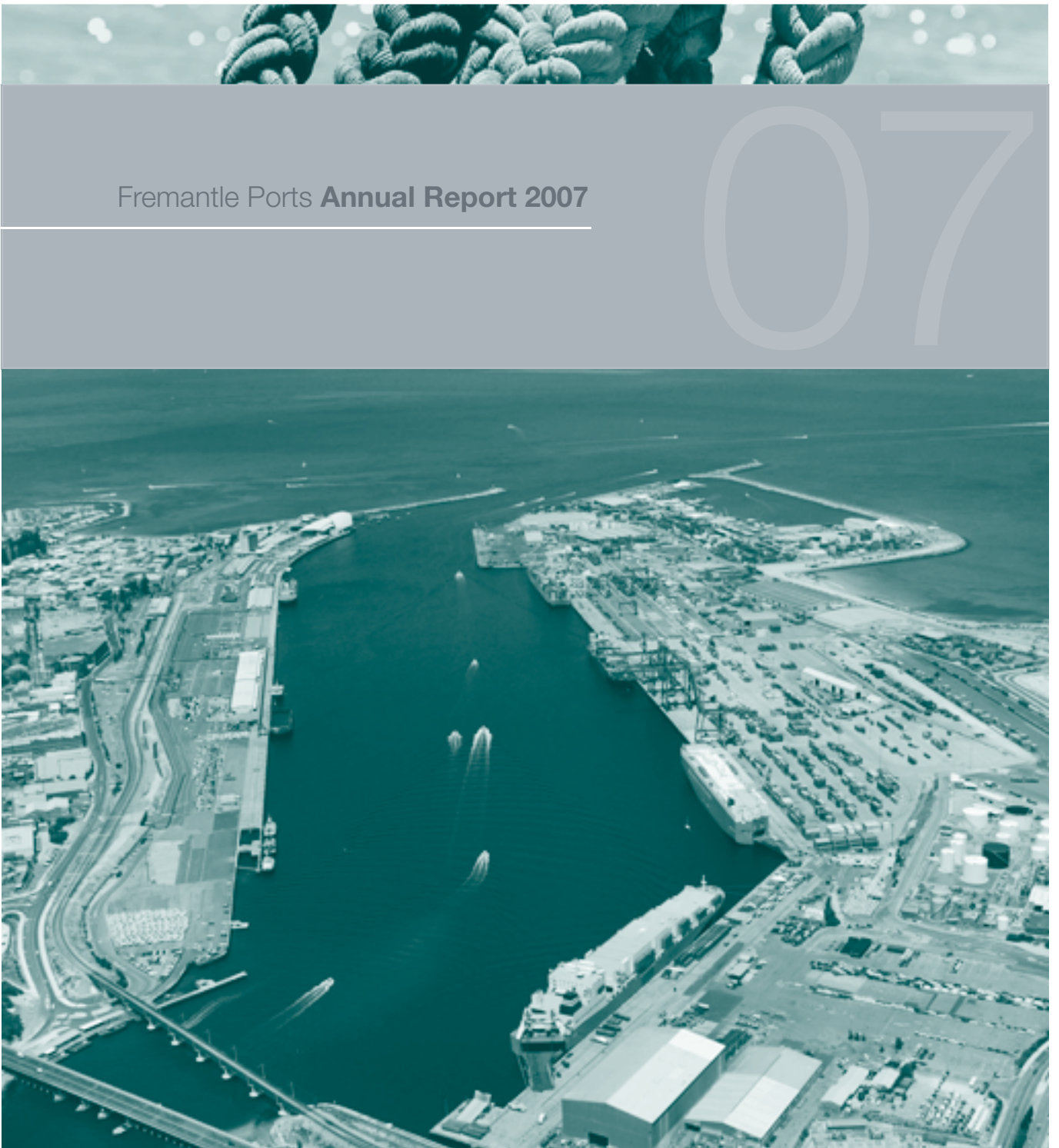


Fremantle Ports **Annual Report 2007**

07



FREMANTLE PORTS Annual Report 2007



To the Hon Alannah MacTiernan MLA

Minister for Planning and Infrastructure

In accordance with section 68 and clauses 34 and 35 of Schedule 5 of the Port Authorities Act 1999, I hereby submit for your information and presentation to Parliament, the Annual Report of the Fremantle Port Authority which trades as Fremantle Ports for the year ended 30 June 2007.

Joe McKay

Chairman | Board of Directors

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2007 OVERVIEW **PERFORMANCE HIGHLIGHTS**



Performance Highlights

- Fremantle Ports' container trade totalled 505,803 TEUs (twenty foot equivalent units) which was an increase of 10.9 per cent on the previous year's total. This increase reflects significant increases in full container trade, and in empty container exports. Container trade growth has averaged about 9.4 per cent annually since 1990/91.
- Fremantle Ports' after tax profit was \$12.1 million, which was above budget and enabled Fremantle Ports to contribute \$10.45 million in taxes, tax equivalents and dividends to government.
- Work towards approvals for a new container and general cargo port at Kwinana reached a significant milestone, with the integrated strategic assessment of options completed and two options approved by Cabinet to go forward into the statutory approvals process.
- Progress was made towards approvals for planned deepening of the Inner Harbour to accommodate larger ships, with a number of technical studies completed and a Public Environmental Review process commenced.
- With the efficiencies arising from completion of the rail loop and terminal, co-operation and support from shippers and logistics service providers and with some financial assistance to encourage greater use of rail for container freight, container volumes on rail reached an annual average of 8.3 per cent, and by year end had achieved a market share of 11 per cent. This compares with just 2 per cent in 2002.
- Results of the 2007 shipping line survey indicated a continuing high level of overall satisfaction with Fremantle Ports' services over recent years, with 89 per cent of respondents either very or quite satisfied.
- Fremantle Ports became the first organisation in Western Australia to achieve a Gold Award under the rigorous, internationally recognised Australian Business Excellence Framework administered by SAI Global. Fremantle Ports also received the Excellence Award for the highest awarded company nationally under the Framework.
- The proposed Commercial Precinct development, an important element of the revitalisation of Victoria Quay's western end, reached Development Application stage, with community feedback from an extensive program of consultation taken into account in the scaled down final design.
- Fremantle Ports' targeted program of community support was expanded significantly, with a particular focus on youth, education and the environment.

Vision and Mission

Fremantle Ports' Vision and Mission describe our business intent. With our Corporate Values they provide a sound foundation for our strategic planning and decision making, helping us to prioritise and work towards common goals. The Vision, Mission and the Strategic Plan itself were reviewed this year, and the changes reflect our greater emphasis on sustainability.

Our Vision

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

Mission

To facilitate trade in a sustainable way.

Our Values

Fremantle Ports' Values, which focus on the outcomes needed for success, have been developed with across-the-board input to ensure broad ownership and commitment as well as increased alignment with sustainability. Assessment of commitment to our Values is part of employee development assessments, and "hypotheticals" are used as a tool to foster increased discussion and understanding of the Values as shown below and their importance in our organisation.

Respect and Integrity

Safety and Wellbeing

Responsiveness and Delivery

Continuous Improvement and Innovation

Sustainability



Broad Objectives

Objective 1 Service Delivery

To provide exceptional services that exceed customer expectations

Outcomes sought:

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

Objective 2 Capability for the Future

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

Outcomes Sought:

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

Objective 3 Trade and Business Growth

To promote and facilitate trade and business growth opportunities

Outcomes sought:

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

Objective 4 Support Services

To ensure that appropriate and cost effective resources, processes and systems are in place to support service delivery

Outcomes sought:

- Right people with the right skills at the right time
- Positive "can do" culture
- Support services are efficient and effective
- Efficient information systems
- Effective knowledge management and strategic planning

Objective 5 Business Excellence and Sustainability

To ensure business sustainability through our excellent performance in all areas, innovation, business improvement and community and stakeholder engagement

Outcomes Sought:

- Embedding of the Australian Business Excellence Framework and Fremantle Ports' Sustainability Principles
- Business improvement
- Innovation
- Competitiveness of services and facilities
- Financial viability
- Triple bottom line decision making
- Safety and protection of the environment
- Understanding of community and stakeholder requirements



North Quay, Inner Harbour.

Port Profile

Fremantle Ports, a Western Australian Government owned trading enterprise, is the strategic manager of Western Australia's principal general cargo port. Its role is to ensure the port can efficiently cater for trade and operate in a sustainable manner with the support of customers and the community. Its functions include the facilitation of trade, planning for future growth and development, construction and maintenance of infrastructure, planning and co-ordination of services and being economically, socially and environmentally responsible.

Its diverse workforce is engaged in areas such as marine services, security, safety, engineering, port and strategic planning, trade development and marketing, information technology, finance, logistics, industrial relations and community engagement.

Fremantle Ports operates from two locations. The Inner Harbour at Fremantle handles almost all of the container trade for Western Australia, with the vast majority of the containers having their origin or destination in the metropolitan area. It also provides facilities for handling livestock exports, motor vehicle imports, other general cargo trades, cruise ships and visiting naval vessels. The container terminals on North Quay are privately operated on land leased from Fremantle Ports. The Inner Harbour also has several common user berths.

The Outer Harbour, about twenty kilometres to the south at Kwinana, is one of Australia's major bulk cargo ports handling grain, petroleum, liquid petroleum gas, alumina, mineral sands, fertilisers, sulphur, pig iron and other bulk commodities. Fremantle Ports operates the Kwinana Bulk Jetty and the Kwinana Bulk Terminal at Kwinana, providing facilities to handle a range of imports and exports. Alcoa, BP and Co-operative Bulk Handling also operate cargo-handling facilities in the Outer Harbour.

Towage, pilotage (under contract to Fremantle Ports), line boats, bunkers and providoring of ships are provided by the private sector.

Fremantle Ports also works with the Commonwealth Government in facilitating customs, quarantine and Australian Maritime Safety Authority activities in the port area and in maintaining compliance with Federal maritime security legislation.

The Inner and Outer Harbours are linked by rail to the interstate and intrastate rail networks.

Chairman's Overview

Trade is the driver of economic growth for Western Australia. Ensuring that trade needs are met is vitally important. As strategic manager of the State's major sea trading gateway, Fremantle Ports is committed to meeting customer needs and to the long term sustainability of the port's operations.

The performance of the Western Australian economy in recent years, in turn linked to the surging economies of countries such as China and India, is reflected in the continuing strong growth in some key areas of Fremantle Ports' trade. Container volumes, for example have grown by an average of about 9 per cent annually over the past decade.

Trade growth and implementation of sound business strategies have enabled Fremantle Ports to maintain profitability and to contribute significantly again this year to State Government revenue, with \$10.45 million paid in taxes, tax equivalents and dividends.

Outer Harbour planning

Ensuring that timely provision is made for additional port facilities and associated transport linkages to cater for trade growth continues to be one of our major planning priorities. Achievement of planning and environmental approvals for proposed new container and general cargo port facilities at Kwinana is being progressed by Fremantle Ports with the Department for Planning and Infrastructure as joint project manager and with the strong support of the State Government.

The vast majority of the container trade is metropolitan based, and studies have shown that the Naval Base/Kwinana area is the only remaining suitable site for these new facilities. Planning for the extra container capacity has involved more than 50 technical studies, with further environmental and other studies now underway in relation to the two options approved by State Cabinet to go forward for detailed statutory assessment.

As an integral part of the optimisation process, an independent review of the technical studies and triple bottom line assessment of the initial four options was undertaken by an expert international consultant. The findings of this review concluded that the strategic assessment process and the multi criteria analysis adopted in evaluation of the options addressed all key corporate social responsibilities and stood in comparison with international best practice and that all key factors had been addressed by the technical studies.

As the approval process moves into the statutory phase, the appointment of an environmental advisory panel has been another important step in ensuring the rigor of the work being undertaken in relation to the statutory approvals.



As the Inner Harbour reaches capacity, additional container facilities will be needed in the Outer Harbour.

As with Fremantle Ports' Inner Harbour operations, studies have concluded that the new port facilities should comprise a combination of public and private sector investment, with the recommended model being public sector ownership of the substructure in terms of channels and berths and private sector investment in the superstructure such as the container terminals and cranes. Development of ports necessarily requires a lengthy lead time and it is critically important that approvals are obtained in a timely way. A significant delay in clearing the way for construction of Fremantle Ports' Kwinana Quay would present a real risk to the efficient handling of additional container trade when the Inner Harbour reaches capacity.

Optimising capacity in the Inner Harbour

2007 is the 110th anniversary of the opening of the Inner Harbour. There is a need to ensure that Fremantle's Inner Harbour is able to achieve an optimal level of trade given its on-going role when the new container facilities at Kwinana are operational. The Inner Harbour represents a very significant investment in public and private sector funding and its continued operation in tandem with the new facilities will be necessary handle trade growth. The two facilities will be well-balanced, with planning for the new facility being based on a total quay length of 2000 metres, which is the same as North Quay in the Inner Harbour.

In that regard, shipping trends, as well as trade projections, are influencing Fremantle Ports' forward planning. The average size of container ships calling at Fremantle has increased by more than two thirds since 1992/93 and deepening of the container terminal berths and approach channels is essential for sustainability of our Inner Harbour operations.

Failure to provide the deeper draft capacity would undoubtedly mean a loss of shipping services, with ships bypassing, and this would have a profoundly adverse effect on the business and wider community. Work towards approvals for Inner Harbour deepening was progressed during the year, with a Public Environmental Review process underway.

Efficient logistics, with increased use of rail, is part of our future planning. Fremantle Ports has continued to work with the Department for Planning and Infrastructure and other agencies on strategies to encourage the use of rail for container trade to and from the Inner Harbour and it is pleasing to note that the rail share has grown significantly, and with strong growth in the second half of the year is currently achieving an 11 percent market share, almost five times the volumes in 2002.

Responsiveness to customers

Like any business, Fremantle Ports' future depends on the support of its customers. This means delivering what our customers need to be successful. Fremantle Ports' planning focuses on understanding and meeting customer needs. We have continued to liaise closely with our customers this year, and value chain analysis has been applied to focus attention on the "critical few" outcomes that make a real difference in achieving agreed targets. The application of this technique to examine service delivery processes is designed to improve alignment between our customers' expectations of our facilities and services and the ability to deliver. It has produced some good outcomes this year for customers in the bulk business area, in particular.

Pursuit of business excellence

Fremantle Ports' prestigious acknowledgement for business excellence this year, becoming the first organisation in Western Australia to achieve a Gold Award under SAI Global's Australian Business Excellence Framework, has been a source of great pride for all. The framework and associated awards program is internationally recognised as the most rigorous business excellence program available in this country.

The high level recognition reflects an organisation wide commitment to continuous improvement for the benefit of customers and community, and it is pleasing to note that the evaluators made particular mention in their report of the inspirational leadership and the culture of creativity, involvement and spontaneity pervading the organisation. The acknowledgements are well deserved, and wholeheartedly endorsed by the Board.



Manager Business Improvement, Raymond Roose and Chief Executive Officer Kerry Sanderson with Fremantle Ports' three business awards.

In conclusion

I take this opportunity to thank our Minister, the Hon Alannah MacTiernan MLA for her support and strategic guidance on a range of important projects, in particular on the critically important Kwinana Quay approvals process.

The co-operation and support we have received from government agencies has also been appreciated.

I thank my fellow Directors for their valuable input throughout the year, members of the Executive Team for their committed and professional approach at all times and our employees for the vital contribution they make towards the achievement of Fremantle Ports' goals.

The willingness of our customers to work constructively with Fremantle Ports on service delivery and other aspects of the business continues to be hugely important and we have seen some very positive results of that co-operation this year.

Joe McKay

Chairman | 17 August 2007

Chief Executive Officer's Report

In the rapidly changing and highly competitive global environment in which they operate, ports must be forward looking and able to anticipate and respond to changing circumstances. The Bureau of Transport Economics forecasts that Australia's sea trade will continue to grow strongly over the next twenty years, mainly due to the positive economic outlook for Australia and its trading partners. As our Chairman has indicated, decisions made on a number of major capital and other projects over the next few years will be an investment for the future.

Ensuring that all our plans have an appropriate focus on sustainability and the long term, and cover services, resources and infrastructure is one of the key elements in our new Strategic Plan completed during the year. The plan was developed with the benefit of input from customers, stakeholders and staff.

Work relating to the strategic priorities in this five year plan was progressed during the year. These priorities include planning for future capability including among others:

Inner Harbour deepening and associated Rous Head expansion, obtaining the necessary approvals for the expansion of container port facilities in the Outer Harbour at Kwinana; continued improvements in our bulk business and consultation for the planned commercial precinct development at the western end of Victoria Quay with improved linkages to the Fremantle CBD.

We have also focused on promoting trade and business opportunities; safe and efficient systems to support service delivery to our customers; logistics strategies; business improvement; operating in a safe and environmentally responsible way; and contributing to our community.

Trade outcomes

The container trade has continued to grow strongly with an overall increase of 10.9 per cent and an increase of almost 14 per cent in full, non trans-shipment containers. Containers volumes are now more than four times the level 15 years ago.

New motor vehicle imports continue to be another strong performer in the Inner Harbour, with an average increase of 21.3 per cent in 2006/07, with the number of motor vehicle imports doubling over the last 5 years.

In our Outer Harbour bulk operations, total trade at the Kwinana Bulk Terminal increased by 18.8 per cent, with new business associated with Stage 1 of the adjacent HIs melt pig iron plant contributing to the rise, as well as an increase in cement clinker imports. The focus on maintenance and on improvement of environmental performance at the Kwinana Bulk Terminal has contributed to reliability and productivity, with on-going work planned in this area.

Accommodating shipping and trade trends

Container and break bulk cargoes such as vehicle imports, steel and machinery are expected to continue to grow strongly. A program to strengthen and upgrade berths and fenders in the Inner Harbour to accommodate both the larger ships coming into the container trade in Australia and forecast growth in these other trades is being planned. However, the proposal to establish a third container terminal in the Inner Harbour, using Berths 11 and 12, has been deferred for the next three to five years. This decision was made after a preliminary assessment of net benefits taking into account the significant and on-going growth in break bulk trades.

2007 OVERVIEW CHIEF EXECUTIVE OFFICER'S REPORT

Industry changes continued with the two container stevedoring companies, P and O Ports and Patrick changing ownership during the year and now owned by DP World and Asciano respectively, with only the Patrick name continuing. In addition the main towage company, Adsteam, was acquired by Svitzer, which is a subsidiary of Maersk. The rationalisation of shipping lines also continued with Maersk acquiring P and O Nedlloyd, leading to Maersk ceasing its joint shuttle operation with K-Line and instead introducing a South East Asia/Australia service which called weekly at Fremantle both on the inward and outward journey.

Implementation of the Inner Harbour Port Development Plan which was finalised in 2000 is progressing and some elements are being brought forward or reviewed because of above forecast trade growth. A new 5 year contract was agreed with Fremantle Cockburn Sound Pilots Pty Ltd to provide the services of expert pilots for the Port.

Patrick Stevedores installed a new, larger crane at its terminal in November 2006 and DP World has a new container crane on order for installation in 2007, both of which are needed to complement the planned deepening of the Inner Harbour.

Crane rates at Fremantle have significantly improved since 1995 and further improvements can be expected in future years. However in the break bulk trades such as motor vehicle and steel imports, there is an increased need and focus on co-ordination along the supply chain. This is because of the strong growth in trade when economic conditions and increased emphasis on maritime security have led to recruiting delays and shortages of stevedoring staff and trucks.

Outer Harbour planning

It is important that planning takes a long term perspective and that a triple bottom line integrated assessment approach is applied both to planning and port development projects, as is the case with the proposed new container port facilities for Fremantle Ports at Naval Base/Kwinana. Completion of the integrated strategic assessment of the original four options for the Kwinana Quay development was an important milestone achieved this year in working towards the approvals.



The new \$9m post-Panamax container crane was delivered on the Zhen Hua 11, which was carrying five other cranes for other destinations in Australia and New Zealand. The discharge operation took four days to complete.

A number of studies and projects are being undertaken to address different aspects of this Outer Harbour project and provide additional data required during the statutory approvals process. The focus will be on obtaining statutory approval in 2008/2009.

Success and sustainability

Sustainability drives our organisational strategy, recognising that our future success depends not only on our ability to predict and meet customer and market requirements but also on a community licence to operate.

While customer focus, commerciality, environmental responsibility and community engagement are part of how we work, we have continued to develop at an operational level aspects of our sustainability framework and its associated action plan. Developing sustainable building guidelines for any new structures or building improvements within the port area is one of these.

Our approach to sustainability was supported by the successful retention of triple certification to the internationally recognised standards in safety, quality and environmental management after a rigorous external audit.

Security

With the proclamation of the Federal Government's Maritime Transport Security Act 2003 and the global implementation of the International Ship and Port Facility Security Code on 1 July 2004, Fremantle Ports has increased its focus on the provision of high quality security services to its customers. Details of security upgrades undertaken in the year are detailed elsewhere in this report, with further investment in security initiatives provided for in our future Capital Works Program.

Safety a high priority

Fremantle Ports continued its drive to maintain and improve safety, with initiatives that included among other things: a review of corporate safety policy following wide consultation with key stakeholders; a new, multi-media safety induction program; and a program to investigate all accidents involving injuries to permit a review of trends and data.

Our Team Safety also continues to focus on strains and sprains occurring in the workplace and is putting in place a number of initiatives to address this, including a review of high-risk manual handling tasks.

Internal Capability

During the year, Fremantle Ports developed a comprehensive workforce plan identifying strategies to be addressed over the next three years to focus on developing and retaining the skilled staff we need as the trade continues to grow and continuing our focus on leadership and organisational values. One of the resourcing issues for us this year has been the impact of the mining boom on our ability to recruit and retain staff, including those with specialised skills which are in short supply. Attraction and retention strategies to ensure competitiveness during the current resource boom period will continue to be a focus.

Victoria Quay development

The proposed commercial precinct development at the western end of Victoria Quay was the subject of further community engagement, with feedback resulting in a significant scaling down of the plans originally released by developer ING. As well as reinvigorating this presently underutilised part of Victoria Quay, we believe this development has the potential to allow more visitors to appreciate the dynamism and excitement of a working port in a way that existing maritime security requirements do not allow from other areas of the port. Although opposition from some has continued despite the concessions made to open up the view corridors and reduce height, others are strongly in support, including the Fremantle Chamber of Commerce.

In conclusion

This has been a particularly busy year with a number of complex and demanding projects occupying our attention. Teamwork has again been a real strength and I am particularly pleased that this was recognised by the evaluators from SAI Global. As well as receiving a Gold Award and the Excellence Award for the top scoring organisation amongst more than 100 entrants in the 2007 awards program we also won the People category award. Overall, the outcome is a tribute to the ability of our people and their high standards of customer and community service. Thank you to all employees.

Being assessed for an Australian Business Excellence Award is the most rigorous, independent examination a business can undertake in Australia in terms of best practice, so we are very pleased to receive this recognition. The independent and expert feedback we have received is valuable to us in the operation of our business and long term sustainability.

I would also like to add my personal thanks to our Minister, our Chairman and Board of Directors and General Managers for their support, understanding and assistance during the year.

Kerry Sanderson

Chief Executive Officer | 17 August 2007

2007 PERFORMANCE CORPORATE SCORECARD

Corporate Scorecard

Each year in our Annual Report, we publish a range of corporate targets covering economic, social and environmental performance and the extent to which we managed to achieve these business objectives.

HOW WE PLAN TO SUCCEED	TARGET 2006/2007	RESULTS	TARGET 2007/2008
Economic			
Financial Results	\$7.8 m after tax profit	\$12.1 m profit after tax	\$10.7 m after tax profit
Trade results			
• Total trade	28.9 m mass tonnes	25.01m mass tonnes, (slower commissioning of the Hls melt commercial pig iron plant and lower grain exports have impacted on the total trade figure)	29.0 m mass tonnes
• Containers	503,000 TEUs	505,803 TEUs (Non trans-shipped trade in full containers increased by 13.8 per cent).	492,000 TEUs (this will be revised upwards in 2007/2008)
Service Delivery	Berthing Delays Inner Harbour – Container Vessels Unavailability of Services Percentage of total vessels affected <1 Average hours per delay <5 Unavailability of berths Percentage of total vessels affected <12 Average hours per delay <20 Kwinana Bulk Terminal Unavailability of Services Percentage of total vessels affected <1 Average hours per delay <5 Unavailability of berths Percentage of total vessels affected <25 Average hours per delay <50 Kwinana Bulk Jetty Unavailability of Services Percentage of total vessels affected <2 Average hours per delay <5 Unavailability of berths Percentage of total vessels affected <25 Average hours per delay <50	0.2 3.4 7.0 17.0 0 0 19.0 80 0 0 16 30	<1 <5 <12 <20 <1 <5 <25 <50 <2 <5 <25 <50
Customer Satisfaction	Maintain at least 80 to 90 per cent overall customer satisfaction with agents/shipping lines. Continue to liaise closely with our customers to identify and implement priority improvements from 2006 customer survey.	89 per cent of shipping line customers were satisfied or very satisfied with services provided by Fremantle Ports, based on shipping line/agents survey.	Maintain at least 80 to 90 per cent overall customer satisfaction with agents/shipping lines. Continue to liaise closely with our customers to identify and implement priority improvements from 2007 customer survey and to further monitor levels of customer satisfaction.
Best practice environmental, safety and other business systems through innovation and improvement			
Compliance with ISO 14001	Continue to comply with ISO 14001, and further improve our Environmental Management System.	Certification to ISO 14001 maintained in external audit of safety, quality and environmental management systems	Continue to comply with ISO 14001.

2007 PERFORMANCE CORPORATE SCORECARD

Australian Business Excellence Framework	Continue to progress improvements and undergo Australian Business Excellence Awards assessment in 2006/2007	Gold Award and Excellence Awards achieved in SAI Global Business Excellence assessment. Also won the People category award.	Follow up recommendations from SAI Global Report and continue to implement Business Improvement Plan
Overall risk profile	Continue to implement treatment actions to ensure risk profile is reduced	Loss exposures greater than moderate increased by 3 to 30.	Continue to implement treatment actions to ensure risk profile is further reduced.
Time lost to injuries	Zero tolerance of lost time injuries. Reduce number of workplace injuries. Maintain certification to AS/NZS 4801	Certification to AS 4801 (Occupational Health and Safety Management Systems) was maintained. Did not achieve zero lost time injuries.	Zero tolerance of lost time injuries. Reduce number of workplace injuries. Maintain certification to AS/NZS 4801. Implement safety culture survey.
Employee commitment and satisfaction	Continue to provide a coordinated approach to employee development strategies. Further development of skills through structured and co-ordinated employee training and development programs and development of comprehensive workforce plan.	360 degree feedback assessments for managers/supervisors piloted, and training plans developed. Follow up of Employee Opinion Survey results commenced. Workforce plan being implemented.	Further follow up of Employee Opinion Survey outcomes. Development of succession plans, review of workloads, ongoing leadership development and strategies to promote work-life balance.
Social			
Community satisfaction	70 to 80% overall community satisfaction	65% Inner Harbour (22% neither satisfied nor dissatisfied) 77% Outer Harbour, based on results of annual community survey. Support for Inner Harbour as a busy working port remains strong.	Continue to develop and implement strategies to improve overall community satisfaction and support, with a focus on community engagement and communication.
Actions on complaints and suggestions	Continue to implement improvements arising from complaints and suggestions.	All complaints followed up. Dust and security complaints reduced, reflecting improvements made.	Continue to implement improvements arising from complaints and suggestions and use trend data to plan strategically.

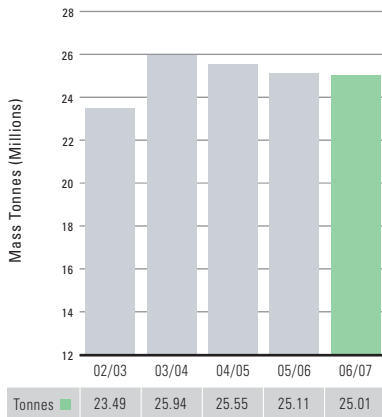


Fremantle Ports' pilot boats are kept busy transferring pilots to and from ships using the harbour.

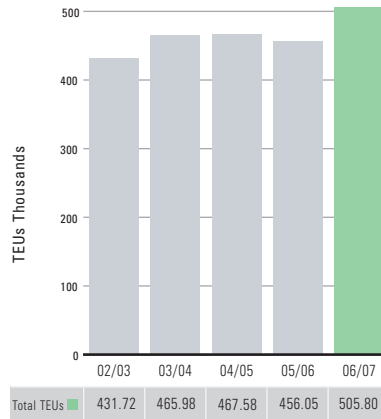
2007 PERFORMANCE KEY BUSINESS RESULTS

TOTAL PORT TRADE (MASS TONNES)

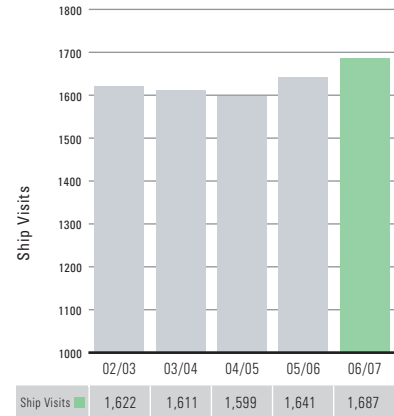
Comparison 2002/2003 to 2006/2007



TOTAL CONTAINER TRADE-TEUS 2002/2003 to 2006/2007

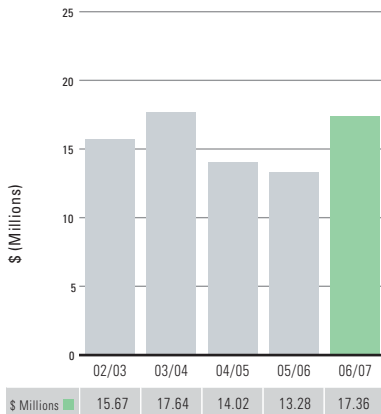


SHIP VISITS 2002/2003 to 2006/2007



OPERATING PROFIT(LOSS)

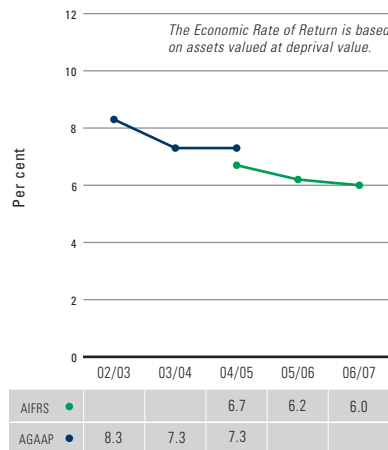
Before Income Tax Equivalent
Comparison 2002/2003 to 2006/2007



For comparative purposes the above figures exclude individually significant items.

