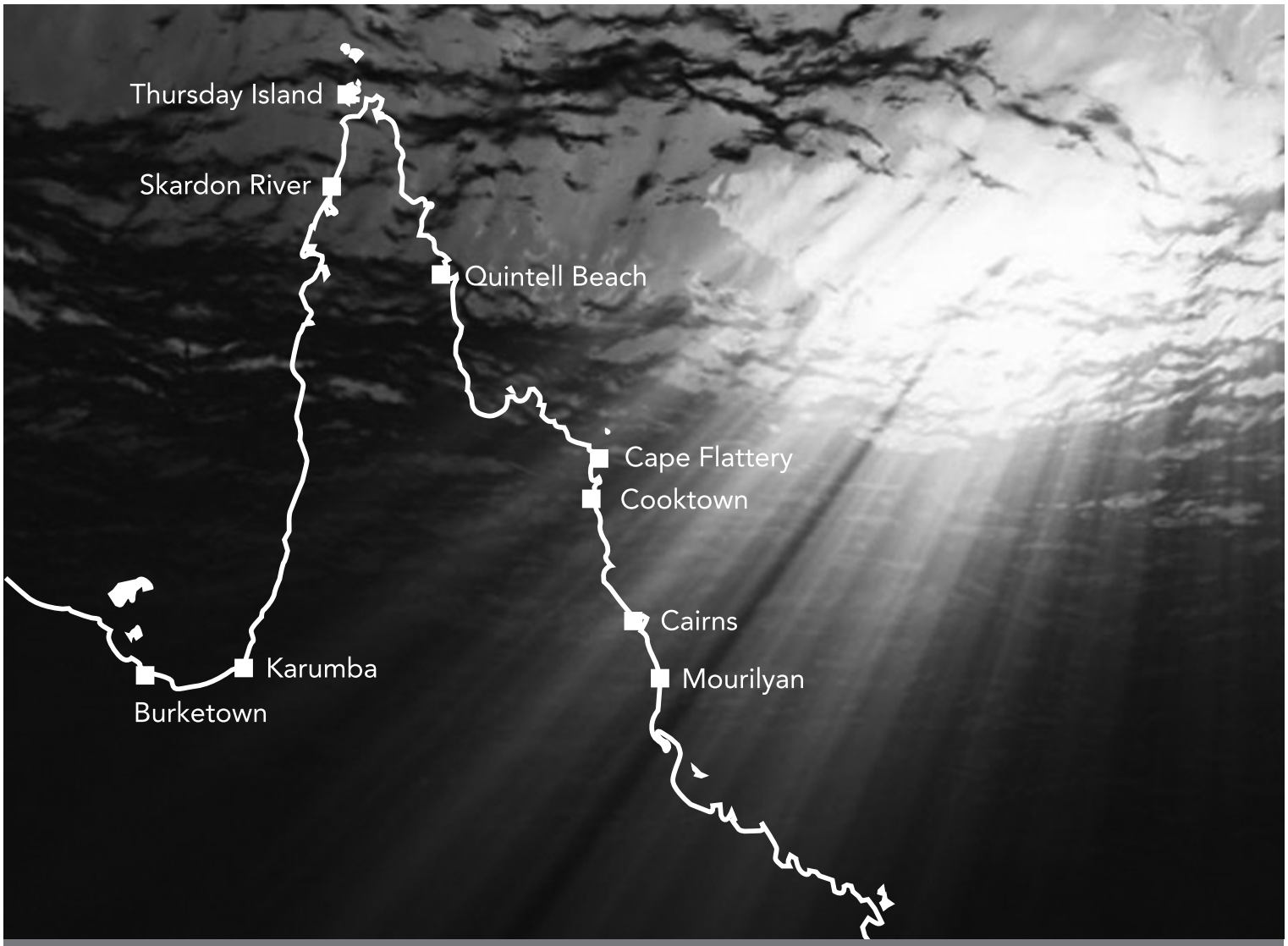
Ports North




# Annual Report 2013/14

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# ABOUT THIS REPORT

This report details our activities and financial performance for the financial year ended 30 June 2014. It fulfils Queensland Government requirements pursuant to section 50 of the *Government Owned Corporations Regulation 2004*.

The report is available online at *www.portsnorth.com.au.* Ports North welcomes your feedback on the Report and this can be sent to *enquiries@portsnorth.com.au*.

# ABOUT US

Far North Queensland Ports Corporation Limited (A.C.N. 131836014), trading as Ports North, is a company Queensland Government Owned Corporation responsible for the development and management of the declared Ports of Cairns, Cape Flattery, Karumba, Mourilyan, Skardon River, Quintell Beach, Thursday Island, Burketown and Cooktown.

