----------------|--------------|
| Commodities | 2015-16 | 2016-17 | Variance % |
| Animal Feeds | 29,111 | 36,011 | 23.7% |
| Waste Paper | 21,065 | 20,364 | -3.3% |
| Metal Scrap | 11,932 | 12,153 | 1.9% |
| Other Cereals and Cereal Preparations | 10,145 | 11,458 | 12.9% |
| Malt | 11,260 | 10,731 | -4.7% |
| Oats | 7,977 | 10,647 | 33.5% |
| Chemicals and Related Products | 9,688 | 10,600 | 9.4% |
| Titanium Dioxide | 8,979 | 9,817 | 9.3% |
| Fresh Fruit and Vegetables | 8,439 | 8,841 | 4.8% |
| Other Crude Minerals | 5,051 | 7,360 | 45.7% |
| Total | 123,647 | 137,982 | 11.6% |
| Percentage of Total Full TEU Exports | 61.1% | 64.2% | |

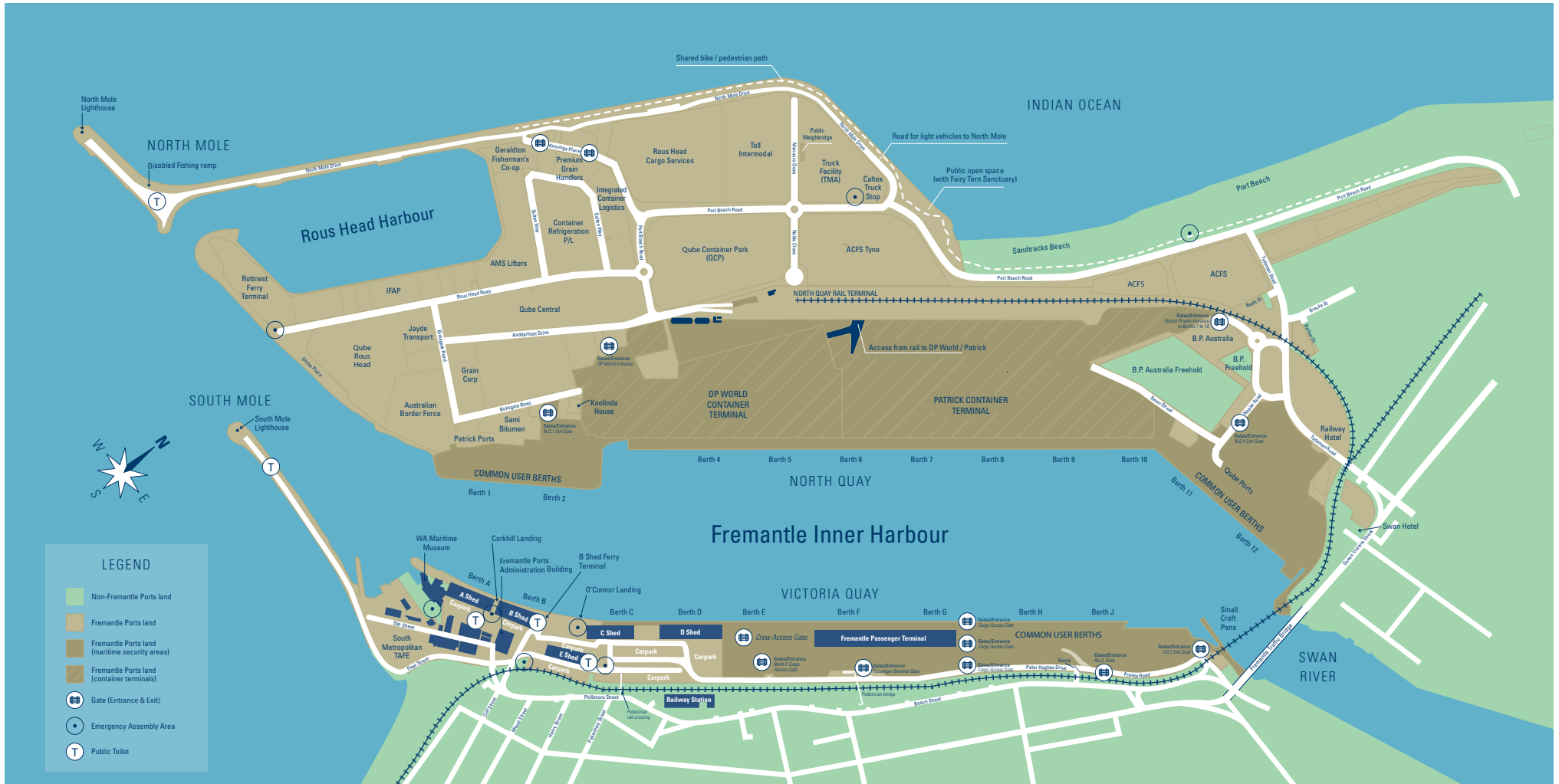
STATISTICAL INFORMATION



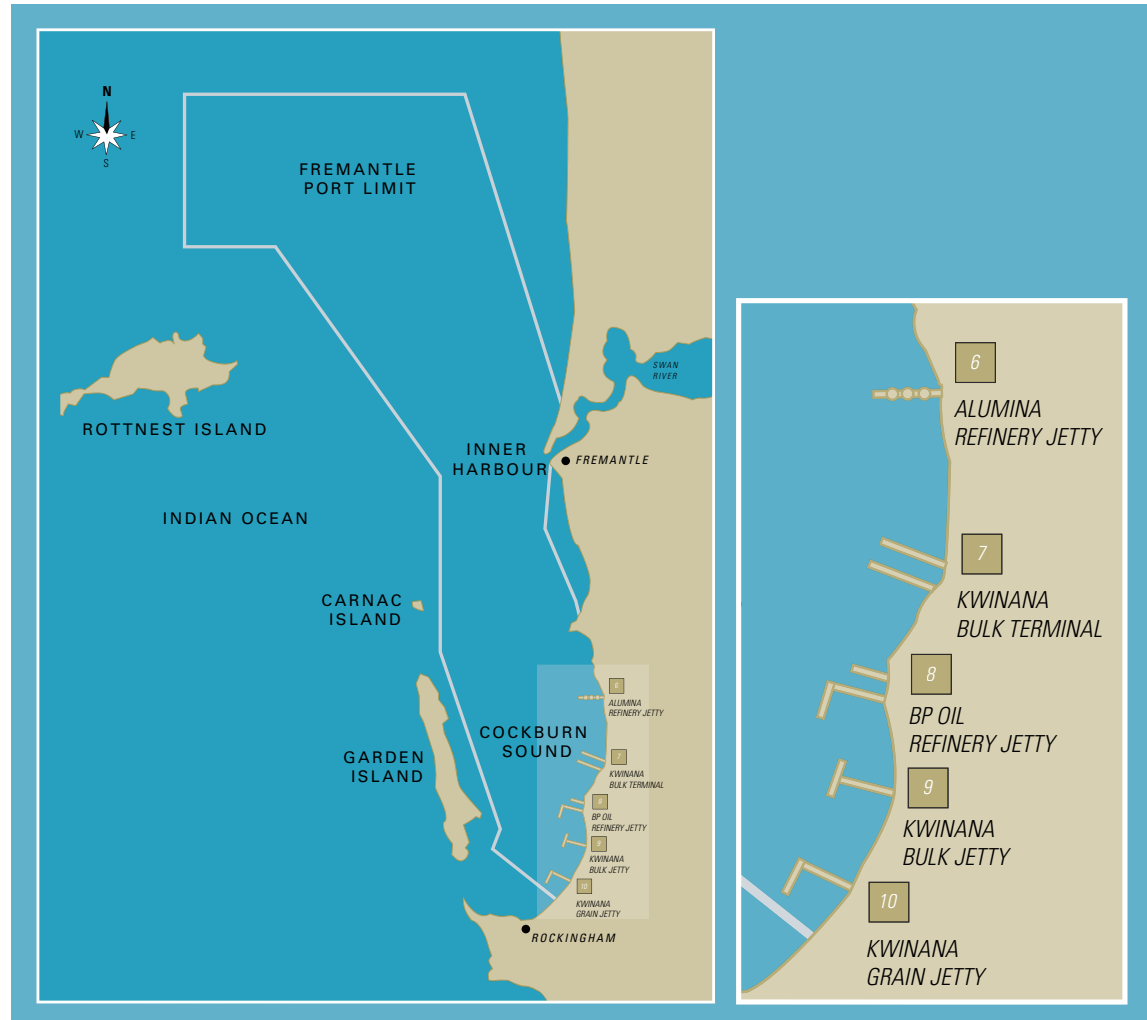
Berths 1 and 2 on North Quay are the preferred loading points for livestock exports.

| LIVESTOCK EXPORTS 2016-17 | | | | | |
|---------------------------|------------------|----------------|-----------------|------------------|----------------|
| Destination | Sheep | Cattle | Other Livestock | Total No. | % of Total |
| Asia South-East | 9,502 | 52,305 | 0 | 61,807 | 3.57% |
| East Asia - China | | 2,377 | 0 | 2,377 | 0.14% |
| Asia Southern | | 1,390 | 0 | 1,390 | 0.08% |
| Mediterranean - Turkey | | 35,342 | 0 | 35,342 | 2.04% |
| Middle East | 1,585,599 | 45,184 | 0 | 1,630,783 | 94.17% |
| Totals | 1,595,101 | 136,598 | 0 | 1,731,699 | 100.00% |

INNER HARBOUR MAP



OUTER HARBOUR MAP





B Shed, Victoria Quay