ECONOMIC RATE OF RETURN ON ASSETS

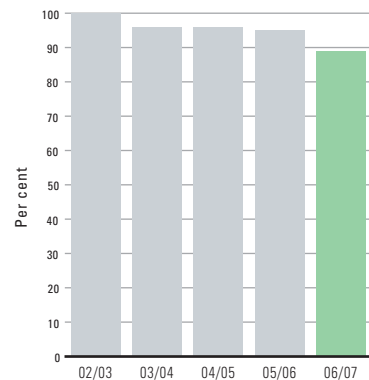
Comparison 2002/2003 to 2006/2007



With effect from 2005/2006, Fremantle Ports financial statements are prepared in compliance with Australian International Financial Reporting Standards (AIFRS). The 2004/2005 figures which were previously reported under Australian Generally Accepted Accounting Principles have now been restated under AIFRS.

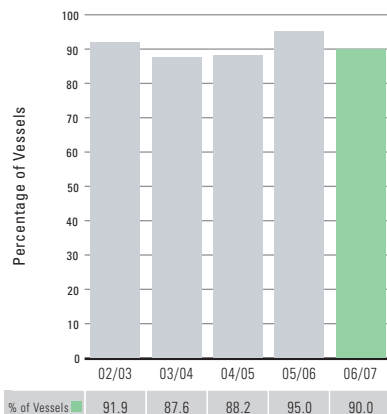
SHIPPING LINE/AGENT SURVEY SERVICES

2002/2003 to 2006/2007
Level of Overall Satisfaction with
Fremantle Ports' Services



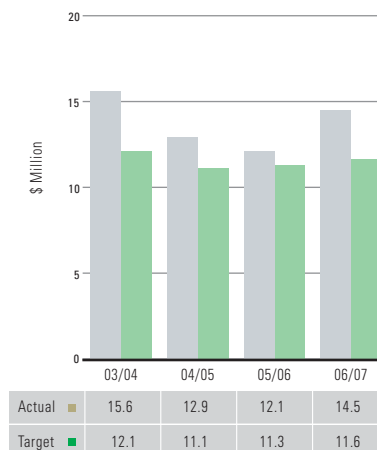
TIME AWAITING BERTH - CONTAINER

Comparison 2002/2003 to 2006/2007
Percentage of Container Vessels
with zero waiting time



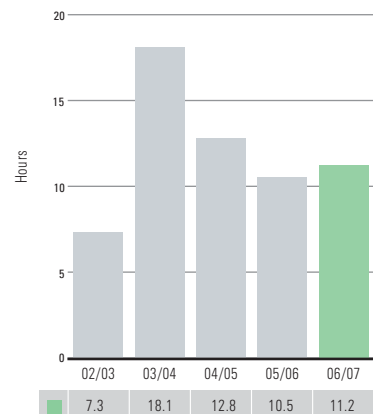
FREMANTLE PORTS CONTRIBUTION TO STATE GOVERNMENT

2003/2004 to 2006/2007



KWINANA BULK TERMINAL

2003/2004 to 2006/2007
Average Delay per Ship Visit - Hours



2007 PERFORMANCE FIVE YEAR SUMMARY

FIVE YEAR SUMMARY

Shipping		2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
No. of Ships:	Inner Harbour	996	934	902	898	976
	Outer Harbour	691	707	697	713	646
	Naval	33	46	49	55	52
Total		1,720	1,687	1,648	1,666	1,674
Gross Tonnage (000s):	Inner Harbour	29,586	27,735	25,385	26,449	28,857
	Outer Harbour	17,884	18,203	17,373	17,953	16,451
Total		47,470	45,938	42,758	44,402	45,308
Turnover per linear metre of wharf Inner Harbour Tonnage Only - (i)						
Trade in Tonnes		2,113	1,895	1,911	1,962	1,801
Gross Tonnage		9,263	8,683	7,948	8,281	9,035
Trade		Mass tonnes '000	Mass tonnes '000	Mass tonnes '000	Mass tonnes '000	Mass tonnes '000
Total Port Trade		25,012	25,044	25,657	25,939	23,490
Imports:	Inner Harbour	3,142	2,669	2,712	2,796	2,604
	Outer Harbour	8,864	8,567	8,833	8,931	8,419
Total		12,006	11,236	11,545	11,727	11,023
Exports:	Inner Harbour	3,552	3,317	3,279	3,283	3,085
	Outer Harbour	9,333	10,373	10,635	10,774	9,239
Total		12,885	13,690	13,914	14,057	12,324
Bunkers:	Inner Harbour	55	65	111	94	65
	Outer Harbour	66	53	87	61	78
Total		121	118	198	155	143
Finance		\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions
Revenue from ordinary activities (ii), (iv)		105.142	89.488	84.181	76.886	76.359
Operating expenses (iv)		77.429	66.877	61.382	52.332	50.293
Interest and depreciation charges		10.356	9.331	7.587	6.919	8.287
Profits from ordinary activities (iv)		17.357	13.280	15.212	17.635	17.779
Written down value of fixed assets		161.340	158.315	149.500	115.299	123.520
Percentage of Revenue		Per Cent	Per Cent	Per Cent	Per Cent	Per Cent
Charges on cargo		59.96	58.94	55.18	54.27	55.35
Charges on ships		9.57	10.75	10.65	12.15	11.95
Charges for shipping services		5.70	6.07	6.24	6.99	6.97
Charges for other services		24.77	24.24	27.93	26.59	25.73
Operating expenses		73.64	74.73	72.92	68.06	65.86
Personnel		No.	No.	No.	No.	No.
Employees at 30th June (iii)		272	269	243	228	213

(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) Revenue for ordinary activities for 2004/2005 and 2002/2003 includes a contribution of asset.

(iii) Full time equivalent employees.

(iv) With effect from 2005/2006, Fremantle Ports' financial statements are prepared in compliance with Australian International Financial Reporting Standards (AIFRS). In addition, 2004/2005 figures which were previously reported under Australian Generally Accepted Accounting Principals (AGAAP) have now been restated under AIFRS. 2003/2004 and prior year figures are stated under AGAAP.

2007 PERFORMANCE SHIPPING ACTIVITY



More than half a million containers passed through the Inner Harbour last year, an increase of 10.9 per cent.

Report on Operations

Shipping Activity

- The number of commercial vessels calling at Fremantle Ports increased by 3.4 per cent to 1,628.
- Gross tonnage (GT) through Fremantle Ports increased by 1.5 million GT, an increase of 3.3 per cent compared to 2005/2006.
- Container vessel visits increased by 14 and GT by 1.2 million tons. The average container vessel size increased by 4.7 per cent compared to 2005/2006.
- The GT of passenger vessels decreased by 0.2 million, or 46.6 per cent in 2006/2007. Passenger visits increased by one but vessel size decreased significantly due to smaller passenger vessels visiting in 2006/2007. In 2005/2006 larger vessels such as the *QE2*, *Seven Seas Voyager*, *Pacific Sky*, *Crystal Serenity* and *Oriana* visited Fremantle.
- Livestock vessels increased by 19 visits and 0.02 million GT in 2006/2007 compared to last year. The average size of livestock carriers decreased by 19.2 per cent over the last financial. Live sheep and cattle exports decreased by 3.8 per cent and 10.1 per cent respectively in 2006/2007 compared to 2005/2006.
- Car carrier vessels in the Inner Harbour increased by 16 visits or 0.7 million GT in 2006/2007 compared to last year due to a 21.5 per cent increase in new motor vehicle imports. General cargo and multi purpose vessels also increased visits and GT.
- In the Outer Harbour liquid bulk tanker visits decreased by 4 but GT increased by 0.5 million. Although liquid bulk petroleum visits were at a similar level to last year, GT increased by 0.5 million. The average size of liquid bulk petroleum vessels increased by 7.7 per cent. Dry bulk vessels decreased by 32 visits or 9.1 per cent mainly due to a significant reduction in grain vessel visits. Bulk grain ships decreased by 1.7 million GT or 31.7 percent in 2006/2007 compared to last year. Dry bulk vessels to increase visits were alumina, phosphate, cement clinker, Hls melt coal, iron ore and pig iron vessels.
- Fishing vessels and other non-trading ship calls decreased by 9.2 per cent from 65 vessels to 59 vessels. Naval vessel visits decreased by 13 to 33.

2007 PERFORMANCE SHIPPING ACTIVITY

SHIP VISITS AND GROSS TONNAGE

	Commercial		Non Trading		Total Commercial and Non Trading		Naval
Year Ended 30 June	No.	Gross Tonnage	No.	Gross Tonnage	No.	Gross Tonnage	No.
2003	1,569	45,160,369	53	147,613	1,622	45,307,982	52
2004	1,545	44,214,976	66	186,423	1,611	44,401,399	55
2005	1,554	42,617,256	45	140,898	1,599	42,758,154	49
2006	1,575	45,702,240	66	235,573	1,641	45,937,813	46
2007	1,628	47,297,066	59	171,991	1,687	47,469,057	33

SHIPS CLASSIFIED ACCORDING TO CARGO CLASS

	2006/2007			2005/2006			2004/2005		
	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/Gen Carrier	100	1,168	11.7	83	826	10.0	86	849	9.9
Container	497	17,180	34.6	483	15,939	33.0	465	14,977	32.2
Multi Purpose	35	147	4.2	29	123	4.2	28	125	4.5
Roll-on/Roll-off	26	1,554	59.8	33	1,855	56.2	29	1,643	56.7
Vehicle Carrier	157	6,777	43.2	141	6,055	42.9	135	5,592	41.4
Livestock Carrier	95	1,953	20.6	76	1,934	25.4	88	1,531	17.4
Passenger	17	285	16.8	16	534	33.4	18	324	18.0
Tankers	270	8,801	32.6	274	8,253	30.1	255	7,841	30.7
Dry Bulk - Grain	118	2,629	22.3	160	4,042	25.3	170	3,742	22.0
- Other	200	4,083	20.4	190	3,948	20.8	206	4,191	20.3
Bunkering Only	110	2,651	24.1	86	1,977	23.0	74	1,802	24.4
Other (Fishing Tenders etc.)	62	241	3.9	70	452	6.5	45	141	3.1
Sub Total	1,687	47,469	28.1	1,641	45,938	28.0	1,599	42,758	26.7
Naval	33	-		46	-		49	-	
Total	1,720	47,469	28.1	1,687	45,938	28.0	1,648	42,758	26.7



US Boxer departs Fremantle. In all, 33 naval vessels visited Fremantle during the year.

2007 PERFORMANCE SHIPPING ACTIVITY

Flag Nationality

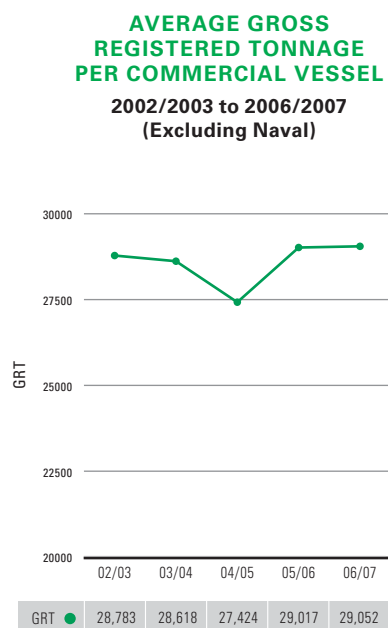
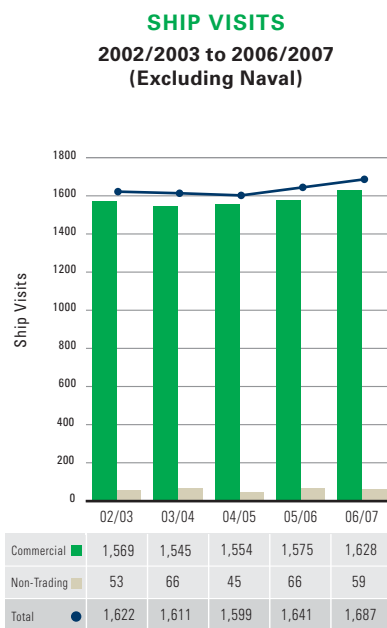
Panamanian registered vessels recorded the highest aggregate gross tonnage and number of visits of all flags in 2006/2007 with an aggregate GT of 10.5 million and 396 visits, an increase of 19 visits and 0.1 million GT. The average size of Panamanian registered vessels decreased by 3.8 per cent.

Liberian registered vessels recorded the second-highest aggregate gross tonnage and number of visits with an aggregate GT of 4.8 million and 152 visits, a decrease of 51 visits. GT declined by 1.3 million tons.

The number of Australian registered vessel calls was 45 and 0.6 million GT which reflected a decrease of 14 visits and 0.02 million GT.

Countries of registration to show significant increases in ship visits and gross tonnages included the Bahamas, Germany, Greece, Hong Kong, Marshall Islands, Singapore and the United Kingdom.

Countries to record significant declines in the number of ship visits and gross tonnage included China, Cyprus, France, Italy and Malaysia.



Service Delivery

Security Upgrading

Introduction of the Maritime Security Identification Card

Under the Maritime Transport and Offshore Facilities Security Act 2003, ports throughout Australia were required to introduce Maritime Security Identification Cards (MSIC) from 1 January 2007 for all access to port operational areas.

Fremantle Ports worked with other WA ports to introduce a single MSIC/Access card, transferable between Fremantle and any regional port in Western Australia, in line with the Minister's wish to avoid the need for multiple cards. This was not done elsewhere in Australia.

Fremantle Ports also developed a mobile unit for processing MSIC applications offsite. The unit has been used by metropolitan customers such as Rio Tinto and CSBP, and in remote locations such as Broome, Christmas Island and Cocos Island. Commercial arrangements were entered into with the Port of Melbourne Corporation to purchase Fremantle Ports' MSIC database, and work has been continuing with DOTARS to resolve MSIC issues at a national level.

Fremantle Ports and the Port Operations Taskforce continued the co-ordination with work to develop a framework under which the single card can be extended to the DP World and Patrick container terminals in Fremantle.

By the end of June, Fremantle Ports had processed over 6600 local MSIC applications and more than 10508 printing requests from regional ports, a significant portion of the national estimate.

In recognising our responsibilities under the International Ship and Port Facility Security Code 2002, Fremantle Ports implemented a transporting service from 1 January 2007 to facilitate shore leave for ships' crew. The service is provided by the local Flying Angel Club on a structured roster servicing both the Inner Harbour in Fremantle and the Outer Harbour in Kwinana (including private facility operations) with daily services.

Gate security and surveillance upgraded

Cantilever gates have been installed at all common user berths in the Inner Harbour, supported by new bollards and swipe card recognition for ease of access. The Kwinana Bulk Terminal security has been improved with a new security gate and turnstile installed, again with advanced swipe card technology.

Fremantle Ports has invested in best practice security surveillance systems covering the Inner and Outer Harbours, enabling the Security Centre to verify access cards at all gate points in compliance with national requirements. The surveillance system has enhanced both security and safety observation as well as vehicle traffic management.

In 2005, the Federal Government agreed to establish a central government vetting agency, AusCheck. This is due to begin operations in September 2007. It will coordinate background criminal and security checks on applicants for Aviation Security Identification Cards (ASIC) and Maritime Security Identification Cards (MSIC), and notify the relevant issuing authority of the outcome. The MSIC applications used by Fremantle Ports and WA regional ports are being enhanced to dovetail with the AusCheck system.



Fremantle Ports is a national leader in the roll-out of the Maritime Security Identification Card.

2007 PERFORMANCE SERVICE DELIVERY

The crew transport service provides for the efficient and effective movement of crew through Maritime Security Zones and assists with maintaining high standards for crew safety whilst in the port of Fremantle.”

Pilotage Agreement

Fremantle Ports is responsible for the provision of pilotage services in the port of Fremantle. This is carried out under a contractual Agreement with Fremantle, Kwinana and Cockburn Sound Pilots Pty Ltd, trading as Fremantle Pilots. The Agreement provides for service and safety standards for the pilotage of vessels in the Port 24 hours a day, 365 days a year. A new Agreement commencing 1 July 2007 was negotiated in 2006/07 with an initial term of 5 years and a further optional term of another 5 years.



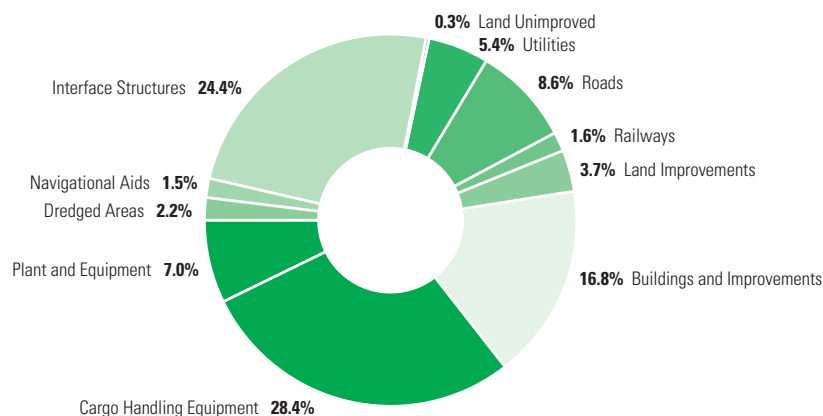
Asset maintenance

Work has continued on improving the processes used for the management of the existing assets to ensure that they continue to provide the required level of performance. During 2006 Fremantle Ports completed an Asset Management Plan in accordance with the Treasury Framework issued in 2005.

Over the past several years a number of discrete asset management initiatives have been developed at Fremantle Ports , and continue to be developed, and these will be progressively integrated into an enhanced Asset Management Plan framework. The Asset Management Plan is the system for combining management, financial, engineering and technical practices to ensure that the level of service required by customers is provided at the lowest long term cost to the Port. The plan is intended to continue to guide the responsible and proactive management of our assets and to ensure transparency of those processes.

FREMANTLE PORTS MARINE & TECHNICAL SERVICES DIVISION

Port Asset Maintenance & Service Costs 2006/2007



2007 PERFORMANCE **SERVICE DELIVERY**

Pile Protection

Fremantle Ports has been undertaking an ongoing program to protect steel piles against corrosion.

Over 1500 steel piles have now been connected to a cathodic protection system. This leaves only two more stages to be completed to achieve the protection of all steel piles within the Inner and Outer Harbours, and these will be undertaken in 2007/2008.

Operational IT Systems Upgrading

Dangerous Goods Management

Fremantle Ports' Voyager system has been modified with inclusion of an online system to facilitate improved reporting and management of dangerous cargo, including communication, compliance and precautionary procedures. The module, which has been under development since 2004, was completed and deployed in May.

Legally, shipping agents must notify Fremantle Ports of any dangerous cargoes shipped through the port by submitting a dangerous cargo manifest at least 24 hours prior to movement through the port. This legal obligation has been met previously by agents delivering a hard copy of the manifest or sending an email attachment to the Inner Harbour Port Services Team Leaders. VDC enables shipping agents to meet their notification obligations by lodging dangerous cargo manifests online.

The system will streamline the management of dangerous cargoes and will allow Port Services to view online all ships that have dangerous cargo, time limits, manning requirements and process relevant requirements.

Customer training has been completed, supported by an on-line training package.

Port/Ams replacement

Since the mid 1990s, Fremantle Ports has been using the PortAMS information technology system to support berth application, vessel movement and related port activities. This system was implemented in the mid 1990's.

A need to move on to new technology has been recognised and Fremantle Ports has initiated the Port Management Information System project to identify an approach capable of delivering a higher level of service to enable better coordination of port services and responsibilities between Fremantle Ports' staff, service providers (e.g. tugs) and customers. The aim also is to provide a platform for future initiatives such as the integration of the Automatic Identification System now in use.

It is expected that work on a new IT system to replace PortAMS will begin in 2007/2008.

Capability for the Future

Outer Harbour Port Development

Two options for Fremantle Ports' new Outer Harbour container facilities at Kwinana have been approved to proceed for statutory planning and environmental approval. The additional berths will be needed to handle the overflow container trade when the Inner Harbour reaches capacity.

One of the options going forward in 2007/2008 into the statutory approvals process is an island design about one kilometre offshore and linked by an open spanned bridge to an extension of Rowley Road, north of the Alcoa refinery. The other is a partially land-backed facility located just south of Alcoa that would include reclamation of the foreshore and an island component with a freight link via Anketell Road.

Both options are physically smaller than those previously proposed, with an estimated capacity of 1.4 million containers per annum, and designed to provide sufficient capacity until 2035. The first stage of each is estimated to cost \$1.3 billion, including new road and rail links.

Kwinana was selected as the location for overflow container and general cargo berths following more than 50 technical and planning studies over two decades. The new facilities need to be on the metropolitan coast because 90 per cent of the State's container trade travels within 50 kilometres of Fremantle.

The selected options will now be subject to very detailed environmental, planning and economic studies in a full statutory planning and environmental approvals process to decide which will provide the best outcomes. It is anticipated that the statutory approvals phase, involving further community consultation and technical studies, will take about two years after which one of the options will be chosen.

Both the Inner Harbour operations and the new container port facilities at Kwinana will be needed by 2015 when Fremantle is expected to reach its optimal capacity. The berth length of each option is around 2 kilometres, the same as the berth length for North Quay in Fremantle.



The offshore option is an island design about one kilometre offshore that would be linked by an open-spanned bridge to an extension of Rowley Road, north of the Alcoa refinery.



The second option is a partially land-backed facility located just south of Alcoa that would include reclamation of the foreshore and an island component with a freight link via Anketell Road.

2007 PERFORMANCE CAPABILITY FOR THE FUTURE

Three of Western Australia's most experienced experts in the field of marine environmental assessment have accepted an invitation to form an expert advisory panel to review and provide advice on the environmental impact assessment process for the Outer Harbour port development. They are: Dr Bernard Bowen, former Chair of the Environmental Protection Authority; Professor Des Lord, oceanographer; and marine and coastal environmental scientist and former member of the Environmental Protection Authority, Mr Ian Le Provost.

A technical workshop was held to inform the process of preparing the draft scope for the statutory assessment. Further consultation on the scoping document will be undertaken before it is advertised for public comment.

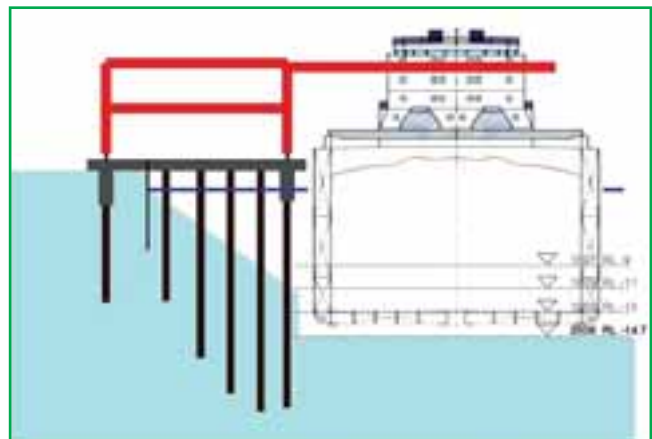
Fremantle Ports and the Department for Planning and Infrastructure are jointly managing the Fremantle Ports Outer Harbour Project (Kwinana Quay).

Inner Harbour Deepening

Several engineering and geotechnical studies were successfully completed during the year which enabled Fremantle Ports to advance preparations for the planned deepening of the Inner Harbour to cater for the deeper draft ships expected in the next two or three years. In addition, strengthening work was completed on some of the wharf structures (North Quay) to enable the installation of a new Post-Panamax container crane by Patrick.

A major work related both to the need to accommodate larger ships and to the deepening project is the installation of a continuous sheet-pile wall at the toe of the batter slope (under the wharves). A trial installation of 10m of this sheet-pile wall, in a location of known hard limestone rock, was successfully completed in July 2007. The trial has provided valuable information on the design and pile driveability of the type of sheet-pile selected for the project.

The program will involve the deepening of the Deepwater approach channel to the Inner Harbour to allow for the passage of post-Panamax container ships, and deepening of the Inner Harbour container Berths 4 to 10 on North Quay. It is also planned to strengthen Berth 10 to accommodate container ships and cranes. An Inner Harbour Project Steering Group has been established, with representation from relevant government agencies, industry and the shipping community.



Inner Harbour dredged depths 1897 to 2008 (proposed).

Trade and Business Growth

Rail services

During 2006/2007 rail carried 42,000 standard containers (TEUs), more than double that of the previous year. Of greater significance is the strong growth which has occurred in the second half of the year. Year end rail volumes would equate on an annual basis to over 55,000 TEUs, a market share of over 11%. At this level, rail effectively removes about 40,000 trucks from the roads each year.

The completion of the rail loop and the rail terminal together with the availability of financial support for trial rail operations administered through Fremantle Ports and the Department for Planning and Infrastructure have been instrumental in achieving this growth.

Analysis of the road and rail industry and direct experience with developing rail services over the last few years has demonstrated the potential for rail to achieve significant market share in line with the Government's objectives. However, this will require Government to play a role, in partnership with shippers and logistics providers, in providing the required levels of funding for the rail service.

In recognition of this, a competitive tendering process was undertaken to give interested parties the opportunity to present proposals for future rail development and to indicate what level of financial support would be required for this development to occur.

While several interesting submissions were received the proposal from CBH and Stevenson Logistics was selected as offering the best prospects for meeting the Government's rail market share targets.

A number of issues remain to be worked through with Government before final implementation of this proposal is possible and some interim measures have been put in place while this occurs. These measures include the appointment of a new manager for the North Quay Rail Terminal and provision of financial support on an interim basis.

Landside logistics

During the Christmas 2006 period and extending into January 2007, Fremantle experienced a significant increase in trade. While this period is the traditionally busy peak period of the year on this occasion there was a surge in trade beyond normal expectations. The extra trade created capacity issues within the container supply chain and problems emerged in the interface between container terminals, container parks and road transport operators. A number of the issues encountered relate to the mismatch of operating hours between different parties in the chain, a problem evident in all ports around Australia.



Container volumes on rail averaged 8.3 per cent over the year, and by year-end had achieved a market share of 11 per cent.

Fremantle Ports and the WA Port Operations Task Force took steps to ease this pressure by urging container parks to extend their hours of operation in peak periods or short working weeks and most operators have agreed to this for peak periods.

Resolution of these problems will require coordinated action across the industry and consultations with a range of industry participants have taken place. A workshop involving key industry representatives will be held early in 2007/08 to develop an agenda including prioritised issues and action plans.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

The development of the proposed additional container port facilities at Kwinana will require particular attention to landside logistics arrangements. The new container facilities will provide an opportunity to design landside facilities to optimise distribution to and from the port, including integration with continuing container operations at the Inner Harbour. An evaluation of the need for a new intermodal facility at Kwinana to service both the interstate trade and the new container facilities was undertaken with other Government agencies. The second stage of this work which involves identification of specific sites for this facility is currently underway.

Heavy vehicle traffic management at North Quay/Rous Head

One of the significant issues facing the Port is the interaction between vehicles moving through the North Quay/Rous Head area. In particular the queuing of trucks outside some facilities has, at times, raised concerns about access and safety.

A number of measures were introduced during the year to address these issues including regular patrolling of the area to enforce compliance with traffic regulations and engagement of a traffic management company to assist in managing traffic issues which arise from unforeseen events (such as container terminal computer breakdowns and traffic accidents).

Effective control of truck queuing also needs to involve operators of key facilities in the port precinct modifying their operations and yard layouts to improve truck processing times and accommodate more vehicles within their facilities. We are optimistic that the discussions held with these parties will yield significant improvements over the coming year.

Road transport

The annual video survey of truck movements to and from the Inner Harbour has indicated continuing improvement in road transport productivity. Since surveys began in 2002, truck numbers have increased 4 per cent annually compared with an 8 per cent increase in trade.

Fremantle Ports was involved in discussions with the stevedores, road transport industry representatives and DPI to modify the Container Terminal Vehicle Booking System to promote greater consolidation of loads on trucks. This initiative, which is expected to be implemented during 2007, should improve road transport efficiency and reduce the number of trucks required to move a given amount of containers.

Shipping services

ANL introduces larger ships

Two new ANL container ships made their maiden visits to Fremantle in February and March 2007 on entering the Australian/Asian service.

The big, fast vessels *ANL Warringa* and the *ANL Windarra* were built at Dalian in China and can carry 4250 standard shipping containers at maximum load.

The new ships have added capacity to ANL's Australia to South East Asia service, operating



Truck and rail transport are combined to move containers as efficiently as possible.



The giant container ship ANL Warringa is welcomed to Fremantle on its maiden voyage.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

between Singapore and Port Kelang, in Malaysia, and Brisbane, Sydney, Melbourne, Adelaide and Fremantle. The introduction of the new ships enables ANL to take up its licence to carry coastal containers, estimated at 700 to 1,000 containers per call into Fremantle.

New European direct service

Hapag Lloyd has introduced a new European direct service via the Suez, with European imports landed in Fremantle on a fixed day weekly service. The 12 vessel service is calling at Fremantle, Melbourne and Sydney, then on to New Zealand.

The new service also offers Fremantle exporters wanting to ship to the East Coast of the USA, an alternative service with trans-shipment through Auckland.

Ships on the new service are predominately 2,100 teus vessels and will be largely imports into Fremantle. Exports will continue to be via Singapore with slot arrangements with Maersk. OMS will undertake ship husbandry in Fremantle.

Motor vehicle imports

New motor vehicle imports continue to be a very successful trade for Fremantle, with an increase of 21.3 per cent in 2006/2007, taking the total imports for the year to more than 100,000 vehicles. This was more than double the number 5 years ago.

The continued growth of this trade in recent times has presented a number of issues and Fremantle Ports held an industry workshop in March to discuss these.

Security in common user areas, the need for improved industry communication and maximising storage capacity were among the topics discussed.



New vehicles on Victoria Quay awaiting delivery.

Cruise Shipping

Fremantle Ports has continued to play a very active role within Australia's peak cruising body, Cruise Down Under, both promoting Fremantle as a cruise ship destination and helping to market the region. Our participation in Cruise Down Under activities is helping not only to increase the number of cruise ship visits to Fremantle but to ensure that the interests of WA regional ports are appropriately represented.

The number of cruise ship visits to Fremantle in 2006/2007 remained steady from the previous year at 16 visits, with the *Funchal* home porting and accounting for 9 of those visits, and the remainder international visits. Just under 10,000 passengers visited Fremantle.

Active promotion of Fremantle as a destination and home port this year has resulted in a significant increase of ship visits scheduled for 2007/2008.

Fremantle Ports will host its biggest cruise season since the early 1970s with 25 calls scheduled. In addition to the regular round-the-world cruise ships and seasonal basing of the *Funchal*, larger ships *Superstar Gemini* and *Sun Princess* will offer calls from Fremantle for the first time next year. *Amadea* will also visit for the first time.

The 1,950 passenger *Sun Princess*, the largest cruise ship ever to be based in Australia, will home port from Fremantle, Sydney and Melbourne in 2008 to meet strong demand.



Silver Cloud was one of 16 cruise liners to visit Fremantle in the 2006/07 cruising season.

Customer Feedback

Fremantle Ports' has again undertaken its comprehensive consultation program and annual survey of major customers. This includes shipping lines and shippers using Fremantle Ports' bulk facilities.

The results of the shipping line survey indicate that there is continued high level of overall satisfaction with Fremantle Ports' services over recent years, with 89 per cent of respondents giving a Very Satisfied or Quite Satisfied rating in 2007.

Our target for customer satisfaction is 80 to 90 per cent.

Emergency Response and Common User Berth allocation were areas where shipping lines believed there were opportunities for improvement and Fremantle Ports will work to address these.

From a planning perspective, this year's survey again sought feedback from lines on the services and activities that were important to their future business in the Port. Berth availability, stevedoring labour availability, coordination of services, stacking area at common user berths and Inner Harbour deepening were the issues rated highest in this regard.

The survey of bulk shippers was again aimed at assessing our progress in meeting customer requirements by improving the services we provide at these facilities. 75 per cent of bulk shippers said they would recommend Fremantle Ports. Overall satisfaction levels were slightly lower, with survey results indicating opportunities for improvement in ship scheduling, berth availability and allocation, and stevedoring.

Performance has remained consistently strong in the following areas of our bulk trade: value for money provided by Fremantle Ports; equipment; and receival delivery management.



Proposed Commercial Precinct development for Victoria Quay.

Commercial Precinct development

In the Fremantle Waterfront Masterplan, a 2.75 hectare area of Victoria Quay east of E Shed was identified for a mixed use development of retail, office accommodation, restaurants and cafes. The site was known as the Commercial Precinct.

According to surveys conducted by the Department of Planning and Infrastructure, Fremantle is the only strategic regional or regional centre to have experienced a decline (down 10 per cent) in its floor space over the past decade with both shop/retail and other categories experiencing declines. In comparison, other strategic regional centres averaged a 94 per cent increase over the same period. Lack of new retail development in Fremantle, together with the development of retail centres outside of Fremantle, has adversely affected the performance of Fremantle's retail precinct. There is also a lack of office/business floor space in Fremantle and no A-grade office space.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

Following an Expressions of Interest process ING Real Estate was awarded preferred developer status for the Commercial Precinct site and, in partnership with Fremantle Ports, provided two designs for a commercial precinct development for public comment in the first half of 2006. Based on feedback, two revised design options were prepared which significantly reduced the amount of office accommodation, allowing for a reduction in the height and mass of the overall development.

The majority of randomly selected participants at a full-day community workshop in November preferred a contemporary-style option with two, not three, office buildings. A development application, based on this preferred option with a change to further open up view corridors from the city to the port, was submitted to the Western Australian Planning Commission via the City of Fremantle in June.

As well as the November community workshop, this development in its various stages has been the subject of extensive community consultation, including 12 individual presentations to key stakeholders; presentations to 37 community groups and businesses; a publicly advertised, professionally facilitated presentation and community forum; a four-week public comment period; a statistically valid telephone survey of about 360 randomly selected interviewees; and a professionally facilitated workshop for randomly selected individuals.

The \$200 million waterfront development proposal includes: 14,000m² of A-grade office space; new attractions for tourism and leisure, including 12,000m² of quality retail, restaurants and cafes; an estimated \$12 million to be spent on restoration, re-use and interpretation of four heritage buildings (C Shed, the former immigration building, the amenities building and toilet block); a large public square; a new car park accessible through Gate 2 at the port's eastern end and much-improved connectivity between the city and the port. In addition, the proposal is a transit-oriented development and aims at setting new sustainability standards for Fremantle through attaining a 4.5 star Australian building Greenhouse Rating.

The development application will undergo a public comment period through the City of Fremantle before the WA Planning Commission makes its recommendation.

Phillimore Street Master Plan

Fremantle Ports combined with the City of Fremantle and the Public Transport Authority to develop an Integrated Master Plan for the Phillimore Street precinct. This plan provides for the upgrade of infrastructure to encourage pedestrian access, improve traffic flows and generally promote linkages between the city and the waterfront.

The Master Plan was released for public comment and community comments were incorporated in the final plan. The Master Plan was adopted by the City of Fremantle in December 2006 and Fremantle Ports is currently working with the City to develop an implementation plan for the proposals.



Historic C Shed and three other heritage-listed buildings will be restored as part of the proposed development.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

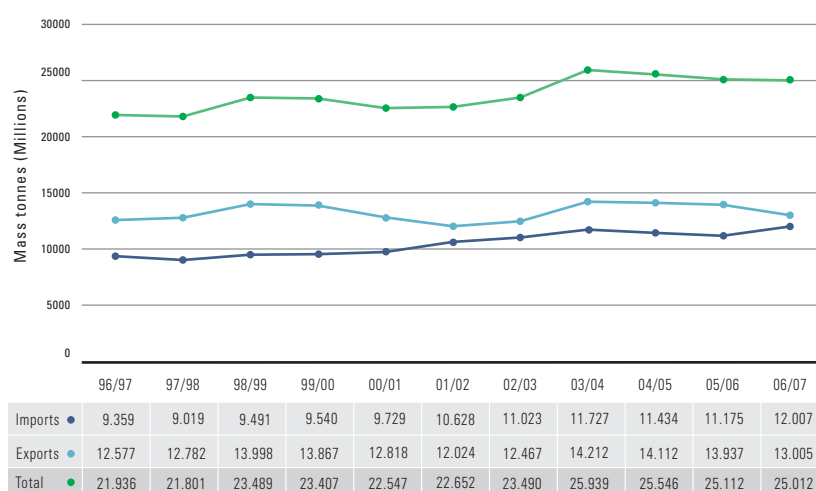
Branding Strategy

The preparation of a branding/marketing strategy for the Fremantle Waterfront has begun. The Marketing Centre which has been appointed to conduct this consultation, has undertaken some market analysis, benchmark studies and stakeholder interviews. Based on these interviews they have prepared three branding options which still require further refinement.

Trade Performance

Total port trade was 25.0 million mass tonnes in 2006/2007, 0.1 million tonnes or 0.4% lower than 2005/2006. Since 1990/1991, total port trade has grown by 53 per cent.

TOTAL PORT TRADE
1996/1997 to 2006/2007



Total exports decreased by 0.9 million tonnes or 6.7 per cent and imports increased by 0.8 million tonnes or 7.4 per cent for this period.

Bulk cargo contributed 18.5 million mass tonnes or 75.4 per cent of total port trade in 2006/2007, 4.2 per cent down on last year. Bulk grains and oilseeds decreased by 1.3 million tonnes or 25.3% in 2006/2007 compared to last year due to drought conditions. The total Western Australian grain crop in 2006/2007 was 7.0 million tonnes, which was around half of the 14.2 million tonne harvest in 2005/2006.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

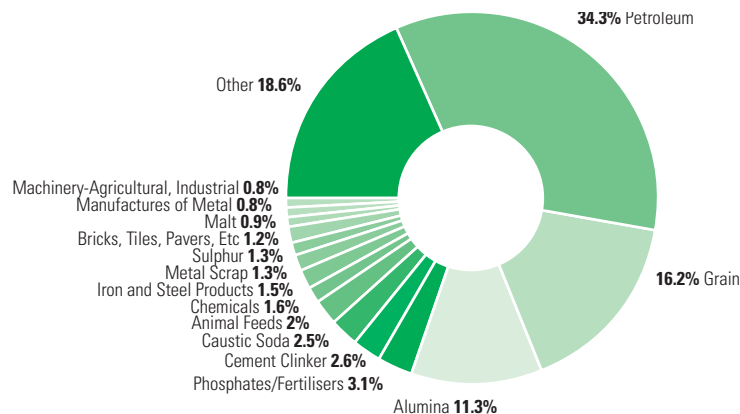
The Port's principal bulk cargo, petroleum products, increased from 7.7 million mass tonnes in 2005/2006 to 8.6 million mass tonnes in 2006/2007. Crude petroleum imports increased by 1.1 million tonnes or 26.4 per cent compared to last year. Crude imports were lower in 2005/2006 mainly due to a maintenance shutdown at the BP Kwinana Refinery in May 2006. Refined petroleum imports decreased by 51.9% and refined petroleum exports (including bunkers) increased by 21.6%.

Inner Harbour imports and exports increased by 17.7 per cent and 6.6 per cent respectively. These figures include containers, with non trans-shipped full container trade increasing by 13.8 per cent. Total containers handled increased by 10.9 per cent in 2006/2007 to reach 505,803 TEUs, an increase of 49,749 TEUs on the previous year. Container trade is now more than four times the level in 1990/1991, representing an average annual growth of 9.4 per cent for this period.

Non container cargoes to show strong growth in the Inner Harbour were imports of industrial and agricultural machinery, iron and steel, refined petroleum and new motor vehicles.

PRINCIPAL COMMODITIES

Imports/Exports 2006/2007



In volume terms the Port's principal export commodities are grain, alumina and refined petroleum, which together account for 75.1 per cent by volume of total exports.

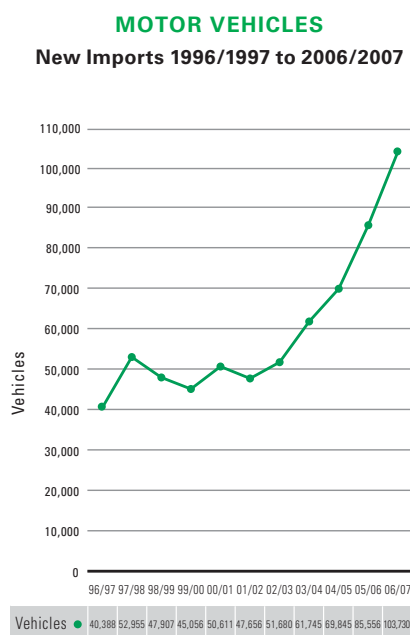
Major Trading Regions

Trade with East, South East and Southern Asia amounted to 48 per cent of total port trade in 2006/2007 compared with 50 per cent in 2005/2006. Over the period 1996/1997 to 2006/2007, trade with East, South East and Southern Asia has grown from 34 per cent to 48 per cent of Fremantle's total trade. Australian coastal trade increased by 22.7 per cent and trade with India was almost three times higher than last year. In interpreting this figure, a cautionary note is that some of the increase could reflect cargo trans-shipped through Singapore to other destinations. Australian coastal cargo accounts for 23 per cent of total port trade, the Middle East accounts for 14 per cent, North America four per cent, Africa two per cent and UK and Europe four per cent. Again, these figures could be deflated because of trans-shipments through Singapore. (A graphical presentation showing the link with world trade is shown in the appendix of Statistical Information).

Imports

Total imports increased by 7.4 per cent during 2006/2007 to 12.0 million tonnes. Inner Harbour imports increased by 17.7 per cent mainly due to a significant rise in container and breakbulk trades. Outer Harbour imports increased by 4.2 per cent mainly due to a 26.4 per cent increase in crude petroleum. Other Outer Harbour import products to increase substantially were cement clinker, iron ore, sulphur and gypsum. Imports of refined petroleum declined by 51.9 per cent compared to last year and fertilisers declined by 15.6 per cent due to the drought conditions experienced in Western Australia.

New motor vehicle imports through Fremantle Ports totalled 103,734 units in 2006/2007, an increase of 18,178 units or 21.3 per cent compared to last year. Imports from Japan and South Korea accounted for 44.2 per cent and 12.9 per cent of total new motor vehicle imports respectively. Thailand's share of total motor vehicle imports was 18.4 per cent in 2006/2007 compared to 13.3 per cent last year. Imports from other Australian ports and Western Europe accounted for 8.2 and 8.6 per cent of the total respectively. New motor vehicle sales in Western Australia grew by a strong 10.9 per cent in the year to May 2007.



Morocco rock, a phosphate fertiliser, being unloaded at the Kwinana Bulk Jetty.



Imported cars on Victoria Quay.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

IMPORT CARGOES CLASSIFIED ACCORDING TO CARGO CLASS (Thousands of Tonnes)					
Commodity	Bulk	Container	Non Container General Cargo	Port Total 2006/2007	Port Total 2005/2006
Petroleum - Crude	5,223	0	0	5,223	4,133
Petroleum - Refined	668	22	0	690	1,335
Cement Clinker	645	0	0	645	542
Caustic Soda	636	1	0	637	770
Phosphates - Fertilisers, Manures Etc	601	16	0	617	619
Iron and Steel Products	0	176	183	359	360
Sulphur	332	0	0	332	262
Chemicals and Related Products	34	254	0	288	266
Bricks, Tiles, Pavers, etc	0	253	0	253	124
Miscellaneous Manufactured Articles	0	189	0	189	70
Iron Ore	165	0	0	165	135
Motor Vehicles - New	0	0	161	161	128
Machinery - Agricultural, Industrial	0	136	20	156	149
Paper, Paperboard and Articles of Paper	0	153	0	153	121
Manufactures of Metal	0	142	2	144	91
Vehicles - Agricultural and Industrial	0	11	101	112	86
Urea Ammonium Nitrate (Uan)	106	0	0	106	161
Plastic Wares and Other Manufactures	0	104	0	104	77
Fabricated Construction Materials	0	101	0	101	81
Newsprint	0	97	0	97	88
Furniture and Parts Thereof	0	95	0	95	80
Slag Residue Ex Steel Furnace	94	0	0	94	100
Black Coal	89	0	0	89	88
Gypsum	88	0	0	88	43
Rubber Manufactures	0	64	11	75	65
Cork and Wood Manufactures	0	63	3	66	46
Urea	64	0	0	64	147
Other Transport Equipment and Parts	0	51	11	62	43
Sulphuric Acid	57	0	0	57	100
Glass	0	45	0	45	54
Fresh Fruit and Vegetables	0	43	0	43	12
Sugar	0	41	0	41	53
Logs and Timber	0	38	3	41	45
Other Food Preparations	0	39	0	39	46
Fruit and Vegetables (Preserved, Canned, etc)	0	36	0	36	49
Non Ferrous Metals	0	33	1	33	32
Ale, Beer and Stout; Cider (Alcoholic)	0	33	0	33	24
Soya Bean Meal	30	3	0	33	18
Fish, Crustaceans and Molluscs	0	31	0	31	30
Ammonia	29	0	0	29	5
Other Commodities	57	320	4	381	498
Totals	8,916	2,590	500	12,006	11,175

Note: Figures in the above table are subject to rounding.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

Exports

Total exports decreased by 6.7 per cent during 2006/2007 to 13.0 million tonnes. Inner Harbour exports increased by 6.6 per cent mainly due to increases in full container trade. Inner Harbour exports to increase were wheat, malt, waste paper, mineral sands and chemicals. Outer Harbour exports decreased by 11.0 per cent, reflecting significant decreases in wheat and barley due to the poor harvest in 2006/2007. Outer Harbour commodities to increase were refined petroleum, malt, pig iron, coal, ammonium sulphate and scrap metals.

In 2006/2007 Fremantle Ports' major overseas export markets by volume (percentage of total exports) were China, 15.1 per cent, Japan, 11.9 per cent, Indonesia, 7.8 per cent, South Korea, 6.7 per cent, India, 5.1 per cent, New Zealand, 4.9 per cent Malaysia, 4.9 per cent, Singapore 3.9 per cent, Saudi Arabia, 2.5 per cent, USA 2.0 per cent. Exports to India were more than three times higher in 2006/2007 compared to last year mainly due to a significant increase in wheat exports. Exports to China represent 2.0 million tonnes or 15.1 per cent of total exports making that country Fremantle's principal export trading partner. Alumina exports to China increased by 21.7 per cent in 2006/2007 compared to 2005/2006 but wheat exports declined by 66.7 per cent.

Exports to other Australian ports reached 2.5 million tonnes in 2006/2007, an increase of 17.1 per cent compared to last year mainly due to a 34.0 per cent increase in refined petroleum exports.



Fremantle Port's Unloader No. 5 in operation at the Kwinana Bulk Terminal.

2007 PERFORMANCE TRADE AND BUSINESS GROWTH

EXPORT CARGOES CLASSIFIED ACCORDING TO CARGO CLASS (THOUSANDS OF TONNES)					
Commodity	Bulk	Container	Non Container General Cargo	Port Total 2006/2007	Port Total 2005/2006
Grain - Wheat	3,196	385	0	3,582	4,632
- Barley	303	54	0	357	507
- Oats	10	84	0	93	162
- Canola Seed	5	11	0	16	129
- Lupins	0	13	0	13	135
Alumina	2,805	8	0	2,813	2,949
Petroleum Refined (Including Bunkers)	2,667	3	0	2,670	2,076
Metal Scrap	0	45	279	324	314
Animal Feeds	133	320	4	458	496
Malt	68	165	0	234	124
Titanium Dioxide	0	176	0	176	178
Sheep	0	0	157	157	165
Waste Paper	0	153	0	153	111
Nickel Matt and Concentrates	0	129	0	129	56
Mineral Sands	0	122	0	122	111
Chemicals and Related Products	8	105	0	113	72
Fresh Meat - Chilled or Frozen	0	104	0	104	100
Fresh Fruit and Vegetables	0	100	0	100	107
Non Ferrous Metals	0	93	0	93	175
Silica Sands	85	1	0	86	112
Wool	0	85	0	85	90
Other Crude Minerals	0	75	0	75	97
Pig iron	74	0	0	74	37
Liquified Petroleum Gas (LPG)	71	0	0	71	39
Miscellaneous Manufactured Articles	0	52	0	52	12
Manufactures of Metal	0	47	2	49	9
Dairy Products	0	46	0	46	45
Bricks, Tiles, Pavers, etc	0	44	0	44	43
Phosphates - Fertilisers, Manures etc	32	9	2	42	22
Black Coal	42	0	0	42	0
Ammonium Sulphate	41	1	0	41	13
Cattle and Calves	0	0	37	37	41
Machinery - Agricultural, Industrial	0	29	4	33	38
Hides and Skins	0	32	0	32	31
Tallow	26	3	0	29	31
Other Animal Foods Prepared or Manufactured	0	28	0	28	13
Sulphuric Acid	24	0	0	24	6
Cork and Wood Manufactures	0	24	0	24	17
Logs and Timber	0	18	0	18	16
Iron and steel Products	0	15	1	16	19
Fabricated Construction Materials	0	15	0	15	6
Spodumene and Non Metallic Mineral Product	0	14	0	14	22
Paper, Paperboard and Articles of Paper	0	14	0	14	21
Wine and Vermouth	0	13	0	13	13
Other Commodities	8	271	15	293	543
Totals	9,599	2,904	502	13,808	13,937

Note: Figures in the above table are subject to rounding.

Container Trade

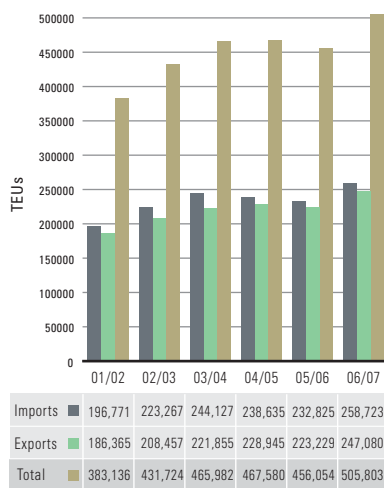
When compared with 2005/2006:

- Non trans-shipped full container exports increased by 9.8 per cent and non trans-shipped full imports by 16.7 per cent.
- Total container exports and imports increased by 10.7 per cent and 11.1 per cent respectively.
- Full container exports (including trans-shipments) increased by 6.6 per cent and full imports (including trans-shipments) increased by 14.2 per cent.
- Empty container exports increased by 19.9 per cent and empty imports decreased by 11.9 per cent.
- Coastal container throughput totalled 78,167 TEUs, an increase of 25.0 per cent on 2005/2006. Coastal non trans-shipment full container throughput totalled 62,202 TEUs, 35.8 per cent up on 2005/2006.
- Full trans-shipment container throughput decreased by 94.3 per cent due to the cessation of trans-shipments by a major line following restructuring of services.

CONTAINER TRADE COMPARISON

2001/2002 to 2006/2007

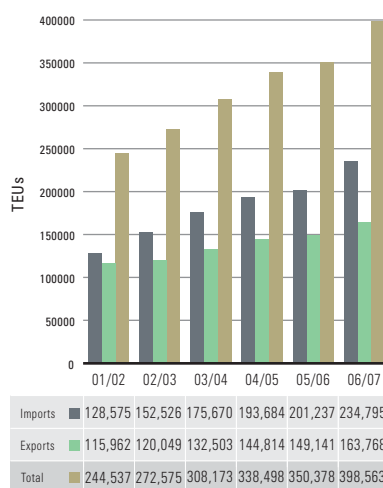
TEUs - Twenty foot equivalent units
Growth p.a. 2001/02 to 2006/07 - 5.7%



FULL NON TRANS-SHIPMENT

Container Trade Comparison
2001/2002 to 2006/2007

TEUs - Twenty foot equivalent units
Growth p.a. 2001/02 to 2006/07 10.3%



Top Ten Non Trans-shipment Container Commodities Imported and Exported

MAJOR CONTAINER COMMODITIES IMPORTED - TEUs			
Commodities	2006/2007	2005/2006	Variance %
Machinery - Agricultural, Industrial	23,140	22,048	4.95%
Furniture and Parts Thereof	22,550	19,440	16.00%
Miscellaneous Manufactured Articles	18,297	9,575	91.09%
Chemicals and Related Products	14,411	14,684	-1.86%
Manufactures of Metal	14,341	8,304	72.70%
Paper, Paperboard and Articles of Paper	13,532	9,811	37.93%
Bricks, Tiles, Pavers, Etc	12,802	6,519	96.38%
Plastic Wares and other Manufactures	10,766	8,250	30.50%
Iron and Steel Products	10,136	11,914	-14.92%
Rubber Manufactures	8,792	7,943	10.69%
Total	148,767	118,488	25.55%

Percentage of total full TEU imports
excluding trans-shipped TEUs

63.4%

58.9%

MAJOR CONTAINER COMMODITIES EXPORTED - TEUs			
Commodities	2006/2007	2005/2006	Variance %
Hay, Chaff, Fodder Peas (Stock Feed) - Cargo	24,865	28,337	-12.25%
Wheat	16,008	5,540	188.95%
Waste Paper	12,468	8,861	40.71%
Malt	9,596	6,444	48.91%
Titanium Dioxide	8,528	8,669	-1.63%
Fresh Meat - Chilled or Frozen	7,919	7,415	6.80%
Fresh Fruit and Vegetables	6,589	6,888	-4.34%
Nickel Matt and Concentrates	5,983	2,580	131.90%
Chemicals and Related Products	5,667	3,645	55.47%
Mineral Sands	5,229	4,731	10.53%
Total	102,852	83,110	23.75%

Percentage of total full TEU exports
excluding trans-shipped TEUs

62.8%

55.7%

Fremantle's Trading Partners

Fremantle Ports' top 10 overseas trading partners collectively account for 71.2 per cent of total non trans-shipment full container trade (refer table below). Australian coastal container trade accounts for a further 13.1 per cent.

TOP TEN CONTAINER TRADING PARTNERS		
Percentage of Total Full Container Trade		
Country	2006/2007 %	2005/2006 %
China	21.9%	20.0%
Japan	11.0%	13.6%
Malaysia	8.2%	6.1%
Indonesia	7.3%	5.7%
Singapore (1)	6.1%	5.7%
Thailand	5.1%	5.0%
United States of America	3.9%	4.3%
South Korea	3.9%	4.1%
New Zealand	3.7%	3.3%
Taiwan	2.5%	3.0%
Top 10 Countries percentage of Total County Trade	73.7%	70.9%

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.

Livestock

LIVESTOCK EXPORTS 2006/2007					
Destination	Sheep No.	Cattle No.	Other No.	Total No.	% of Total
Middle East	3,163,880	69,923		3,233,803	98.0%
Asia - East & South-East	18,033	40,532	4,290	62,855	1.9%
Eastern Europe		2,859		2,859	0.1%
Indian Ocean - Mauritius		633	304	937	0.0%
Central America	201	502		703	0.0%
Totals	3,182,114	114,449	4,594	3,301,157	100.0%

Live Sheep

3,182,114 head of live sheep were exported through the Port of Fremantle in 2006/2007, a decrease of 126,791 head or 3.8 per cent compared with 2005/2006.

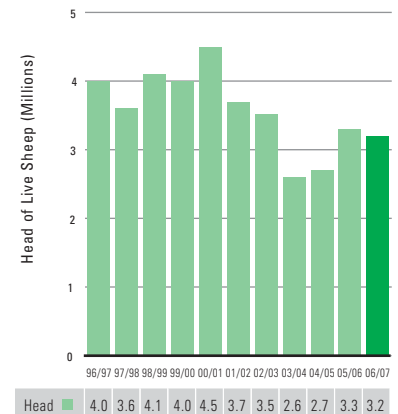
Fremantle Ports' share of total Australian live sheep exports was 77 per cent in 2006/2007, compared to 80 per cent in 2005/2006 and 86% in 2004/2005. The value of live sheep exports through Fremantle Ports in 2005/2006 was \$A223 million.

Exports from Australia during 2006/2007 were 4.1 million head, 2.6 per cent lower than the previous year. The Middle East was the destination of 99.3 per cent of Australian live sheep exports in 2006/2007.

Saudi Arabia was the largest export market for Australian live sheep in 2006/2007 with 1.4 million head exported, followed by Kuwait, Bahrain, Jordan, Oman, United Arab Emirates and Qatar.

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

LIVE SHEEP EXPORTS
1996/1997 to 2006/2007



Live Cattle

Live cattle exports from Fremantle reached 114,449 head in 2006/2007, a decrease of 12,821 head or 10.1 per cent on 2005/2006.

Fremantle Ports' share of total Australian live cattle exports was 17.8 per cent in 2006/2007. The value of live cattle exports through Fremantle Ports in 2006/2007 was \$A89 million.

In 2006/2007, the largest export markets served from Fremantle were Indonesia and Israel. Trade with Indonesia increased by 4,313 head or 14.0 per cent and trade with Israel decreased by 9,813 head or 24.5 per cent. Exports of cattle to Saudi Arabia totalled 25,346, a similar level to 2005/2006. Exports to Jordan and Malaysia decreased compared to 2005/2006.

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

Source of information on live sheep and cattle trade: Meat and Livestock Australia, Australian Cattle and Sheep Industry Projections 2007 and ABARE - Australian Commodities Forecasts and Issues June Quarter 2007.

Outlook

Treasury Projections

Western Australia's growth in 2006/2007 is estimated to be 6.0 per cent, significantly higher than the long-term average growth rate of 4.6 per cent a year for the past 15 years. The above average growth is due to strong growth in the State's domestic economy and improving international trade balance. Lower forecast GSP growth of 4.5 per cent in 2007-2008 and 5.0 per cent in 2008/2009 reflects slower expected growth in the State's domestic economy, partly offset by further growth in the State's net international trade surplus.

Data: Government of WA 2007-2008 Budget, Economic and Fiscal Outlook, Budget Paper No. 3.

Trade in 2007/2008

Fremantle Port's full container trade has shown strong growth in 2006/2007 and over the past 10 years. Several major resource projects will become operational in 2007/2008. The resulting growth in commodity production is expected to boost exports further, and net trade is predicted to contribute 2.6 percentage points to the forecast GSP growth rate of 4.5 per cent. Full non trans-shipment containers grew by 13.8 per cent in 2006/2007 mainly due to significant growth in trade with East Asia, South East Asia and other Australian ports. Full container trade with China increased by 20.5 per cent in 2006/2007. China's rapid economic development is a major contributor to global growth, contributing 1.5 percentage points of the increase in global output in 2006. The expansion of the Chinese economy is particularly important for Western Australia as it is fuelling growth in global commodity demand and commodity prices. In 2006 China overtook Japan to become Western Australia's largest trading partner, and it now accounts for around a fifth of the State's exports. Commentators such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) expect that the industrialisation of China will continue over the medium term, and that economic activity in China will grow at around 10 per cent in both calendar years 2007 and 2008. Demand for Western Australian commodities from other major trading partners – particularly Japan and South Korea (Western Australia's second and third largest trading partners) is also strong and similarly influenced by economic activity in China. Strong growth in Western Australia's major trading partners is expected to be a major driver for Fremantle Port's container trade.