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; Planning; Lands, the Hon Rita Saffioti MLA and is tabled in the Parliament of Western Australia.

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

The report is researched, written and edited by Fremantle Ports staff.

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

Additional copies may be obtained on disk from External Affairs:

Tel: 61 (8) 9430 3555

ABBREVIATIONS

| | |
|-----|-----------------------------|
| FTE | Full time equivalent |
| GT | Gross Tonnes |
| TEU | Twenty foot equivalent unit |
| KBT | Kwinana Bulk Terminal |
| KBJ | Kwinana Bulk Jetty |

ADDRESS

Fremantle Ports
1 Cliff Street, Fremantle
Western Australia 6160

POSTAL ADDRESS

PO Box 95, Fremantle 6959

CONTACTS

Tel: 61 (8) 9430 3555
Main Fax: 61 (8) 9336 1391
Internet: www.fremantleports.com.au
E-Mail: mail@fremantleports.com.au

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 our Annual Reports are produced, electronic copies of this and previous years' reports are available from our website.

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

Tel: 61 (8) 94303555

Internet: www.fremantleports.com.au and click on Contact Us

Mail:

Write to us at:

Fremantle Ports
1 Cliff Street, Fremantle
Western Australia 6160

Visit:

Fremantle Ports
1 Cliff Street, Fremantle
Western Australia 6160

|

FREMANTLE PORTS

| Cliff Street Fremantle Western Australia 6160 | T: +61 8 9430 3555 | F: +61 8 9336 1391
E: mail@fremantleports.com.au | www.fremantleports.com.au