Fremantle Port's new motor vehicle imports increased by 18,178 units or 21.3 per cent in 2006/2007 compared to last year. New motor vehicle imports are expected to grow strongly in 2007/2008 with the prospect of a healthy economic growth forecast for Western Australia.

In 2007/2008, Australia's live sheep exports are forecast to decrease by around 5 per cent to around 3.9 million head. Fremantle's exports are forecast to decrease from 3.2 million head in 2006/2007 to around 3.0 million head in 2007/2008. The number of live sheep exported is forecast to decline in 2006-2007 due to reduced supplies and increased competition for suitable sheep from restockers as producers seek to rebuild flocks. Over the medium term, further growth in Australia's trade in live sheep is likely to be constrained by the availability of suitable sheep and strong competition from other supplying countries (such as South Africa).

Fremantle Ports' Kwinana Bulk Jetty and Kwinana Bulk Terminal bulk cargo tonnages represent around 17.7 per cent of total port bulk cargo volumes. Kwinana Bulk Jetty trade declined by 0.2 million tonnes or 3.6 per cent to 1.91 million tonnes in 2006/2007 due to decreases in imports of fertilisers, sulphuric acid and refined petroleum. Trade throughput at this facility is forecast to increase to 2.4 million tonnes in 2007/2008.

Kwinana Bulk Terminal trade increased by 0.2 million tonnes or 18.8 per cent to 1.4 million tonnes in 2006/2007, due mainly to increases in cement clinker, iron ore and gypsum imports. Exports to increase were coal, pig iron and LPG. Trade throughput at this facility is expected to increase by around 0.7 million tonnes in 2007/2008 due to HIs melt raw material imports and pig iron exports.

Co-operative Bulk Handling's Kwinana grain terminal exported 3.6 million tonnes in the 2006/2007 financial year compared to 5.2 million tonnes in 2005/2006. The 2006/2007 winter crop was just below seven million tonnes, and this tonnage could be boosted for the coming season due to rain in the southern and south eastern parts of the wheat growing region.

Petroleum product, Fremantle Port's major bulk commodity, is forecast to grow to around 8.8 million tonnes in 2007/2008, and dry bulk alumina exports are expected to remain at levels similar to 2006/2007 (2.7 to 2.9 million tonnes).

Support Services

Staffing and Resource Planning

Our full time equivalent (FTE) workforce as at 30 June 2007 was 271. This represents an increase of 3 FTEs from the previous year and reflects Fremantle Ports' business expansion. Fremantle Ports continues to be an "employer of choice" with a relatively low attrition rate of about 10 per cent, although only 7 per cent is attributable to actual resignations, with the remainder being retirements.

The Executive participated in the development of a succession planning model and the identification of development needs to ensure Fremantle Ports maintains employee capability and market competitiveness. This is one of the strategies of Our People workforce plan which was developed in 2006.



All shipping movements in the Port of Fremantle are controlled from the Signal Station.

Employee feedback

An employee opinion survey conducted in October showed continued improvement on the results of the previous survey in 2004. Results of the most recent survey were benchmarked against more than five hundred other organisations that use the Australian Business Excellence framework and show that Fremantle is scoring in the top 25 per cent. Viewed against the ABEF categories, all categories in the internal survey of staff showed significant improvement, with category scores ranging from 72.5 to 76.6 per cent.



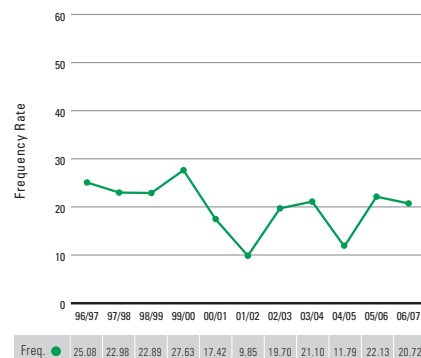
Fremantle Ports' staff have a strong focus on safety and the use of personal protective equipment.

Recommendations on improvements have been developed, with associated follow up actions.

Safety

Fremantle Ports, which regards compliance with the applicable safety legislation as the minimum acceptable standard, successfully retained its certification to the internationally-recognised safety standard AS/NZS 4801 in 2006-2007 following a rigorous audit by SAI Global. With a total of 482,567 hours worked, lost-time-injuries fell marginally in the year to 92 days compared with 93 days lost in 2005-2006 when 30,000 fewer hours were worked. A thorough analysis of the safety incident data, most of which are sprains and strains, will be conducted at the end of the reporting year to identify further improvement opportunities. It is anticipated that improvement targets will be introduced to increase focus on better safety performance.

LOSS TIME INJURY FREQUENCY RATE 1996/1997 to 2006/2007



Note: Frequency Rate is the number of lost time injuries per person hour exposure by one million.

2007 PERFORMANCE SUPPORT SERVICES

Health and Wellness

This year's Health and Wellness program included a range of initiatives such as: influenza vaccinations, first aid training and healthy lifestyle awareness sessions on issues such as diabetes, self defence, skin cancer checks, blood pressure checks, home safety initiatives, health assessments and men's and women's health issues.

A stretching exercise program was introduced this year in response to an analysis of Workers' Compensation claims which confirmed that strains and sprains are the most common injuries affecting our workforce.

A new Alcohol and Drug policy which includes testing "for cause and post incident" has been developed in consultation with all workgroups.

Fremantle Ports takes a keen interest in the safety of its employees out of the work environment, and provides free, personal protective equipment (gloves, safety glasses etc) to all staff for home use. A staff survey on safety at home showed that many staff take and use the free equipment. The home safety focus in the coming year will be on improving fire safety and awareness.

Equal Employment Opportunity

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

Training was provided by the Equal Opportunity Commission to employees who volunteered to act as Contact Officers for the Port. The new Contact Officers are located in various sections in the Inner and Outer enabling an enhanced service to all staff.

Employee Relations

Fremantle Ports commenced a review of the Conditions of Employment 2005 by providing awareness sessions with management and employees.

Training

Training continues to be a priority across our organisation to ensure that our people have the skills they need to be effective in their jobs. This involves training in the use of systems as they are introduced or upgraded, training in supervisory and management skills and training in the use of plant and equipment. Cross skilling to increase capability for mutual support is proving successful in the operational areas.

We have also drawn from the WA public sector leadership program and include in our model additional capabilities relating to commercial and business competency.

Our well established Employee Development system includes a colleague feedback component which helps to identify personal development needs and in 2007 a number of additional managers, supervisors and other potential leaders will undergo 360 degree leadership competency assessments.



Fremantle Ports emergency response staff joined other WA and national organisations in responding to a simulated oil spill conducted as part of Spillcon, an international oil spillage conference held in Perth in April.

2007 PERFORMANCE SUPPORT SERVICES

A broad range of external training programs during 2006/07 covered areas such as management development, project and contract management, negotiation, interviewing skills, customer service, innovation, report writing, contact officer, presentation skills, workplace bullying and harassment, job safety analysis and facilitation.

Access to tertiary education support has continued with six of our people participating in degrees and a number of other employees progressing diploma studies at university level. Additionally, five of our supervisors are working towards a nationally recognised diploma course in front line management, three successfully completed the programs last year.

Our Procedure Control System has assisted in identifying critical training requirements which are then included in the Skills Development System to ensure training occurs.

New induction program introduced

A new full day induction program for employees who have recently joined our organisation commenced during the year. This builds on the first day induction which deals with personnel and safety matters. The monthly induction day covers corporate governance, values, code of conduct, computer applications, knowledge and information management, reporting of incidents and complaints and our grievance process.



The induction program for new staff includes a visit to the observation deck to gain a bird's eye view of the port.

Reward and recognition

Fremantle Ports' Reward and Recognition program recognises individuals and teams who have performed "above and beyond" expectations in terms of being responsive to our customers and living our values. We also acknowledged long-serving employees who have worked in the organisation for 10, 20 and 30 years with a recognition ceremony during the year.

Procurement

In the interests of achieving the best possible value for money and meeting the expectations of our customers, Fremantle Ports has continued its analysis of procurement expenditure, looking for opportunities to achieve cost savings and efficiency improvements. The aims are to rationalise, where possible, the number of suppliers we are dealing with and reduce piecemeal purchasing. This has enabled Fremantle Ports to identify up to twenty opportunities for new Standing Offer Arrangement contracts to meet the day to day needs of our Outer Harbour operations. Process improvements associated with the adoption of standardised procurement documents also have resulted in efficiency savings.



Opportunities for Standing Offer Arrangement contracts have been identified in Fremantle Ports' Outer Harbour operations.

The reliable supply of equipment, spare parts and consumables is a significant element in the efficient and effective operation of our plant and physical assets at the Kwinana Bulk Terminal. This year, we have continued to focus on spare parts optimisation and effective supply management.

Continual stock reviews have been conducted over the year to identify and reduce the risk of financial loss through stock write offs, with results showing that supply needs for the Outer Harbour are being efficiently and cost effectively managed.

Buy Local

Results for the year confirm Fremantle Ports' commitment to buying locally and identifying opportunities for local industry participation for the supply of goods, services and works that provide benefits to our local suppliers, contractors and small business.

Our local content for procurement of goods, materials and services achieved for the year was 88.6 per cent, representing approximately \$20m in purchases and contracts awarded locally to competitive local businesses.

Business Excellence And Sustainability

Implementing our Sustainability Framework

Fremantle Ports takes the view that its sustainability and on-going support for its operations will be determined by its ability to continue to create and deliver value for all its stakeholders. Fremantle Ports' Mission and strategic planning emphasise sustainability and this is reinforced through business values.

Since the development of a Sustainability Framework aligned with the State Sustainability Strategy, Fremantle Ports has been implementing an associated action plan. One of the projects progressed during the year has been the development of draft sustainable building guidelines for new buildings and building extensions and alterations in the port area.

Embedding our Sustainability Principles into planning and decision making, sustainability measurement and reporting and communication of the importance of operating in a sustainable way have been other areas progressed this year.

Port pricing

With mounting costs and cost pressures related to infrastructure maintenance, labour and material costs it has no longer been possible to avoid the need to increase charges. Customers were notified in May that port charges (ship and cargo) would be increased by 5.5 per cent from 1 July 2007. From 1993/1994 to 2004/2005 Fremantle Ports' charges reduced by around 40 per cent in real terms.

Environmental Management

Improvements to Air Quality Monitoring in the Outer Harbour

In July 2006 the Department of Environment and Conservation re-assessed the potential environmental emissions at Fremantle Ports Kwinana Bulk Terminal. It concluded that due to significant improvement in the environmental performance of the site, all conditions of licence, with the exception of dust monitoring, could be removed. Fremantle Ports applied for the dust monitoring condition to be based on real time monitoring rather than the high volume sampler (HVS) method previously preferred by the Department as it allows for proactive and rapid identification of dust levels as they arise and enables prompt effective response.



'Real-time dust monitor at the Kwinana Bulk Terminal.

Since then, we have installed a sophisticated array of real time dust monitors and communication to a single computer in the control room. We have built a web-based interface that displays dust results and wind conditions to the control room operator, updating every ten minutes, and built procedures to underpin an effective response should dust levels rise. We have also developed site specific alarm criteria that will ensure we address rising dust long before the environmental limits are reached.

The Annual Report for 2006 found that all ambient air monitoring results recorded at KBT were within the acceptance limits of the Environmental Protection (Kwinana) (Atmospheric Wastes) Regulations 1992, Schedule 2.

Fremantle Ports has recently been commended by the Department of Environment and Conservation for implementing this leading technology and its proactive approach to environmental management. It is the first such system of its type on the Kwinana industrial strip.

Marine Quality Monitoring

As part of its commitment to sound environmental management, Fremantle Ports voluntarily undertakes a Marine Quality Monitoring Program involving the collection of water, sediment and mussel samples from the Outer Harbour, the shipping channels, the Inner Harbour, Rous Head Harbour and one location upstream in the Swan River which is used as a reference site. The program has been designed to measure aspects of the environment which may be impacted by Fremantle Ports' infrastructure and activities.

The Marine Quality Monitoring Program was established under our Environmental Management System in 2001, with testing performed every six months. Fremantle Ports contributes \$60,000 to the program each year.

Fremantle Ports Marine Quality Monitoring Program was recently commended by a leading marine specialist and assessor under the Commonwealth Sea Dumping Act. The program has been recognised as one of the most comprehensive and long term programs in Western Australia.

We work closely with the Department of the Environment and the Swan River Trust to ensure that sampling and analysis provide accurate data that is readily available to the community. Results are provided to the Cockburn Sound Management Council and incorporated into its annual report cards.

The program demonstrates Fremantle Ports Water Quality is generally good with the levels of measured parameters being consistent with previous years or improved. Physical-chemical parameters indicate that the water appears well mixed. Areas of known historic sediment contamination are closely monitored and show results consistent with the previous year or improving. In terms of the integrity of Cockburn Sound, the program demonstrates that sediment and water quality is suitable under the Maintenance of Ecosystem Integrity category, that mussel tissue is suitable for consumption under the Aquatic Life for Human Consumption category, and water quality is suitable under the Aquaculture Production category. Overall the marine quality is suitable for Recreational Values and Aesthetic Values.

In the year ahead we plan to reassess the entire monitoring programme and upgrade the analytical program to the standard of the National Ocean Disposal Guidelines for Dredge Material.



Taking water samples for quality analysis.

Litter trap

In June, Fremantle Ports installed a litter trap in the water at the eastern end of the Inner Harbour.

The \$70,000 trap was custom built for Fremantle Ports with staff contributing to the design. The waste will be tracked and measured by the number of full cages collected.



Fremantle Ports has installed a litter trap at Berth 12 (near the railway bridge) to collect litter floating down the river and from boats travelling through the harbour.

Recycling program

Fremantle Ports' paper and co-mingled recycling program allows for the recycling of paper, cardboard, toner cartridges, aluminium cans, aluminium foil and trays, steel cans, plastic bottles and milk cartons. The materials are transported to a facility for processing and reuse. Over the past 7 years there has been a significant increase in the volume of materials recycled.

By recycling we have reduced the demand on the processing of raw materials which directly translates to saving trees, water, electricity, oil and landfill space.

Landscaping

Fremantle Ports has continued with the greening of the Inner and Outer Harbours, with both areas being planted with native flora. The plant species have been chosen for their hardiness and tolerance to wind and salt. Fremantle Ports has planted approximately 20,000 plants in the past 12 months, the majority being part of the landscaping of the North Quay area after the completion of works associated with the rail loop project. Additional plantings were also carried out at the Kwinana Bulk Terminal and Kwinana Bulk Jetty.

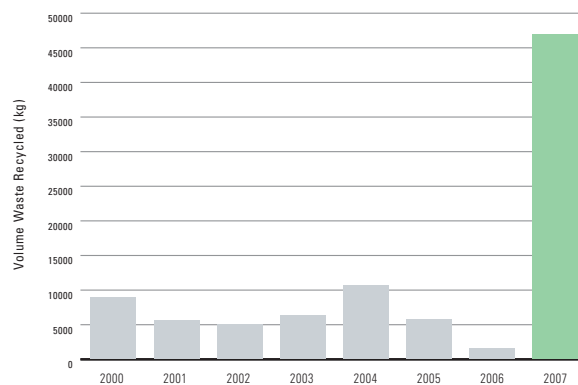
More work to the north of Tydeman Road along Port Beach Rd is scheduled for later this year.

Work to improve the landscaping at the Kwinana Bulk Terminal is progressing well with the wetlands area created in a stormwater run off area flourishing. New plantings to the entry and the trimming of existing flora on site has significantly improved the visual aspect of the terminal.

The amount of landscaping and maintenance of these new and existing areas has increased to somewhere near threefold in the past two years.

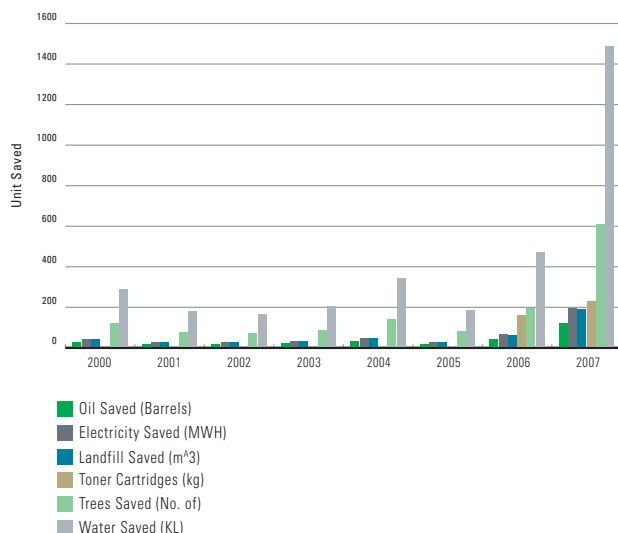
FREMANTLE PORTS - LONG TERM WASTE

Recycling Trend (kgs)



FREMANTLE PORTS - ENVIRONMENTAL SAVINGS

as a result of Waste Recycling



Complaints Management

All complaints received, whether external or internal, verbal or written, are registered by staff through an online system available on the Intranet. This system makes it easy for staff to register complaints as they occur, assign actions and keep track of progress. The system calculates the risk level for each complaint. Complaints are monitored and, on a monthly basis, reported on to the Executive. Trends are tracked in a monthly performance indicator in this system, so that areas for improvement can be identified and acted upon.

Nearly a quarter of complaints were related to vehicle traffic. Most of these complaints related to two Inner Harbour areas: vehicle traffic at North Quay and Rous Head (nearly half of vehicle traffic complaints) and port traffic to or from Victoria Quay's Gate 3 using East Street (38 per cent of vehicle traffic complaints).

As reported last year, North Quay/Rous Head is a traffic dense area which experiences a high level of truck movement and a significant level of small vehicle traffic, including ferry customers unfamiliar with the area. Fremantle Ports' Traffic Management Policy for this precinct was introduced last year. Some measures to counteract truck queuing, parking, loading and transferring in public areas have been implemented and this work is ongoing.

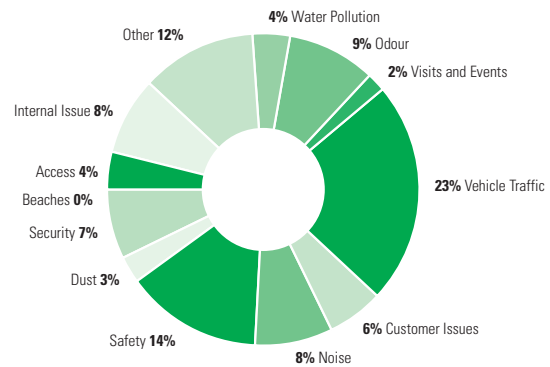
Following trials conducted in late 2006, Gate 3 will be modified in 2007/2008 so that trucks will use the new link road west of the Fremantle Traffic Bridge instead of East Street. The work will be undertaken for Fremantle Ports by the City of Fremantle.

In the environmental areas of noise and odour, only eight complaints during the year related to the livestock trade compared to 37 in 2002/03, indicating that the Preferred Berthing Policy, introduced in 2003, has had a positive effect. The policy relates to berthing livestock vessels at berths furthest from residential areas where possible.

Dust complaints have also been reduced significantly over the past five years.

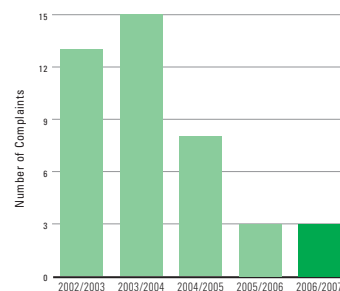
MAJOR COMPLAINTS

Percentage 2006/2007



COMPLAINTS - DUST

2002/2003 to 2006/2007



Working with the community

As part of our commitment to sustainability, Fremantle Ports continues to implement an extensive and proactive program of community liaison including quarterly meetings of its Inner Harbour and Kwinana Community Liaison Groups, consultation with local and State government agencies and community engagement on all major infrastructure projects. We also have a broad community contribution program where we collaborate with a range of educational, environmental and charity organisations to deliver long-term sustainable community benefits that reflect our Values.

The following are some examples of this community support and capacity building.

Supporting education programs

■ Maritime Studies Program – Rockingham Senior High School

Fremantle Ports has entered into a partnership with Rockingham Senior High School and its Maritime Studies Program.

As part of a Memorandum of Understanding, Fremantle Ports has assisted the school with developing a curriculum module based on port operations. The module is being trialed in the Maritime Studies Program to achieve the best delivery for possible future state-wide application.

The number of scholarships being provided by Fremantle Ports this year has been increased from four to six, with three of these for students at Year 8 level.

Maritime Studies students visited the Inner Harbour in May, four teachers visited in November and there are also plans for Fremantle Ports to host two teachers over a five-day period under the Teacher in Industry Placement program.

■ Aboriginal Bridging Course

Fremantle Ports provided further support this year for the Aboriginal Bridging Course at Curtin University's Centre for Aboriginal Studies.

Four scholarships were funded as well as support for a one-day mentoring program at Point Walter to assist new and existing students through team-building and group-bonding strategies, production of a graduation year book and sponsorship for a student to attend the National Indigenous Education Conference, in NSW.

The Aboriginal Bridging Course, which has two intakes annually, helps to achieve greater retention rates and improved academic outcomes. It attracts indigenous students from throughout Western Australia and further afield.

■ Schools Chaplaincy and Safety Awareness

Fremantle Ports continued to sponsor the schools chaplaincy program at Rockingham and Kwinana area schools and the Paraplegic Benefit Fund Youth Road Safety program for high schools in the Fremantle district.



Winners of the Fremantle Ports Scholarship from Rockingham Senior High School with Fremantle Ports' Manager External Affairs, Ainslie de Vos.

Purple Haze

As the anchor sponsor for the Fremantle Football Club's Starlight Purple Haze Game, Fremantle Ports helped the Starlight Children's Foundation raise a record-breaking \$40,000 in March.

Two days before the game, Fremantle Ports held a successful fundraising Purple Haze breakfast attended by more than 200 staff, tenants, representatives of Fremantle businesses, family and friends. Fremantle Ports staff, family and friends were among the many people who rattled tins at Subiaco Oval before the game.

Over the past two years with the support of Fremantle Ports and the shipping and business community, the Purple Haze event at Subiaco Oval has raised almost \$80,000 for Starlight.

Native ARC

Fremantle Ports began a support relationship with Native ARC, a native animal rehabilitation centre and education facility in Bibra Lake, this year. Native ARC is a not-for-profit organisation that cares for about 4,000 injured and sick animals annually. The rehabilitation centre, the only one of its type in the south metropolitan region, specialises in native sea and water birds brought from all over WA, and rescues animals in distress. It is planned that Fremantle Ports will purchase a cool room for Native ARC for storing food for the animals.

Fremantle Ports Swim Thru

The Fremantle Ports Swim Thru, held in December last year at South Beach, raised \$2,400 for two Fremantle charities: The Fremantle Hospital Medical Research Foundation and St Patrick's Community Support Centre.

Fremantle Ports was the major sponsor of the event, which attracted 300 swimmers and was organised by the Freo Fins (the Fremantle AUSSI Masters Swimming Club).

Glyde-In Community Learning Centre

Fremantle Ports' donation of \$2000 enabled East Fremantle's Glyde-In Community Learning Centre to establish a garden to remember loved ones.

The Garden of Memories, which opened in October, provides people with an opportunity to remember special people with a plant in the garden at the popular centre's front entrance.

The sponsorship provided garden furniture, reticulation, soil, mulches and some plants.

Fremantle Ports also sponsored centre coordinator Ann Reeves in a Community Leadership Program run by the WA Council of Social Services and Measurable Organisational Development and Learning.



Fremantle Ports staff and members of the Fremantle Football Club combined at a fund-raising breakfast in support of the Starlight Purple Haze Game.



Fremantle Ports supports the Native ARC (Animal Rehabilitation Centre) at Bibra Lake.



2007 SIGNIFICANT ISSUES AND TRENDS



Strategic Issues

Integrated planning

There are many competing demands for developments in coastal regions. In this situation, and because of the scarcity of suitable deepwater sites for ports on the Perth metropolitan coast, an integrated approach to planning is essential. Maintaining close inter agency co-operation is a vital part of this, as well as maintaining regular dialogue with other stakeholders so that decision making on the management of coastal zones has a long term view, particularly where there is an interface between land and marine planning.

The joint project management between Fremantle Ports and the Department for Planning and Infrastructure on the approvals process for the proposed additional container berths and associated land links is a good example of this integrated approach working well. However, competing demands for land for residential use in proximity to freight corridors associated with the new port need to be carefully managed to minimise the risk of future pressure to restrict cargo flows as trade grows. It is essential that existing and likely future freight transport corridors are protected from incompatible development, and this is seen as an issue for government agencies to be aware of and for planning agencies to continue to address.

Fremantle Ports has continued a structured consultation program with a wide range of State and Local Government agencies during the year on strategic issues and this will be continued in 2007/08. Participating in forums on topics such as logistics and infrastructure planning is another way in which we have been able to emphasise the importance of an integrated approach and we will continue to take up such opportunities.

Inner Harbour urban encroachment

Urban encroachment is a major issue for many ports worldwide, including Fremantle. Residential development close to the Fremantle Inner Harbour is already having some impact in areas such as freight transport.

As part of its commitment to a sustainable approach, Fremantle Ports recognises the importance of minimising the impacts of port operations on the community. The pressures of urban encroachment need to be sensitively managed, and inclusion of recommendations of the Fremantle Ports Buffer Definition Study in local government planning schemes has been an important step both in enabling the port to meet operational needs and in protecting community amenity.

2007 SIGNIFICANT ISSUES AND TRENDS

Fremantle Ports will continue to work closely with the Department for Planning and Infrastructure, local governments, LandCorp, the Seafreight Council of WA and the community on land planning issues that have the potential to affect Fremantle Ports. The aim is to ensure that the requirements of the port are understood and taken into account in planning and decision making.

Strategic Planning for the Bulk Material Facilities in the Outer Harbour

There are a number of strategic planning issues facing the bulk business at Fremantle Ports' Kwinana Bulk Terminal and Kwinana Bulk Jetty, both short and long term. These relate to the availability of adjacent land for port related industry and continuing to upgrade infrastructure to cater for the future demands from existing and new customers. Based on current customer enquiries, there will be an increasing need for additional land for industry and continued upgrading of infrastructure required. Fremantle Ports has set up a working group to work through the issues.



Cargo handling, Kwinana Bulk Jetty.

Based on positive trade outlooks in the bulk trade area, berth utilisation forecasts for Fremantle Ports' Kwinana Bulk Terminal facilities indicate relatively high utilisation rates in future years. Fremantle Ports has spent over \$32 million upgrading this terminal since purchasing the business from BHP Billiton in 2002 and the improvements to infrastructure and procedures have resulted in increased efficiency. This is helping to maximise berth productivity by increasing discharge rates and reducing delays in cargo handling.

We will continue to focus on improving the condition of assets at the Kwinana Bulk Terminal and some preliminary work towards environmental approvals has been undertaken on plans for the reconstruction of the currently disused second jetty. However, the timing of any further work will depend on trade growth.

Inner Harbour deepening

Deepening of the Inner Harbour at Fremantle will be required irrespective of the proposed new port facilities in the Outer Harbour. One of the main reasons is that ships which are deeper than the Inner Harbour can currently accommodate are expected within the next two or three years, before it would be economic to build the Outer Harbour facilities. The other reason is that the Inner Harbour will need to continue to operate, even after the additional facilities are built in the Outer Harbour, and will therefore need to be able to continue to accommodate the shipping fleet as ships gets bigger in future years. A study by Meyrick and Associates found that without deepening, there would be a reduction in large vessels calling at the port, which would reduce capacity for cargoes to be carried on larger ships to and from South East Asia and Europe. This would mean that trade to and from those destinations would have to find alternative higher cost transport solutions with a subsequent loss of competitiveness of Western Australian industry.



Container ships visiting Fremantle are increasing significantly in size.

The timing of deepening is important, because once shipping patterns change it would be very difficult to restore calls by larger vessels.



Corporate Governance

Legislative Framework

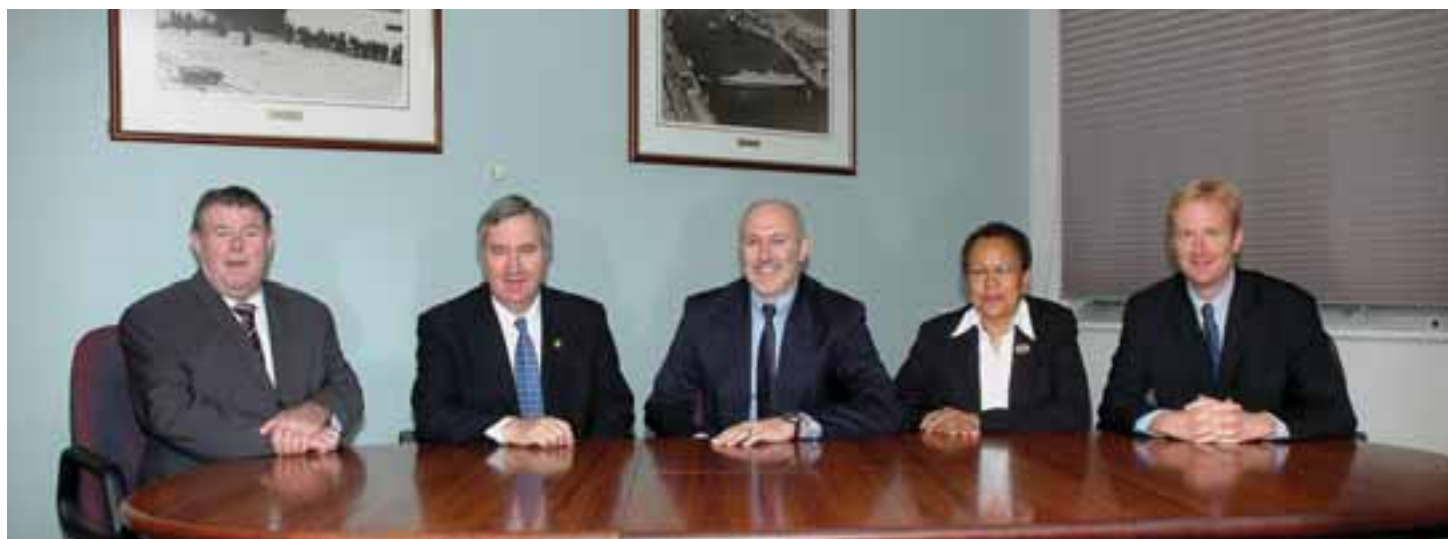
Fremantle Port Authority, which operates under its registered business name, Fremantle Ports, is a commercialised trading entity under the *Port Authorities Act 1999*. The Act sets out a clear role for Port Authorities in facilitating trade in a commercially responsible manner and establishes clear lines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

Under the Act, Fremantle Ports has greater freedoms than previously from government control and 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.

The Act exempts Fremantle Ports from the Public Sector Management Act, 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 Administration and Audit Act 1985*, with the exception of audit provisions, which means that the Auditor General continues to conduct annual audits.

The Minister may give directions in writing to the Board of Directors with respect to the performance of the functions prescribed by legislation. Any such directions must be laid before both Houses of Parliament within 14 days.



Board of Directors L to R: John O'Connor, Robert Pearce (Deputy Chairman), Joe McKay (Chairman), Eve Howell and Robert Edel.

Board of Directors

Fremantle Ports' governing body is a Board of five Directors appointed by and responsible to the Minister for Planning and Infrastructure. The Board is to perform the functions, determine the policies and control the affairs of the port authority.

Directors may hold office for up to three years, and are eligible to be re-appointed. Appointments are staggered to ensure that continuity of experience on the Board is maintained. In appointing a Director, the Minister must have regard to all relevant guidelines published, approved, endorsed or administered by the Minister for Public Sector Management. Directors are remunerated out of Fremantle Ports' funds, with remuneration and allowances determined by the Minister. Members of Fremantle Ports' staff are not eligible to be appointed as Directors.

Since proclamation of the *Port Authorities Act 1999*, the Board has revised and amended a number of guidelines and practices to ensure compliance of Directors and staff. The Board is empowered by legislation to determine its own procedures, and has established:

- Standing Orders to encourage maximum participation by Directors at meetings of the Board.
- An introductory document covering the role and responsibilities of the Board for the benefit of new members. This emphasises the ethical, entrepreneurial and legal dimensions of the role of Directors, including useful information relevant to statutes which place substantial legal responsibility upon Board members.
- Consistent with the powers of delegation contained in the enabling legislation, the Board has fixed appropriate levels of delegation to effectively manage Fremantle Ports' business with clear lines of accountability.
- An Audit Committee, overseeing the internal audit programme, which includes three Board members.
- An Employee Relations Committee, overseeing strategic employee relations, which includes three Board members.

Internal Audit

Internal Audit focuses on working with management to improve Fremantle Ports' business undertakings and to provide reasonable assurance that activities are carried out effectively and efficiently in accordance with sound business practices, legislative and regulatory requirements.

Internal Audit work during the 2006/2007 year included reviews of fraud and corruption control and prevention, payroll and personnel processes, corporate project – control, approval and management, Kwinana Bulk Terminal stores and purchasing, information systems infrastructure security, Maritime Security Identification Card administration, management of a materials handling agreement, general ledger, capital works and fixed asset process, tendering and contract development, operating charges in a contract, asset maintenance, project concept assessment process, data warehouse control and usage, revenue invoicing and accounts receivable and information systems user administration. The internal audit reviews provided assurance to management as to the control processes in place, as well as suggestions for continued improvement.

In December 2006 an external quality assessment of the Internal Audit function was undertaken in accordance with the Institute of Internal Auditors "International Standards for the Professional Practice of Internal Auditing". The overall opinion of this assessment is that Fremantle Ports' Internal Audit Activity 'generally conforms' to the standards.

The approved Internal Audit Program for 2007/08 includes reviews of:

- Management of the Bulk Business;
- Risk management in projects;
- Port Security;
- Performance Measures;
- Recruitment, selection and deployment;
- Implementation of the leadership model; and
- Corporate Governance.

Functions and Performance

The functions of the Port Authority are extensive, and include: the facilitation of trade; planning for future growth and development having due regard to the safe and efficient operation of the port; maintenance and preservation of property; and being environmentally responsible.

Fremantle Ports is required to operate in accordance with its Strategic Development Plan and its Statement of Corporate Intent. In complying with legislation and in line with accepted sustainability principles, Fremantle Ports strives to achieve measurable performance against economic, environmental and social objectives.

A five year Strategic Development Plan, and an annual Statement of Corporate Intent are submitted to the Minister each year for review and ultimate agreement between the Board and Minister, with the Treasurer's concurrence. The Strategic Development Plan is a confidential document covering a range of medium to long term objectives relating to economic, financial, environmental, competitive and other strategies. The Statement of Corporate Intent sets out the objectives and performance targets for the financial year ahead and is tabled in Parliament, following approval.

Compliance with Legislation

Many State, Federal and international laws, regulations, conventions, codes and standards affect the port and its operations. As part of Fremantle Ports' Risk Management Program, procedures are in place to monitor new or amended legislation and changes to codes, standards or conventions to ensure that appropriate consideration is given to any impact such changes might have upon port operations, and to implement appropriate practices for compliance.

Code of Conduct

The legislation under which we operate requires the Board to establish minimum standards to apply to staff with regard to merit, equity and probity, and in consultation with the Commissioner of Public Sector Standards to develop a Code of Conduct. The legislation requires a report to be submitted to the Commissioner for Public Sector Standards annually regarding the observance by members of the staff to this Code of Conduct.

There were nine breaches of the Code of Conduct in the year under review. Each of the breaches have been dealt with and appropriate action taken to resolve the matters.

Fremantle Ports is a "notifying authority" for the purposes of the Corruption and Crimes Commission Act and the Public Interest Disclosure Act (PID). There were two incidents reported to the CCC and no incidents requiring disclosure reports under the PID legislation during the year.

Fraud and Corruption Control Policy

In compliance with the State Government's requirement for agencies to take measures to reduce the risk of corruption and misconduct, Fremantle Ports has developed a Fraud and Corruption Control Policy. Under this policy, Fremantle Ports applies the Australian Fraud and Corruption Control Standard AS 8001-2003 to minimise loss.

Human Resource Policies and Procedures

These are available to all staff and are regularly reviewed to ensure they reflect best practice standards for a commercialised operation. The Manager Human Resources is responsible for ensuring compliance with standards, and the Human Resources Branch performs an advisory role and is part of the process for all recruitment, selections, transfers or secondments to ensure compliance.

State Records Act Compliance

Fremantle Ports regularly monitors and reviews the efficiency of its recordkeeping systems to identify opportunities for improvement. Over the last 12-18 months the following reviews have taken place:

- An internal review of our record keeping policies and procedures
- An independent review of our electronic records and document management system, TRIM, together with a comprehensive review of the Business Classification System used within TRIM for titling files/folders as well as for applying approved access security.
- Internal customer consultation and feedback on records management and TRIM.
- An independent review of the TRIM Security Model relating to security levels, access control, user profiles and permissions and future plans and activities relating to TRIM.

2007 CORPORATE GOVERNANCE

The results of these reviews identified that Fremantle Ports complies with its record keeping responsibilities under the State Records Act and is aligned to its Record Keeping Plan RKP2003003 and the Retention and Disposal Schedule RD2002023. However, various further improvement opportunities were identified and strategies will be put in place to address these in 2007/2008.

Fremantle Ports' Records Management team delivers monthly record keeping training on records management policies and procedures to all new employees, including contractors, and a comprehensive information pack is provided to further ensure that employees understand their responsibilities for compliance with Fremantle Ports' Record Keeping Plan.

Financial Administration and Audit Act 1995

Section 91 of the *Port Authorities Act 1999* gives effect to Schedule 5 of the Act, which contains provisions substantially based upon Corporations Law in matters related to financial administration and audit. Consequently, the provisions of the *Financial Administration and Audit Act 1985* are limited in the application of the audit process only.

Freedom of Information

The provisions of the *Freedom of Information Act 1992* apply. During the year, one application was made and we were able to assist the applicant.

Disability Access

Fremantle Ports has ensured that people with disabilities are able to access the Administration Building.

Regulations

Regulations provide for the efficient and orderly conduct of business activities within the Port, including safe and reliable port services, gazettal of regulated charges where the principles of Competition Policy require such regulation, and general administrative requirements necessary for good management of the port and incidental activities.

The *Port Authorities Regulations 2001* became effective from 1 June 2001. These regulations are largely common to all port authorities in Western Australia, however there are separate schedules covering matters specific to individual ports.

Schedule 1 Division 5 applies specifically to Fremantle Ports, and the provisions contained in that Division of the Schedule specifically override, as far as Fremantle Ports is concerned, any similar provisions contained within the preceding part of the regulations. The most noteworthy difference in Schedule 1 Division 5 refers to the eligibility and issuing of Pilotage Exemption Certificates.

During the year under review there were two amendments to the Regulations relating to Fremantle Ports.

2007 CORPORATE GOVERNANCE

Advertising and Market Research Expenditure

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

MARKETING RESEARCH ORGANISATIONS	
Synovate Pty Ltd	\$63,128
Polling Organisations	Nil
Direct Mail Organisations	
PMP Printing Pty Ltd	\$571
Media Advertising Organisations	
Fremantle Herald	\$7,582
Showcase Publications	\$5,700
Community Newspaper Group	\$11,247
Business News	\$4,230
Southwest Printing & Publishing	\$2,170
Beilby (recruitment adverts)	\$17,297
Acorn Design	\$20,521
Media Decisions	\$69,252
Marketforce Pty Ltd (includes tenders, recruitment adverts)	\$17,948
Total	\$219,646

For the year ended 30 June 2007

**THE BOARD OF DIRECTORS OF THE FREMANTLE PORT AUTHORITY
(FREMANTLE PORTS) HAS PLEASURE IN SUBMITTING ITS REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007.**

Directors

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

Joe McKay FAICD (Chairman)

Mr McKay was appointed to the Board on 8 August 1995. He is self employed and previously was a financial investment adviser with Healy McKay and Wright Investment Services. He was a founding partner and Director of this company, which was established in 1982 and sold in 2005. His work history includes employment with the Australian Taxation Office and the Armstrong Jones Property Group. He is a past member of the Catholic Education Office's School Resources Committee, a past lead lecturer in Personal Investment and Financial Management at the Securities Institute of Australia (10 years) and a life member of the South Fremantle Football Club. He is a Fellow of the Australian Institute of Company Directors.

Mr McKay was appointed as Chairman on 1 July 2004, having been Deputy Chairman since 17 October 1997.

Expiry of present term: 31 December 2007

Robert Pearce (Deputy Chairman)

Mr Pearce joined the Board on 1 July 2004. He is a former Western Australian Government Minister for Transport and Planning who also held the portfolios of Education, Environment and Leader of the House. He is Executive Director of the Forest Industries Federation of WA and Vice President of the National Association of Forest Industries. As Chairman of the WA Port Operations Taskforce and a member of the Seafreight Council, he already has a close association with Fremantle Ports. He has served on the board of the Fremantle Sailing Club.

Mr Pearce was appointed as Deputy Chairman on 14 September 2004.

Expiry of present term: 30 June 2010

Robert Edel

Mr Edel, a Perth-based partner in the national law firm, DLA Phillips Fox, was appointed to the Board on 1 February 2002. He is a graduate of the University of Western Australia and has a Master's degree in international commercial law from the University of London.

Mr Edel principally practises in the areas of mining and energy, project development, commercial litigation, construction and infrastructure, and trade practices. Other areas of his professional practice include international trade litigation, shipping and maritime law and risk management.

Expiry of present term: 31 December 2007

John Joseph O'Connor

Mr O'Connor was appointed to the Board on 1 January 2005. He is a former Australian Industrial Relations Commissioner and National President, State Secretary and Organiser/Advocate of the TWU. Mr O'Connor is also a current Board member of Verve Energy and has completed tertiary workshops including mediation skills enhancement and alternative dispute resolution, law for decision makers and intensive alternative dispute resolution.

Expiry of present term: 31 December 2007

2007 CORPORATE GOVERNANCE **DIRECTORS' REPORT**

Eve Howell

Ms Howell was appointed to the Board on 1 January 2006. She has over 30 years' of technical and managerial experience in the petroleum industry in the UK and Australia. She is employed by Woodside as Director - North West Shelf Ventures. She is also a Director of the Australian Mines and Metals Association where she serves as Vice-Chairman. She has formerly been an Australian Petroleum Production and Exploration Association (APPEA) Councillor and Chair of APPEA's Environmental Affairs Committee.

Ms Howell has a Bachelor of Science in Geology and Pure and Applied Mathematics from the University of London and an MBA from Heriot-Watt University, Edinburgh Business School.

Expiry of present term: 31 December 2007

Directors' Meetings

Attendance by Directors at meetings held during the financial year ended 30 June 2007 was:

	MEETINGS OF DIRECTORS	AUDIT COMMITTEE	EMPLOYEE RELATIONS
Number of Meetings Held	14	4	1
Numbers of Meetings attended by:			
Joe McKay **	14	4	-
Robert Pearce	14	3	1
Robert Edel *	12	-	1
John O'Connor *	13	-	1
Eve Howell **	13	4	-

* Not members of the Audit Committee

** Not members of the Employee Relations Committee

Principal Activities

The principal activity of Fremantle Ports during the year was the provision of port services and facilities.

There were no significant changes in the nature of the activities of the Port during the year.

Results

The profit before income tax for the financial year was \$17.357 million (2006: \$13.280 million). The income tax expense attributable to the profit for the financial year was \$5.298 million (2006: \$3.498 million).

Dividends

The Board of Directors provided \$4.891 million (2006 \$4.929 million) for dividends in respect of the results for the financial year ended 30 June 2006. This dividend was paid in the financial year ended 30 June 2007.

Review of Operations

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

2007 CORPORATE GOVERNANCE **DIRECTORS' REPORT**

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

	2007	2006
	\$'000	\$'000
Profit Before Income Tax Expense	17,357	13,280
Income Tax Expense	(5,298)	(3,498)
Profit for the year	12,059	9,782
Retained Earnings at 1 July	74,915	70,062
	86,974	79,844
Dividends paid in the financial year	(4,891)	(4,929)
Retained Earnings at 30 June	82,083	74,915

State of Affairs

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

Fremantle Ports operates in Western Australia under the provisions of the Port Authorities Act 1999. The financial statements for the period ended 30 June 2007 are presented on pages 66 to 106 inclusive.

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

Likely Developments and Expected Results

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

Emoluments

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

Directors' Emoluments

The Minister determines the emoluments of the Board of Directors.

Details of emoluments provided to Directors:

	PRIMARY FEES	POST-EMPLOYMENT SUPERANNUATION	TOTAL
	\$	\$	\$
J McKay	32,110	2,890	35,000
R Pearce	22,936	2,064	25,000
R Edel	13,945	1,255	15,200
J O'Connor	13,945	1,255	15,200
Eve Howell	13,945	1,255	15,200

Directors' Benefits

No Directors of Fremantle Ports have received benefits or become 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 by the Port 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 and bonus of the Chief Executive Officer and senior executives is monitored against agreed criteria including profit results.

Details of emoluments provided to senior executives:

	SALARY	PRIMARY BONUS	OTHER	POST-EMPLOYMENT SUPERANNUATION	TOTAL
	\$	\$	\$	\$	\$
K Sanderson	274,348	58,565	17,087	32,196	382,196
C Leatt – Hayter	223,244	20,715	12,922	25,624	282,505
A Meyer	216,507	19,969	8,087	23,872	268,435
S Wade	210,315	19,343	9,503	24,862	264,023
G Valenti	197,282	17,812	4,993	17,755	237,842

Environmental Regulation

Fremantle Ports' operations are subject to significant 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". Fremantle Ports has maintained compliance with the above legislation in the periods covered by this report.

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. In order to comply with environmental responsibilities and objectives, Fremantle Ports maintains an environmental management system certified to the international standard ISO14001 by external auditors.

Rounding of Amounts to Nearest Thousand Dollars

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

This report is made in accordance with a resolution of the Board on 17 August 2007.



Chairman



Director

17 August 2007

2007 CORPORATE GOVERNANCE **CORPORATE STRUCTURE**





Kerry Sanderson

Chief Executive Officer

Kerry Sanderson AO, who has tertiary qualifications in science and economics, took up her present role at Fremantle Ports in late 1991 after four years as Deputy Director General of Transport in Western Australia. Prior to this, she held a senior position in the State Treasury. She is actively involved in a number of state and national forums. Mrs Sanderson was re-appointed for another 3 year term from July 2005.



Alec Meyer

General Manager Commercial Operations

Alec Meyer brings extensive commercial experience to his position at Fremantle Ports. He has tertiary qualifications in Accounting and has been closely involved with the re-organisation of Fremantle Ports to one of commercial orientation since his engagement in 1988.



Chris Leatt-Hayter

General Manager Strategic and Commercial Development

Chris Leatt-Hayter, who joined Fremantle Ports in 1992, has tertiary qualifications in economics. Prior to joining Fremantle Ports, he worked at the State Treasury and Department of Transport. He has wide-ranging experience in transport policy development, economic and financial evaluation and strategic and business development planning.



Steve Wade

General Manager Marine and Technical Services

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



Gino Valenti

General Manager Business Sustainability

Gino Valenti has tertiary qualifications in chemistry and joined Fremantle Ports in 1998. Prior to 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
STATEMENT OF RECOGNISED INCOME AND EXPENSE



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

INCOME STATEMENT

	Note	2007 \$'000	2006 \$'000
Revenue	2.1	105,079	89,335
Other income	2.2	63	153
Operational expenses		(52,130)	(44,992)
Commercial management		(27,897)	(23,320)
Port utilities		(4,620)	(4,339)
Finance costs	3	(3,146)	(2,997)
Other expenses		8	(560)
Profit before income tax		17,357	13,280
Income tax expense	4	(5,298)	(3,498)
Profit for the period		12,059	9,782

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	2007 \$'000	2006 \$'000
Net income recognised directly in equity		-	-
Profit for the period		12,059	9,782
Total recognised income and expense for the period	14	12,059	9,782

Other movements in equity arising from transactions with the WA Government are set out in note 14.

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

BALANCE SHEET

	Note	2007 \$'000	2006 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.1	21,061	14,550
Trade and other receivables	6.2	14,461	12,481
Inventories	6.3	702	636
Total current assets		36,224	27,667
Non-current assets			
Receivables	7.1	9,316	9,582
Property, plant and equipment	7.2	161,340	158,315
Deferred tax assets	4	11,899	10,302
Total non-current assets		182,555	178,199
Total assets		218,779	205,866
LIABILITIES			
Current liabilities			
Trade and other payables	8.1	11,813	6,226
Interest bearing borrowings	8.2	2,301	2,092
Income tax payable	4	2,168	833
Provisions	12	3,886	4,279
Other	13	982	1,110
Total current liabilities		21,150	14,540
Non-current liabilities			
Interest bearing borrowings	8.2	49,416	50,763
Provisions	12	11,003	10,718
Other	13	1,614	1,632
Total non-current liabilities		62,033	63,113
Total liabilities		83,183	77,653
Net assets		135,596	128,213
EQUITY			
Contributed equity	14	53,513	53,298
Retained earnings	14	82,083	74,915
Total equity	14	135,596	128,213

The above Balance Sheet should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

CASH FLOW STATEMENT

	Note	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Receipts from customers		100,441	86,167
Payments to suppliers and employees		(71,939)	(69,355)
Interest received		2,469	2,095
Interest paid		(3,159)	(2,846)
Income tax paid		(5,559)	(4,832)
Net cash inflow from operating activities	15	22,253	11,229
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,282)	(14,416)
Proceeds from sale of property, plant and equipment		165	307
Net cash outflow from investing activities		(9,117)	(14,109)
Cash flows from financing activities			
Repayment of borrowings		(1,875)	(1,558)
Proceeds from borrowings		-	8,220
Payment of finance lease liabilities		(318)	(284)
Proceeds from finance lease receivable		244	224
Dividends paid	5	(4,891)	(4,929)
Equity contribution	14	215	1,527
Net cash (outflow) / inflow from financing activities		(6,625)	3,200
Net increase in cash and cash equivalents		6,511	320
Cash and cash equivalents at 1 July		14,550	14,230
Cash and cash equivalents at 30 June	6.1	21,061	14,550

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue on 17 August 2007 by the Board of Directors of Fremantle Port Authority ('Fremantle Ports'). The following significant accounting policies have been adopted in the preparation of the financial statements for the year ended 30 June 2007.

1.1 Statement of compliance

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

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

- *AASB 7 Financial Instruments: Disclosures*. This Standard requires new disclosures in relation to financial instruments and is required to be applied to annual reporting periods beginning on or after 1 January 2007. It is not expected to have any financial impact when the Standard is first applied.
- *AASB 2005-10 Amendments to Australian Accounting Standards arising from AASB 7* [AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 & 1038]. These amendments are as a result of the issue of *AASB 7 Financial Instruments: Disclosures* which amends the financial instrument disclosure requirements in these standards. It is required to be applied to annual reporting periods beginning on or after 1 January 2007 and it is not expected to have any financial impact when the Standard is first applied.
- *AASB 101 Presentation of Financial Statements*. This Standard was revised so that AASB 101 has the same requirements as IAS 1 *Presentation of Financial Statements*. It is applicable for annual reporting periods beginning on or after 1 January 2007 and it is not expected to have any financial impact when the Standard is first applied.
- *AASB 123 Borrowing Costs*. This Standard was revised to remove the option of expensing borrowings costs on qualifying assets. Such borrowings costs are now required to be capitalised. This Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009 and it is not expected to have any financial impact when the Standard is first applied.
- *AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]. These amendments arise as a result of the AASB decision that all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered relevant in the Australian reporting environment. This Standard is applicable for annual reporting periods beginning on or after 1 July 2007 and it is not expected to have any financial impact when the Standard is first applied.
- *AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, 101, 107, 111, 116 & 138 and interpretations 1 & 12]. These amendments are as a result of the issue of *AASB 123 Borrowing Costs*. The amendment removes references to expensing borrowings costs on qualifying assets as AASB 123 was revised to require such borrowing costs be capitalised. This Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009 and it is not expected to have any financial impact when the Standard is first applied.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.1 Statement of compliance (continued)

- AASB 2007-7 *Amendments to Australian Accounting Standards* [AASB 1, 2, 4, 5, 107 & 128]. These amendments follow the issuance, in April 2007, of AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*. This Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007 and it is not expected to have any financial impact when the Standard is first applied.

1.2 Basis of preparation

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

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

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

1.3 Use of estimates and judgements

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

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

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

Operating lease commitments – as lessor

Fremantle Ports has entered into commercial property leases on some of its land and buildings and has determined that it retains all the significant risks and rewards of ownership of these land and buildings and has thus classified the leases as operating leases.

Defined benefit plans

Various actuarial assumptions are required when determining Fremantle Ports' superannuation obligations. These assumptions and the related carrying amounts are discussed in note 1.16.

1.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Fremantle Ports and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue for services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest revenue is recognised as it accrues using the effective interest method.

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

Rental income is recognised in the income statement 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.5 Net financing costs

Net financing costs comprise finance charges payable under finance leases and interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested and interest receivable under finance leases.

Interest receivable on funds invested includes interest on short-term investments and term deposits and is recognised as it accrues using the effective interest rate method. The interest receivable component of finance lease receivables is also recognised in the income statement using the effective interest rate method.

The interest expense component of finance lease payments is also recognised in the income statement 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. This is in accordance with the allowed alternative benchmark accounting treatment under AASB 123 *Borrowing Costs*.

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

1.6 National Tax Equivalent Regime (Income tax)

Fremantle Ports is subject to the National Tax Equivalent Regime (NTER).

The NTER is an administrative arrangement under which relevant Commonwealth Taxation laws are applied notionally to the NTER entities as if they were subject to those laws. Income tax equivalent liabilities are paid to the State Government.

1.7 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance sheet date.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 Receivables

Trade receivables

Trade debtors are recognised and carried at the original amounts due less an allowance for any uncollectible amounts. Debtors are generally settled within 30 days except for property rentals, which are governed by individual lease agreements.

The value of the provision for impairment of receivables is assessed using an analysis of historical data to determine the level of risk and subsequent recovery of debts based on the age of amounts outstanding. Bad debts are written off when formally recognised as being irrecoverable.

Trade and other receivables are stated at their cost less impairment losses.

Lease receivables

A lease receivable is recognised for leases of property, plant and equipment which effectively transfers to the lessee substantially all of the risks and benefits incidental to legal ownership of the leased asset. The lease receivable is initially recognised as the amount of the present value of the minimum lease payments receivable at the reporting date plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term.

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

1.9 Inventories

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

1.10 Property, plant and equipment

Property, plant and equipment purchased or constructed for port operations is recorded at the cost of acquisition less accumulated depreciation and impairment losses. This includes incidental costs directly attributable to the acquisition.

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 income statement.

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

	Depreciation Rates (%)
Channels and breakwaters	1.92 – 3.7
Land improvements	1.92 – 16.66
Buildings and improvements	2 – 16.67
Plant and equipment	2.50 – 29.24
Berths, jetties and infrastructure	2 – 8.33
Plant and equipment under lease	20 – 33.33

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.11 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.

Impairment losses are recognised in the income statement.

1.12 Leased assets

Leases are classified as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased asset to Fremantle Ports are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Finance leased assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability so as to achieve a consistent rate of interest on the remaining balance of the liability with interest expense calculated using the interest rate implicit in the lease and recognised directly against income.

Leased assets held at the reporting date are being amortised over periods ranging from 3 to 5 years (2006: 3 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 bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term as this represents the pattern of benefits derived from the leased assets.

1.13 Payables

Payables, including trade creditors, amounts payable and accrued expenses, are recognised for amounts to be paid in the future for goods and services received prior to the reporting date. Trade creditors are unsecured and are usually paid within 30 days of recognition.

1.14 Interest bearing borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

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

Finance Lease Liabilities are recognised at the present value of the minimum lease payments. The interest expense is recognised in the income statement when the minimum lease payments are made.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.15 Employee benefits

Annual Leave benefits represent present obligations resulting from employees' services provided to reporting date and are provided at nominal amounts calculated on the basis of remuneration rates expected to be paid when the liability is settled.

Sick Leave and Long Service Leave liabilities were assessed on the basis of the present value of estimated future payments, discounted by the Commonwealth Government Bonds rates estimated to be applicable to the relevant period. A 4.50% (2006: 4.50%) per annum rate of increase in employee wage and salary rates was assumed in the present value calculations.

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

Provisions are made for long service leave even though in some cases such amounts are currently not vesting.

Associated payroll on-costs are included in the determination of other provisions.

1.16 Employee superannuation

The Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme, and the Superannuation and Family Benefits Act Scheme, a defined benefit pension scheme, are now closed to new members. Fremantle Ports is liable for superannuation benefits for past years' service of members of the Superannuation and Family Benefits Act Scheme who elected to transfer to the GSS Scheme. Fremantle Ports also accrues for superannuation benefits to the pension scheme for those members who elected not to transfer from that scheme.

The superannuation liability for existing employees with the pre-transfer service incurred under the Superannuation and Family Benefits Act Scheme who transferred to the GSS Scheme are provided for at reporting date.

Fremantle Ports' total superannuation liability has been actuarially assessed as at 30 June 2007.

Employees who are not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund until 15 April 2007. From 16 April 2007, employees who are not members of the Pension, GSS or WSS Schemes become non-contributory members of the GESB Superannuation Scheme (GESB Super), a taxed accumulation fund. Fremantle Ports makes concurrent contributions to the Government Employee Superannuation Board (GESB) on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB Super Schemes.

Defined benefit plan

Fremantle Ports' net obligation in respect of defined benefit pension plan 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 balance sheet 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.16 Employee superannuation (continued)

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

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

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

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

1.17 Dividends

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

1.18 Provisions

A provision is recognised in the balance sheet 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.

1.19 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash on hand, cash at bank, at call deposits and term deposits due within 30 days.

For the purpose of the cash flow statement, cash equivalents consist of cash and cash equivalents as defined above.

1.20 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement 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.

1.21 Contributed equity

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

2. REVENUE

2.1 Revenue

Revenue consists of the following items:

	2007 \$'000	2006 \$'000
Revenue		
Charges on Cargo	63,048	52,741
Charges on Ships	10,064	9,624
Shipping Services	5,990	5,428
Rentals and Leases	12,436	11,088
Port Utilities and Services	3,752	3,850
Miscellaneous Revenue	7,474	4,791
Interest		
Bank interest receivable	47	48
Interest receivable from cash equivalents	1,296	812
Interest receivable under finance leases	959	925
Other interest receivable	13	28
	2,315	1,813
Total revenue	105,079	89,335

2.2 Other income

Other income consists of the following items:

	2007 \$'000	2006 \$'000
Other income		
Net gain on sale of property, plant & equipment	63	153

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

3. Profit before Income Tax

	2007 \$'000	2006 \$'000
Expenses		
Profit before income tax includes the following specific expenses:		
Finance costs		
Finance charges payable under finance leases	48	30
Borrowings	3,098	2,967
Total finance costs	3,146	2,997
Depreciation and amortisation		
Channels and breakwaters	1,112	1,112
Land improvements	378	318
Buildings and improvements	510	548
Plant and equipment	2,644	2,326
Berths, jetties and infrastructure	2,244	1,759
Plant and equipment under lease	322	271
Total depreciation and amortisation	7,210	6,334
Other charges against assets		
Impairment loss on trade receivables	(8)	30
Impairment loss on property, plant and equipment	-	530
Provisions		
Employee benefits	75	45
Retirement benefit obligations	(185)	(106)
	(112)	(61)
Rental expense relating to operating leases	348	303
Employee benefits expense		
Wages and salaries	22,075	19,814
Workers' compensation	332	135
Pension costs	2,479	1,893
	24,886	21,842

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

4. INCOME TAX EXPENSE

Major components of income tax expense for the year are:

	2007 \$'000	2006 \$'000
Income tax expense		
Current income tax:		
Current income tax charge	(5,542)	(5,675)
Adjustments in respect of current income tax of previous years	(58)	843
Adjustment in respect of Research & Development claim	302	123
Deferred income tax:		
Relating to origination and reversal of temporary differences	-	1,211
Relating to provision of timing difference on finance lease receivable	-	-
Income tax expense reported in the income statement	(5,298)	(3,498)

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

	2007 \$'000	2006 \$'000
Accounting profit before income tax	17,357	13,280
Tax at statutory income tax rate of 30%	(5,207)	(3,984)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non deductible depreciation	(315)	(310)
Sundry items	(20)	(170)
	(5,542)	(4,464)
Adjustments in respect of current income tax of previous years	(58)	843
Adjustment in respect of Research & Development claim	302	123
At effective income tax rate of 31% (2006:26%)	(5,298)	(3,498)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

4. INCOME TAX EXPENSE (Continued)

Deferred tax

	2007 Balance Sheet \$'000	2006 Balance Sheet \$'000	2007 Income Statement \$'000	2006 Income Statement \$'000
Deferred tax liabilities				
Accelerated depreciation for tax purposes	-	-	(2,031)	(2,019)
Others	(3,236)	(3,097)	7	16
Gross deferred tax liabilities	(3,236)	(3,097)		
Deferred tax assets				
Employee benefits	4,264	4,296	(31)	19
Accelerated depreciation for accounting purposes	9,207	7,656	3,688	3,109
Prepaid rental	888	889		
Others	776	558	22	86
Gross deferred tax assets	15,135	13,399		
Set-off of deferred tax liabilities pursuant to set-off provisions	(3,236)	(3,097)		
Net deferred tax assets	11,899	10,302		
Deferred tax charge			1,655	1,211

Current Tax Liabilities

The current tax liability of \$2.168 million (2006: \$0.833 million) represents the amount of income taxes payable in respect of current and prior financial periods.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

5. DIVIDENDS

	2007 \$'000	2006 \$'000
Dividend paid in the financial year	4,891	4,929

In accordance with Government Financial Policy, WA Ports are required to pay dividends of 50% of after tax profits. However, in accordance with Australian Accounting Standards, dividends relating to the financial results for the year ended 30 June 2007 have not been provided as they are expected to be declared by the Board of Directors after balance date.

A dividend of \$4.891 million (2006: \$4.929 million) in respect of the financial results for the year ended 30 June 2006 was paid by 30 June 2007.

6. CURRENT ASSETS

6.1 Cash and cash equivalents

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

	2007 \$'000	2006 \$'000
Cash at Bank and Cash on Hand	1,078	512
At Call Deposits	1,983	2,038
Term Deposits	18,000	12,000
Cash and cash equivalents in the statement of cash flows	21,061	14,550

(i) Significant Terms and Conditions

Interest on Cash at Bank was at prevailing bank rates. The weighted average interest rate at 30 June 2007 was 4.10% (2006: 2.10%).

Interest on At Call Deposits was at prevailing rates. The weighted average interest rate at 30 June 2007 was 6.20% (2006: 5.70%).

Interest on Term Deposits was at prevailing rates. The weighted average interest rate at 30 June 2007 was 6.37% (2006: 5.92%).

Term Deposits are held until their maturity dates and are normally held for a period of 30 days.

(ii) Fair Value

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

6. CURRENT ASSETS (Continued)

6.2 Trade and other receivables

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

	Note	2007 \$'000	2006 \$'000
Trade Debtors		11,117	8,050
Less: Provision for Impairment of Receivables		(211)	(220)
		10,906	7,830
Other Debtors		535	820
Accrued Income		2,297	3,297
Finance Lease Receivable	11.2	266	244
Prepayments		457	290
Balance as at 30 June		14,461	12,481

(i) Significant Terms and Conditions

Trade debtors are generally settled within 30 days except for property rentals and finance lease receivables which are governed by individual lease agreements.

Other debtors have a range of terms and conditions with various settlement periods.

The interest rate implicit in the Finance Lease Receivable is 8.59%.

(ii) Credit Risk

Trade Debtors

Fremantle Ports operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to this industry risk is the carrying value of the trade debtors.

Other Debtors

No significant risk is believed to be attached to other debtors.

(iii) Fair Value

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

6. CURRENT ASSETS (Continued)

6.3 Inventories

	2007 \$'000	2006 \$'000
Current		
Stores – at cost	702	636

7. NON-CURRENT ASSETS

7.1 Receivables

Receivables represent Finance Lease Receivable

	Note	2007 \$'000	2006 \$'000
Finance Lease Receivable	11.2	9,316	9,582

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

7. NON-CURRENT ASSETS (Continued)

7.2 Property, Plant and Equipment

	2007 \$'000	2006 \$'000
Channels and Breakwaters		
At Cost	41,697	41,697
Less: Accumulated Depreciation	(18,816)	(17,704)
	22,881	23,993
Land		
At Cost	36,968	36,968
	36,968	36,968
Land Improvements		
At Cost	11,065	10,474
Less: Accumulated Depreciation	(3,042)	(2,690)
	8,023	7,784
Buildings and Improvements		
At Cost	17,008	16,709
Less: Accumulated Depreciation	(8,410)	(8,065)
	8,598	8,644
Plant and Equipment		
At Cost	55,022	53,691
Less: Accumulated Depreciation	(15,652)	(13,470)
	39,370	40,221
Berths, Jetties and Infrastructure		
At Cost	59,785	58,427
Less: Accumulated Depreciation	(23,936)	(21,908)
	35,849	36,519
Leased plant and equipment		
At Cost	1,443	829
Less: Accumulated amortisation	(291)	(409)
	1,152	420
 Total Property, Plant and Equipment at net book value	 152,841	 154,549
Add: Work in Progress (at cost)	8,499	3,766
Total Property, Plant and Equipment	161,340	158,315

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

7.2 Property, Plant and Equipment (Continued)

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

	2007 \$'000	2006 \$'000
Land		
At Cost	11,133	9,685
	11,133	9,685
Buildings and Improvements		
At Cost	4,819	4,520
Less: Accumulated Depreciation	(1,831)	(1,778)
	2,988	2,742
Included in Accumulated Depreciation above is the depreciation charge for the year of	164	190

Reconciliations of carrying amounts

	2007 \$'000	2006 \$'000
Channels and Breakwaters:		
Carrying amount at 1 July	23,993	25,105
Depreciation for the year	(1,112)	(1,112)
Carrying amount at 30 June	22,881	23,993
Land:		
Carrying amount at 1 July	36,968	37,216
Impairment loss	-	(248)
Carrying amount at 30 June	36,968	36,968
Land Improvements:		
Carrying amount at 1 July	7,784	5,049
Transfer from work in progress	667	3,053
Depreciation for the year	(378)	(318)
Disposals	(50)	-
Carrying amount at 30 June	8,023	7,784

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

7.2 Property, Plant and Equipment (Continued)

Reconciliations of carrying amounts (Continued)

	2007 \$'000	2006 \$'000
Buildings and Improvements:		
Carrying amount at 1 July	8,644	8,994
Transfer from work in progress	464	483
Disposals	-	(3)
Depreciation for the year	(510)	(548)
Impairment loss	-	(282)
Carrying amount at 30 June	8,598	8,644
Plant and Equipment:		
Carrying amount at 1 July	40,221	26,861
Additions	7	193
Reclassification of inventory	70	493
Transfer from work in progress	1,760	15,152
Disposals	(44)	(152)
Depreciation for the year	(2,644)	(2,326)
Carrying amount at 30 June	39,370	40,221
Berths, Jetties and Infrastructure:		
Carrying amount at 1 July	36,519	21,317
Transfer from work in progress	1,583	16,961
Disposals	(9)	-
Depreciation for the year	(2,244)	(1,759)
Carrying amount at 30 June	35,849	36,519
Leased Plant and Equipment:		
Carrying amount at 1 July	420	408
Additions	1,067	283
Amortisation for the year	(322)	(271)
Disposals	(13)	-
Carrying amount at 30 June	1,152	420
	152,841	154,549
Work in Progress:		
Carrying amount at 1 July	3,766	24,550
Additions	9,207	14,865
Transfers to property, plant and equipment	(4,474)	(35,649)
Carrying amount at 30 June	8,499	3,766
Total Property, Plant and Equipment	161,340	158,315

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

7.2 Property, Plant and Equipment (Continued)

Impairment of property, plant and equipment

As at reporting date, property, plant and equipment are considered recoverable. At 30 June 2006, an impairment loss of \$0.530 million was recognised in the income statement.

8. CURRENT AND NON-CURRENT LIABILITIES

8.1 Trade and Other Payables

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

	2007 \$'000	2006 \$'000
Trade Creditors and Amounts Payable	8,966	3,021
Accrued Expenses	2,847	3,205
	11,813	6,226

(i) Significant Terms and Conditions

Trade creditors payable are usually settled within 30 days.

(ii) Fair Value

The directors consider the carrying amounts of Trade Creditors and accrued expenses represent their fair value.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

8.2 Interest Bearing Borrowings

	Note	2007 \$'000	2006 \$'000
Current			
Direct borrowings		599	599
Special borrowings		1,347	1,275
Lease liabilities	11.2	355	218
		2,301	2,092
Non-Current			
Direct borrowings		12,947	13,546
Special borrowings		35,682	37,029
Lease liabilities	11.2	787	188
		49,416	50,763

	2007 \$'000	2006 \$'000
Financing arrangements		
Fremantle Ports has access to the following lines of credit		
Total facilities available:		
Liquidity facility	10,000	10,000
Direct and special borrowings	56,415	110,000
	66,415	120,000
Facilities utilised at reporting date:		
Liquidity facility	-	-
Direct borrowings	13,546	14,145
Special borrowings	37,029	38,304
	50,575	52,449
Facilities not utilised at reporting date:		
Liquidity facility	10,000	10,000
Direct and special borrowings	5,840	57,551
	15,840	67,551

(i) Master Lending Agreement (MLA)

For the purposes of accessing more simplified and flexible borrowing arrangements, Fremantle Ports entered into a MLA with the Western Australian Treasury Corporation (WATC) on 15 December 2006. The MLA consolidates all of the existing agreements into one facility and specifies a limit of \$10 million for the Liquidity facility, with the balance shared between direct and special borrowings.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

8.2 Interest Bearing Borrowings (Continued)

(ii) Significant Terms and Conditions

All interest-bearing borrowings are unsecured.

The interest and principal for the Direct Borrowings are payable quarterly. The weighted average interest rate at 30 June 2007 on the loan portfolio is 5.58% per annum (2006: 5.39%).

Included in Special Borrowings are amounts to fund the acquisition of a bulk unloader at Fremantle Ports' Kwinana Bulk Jetty and a new bulk unloader and other assets at Fremantle Ports' Kwinana Bulk Terminal. A portion of the borrowings is subject to interest only. Interest and principal is payable quarterly. Interest rates on the Special Borrowings are fixed and range from 4.74% to 6.24% per annum (2006: 4.74% to 6.24%).

The interest rates implicit in the Lease Liabilities range from 5.44% to 6.68% (2006: 5.44% to 8.10%).

(iii) Interest Rate Risk Exposures

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

2007

	Variable interest rate	Fixed interest rate						Total
		1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	More than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest Bearing Borrowings:								
Direct borrowings	13,546	-	-	-	-	-	-	13,546
Special borrowings	-	1,347	1,423	1,503	6,426	1,013	25,317	37,029
Lease liabilities	-	355	316	273	151	47	-	1,142
	13,546	1,702	1,739	1,776	6,577	1,060	25,317	51,717
Weighted Average Interest Rate:								
Direct borrowings	5.58%	-	-	-	-	-	-	-
Special borrowings	-	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	-
Lease liabilities	-	6.18%	6.18%	6.18%	6.18%	6.18%	-	-

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

8.2 Interest Bearing Borrowings (Continued)

2006

	Variable interest rate	1 year or less	Over 1 to 2 years	Fixed interest rate				Total
				Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	More than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest Bearing Borrowings :								
Direct borrowings	14,145	-	-	-	-	-	-	14,145
Special borrowings	-	1,275	1,347	1,423	1,503	6,426	26,330	38,304
Lease liabilities	-	218	104	49	35	-	-	406
	14,145	1,493	1,451	1,472	1,538	1,426	31,330	52,855
Weighted Average Interest Rate:								
Direct borrowings	5.39%	-	-	-	-	-	-	
Special borrowings	-	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	
Lease liabilities	-	6.61%	6.61%	6.61%	6.61%	-	-	

(iv) Fair Value

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

	2007		2006	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Special borrowings	37,029	35,428	38,304	38,033
	37,029	35,428	38,304	38,033

9. Financial Risk Management Objectives and Policies

Fremantle Ports' principal financial instruments are interest bearing borrowings, finance leases and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for Fremantle Ports' operations.

Fremantle Ports has other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

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

Interest rate risk

Fremantle Ports' exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. Fremantle Ports' borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities or at variable rates. The risk is managed by WATC through portfolio diversification and variation in maturity dates.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

9. Financial Risk Management Objectives and Policies (Continued)

Credit risk

Fremantle Ports operates predominantly within the shipping and cargo handling industry and accordingly is exposed to risks affecting that industry. The maximum exposure to this industry risk is the carrying value of the trade debtors.

It is Fremantle Port's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that Fremantle Ports' exposure to bad debts is not significant.

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 only deals with a counter party approved through the tender process.

Liquidity risk

Fremantle Ports' objective is to maintain a balance between continuity of funding and flexibility through the use of cash reserves and its borrowing facilities.

4.0% (2006: 3.6%) of borrowings is expected to mature in less than one year at 30 June 2007.

10. 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.

	Note	2007 \$'000	2006 \$'000
Financial assets			
Cash and cash equivalents	6.1	21,061	14,550
Trade and other receivables	6.2	14,461	12,481
Receivables (non-current)	7.1	9,316	9,582
Financial liabilities			
Trade and other payables	8.1	11,813	6,226
Interest bearing borrowings:			
Obligations under finance leases	11.2	1,142	406
Variable rate borrowings	8.2	13,546	14,145
Fixed rate borrowings	8.2	37,029	38,304

The carrying amount, by maturity, of the interest bearing borrowings that are exposed to interest rate risk are disclosed in note 8.2.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

11. COMMITMENTS

11.1 Capital Works

Capital Commitments

2007 \$'000	2006 \$'000
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Commitments for the acquisition of plant and equipment and land contracted for at the reporting date but not recognised as liabilities:

Within one year	2,225	2,038
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11.2 Lease Commitments

Finance Leases Payable

2007 \$'000	2006 \$'000
----------------	----------------

Future minimum lease payment in relation to finance leases payable at reporting date are as follows:

Within one year	420	238
Later than one year but not later than five years	865	202
Minimum lease payments	1,285	440
Future finance charges	(143)	(34)
	1,142	406

Present value of lease liabilities

Representing Lease Liabilities

Note	2007 \$'000	2006 \$'000
------	----------------	----------------

Current	8.2	355	218
Non-current	8.2	787	188
		1,142	406

Finance leases payable are in respect of computer and office equipment and security equipment with a carrying amount of \$1.142 million (2006: \$0.406 million) expiring within 1 to 5 years (2006: 3 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

11. COMMITMENTS (Continued)

11.2 Lease Commitments (continued)

Operating Leases Payable

2007 \$'000	2006 \$'000
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Future minimum rentals payable in relation to operating leases payable at reporting date but not recognised as liabilities payable are as follows:

Within one year	375	259
Later than one year but not later than five years	260	233
	635	492

Operating leases payable are in respect of motor vehicles.

Finance Lease Receivable

2007 \$'000	2006 \$'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	12,764	13,842
	18,158	19,236
Unearned finance income	(8,576)	(9,410)
	9,582	9,826

Present value of minimum lease payments receivable

Representing Finance Lease Receivable

	Note	2007 \$'000	2006 \$'000
Current	6.2	266	244
Non-current	7.1	9,316	9,582
		9,582	9,826

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% per annum.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Operating Leases Receivable

	2007 \$'000	2006 \$'000
Future minimum rentals receivable for operating leases at reporting date but not recognised as assets:		
Within one year	11,408	9,893
Later than one year but not later than five years	41,581	34,451
Later than five years	51,474	39,063
	104,463	83,407

Operating leases receivable are in respect of property rentals.

12. PROVISIONS

a) Current

	2007 \$'000	2006 \$'000
Fringe Benefits Tax	18	20
Employee Benefits	2,816	2,793
Retirement Benefit Obligations	394	812
Other	658	654
	3,886	4,279

(b) Non-Current

	2007 \$'000	2006 \$'000
Employee Benefits	4,960	4,908
Retirement Benefit Obligations	6,043	5,810
	11,003	10,718

(c) Aggregate Employee Benefits

	2007 \$'000	2006 \$'000
Current Liability	3,210	3,605
Non-Current Liability	11,003	10,718
	14,213	14,323

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

12. PROVISIONS (Continued)

(d) Retirement benefit obligations

Surplus/deficit

The following is a summary of the most recent financial position of the Pension Scheme related to Fremantle Ports calculated in accordance with AASB 119 *Employee Benefits*.

	2007 \$'000	2006 \$'000
Amounts recognised in the balance sheet:		
Present value of unfunded obligations	6,437	6,622
Fair value of plan assets	-	-
	6,437	6,622
Reconciliation of movement in the present value of the unfunded obligations recognised in the balance sheet:		
Opening balance	6,622	6,790
Current service cost	115	124
Interest cost	362	331
Actuarial losses (gains) on liabilities	(98)	(463)
Benefits paid (including expenses and taxes)	(564)	(160)
	6,437	6,622
Amounts recognised in the income statement:		
Current service cost	115	124
Interest cost	362	331
Actuarial losses (gains) recognised	(98)	(463)
	379	(8)
Historic summary		
Defined benefit plan obligation	6,437	6,622
Plan assets	-	-
	6,437	6,622
Experience adjustments arising on plan liabilities	(98)	(463)
Experience adjustments arising on plan assets	-	-
Principal actuarial assumptions		
Discount rate	6.06%	5.81%
Expected future salary increases	4.50%	4.50%
Expected future pension increases	2.50%	2.50%
Anticipated return on plan assets	N/A	N/A

Expected contributions

Employer contributions are made to meet the cost of retirement benefit obligations as they fall due. For further details regarding the policy in respect of provision for retirement benefit obligations, refer to Note 1.16.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

12. PROVISIONS (Continued)

(e) Reconciliations

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

	2007 \$'000
Retirement Benefit Obligations	
Carrying amount at 1 July	6,622
Provisions made during the year	379
Amounts utilised in the year	(564)
Carrying amount at 30 June	6,437
Fringe Benefits Tax	
Carrying amount at 1 July	20
Provisions made during the year	79
Amounts utilised in the year	(81)
Carrying amount at 30 June	18
Other	
Carrying amount at 1 July	654
Provisions made during the year	4
Amounts utilised in the year	-
Carrying amount at 30 June	658

Other provision is for on-costs related to employee benefits. These include provision for workers' compensation and payroll tax.

13. OTHER LIABILITIES

	2007 \$'000	2006 \$'000
Current		
Prepaid Rental Income	922	1,064
Interest Received in Advance	56	30
Other	4	16
	982	1,110
Non-Current		
Prepaid Rental Income	1,614	1,632

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

14. EQUITY

	Contributed equity \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 1 July 2005	51,771	70,062	121,833
Equity contribution in the year	1,527	-	1,527
Total recognised income and expense	-	9,782	9,782
Dividends paid	-	(4,929)	(4,929)
Balance at 30 June 2006	53,298	74,915	128,213
Equity contribution in the year	215	-	215
Total recognised income and expense	-	12,059	12,059
Dividends paid	-	(4,891)	(4,891)
Balance at 30 June 2007	53,513	82,083	135,596

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

The WA Government has agreed to provide support on borrowing costs for this loan by way of equity contributions to Fremantle Ports. The amount of equity contributions made to Fremantle Ports is equivalent to the after tax cost of the borrowing costs paid by Fremantle Ports. The equity contribution on these borrowing costs for the year ended 30 June 2007 was \$0.215 million (2006: \$0.216 million). The period of the equity contribution is subject to a review in accordance with the terms of agreement between Government and Fremantle Ports.

Also included in the equity contribution for 2006 is \$1.311 million, being Auslink funds received from the WA Government as a contribution towards the North Quay Rail Loop and Terminal Project.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

15. NOTES TO CASH FLOW STATEMENT

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

	2007 \$'000	2006 \$'000
Net Profit	12,059	9,782
Depreciation	6,888	6,065
Amortisation of leased assets	322	271
Net gain on sale of property, plant and equipment	(63)	(153)
Impairment loss on property, plant and equipment	-	530
Changes in assets and liabilities:		
Receivables	(1,791)	(883)
Inventories	(66)	(568)
Prepaid expenses	(167)	103
Payables	5,587	(2,189)
Prepaid rental income and income received in advance	(134)	(408)
Employee benefits	(110)	(61)
Income tax	1,335	676
Deferred tax assets	(1,597)	(2,009)
Others	(10)	73
NET CASH INFLOW FROM OPERATING ACTIVITIES	22,253	11,229

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

16. REMUNERATION OF AUDITORS

	2007	2006
	\$	\$
Remuneration for audit of the financial statements	130,000	136,400

17. RELATED PARTIES

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

Mr. Joe McKay

Mr. Robert Pearce

Mr. Robert Edel

Mr. John O'Connor

Ms. Eve Howell

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007


STATEMENT OF RECOGNISED INCOME AND EXPENSE

DIRECTORS' DECLARATION

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

- a) the financial statements and notes, set out on pages 66 to 106, are in accordance with the financial reporting provisions of the Port Authorities Act 1999, including:
 - i) giving a true and fair view of the financial position of the Fremantle Port Authority as at 30 June 2007 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 17 August 2007.



Chairman



Director

17 August 2007

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
STATEMENT OF RECOGNISED INCOME AND EXPENSE



AUDITOR GENERAL

INDEPENDENT AUDIT REPORT ON FREMANTLE PORT AUTHORITY

To the Parliament of Western Australia

I have audited the financial report of the Fremantle Port Authority, which comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Recognised Income and Expense and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Board of Directors' Responsibility for the Financial Report

The Board of Directors of the Fremantle Port Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Port Authorities Act 1999. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Summary of my Role

As required by the Port Authorities Act 1999, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

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

Audit Opinion

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

- (a) giving a true and fair view of the Authority's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

COLIN MURPHY
AUDITOR GENERAL
31 August 2007

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FINANCIAL PERFORMANCE INDICATORS

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

Current Ratio – Graph 1

This ratio is used to ascertain the extent to which current assets may be realised to meet current liabilities.

	2007 \$'000		2006 \$'000	
Total Current Assets	36,031	=1.7	27,667	= 1.9
Total Current Liabilities	21,150		14,306	

Free Cash Flow – Graph 2

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

	2007 \$'000		2006 \$'000	
Net Cashflow from Operations (after interest)	22,253	87.6%	11,229	= 79.8%
Net Cashflow from Operations (before interest)	25,412		14,075	

Debtors Average Collection Period – Graph 3

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

	2007 \$'000		2006 \$'000	
Average Trade Debtors	9,990	x 365	9,238	x 365
Sales Revenue	114,457	= 32 days	102,328	= 33 days

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FINANCIAL PERFORMANCE INDICATORS (Continued)

Interest Cover - Graph 4

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

	2007 \$'000		2006 \$'000	
Earnings Before Interest and Tax	20,503	= 6.52 times	16,278	= 5.43 times
Total Interest Costs	3,146		2,997	

Return on Assets – Graph 5

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

	2007 \$'000		2006 \$'000	
Earnings Before Interest and Tax	20,503	= 9.6%	16,278	= 8.1 %
Average Total Assets	212,323		200,299	

Economic Rate of Return - Graph 6

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

	2007 \$'000		2006 \$'000	
Operating EBIT(excluding significant items) + Depreciation – Deprival Value Depreciation	17,952	= 6.0%	16,670	= 6.2%
Current Assets + Deprival Value of Assets – Accumulated Deprival Value Depreciation	301,407		270,638	

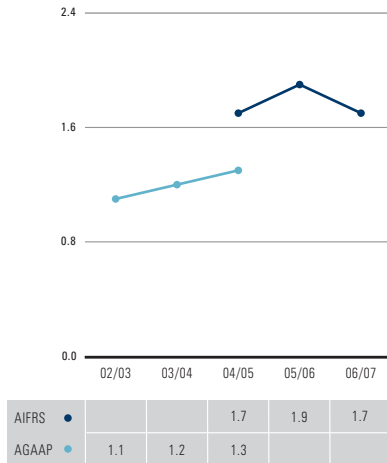
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Graph 1

CURRENT RATIO

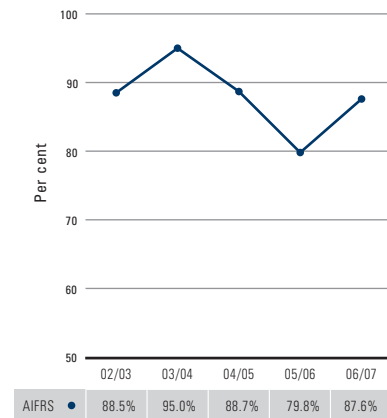
Comparison 2002/2003 to 2006/2007



Graph 2

FREE CASH FLOW

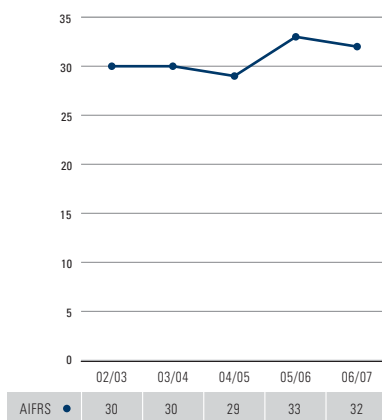
Comparison 2002/2003 to 2006/2007



Graph 3

DEBTORS AVERAGE COLLECTION PERIOD

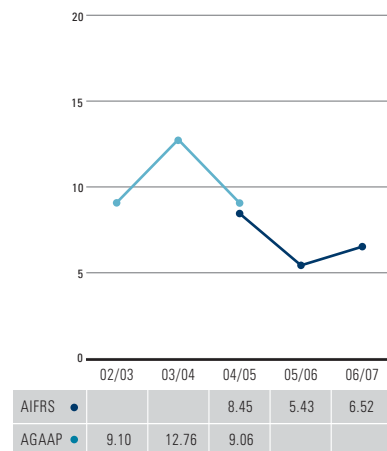
Comparison 2002/2003 to 2006/2007



Graph 4

INTEREST COVER

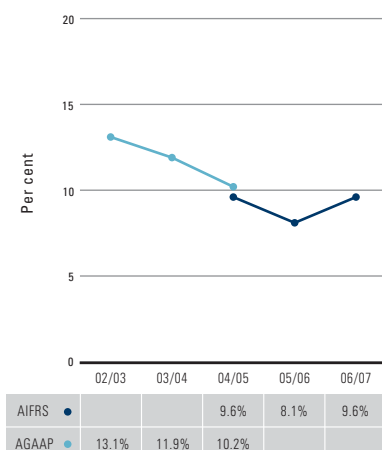
Comparison 2002/2003 to 2006/2007



Graph 5

RETURN ON ASSETS

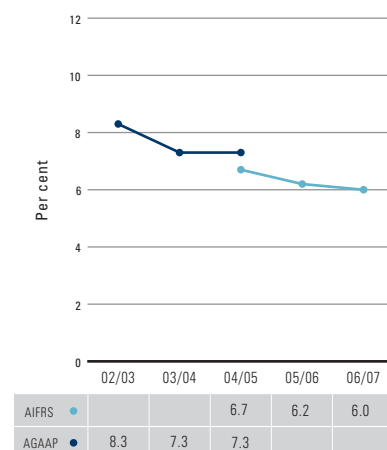
Comparison 2002/2003 to 2006/2007



Graph 6

ECONOMIC RATE OF RETURN

Comparison 2002/2003 to 2006/2007



2007 KEY PERFORMANCE INDICATORS



Port Services and Facilities

Fremantle Ports' objectives for the provision of services and facilities are aimed at ensuring that port services and facilities are reliable and competitive and meet changing customer needs.

Fremantle Ports uses the following performance indicators to measure the extent to which its objectives are being achieved.

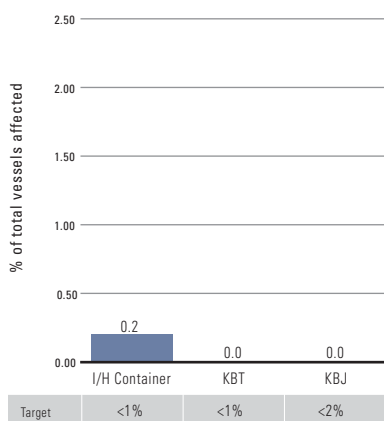
Berthing Delays – Incoming Vessels

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 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.

Figure 1 and 2 below show that Fremantle Ports did better than its target with significantly less than 1% of vessels affected by delays due to the unavailability of shipping services in the Inner Harbour and at the Kwinana Bulk Terminal and less than 2% at the Kwinana Bulk Jetty. The hours delayed were also below the target.

FIGURE 1 - DELAYS TO INCOMING VESSELS DUE TO UNAVAILABILITY OF SHIPPING SERVICES

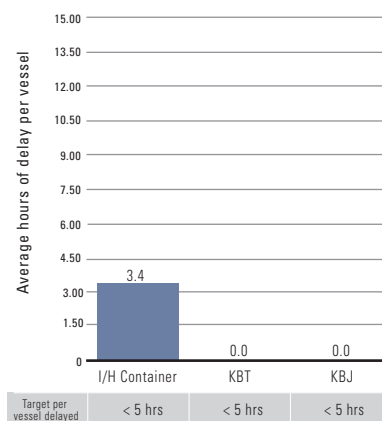
2006/2007



Shipping services include pilotage, towage and mooring

FIGURE 2 - DELAYS TO INCOMING VESSELS DUE TO UNAVAILABILITY OF SHIPPING SERVICES

2006/2007



Shipping services include pilotage, towage and mooring

2007 KEY PERFORMANCE INDICATORS

Figure 3 shows that Fremantle Ports was similarly successful with delays due to unavailability of berths (percentage of total vessels affected) in the Inner and Outer Harbours being below the maximum target.

Figure 4 shows that Fremantle Ports was below its targets for unavailability of berths (average hours of delay) in the Inner Harbour and at the Kwinana Bulk Jetty. The figures for the Kwinana Bulk Terminal, however, reflect increases in berth utilisation due to new customers and this has resulted in higher than targeted average hours of delay for vessels at anchor waiting for berth availability, with the average delay per vessel visit being 15 hours and the average delay per vessel delayed being 80 hours.

Customer Satisfaction

Fremantle Ports conducted a survey of shipping lines in June 2007. The survey was conducted as part of Fremantle Ports' customer liaison program with major lines and agents. A total of 23 shipping lines were surveyed and the response rate was 78 per cent.

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

Figure 5 shows that 89% of respondents were satisfied or very satisfied with services provided by Fremantle Ports which was at the upper end of the target range of 80-90% but below the level in the previous year when the response rate to the survey was 95%.

Crane Rates

Container stevedoring in Fremantle Ports is carried out by Patrick and Dubai Ports 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 crane rates measured in containers per hour have increased by 71.6 per cent from the December Quarter 1995 to the December Quarter 2006 (latest figures released by Waterline) and have been maintained at a relatively stable level since December 2000. Increased productivity is consistent with other Australian capital city ports since December 1995. The crane rate for Fremantle was above the five port average in all quarters of 2006.

FIGURE 3 - UNAVAILABILITY OF BERTHS
2006/2007

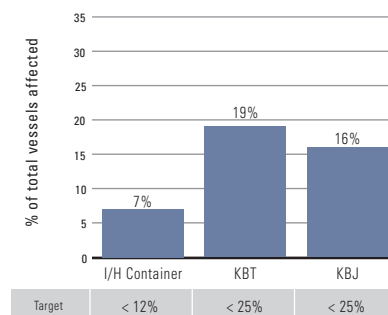


FIGURE 4 - UNAVAILABILITY OF BERTHS
2006/2007

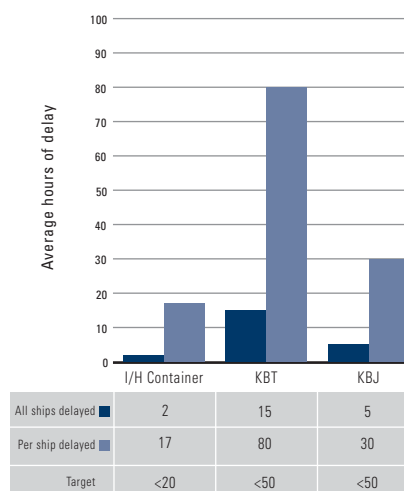
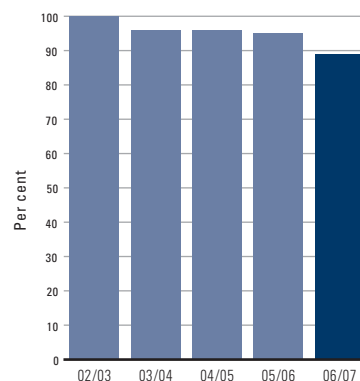


FIGURE 5 - SHIPPING LINE/AGENT SURVEY SERVICES

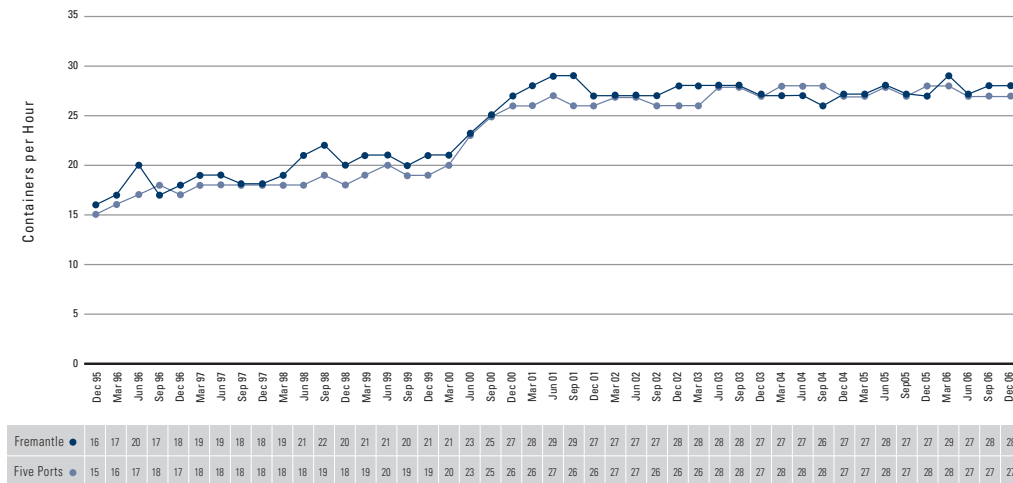
2002/2003 to 2006/2007
Level of Overall Satisfaction with Fremantle Ports' Services



In 2006/2007, 89% of respondents were satisfied or very satisfied. Target range 80-90%.

2007 KEY PERFORMANCE INDICATORS

FIGURE 6 - CONTAINER TERMINAL PERFORMANCE INDICATORS
Comparison of Crane Rates between Fremantle and Five Ports Average
December 1995 to December 2006 - Containers per Hour



Source: Waterline, Bureau of Transport and Regional Economics.
 Figures for March and June quarter 2006 not available due to Waterline being published in March and September.

The Ship Rate in Fremantle increased from 35.9 containers per hour in December 2000 to 46.1 containers per hour in December 2006, an increase of 28.4 per cent. The Ship Rate is defined as the crane rate multiplied by Crane Intensity. Crane Intensity is defined as the total number of allocated crane hours, divided by the elapsed time from labour first boarding the ship and labour last leaving the ship.

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

The average size of container vessels has increased from 21,000 gross tonnes (GT) in 1996/1997 to 34,600 GT in 2006/2007, an increase of 50.4 per cent over that period. Infrastructure has been upgraded in Fremantle with the arrival of a new quayside container crane at Patrick Terminals. The new crane will ensure the Port of Fremantle is capable of handling the larger vessels that shipping lines will bring to Australia in the near future.

The average number of containers exchanged per container vessel increased by 7.3 per cent over the year, from 927 TEUs per vessel in 2005/2006 to 995 TEUs per vessel in 2006/2007. Total container throughput increased by 49,749 TEUs or 10.9% to 505,803 TEUs. Non trans-shipment full container throughput increased by 13.8 per cent over the year.

The Vessel Working Rate (the number of containers handled divided by the Elapsed Labour Time) in the port for the December quarter 2006 was 33.5 containers per hour, an increase of 37.3 per cent compared to the figures for the December quarter 2000, which further highlights labour productivity over that period.

2007 KEY PERFORMANCE INDICATORS

Trade and Business Development

Fremantle Ports' objective for trade development is to work with customers to facilitate trade and business opportunities.

Total Port Trade (Mass Tonnes 000's)

Figure 7 shows that total port trade (total imports and exports), was marginally less than in 2005/06 and has declined over recent years, but is nevertheless 1.5 million tonnes or 6.4% higher than four years ago. Total exports decreased by 0.9 million tonnes or 6.7 per cent to 13.0 million tonnes in 2006/2007 while total imports increased by 0.8 million tonnes or 7.4 per cent to 12.0 million tonnes.

Inner Harbour exports increased by 6.6 cent in 2006/2007 mainly due to strong growth in full container trade. Outer Harbour exports decreased by 11.0 per cent, influenced by declines in wheat and barley. Wheat exports decreased by 1.3 million tonnes or 29.0 per cent. Refined petroleum exports increased by 0.5 million tonnes or 22.4 per cent.

Inner Harbour imports increased by 17.7 per cent mainly due to the significant increase in full container volumes. Outer Harbour imports increased by 4.2 per cent due mainly to a 26.4 per cent increase in crude petroleum. Other Outer Harbour import products that also showed significant increases were cement clinker, sulphur, iron ore and gypsum.

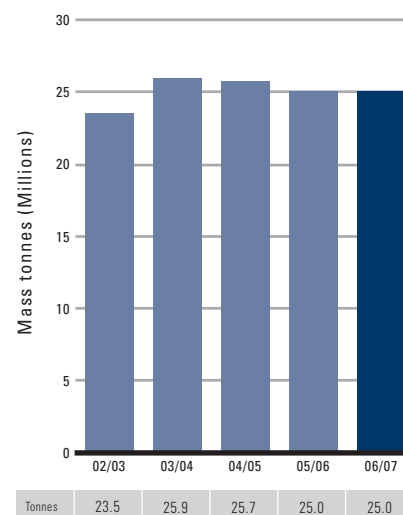
Total Container Trade

Figure 8 shows that container trade has increased by 17.2 per cent since 2002/2003 and by 10.9 per cent over the 12 months to 30 June 2007.

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

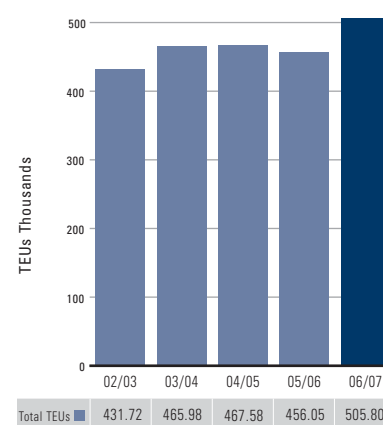
- Non trans-shipped full container exports increased by 9.8 per cent and non trans-shipped full imports by 16.7 per cent.
- Total container exports and imports increased by 10.7 per cent and 11.1 per cent respectively.
- Full container exports (including trans-shipments) increased by 6.6 per cent and full imports (including trans-shipments) increased by 14.2 per cent.
- Empty container exports increased by 19.9 per cent and empty imports decreased by 11.9 per cent.

FIGURE 7 - TOTAL PORT TRADE
(Mass Tonnes)



Note: The Statement of Corporate Intent forecast for total trade in 2006/2007 was 28.9 Million tonnes.

FIGURE 8 - TOTAL CONTAINER TRADE
TEUs - 2002/2003 to 2006/2007



The Statement of Corporate Intent forecast for total container trade in 2005/2006 was 501,400 TEUs.

2007 KEY PERFORMANCE INDICATORS

- Coastal container throughput totalled 78,167 TEUs, an increase of 25.0 per cent on 2005/2006. Coastal non trans-shipment full container throughput totalled 62,202 TEUs, 35.8 per cent up on the 2005/2006.
- Full trans-shipment container throughput decreased by 94.3 per cent due to the cessation of trans-shipments by a major line following restructuring of services.

Container Shipping Services in 2006/2007

The number of container vessel visits to Fremantle Port increased from 483 visits in 2005/2006 to 497 visits in 2006/2007. Refer to Report on Operations - Trade and Business Growth for changes in container shipping services; ANL introduces larger ships and New European direct service.

Container Trade - Market Share

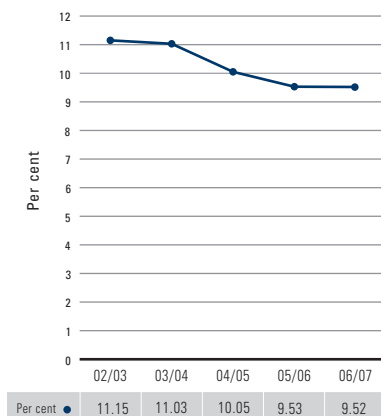
Figure 9 shows that Fremantle Ports' market share, measured as the number of containers through Fremantle as a percentage of Australian capital city ports (excluding Hobart), decreased from 11.2 per cent in 2002/2003 to 9.5 per cent in 2006/2007. The main reason for the decline was a fall in trans-shipment of containers due to restructuring of a major shipping line's services.

Number of Ship Visits

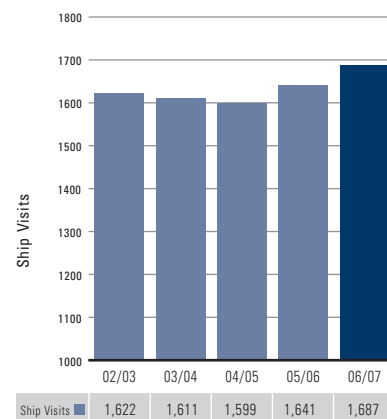
Figure 10 shows that the number of ship visits for commercial, non trading and fishing vessels (naval vessels of war are excluded) increased by 2.8 per cent over the 12 months to 30 June 2007. Commercial ship visits increased by 65 visits in the Inner Harbour and declined by 12 visits in the Outer Harbour. The Inner Harbour increase in ship visits was mainly due to increases in car carriers, general cargo, livestock and container vessels. In the Outer Harbour, grain vessel visits declined by 42 or 26.3 per cent and vessel visits increased for alumina, phosphate, sand and bunker only vessels. Non trading vessel visits decreased by 7 or 10.6 per cent in 2006/2007 compared to the previous year.

FIGURE 9 - CONTAINER TRADE

**Fremantle - Market Share %
Australian Container Trade**



**FIGURE 10 - SHIPS VISITS
2002/2003 to 2006/2007**



Note: Naval vessels not included. The Statement of Corporate Intent forecast for total ship visits in 2006/2007 was 1,760.

2007 KEY PERFORMANCE INDICATORS

Business Improvement and Sustainability

Fremantle Ports' objective for business improvement and sustainability is to continue to improve our capability to provide value for our customers and provide for long term business sustainability.

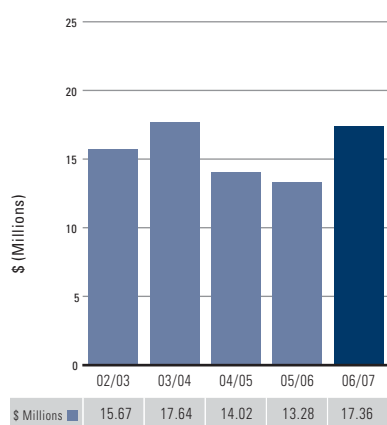
Fremantle Ports' Profit before Income Tax Equivalent (Excluding Individually Significant Items)

Figure 11 shows that operating profit before income tax equivalent almost reached the 2003/04 level and was \$17.4 million in 2006/2007 compared to \$15.7 million for 2002/03.

Economic Rate of Return on Assets

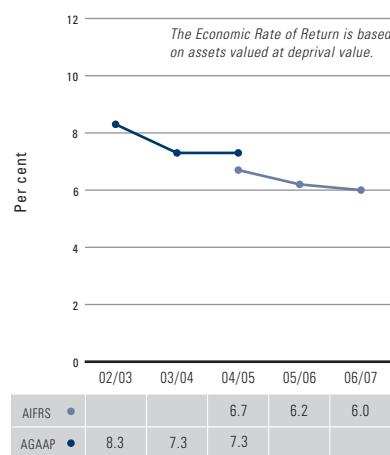
Figure 12 shows that the Economic Rate of Return on assets was 6.0 per cent for 2006/2007. This compares with the target of 6.0 per cent for the year. The target Rate of Return is agreed to with the State Government annually. During the year the value of assets on which the rate of return is calculated increased by \$30.5 million or 11.3%.

**FIGURE 11 - OPERATING
PROFIT (LOSS)**
Before Income Tax Equivalent
Comparison 2002/2003 to 2006/2007



For comparative purposes the above figures exclude individually significant items.

**FIGURE 12 - ECONOMIC RATE OF
RETURN ON ASSETS**
Comparison 2002/2003 to 2006/2007



With effect from 2005/2006, Fremantle Ports financial statements are prepared in compliance with Australian International Financial Reporting Standards (AIFRS). The 2004/2005 figures which were previously reported under Australian Generally Accepted Accounting Principles have now been restated under AIFRS.

2007 KEY PERFORMANCE INDICATORS

Community Satisfaction

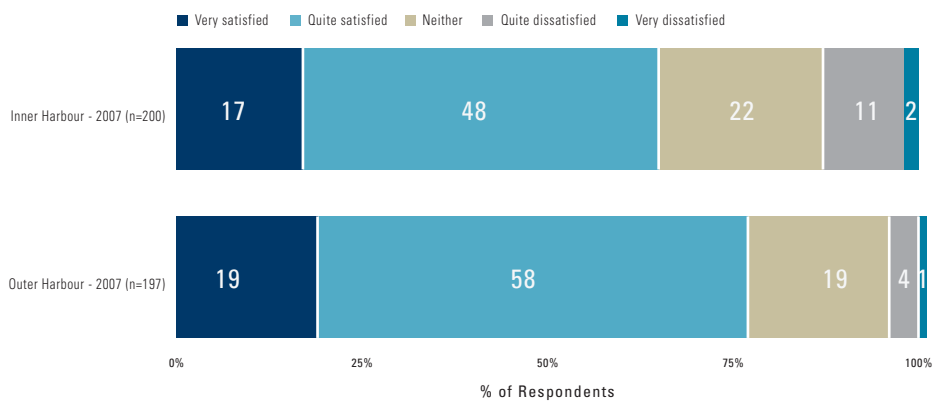
Fremantle Ports conducted a community satisfaction survey in June 2007. The survey was conducted as part of Fremantle Ports' community liaison program. This involved a telephone survey with 200 residents in the Inner Harbour (North Fremantle, South Fremantle, East Fremantle, and Fremantle) and 200 residents in the Outer Harbour (Cockburn, Kwinana, and Rockingham).

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

Figure 13 shows that 65 per cent of respondents in the Inner Harbour and 77 per cent in the Outer Harbour were quite satisfied or very satisfied with the performance of Fremantle Ports overall and that 22 per cent and 19 per cent respectively were neither satisfied nor dissatisfied. The figures represent a decrease in overall satisfaction in the Inner and Outer Harbours compared to the previous year.

FIGURE 13 - OVERALL SATISFACTION WITH FREMANTLE PORTS - JUNE 2007

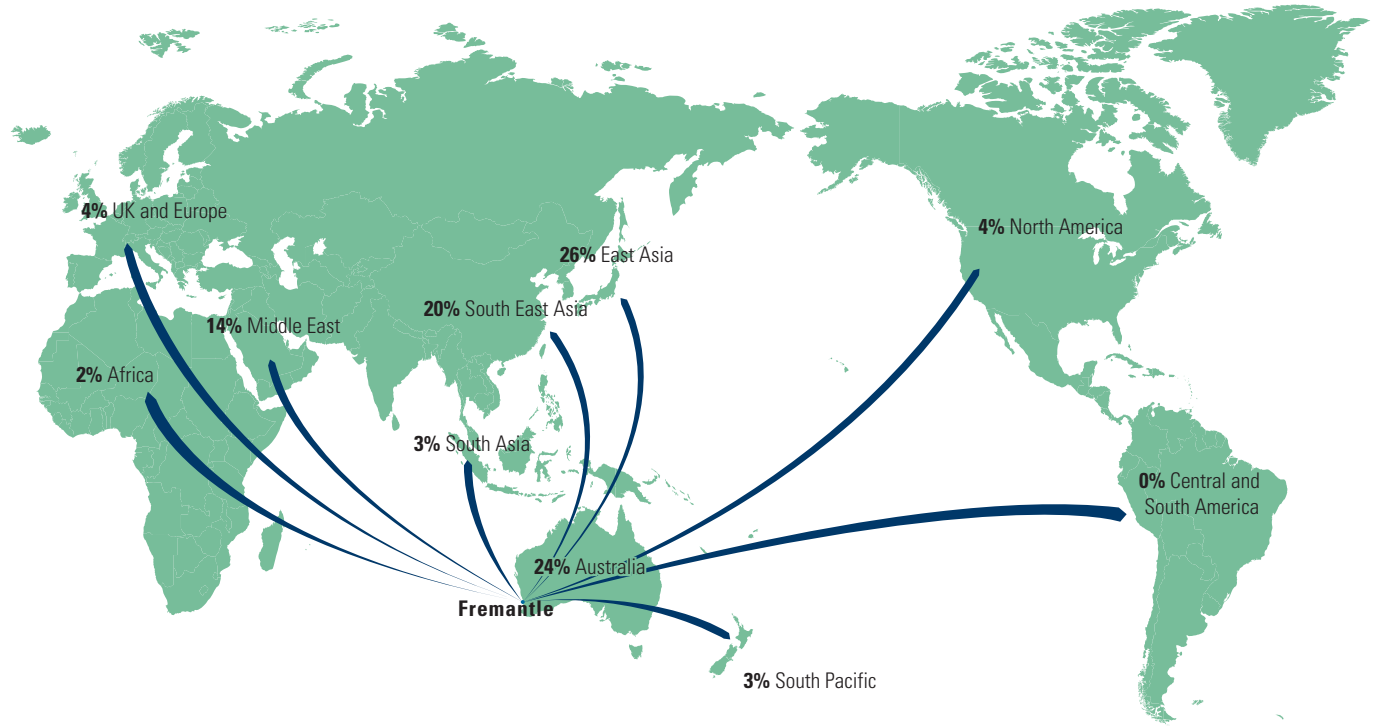
Q. How satisfied are you with the performance of Fremantle Ports overall?



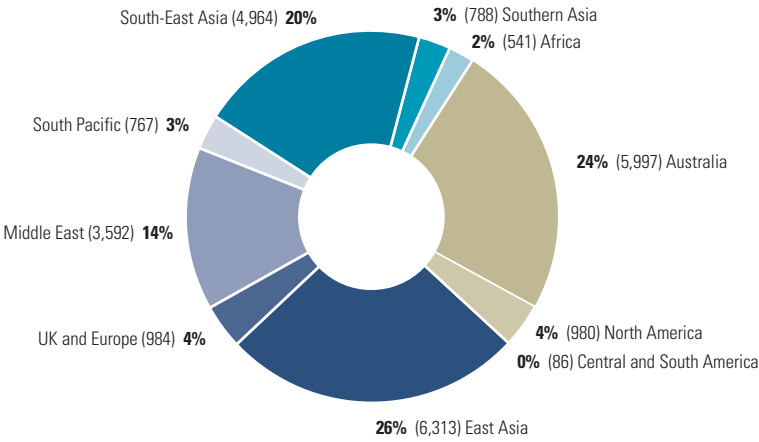
Overall satisfaction has increased in both the Inner and Outer Harbour communities.

2007 STATISTICAL INFORMATION

LINKS IN WORLD TRADE

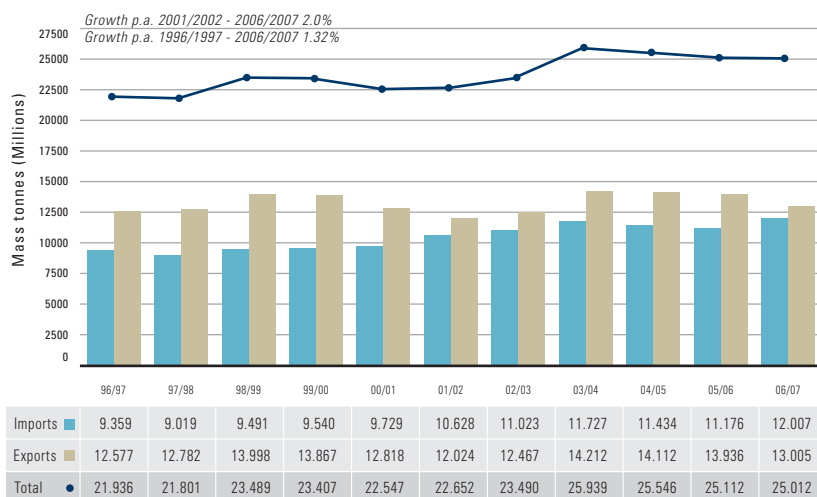


FREMANTLE PORT – PRINCIPAL AREAS OF TRADE
Year ended 30 June 2007 – Thousands of mass tonnes



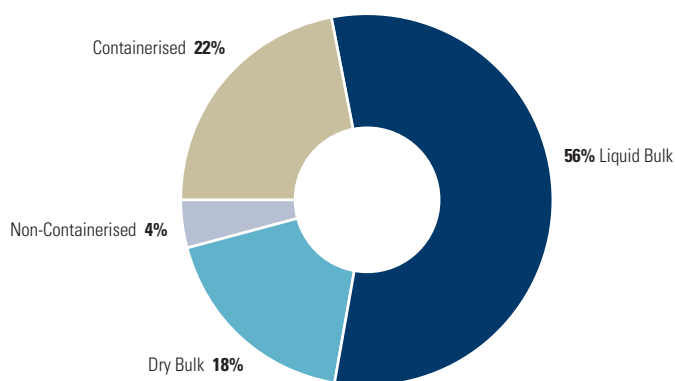
2007 STATISTICAL INFORMATION

TOTAL PORT TRADE 1996/1997 to 2006/2007



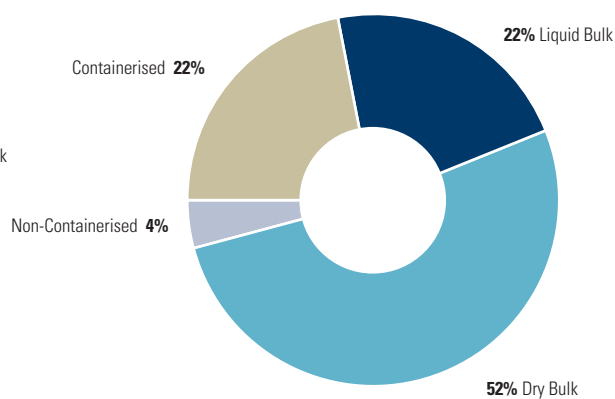
TRADE BY CARGO CLASS

Imports 2006/2007 – (Mass Tonnes)



TRADE BY CARGO CLASS

Exports 2006/2007 – (Mass Tonnes)

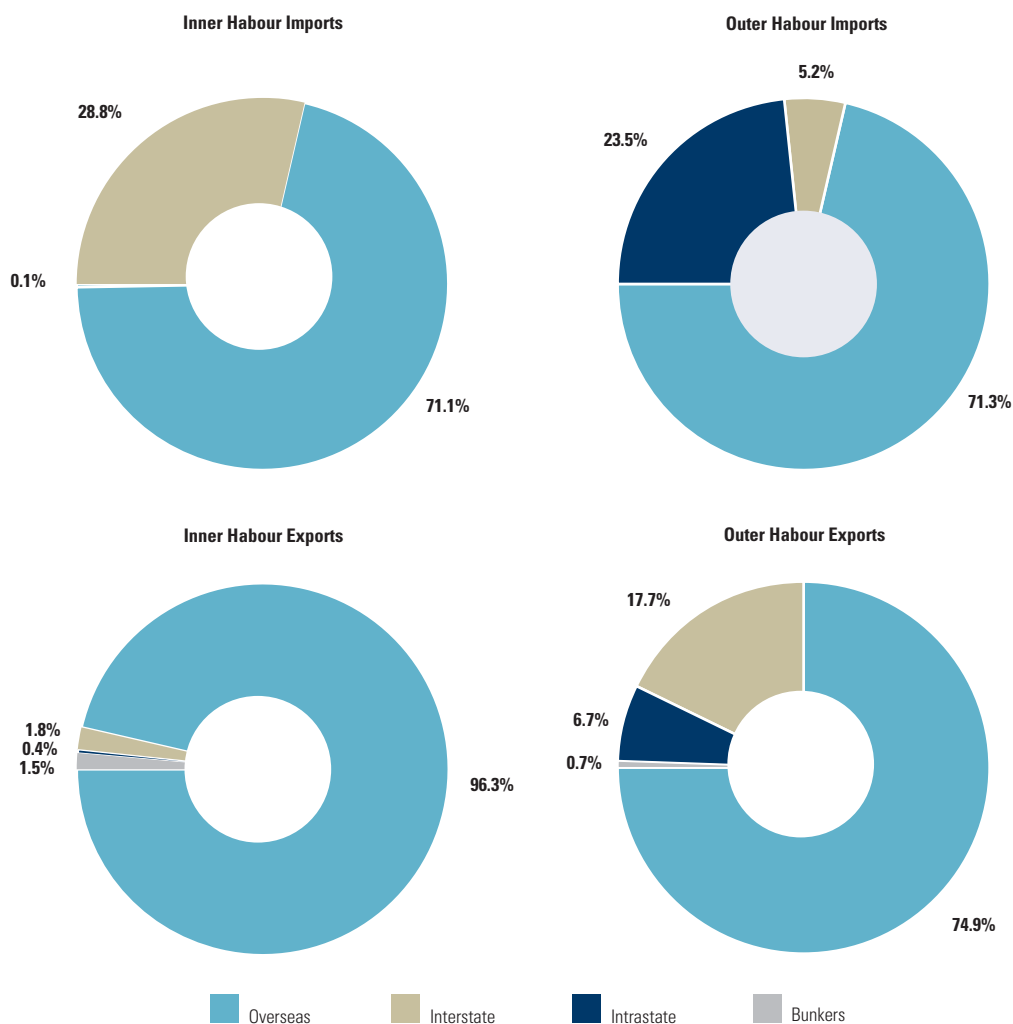


CARGO

	Imports	Exports
Liquid Bulk	6,752,721	2,804,718
Dry Bulk	2,163,701	6,794,760
Non - Containerised	499,670	502,143
Containerised	2,590,340	2,903,516
Total	12,006,432	13,005,137

2007 STATISTICAL INFORMATION

SYNOPSIS OF TRADE 2006/2007



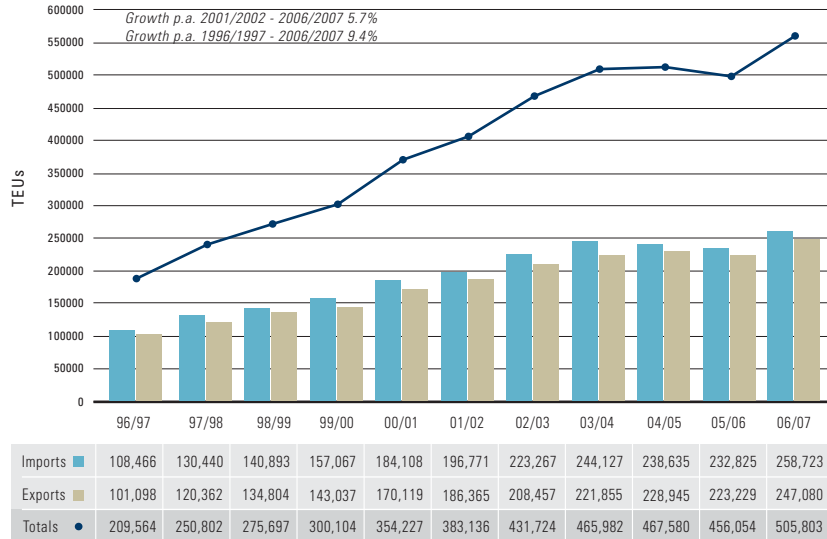
SYNOPSIS OF TRADE – 2006/2007

CARGO	Inner Harbour Mass Tonnes	Outer Harbour Mass Tonnes	Port Total Mass Tonnes
Imports			
From Intrastate Ports	4,019	2,082,850	2,086,869
From Interstate Ports	903,610	464,739	1,368,349
From Overseas Ports	2,234,542	6,316,569	8,551,111
Total Imports	3,142,171	8,864,158	12,006,329
Exports			
To Intrastate Ports	14,376	626,346	640,722
To Interstate Ports	65,373	1,664,459	1,729,832
To Overseas Ports	3,472,010	7,042,211	10,514,221
Total Exports	3,551,759	9,333,016	12,884,775
Total Cargo	6,693,930	18,197,174	24,891,104
Bunkers			
Fuel Oil	54,578	65,911	120,489
Total Port Trade	6,748,508	18,263,085	25,011,593

2007 STATISTICAL INFORMATION

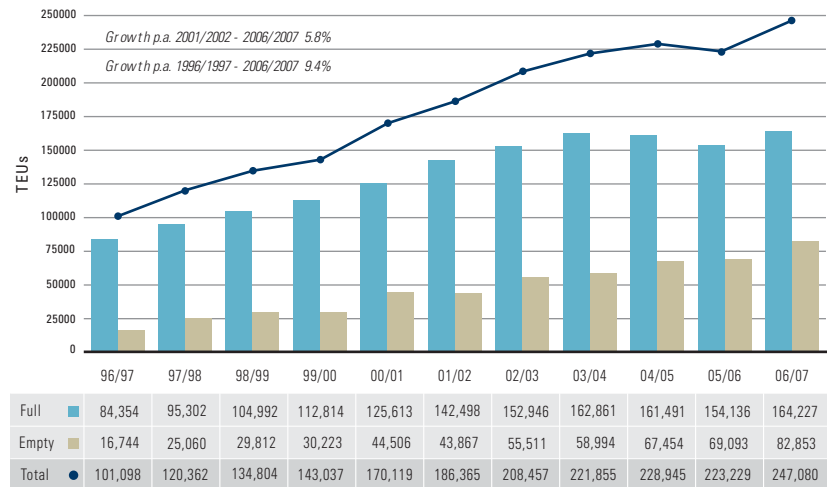
TOTAL CONTAINER TRADE – TEUs

1996/1997 to 2006/2007



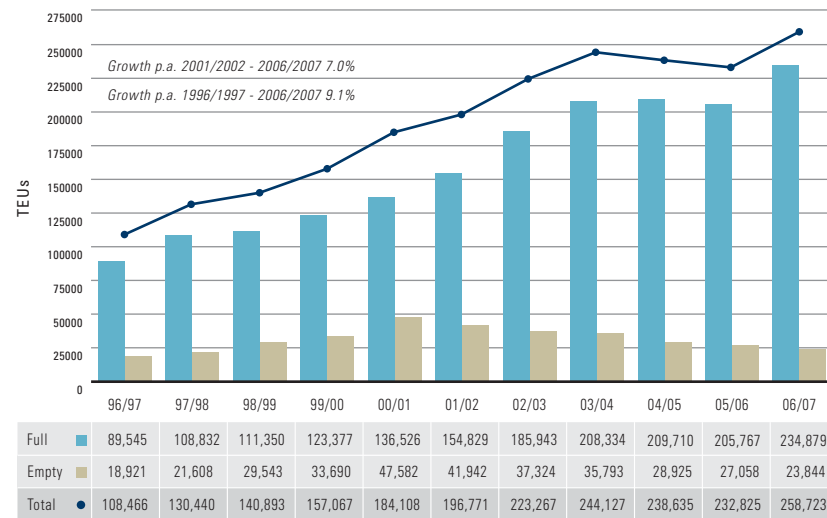
EXPORT CONTAINER TRADE – TEUs

1996/1997 to 2006/2007



IMPORT CONTAINER TRADE – TEUs

1996/1997 to 2006/2007



2007 STATISTICAL INFORMATION

PORT OF FREMANTLE CONTAINER TRADE - TEUS JULY 1 2006 TO JUNE 30 2007

COUNTRY	IMPORTS			EXPORTS			GRAND TOTAL
	FULL	EMPTY	TOTAL	FULL	EMPTY	TOTAL	
Singapore	14,331	11,151	25,482	13,197	44,063	57,260	82,742
Australia	59,539	10,675	70,214	3,051	4,900	7,951	78,165
China	52,386	220	52,606	21,343	333	21,676	74,282
Indonesia	10,277	21	10,298	10,349	19,471	29,820	40,118
Japan	6,608	0	6,608	30,557	843	31,400	38,008
Malaysia	14,347	456	14,803	10,320	9,505	19,825	34,628
Thailand	8,187	5	8,192	9,068	12	9,080	17,272
United States of America	9,438	236	9,674	3,641	38	3,679	13,353
South Korea	4,564	0	4,564	8,572	84	8,656	13,220
Vietnam	3,209	0	3,209	9,177	10	9,187	12,396
New Zealand	3,393	0	3,393	3,548	1,767	5,315	8,708
Taiwan	3,583	0	3,583	4,908	31	4,939	8,522
Italy	4,897	0	4,897	1,214	481	1,695	6,592
Hong Kong	3,772	41	3,813	2,211	551	2,762	6,575
Germany	5,037	0	5,037	1,103	214	1,317	6,354
United Kingdom	3,812	0	3,812	2,073	2	2,075	5,887
India	2,079	0	2,079	3,654	4	3,658	5,737
United Arab Emirates	2,707	5	2,712	2,669	1	2,670	5,382
South Africa	2,878	10	2,888	1,871	2	1,873	4,761
Belgium	3,001	0	3,001	1,445	168	1,613	4,614
Netherlands	2,487	0	2,487	1,405	132	1,537	4,024
Philippines	986	0	986	2,677	0	2,677	3,663
Spain	1,700	0	1,700	1,060	0	1,060	2,760
Finland	1,087	0	1,087	1,646	0	1,646	2,733
Myanmar	76	0	76	2,294	0	2,294	2,370
Saudi Arabia	202	0	202	1,568	0	1,568	1,770
Canada	1,198	0	1,198	333	0	333	1,531
France	1,385	3	1,388	128	0	128	1,516
Mexico	893	0	893	513	0	513	1,406
Sri Lanka	319	0	319	775	177	952	1,271
Israel	1,020	0	1,020	36	0	36	1,056
Christmas Island	63	460	523	521	0	521	1,044
Sweden	938	0	938	95	0	95	1,033
Ghana	42	0	42	963	0	963	1,005
Denmark	646	0	646	213	0	213	859
Mauritius	4	430	434	237	0	237	671
Turkey	485	0	485	161	0	161	646
Pakistan	239	0	239	395	0	395	634
Bahrain	123	0	123	399	0	399	522
Brazil	463	0	463	49	0	49	512
Other Countries	2,478	131	2,609	4,788	64	4,852	7,461
Total	234,879	23,844	258,723	164,227	82,853	247,080	505,803

2007 STATISTICAL INFORMATION

MAJOR EXPORTS BY COMMODITY 2006/2007

Commodity	% Tonnes	Mass Tonnes	Principal Countries (%Commodity)
Grain (includes Wheat, Lupins, Barley, Oats and Canola Seed)	31.2%	4,061,069	Japan (24.1) South Korea (17.3) Indonesia (15.4) India (13.0) Malaysia (6.3) Yemen (5.6) Vietnam (4.3) Saudi Arabia (4.3) China (2.8) Taiwan (1.5) Myanmar (1.3)
Alumina	21.6%	2,813,148	China (53.0) Australia (16.7) United States of America (7.2) Russia (6.2) Egypt (4.3) Indonesia (3.5) Japan (2.6) Netherlands (1.9)
Refined Petroleum	20.5%	2,670,795	Australia (70.5) New Zealand (21.7) Singapore (7.7)
Animal Feeds	3.5%	457,732	Japan (58.1) Saudi Arabia (10.5) Kuwait (5.5) South Korea (5.4) Jordan (4.3) Oman (3.3) Taiwan (2.4) Indonesia (2.4)
Metal Scrap	2.5%	324,244	Malaysia (50.8) Indonesia (24.9) Thailand (10.5) China (3.8) Vietnam (3.6) India (1.9) South Korea (1.3) Singapore (1.0)
Malt	1.8%	233,688	Philippines (29.5) Thailand (21.4) Japan (13.8) Singapore (11.6) Vietnam (6.0) Indonesia (5.4) South Korea (4.7) Malaysia (4.6)
Titanium Dioxide	1.4%	176,149	China (30.4) South Korea (12.84) Thailand (7.9) Hong Kong (6.3) India (5.3) Japan (4.8) Singapore (4.5) Malaysia (3.8) Indonesia (3.4) New Zealand (2.9) Philippines (2.7) Vietnam (2.3) Taiwan (2.2)
Sheep	1.2%	157,436	Jordan (45.2) Kuwait (19.0) Jordan (14.2) Bahrain (6.7) Oman (6.2) United Arab Emirates (5.4) Qatar (2.5)
Waste Paper	1.2%	152,860	Indonesia (48.5) China (24.7) Thailand (10.9) Philippines (3.8) Singapore (3.6) Vietnam (2.9) India (2.8) Malaysia (1.9)
Nickel Matte and Concentrates	1.0%	129,485	China (51.0) Japan (12.4) Finland (12.1) Netherlands (8.8) United States of America (3.1) South Korea (2.8) United Kingdom (2.8) Taiwan (2.5) Italy (2.4)
Mineral Sands	0.9%	122,430	China (28.1) Singapore (11.0) India (9.8) Thailand (9.6) Malaysia (7.1) Japan (5.3) Spain (4.3) South Korea (3.8) United Arab Emirates (3.2) Netherlands (2.8) Indonesia (2.6) Taiwan (2.5) United States of America (1.8)
Chemicals and Related Products	0.9%	113,103	Ghana (10.3) Singapore (7.0) Japan (6.6) Taiwan (6.0) China (5.9) United States of America (5.1) Spain (4.9) Senegal (4.8) Australia (4.6) South Korea (4.0) Thailand (3.9) Finland (3.8) Malaysia (2.8) Belgium (2.5) New Zealand (2.4) Germany (2.3) South Africa (2.3) Guinea (2.0) Sri Lanka (1.7)
Fresh Meat - Chilled or Frozen	0.8%	103,841	Saudi Arabia (12.4) United States of America (11.0) Japan (8.5) South Korea (7.9) South Africa (7.7) Taiwan (6.6) Singapore (6.3) Indonesia (5.7) United Arab Emirates (4.9) China (3.9) Malaysia (3.4) Mexico (3.3) United Kingdom (2.2) New Zealand (2.0) Philippines (1.7)
Fresh Fruit and Vegetables	0.8%	99,578	Malaysia (21.3) Singapore (19.8) United Arab Emirates (13.3) India (6.1) Saudi Arabia (4.8) Bahrain (4.2) Taiwan (2.6) Hong Kong (2.4) Qatar (2.3) United Kingdom (2.3) Japan (2.1) Reunion (2.0) Indonesia (1.5)

2007 STATISTICAL INFORMATION

MAJOR IMPORTS BY COMMODITY 2006/2007

Commodity Total	% Tonnes	Mass Tonnes	Principal Countries (% Commodity)
Petroleum Crude	43.5%	5,222,613	Australia (39.9) United Arab Emirates (37.5) Saudi Arabia (6.7) Indonesia (4.5) Malaysia (8.1) Algeria (3.2) Malaysia (2.8) Qatar (1.7)
Petroleum Refined	5.7%	689,585	Singapore (84.4) United Arab Emirates (5.8) Japan (4.5) Australia (2.4) Taiwan (1.5)
Cement Clinker	5.4%	644,642	Indonesia (59.7) Japan (30.4) Malaysia (9.9)
Caustic Soda	5.3%	637,008	Taiwan (37.2) Saudi Arabia (17.7) Japan (14.9) Netherlands (8.5) Qatar (7.9) China (5.6) United States of America (4.7)
Phosphates - Fertilisers	5.2%	619,123	United States of America (35.8) Morocco (20.0) China (10.9) Saudi Arabia (9.5) Israel (8.4) Australia (5.9) Christmas Island (2.9) Malaysia (2.8) Taiwan (2.8)
Iron and Steel Products	3.0%	359,030	Australia (23.7) China (17.2) Singapore (11.9) Taiwan (9.9) South Korea (9.6) Japan (6.8) Indonesia (5.2) Malaysia (4.1) Thailand (1.9) India (1.6) Sweden (1.5)
Sulphur	2.8%	332,352	Canada (100.0)
Chemicals and Related Products	2.4%	288,018	China (20.9) Australia (15.3) South Korea (10.8) United States of America (5.8) Singapore (5.8) United Arab Emirates (4.1) Belgium (3.8) Indonesia (3.6) South Africa (3.1) Malaysia (3.1) Thailand (2.8) Japan (2.4) Taiwan (2.1) Netherlands (2.0) United Kingdom (1.9)
Bricks, Tiles and Pavers	2.1%	252,915	Australia (42.1) Malaysia (17.4) China (10.9) Italy (8.2) Spain (4.6) Indonesia (3.1) Vietnam (2.8) Thailand (2.6) Sri Lanka (1.3)
Miscellaneous Manufactured Articles	1.6%	188,836	Australia (33.0) Singapore (24.0) China (15.8) Malaysia (8.7) Germany (1.9) Taiwan (1.8)
Iron Ore	1.4%	165,392	Australia (100.0)
Motor Vehicles	1.3%	160,642	Japan (43.4) Thailand (19.3) South Korea (10.8) Australia (8.9) South Africa (4.6) Belgium (3.4) Germany (2.7) Spain (2.1) United States of America (1.8) United Kingdom (1.2)
Machinery - Agricultural, Industrial	1.3%	155,877	China (22.4) Singapore (8.2) United States of America (6.7) Germany (6.6) Australia (6.6) Indonesia (5.8) Thailand (5.6) Malaysia (4.6) South Korea (4.4) Italy (3.7) Japan (3.3) Belgium (2.3) United Kingdom (2.2) Taiwan (1.9) Netherlands (1.7) Hong Kong (1.7)
Paper, Paperboard	1.3%	152,706	Australia (49.6) Indonesia (10.1) Finland (7.5) China (5.9) United States of America (3.9) Singapore (3.3) South Korea (2.9) Netherlands (2.7) Germany (2.7) Belgium (2.5)
Manufactures of Metal	1.2%	143,819	China (31.6) Australia (14.8) Singapore (9.5) Thailand (7.2) Malaysia (5.2) United States of America (4.1) Taiwan (3.0) South Korea (2.7) Indonesia (2.1) South Africa (2.0) Germany (2.0) India (1.8)
Vehicles - Industrial and Agricultural	0.9%	112,007	Japan (30.0) United States of America (22.5) Germany (8.3) Australia (7.3) Belgium (4.3) United Kingdom (4.0) Sweden (3.8) China (3.8) Singapore (3.6) South Korea (3.6) Finland (1.7)
Urea Ammonium Nitrate (UAN)	0.9%	105,622	Russia (100.0)
Plastic Wares and Other Manufactures	0.9%	104,005	China (15.7) Australia (14.4) United Arab Emirates (14.0) Indonesia (7.9) Malaysia (7.9) Thailand (7.8) Singapore (5.8) Taiwan (4.9) South Korea (2.3) India (1.8) Israel (1.8)

2007 STATISTICAL INFORMATION

MAJOR EXPORTS BY COUNTRY 2006/2007

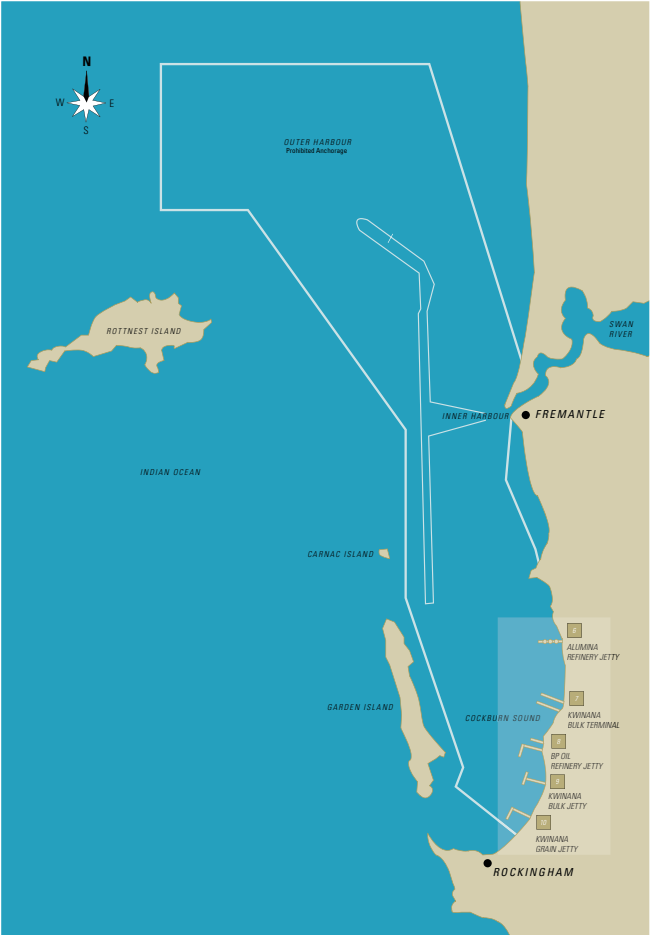
Country	% Tonnes	Mass Tonnes	Principal Commodities (% Country Total)
Australia	19.2%	2,491,005	Petroleum Refined (75.6) Alumina (18.9) Phosphates - Fertilisers (2.1)
China	15.1%	1,959,888	Alumina (76.1) Grain (5.9) Nickel Matte and Concentrates (3.4) Titanium Dioxide (2.7) Wool (2.6) Waste Paper (1.9) Mineral Sands (1.8) Hides and Skins (1.1)
Japan	11.9%	1,548,918	Grain (63.3) Animal Feeds (17.2) Alumina (4.7) LPG (3.5) Silica Sands (2.3) Malt (2.1)
Indonesia	7.8%	1,009,974	Grain (62.0) Alumina (9.7) Metal Scrap (8.0) Waste Paper (7.3) Cattle and Calves (1.4) Malt (1.3) Animal Feeds (1.1)
South Korea	6.7%	871,886	Grain (80.4) Silica Sands (4.8) Animal Feeds (2.8) Titanium Dioxide (2.6) Manufactures of Metal (1.3) Malt (1.3)
India	5.1%	658,036	Grain (80.4) Black Coal (6.4) Alumina (3.9) Mineral Sands (1.8) Titanium Dioxide (1.4) Wool (1.3)
New Zealand	4.9%	637,765	Petroleum Refined (87.3) Bricks, Tiles and Pavers (3.8) Grain (3.1)
Malaysia	4.9%	632,537	Grain (41.6) Metal Scrap (26.9) Pig Iron (6.3) Phosphates - Fertilisers (4.3) Fresh Fruit and Vegetables (3.5) Alumina (1.8) Malt (1.8) Miscellaneous Manufactured Articles (1.6) Mineral Sands (1.4) Silica Sands (1.3) Other Crude Minerals (1.0)
Singapore	3.9%	505,942	Petroleum Refined (46.5) Grain (8.1) Malt (6.4) Miscellaneous Manufactured Articles (6.3) Fresh Fruit and Vegetables (4.7) Dairy Products (4.1) Mineral Sands (3.2) Other Crude Minerals (2.3) Chemicals and Related Products (1.9) Titanium Dioxide (1.9) Wool (1.6) Fresh Meat - Chilled or Frozen (1.5) Waste Paper (1.3) Machinery - Agricultural and Industrial (1.1)
Saudi Arabia	2.5%	328,013	Grain (52.9) Sheep (21.7) Animal Feeds (14.6) Fresh Meat - Chilled or Frozen (3.9) Cattle and Calves (2.3) Water (1.7) Fresh Fruit and Vegetables (1.5)
United States of America	2.0%	258,531	Alumina (78.1) Fresh Meat - Chilled or Frozen (4.4) Non Ferrous Metals (4.0) Chemicals and Related Products (2.2) Manufactures of Metal (2.1) Nickel Matte and Concentrates (1.5) Other Animal Foods Prepared or Manufactured (1.1) Mineral Sands (0.9)
Thailand	1.9%	245,746	Malt (20.3) Grain (18.9) Metal Scrap (13.8) Alumina (9.7) Pig Iron (7.2) Waste Paper (6.8) Titanium Dioxide (5.6) Mineral Sands (4.8) Non Ferrous Metals (3.4) Hides and Skins (1.9) Chemicals and Related Products (1.8) Manufactures of Metal (0.9)
Yemen	1.7%	226,288	Grain (99.9)
Vietnam	1.7%	223,501	Grain (78.4) Malt (6.3) Metal Scrap (5.3) Waste Paper (2.0) Titanium Dioxide (1.8) Logs and Timber (1.5) Other Animal Foods Prepared or Manufactured (1.3)
Taiwan	1.4%	186,201	Grain (32.0) Petroleum Refined (11.7) Alumina (9.8) Pig Iron (9.4) Animal Feeds (6.0) Fresh Fruit and Vegetables (3.7) Chemicals and Related Products (3.7) Tallow (3.6) Other Animal Foods Prepared or Manufactured (2.5) Non Ferrous Metals (2.2) Titanium Dioxide (2.1) Nickel Matte and Concentrates (1.7) Mineral Sands (1.7) Other Cereals and Cereal Preparations (1.5) Fresh Fruit and Vegetables (1.4) Dairy Products (1.0) Phosphates - Fertilisers (0.8)
Russia	1.4%	177,385	Alumina (98.7) Animal Feeds (0.9)

2007 STATISTICAL INFORMATION

MAJOR IMPORTS BY COUNTRY 2006/2007

Country	% Tonnes	Mass Tonnes	Principal Commodities (%Country Total)
Australia	28.8%	3,455,172	Petroleum Crude (60.7) Iron Ore (4.5) Bricks, Tiles and Pavers (3.1) Newsprint (2.8) Coal (2.6) Gypsum (2.6) Iron and Steel (2.5) Paper and Paperboard (2.2) Miscellaneous Manufactured Articles (1.8) Fabricated Construction Articles (1.7) Chemical and Related Products (1.3) Sugar (1.1) Phosphates - Fertilisers (1.1)
United Arab Emirates	17.0%	2,046,369	Petroleum Crude (95.7) Petroleum Refined (1.9) Plastic Wares (0.7)
Singapore	6.6%	794,953	Petroleum Refined (75.1) Miscellaneous Manufactured Products (5.9) Iron and Steel Products (5.5) Chemicals and Related Products (2.2) Manufactures of Metal (1.8) Machinery - Agricultural and Industrial (1.6) Caustic Soda (0.8) Plastic Wares (0.8)
Indonesia	6.4%	763,302	Cement Clinker (50.4) Petroleum Crude (31.0) Iron and Steel Products (2.5) Paper and Paperboard (2.0) Ammonia (2.0) Chemicals and Related Products (1.4) Furniture and Parts (1.3) Cork and Wood Manufactures (1.3) Machinery - Agricultural and Industrial (1.2) Caustic Soda (1.1) Plastic Wares (1.1) Bricks, Tiles and Pavers (1.0)
China	5.2%	621,389	Petroleum Crude (12.0) Phosphates - Fertilisers (10.9) Iron and Steel Products (10.0) Chemicals and Related Products (9.7) Manufactures of Metal (7.3) Furniture and Parts (7.2) Caustic Soda (5.8) Machinery - Agricultural and Industrial (5.6) Miscellaneous Manufactured Articles (4.8) Bricks, Tiles and Pavers (4.4) Plastic Wares (2.6) Cork and Wood Manufactures (2.0) Rubber Manufactures (2.0) Other Transport Equipment and Parts (1.6) Paper and Paperboard (1.5) Fabricated Construction Materials (1.5) Toys, Games and Sporting Goods (1.3)
Japan	4.9%	594,159	Cement Clinker (33.0) Caustic Soda (15.9) Slag Residue ex Steel Furnace (15.9) Motor Vehicles - New (11.7) Vehicles - Industrial and Agricultural (5.7) Petroleum Refined (5.2) Iron and Steel Products (4.1) Rubber Manufactures (3.6) Chemicals And Related Products (1.2) Other Transport Equipment and Parts (0.9) Machinery - Agricultural and Industrial (0.9)
Saudi Arabia	4.4%	523,614	Petroleum Crude (67.0) Caustic Soda (21.5) Phosphates - Fertilisers (11.2)
Malaysia	3.7%	439,057	Petroleum Crude (33.8) Cement Clinker (14.5) Brick, Tiles and Pavers (10.0) Urea (9.5) Furniture and Parts (4.5) Miscellaneous Manufactured Articles (3.7) Iron and Steel Products (3.4) Cork and Wood Manufactures (2.1) Chemical and Related Products (2.0) Plastic Wares (1.9) Manufactures of Metal (1.7) Machinery - Agricultural and Industrial (1.6) Logs and Timber (1.3)
United States of America	3.1%	372,785	Phosphates - Fertilisers (59.5) Caustic Soda (8.0) Vehicles - Industrial and Agricultural (6.8) Chemicals and Related Products (4.5) Other Transport Equipment and Parts (3.6) Machinery - Agricultural and Industrial (2.8) Rubber Manufactures (1.8) Paper and Paper Board (1.6) Manufactures of Metal (1.6) Fresh Meat Chilled or Frozen (1.2) Iron and Steel Products (1.1) Motor Vehicles - New (0.8)
Canada	2.9%	344,804	Sulphur (96.4)
Taiwan	2.8%	334,324	Caustic Soda (70.8) Iron and Steel Products (10.6) Phosphates and Fertilisers (5.1) Petroleum Refined (3.1) Chemicals and Related Products (1.8) Plastic Wares (1.5) Manufactures of Metals (1.3) Miscellaneous Manufactured Articles (1.0) Machinery - Agricultural and Industrial (0.9)
Algeria	1.4%	169,370	Petroleum - Crude (100)
Qatar	1.3%	154,359	Petroleum Crude (56.1) Caustic Soda (32.4) Urea (11.0)
Thailand	1.2%	147,055	Motor Vehicles - New (21.1) Sulphuric Acid (12.8) Manufactures of Metal (7.0) Machinery - Agricultural and Industrial (5.9) Chemical and Related Products (5.5) Plastic Wares (5.5) Iron and Steel Products (4.5) Rice (4.5) Bricks, Tiles and Pavers (4.4) Other Food Preparations (3.4) Petroleum Refined (3.2) Fish Crustaceans and Molluscs (2.9) Fabricated Construction Material (2.4) Fruit and Vegetables - Preserved, Canned, Bottled or Frozen (2.3) Glass (2.3) Textiles, Yarn, Fabrics (2.1) Paper and Paperboard (1.6) Rubber Manufactures (1.5)
South Korea	1.2%	139,145	Iron and Steel Products (24.8) Chemicals and Related Products (22.2) Sulphuric Acid (13.8) Motor Vehicles - New (12.5) Machinery - Agricultural, Industrial (4.9) Rubber Manufactures (3.5) Paper and Paperboard (3.1) Vehicles - Industrial and Agricultural (2.9) Manufactures of Metal (2.8) Plastic Wares (1.7) Petroleum Refined (1.2) Other Transport Equipment and Parts (1.1)

2007 INNER AND OUTER HARBOURS



About the Annual Report

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

The report is written and edited by Fremantle Ports staff.

Additional copies of the Annual Report and other publications may be obtained from External Affairs, Telephone: 61 (8) 9430 3555.

Abbreviations

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

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