Ports North's operations and facilities are vital to the economic development of the regional centres they service and the State's tourism and export performance.

Our ports handle bulk shipments of sugar, molasses, silica sands, zinc, fuel, fertilisers, log products, minerals, livestock and general cargo.

Ports North also has extensive marina and tourism facilities, particularly in Cairns.

Ports North has a range of strategic land holdings, including approximately 228 hectares of freehold and 635 hectares of leasehold Strategic Port Land and properties across its ports.

The shareholding Ministers are the Honourable Tim Nicholls MP, Treasurer and Minister for Trade and the Honourable Scott Emerson MP, Minister for Transport and Main Roads.

### The Corporation's Vision

*To be a successful, sustainable Port operator and a valued contributor to regional economic growth.*

### The Corporation's Mission

*To grow trade and tourism through the Ports and develop Port assets in a sustainable manner to benefit the region and maximise shareholders value.*

### The Corporation's Values

**Health and Safety** is a priority and we are committed to providing the highest standard of safety for our workplace.

**Customer Focused** we will be professional and responsive in seeking to deliver excellent service to all of our internal and external customers.

**Value Our People** we will promote co-operation and teamwork, ethical and honest behaviour, respect and integrity while providing opportunities for staff to develop and acquire skills needed to meet our objectives.

**Community Minded** we will seek to build effective relationships with the community and our stakeholders by being a responsible corporate citizen fostering social value and economic benefit to the region.

**Sustainable Outcomes** we are committed to sustainable outcomes by acting in a commercially astute manner whilst considering risk and the environmental and social impacts of our activities.

**Excellence in Governance** we are committed to compliance with governance structure and procedures, transparent and accountable reporting and management of risk.

### The Corporate Objectives are to:

- Identify and develop new trade and business opportunities and grow existing business that results in increased profitability/sustainability without compromising current operations.
- Manage and develop Port property to provide long term financial return to the company while contributing to sustainable regional development.
- Plan, develop and manage Port infrastructure and assets to improve Port efficiency and meet the needs of our customers on a sustainable basis that considers financial, environmental and social impacts.
- Maintain a positive, productive and supportive relationship with stakeholders and community.
- Maintain excellence in Corporate Governance with appropriate finance, risk, and corporate governance systems and culture.

# YEAR AT A GLANCE

Financial Summary for the Year Ending 30 June 2014

| Continuing Operations | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Operating Revenue | **53,158** | 35,595 |
| Operating Expenditure | **40,931** | 26,914 |
| EBIT | **12,227** | 8,681 |
| Net Profit (Loss) | **7,443** | 6,378 |
| Total Assets | **302,151** | 315,203 |
| Total Liabilities | **45,877** | 38,487 |
| Net Assets | **256,274** | 276,716 |
| Accounting Rate of Return | **3.96%** | 2.73% |
| Debt to Equity Ratio | **-** | - |
| Current Ratio | **2.50** | 4.48 |

# OUR PORTS

## PORT OF CAIRNS

Cairns Seaport is a multi-purpose regional port that caters for a diverse range of customers from bulk and general cargo, cruise shipping, fishing fleet and reef passenger ferries.

The Port's bulk cargo includes petroleum products, sugar, fertiliser and liquid petroleum gas.

The Port has long been the natural consolidation and redistribution centre for supplies that are shipped to the coastal communities north of Cairns as well as the Torres Strait Islands and the Gulf of Carpentaria.

The Port is a supply and service centre for the Freeport mine operations in Indonesia with regular mine servicing shipping operations out of the Port.

The Port is one of the countries busiest cruising destinations with both major international cruise ships and a number of domestic cruise vessels operating out of Cairns.

The Cairns Marlin Marina is a 261 berth Marina accommodating a variety of cruising vessels, superyachts and reef vessel operations servicing the Great Barrier Reef.

The Reef Fleet Terminal provides the gateway to the Great Barrier Reef for more than 750,000 passengers who visit the reef from Cairns each year. Sailfish Quay, within the Cairns Marlin Marina, provides world class superyacht berths for vessels up to 80m.

The Cityport project, located immediately adjacent to the Cairns CBD, with a detailed Masterplan, provides a range of unrivalled waterfront tourism, commercial and residential property development opportunities.

The Port has extensive land holdings that are leased to Seaport customers and is home to one of Australia's largest fishing fleets.

The Port offers extensive and experienced ship building and repair services with a number of slipways and dry docks up to 3,000 tonne capacity for a diverse range of ship maintenance requirements.

## PORT OF CAPE FLATTERY

The Port of Cape Flattery is situated more than 200 kilometres north of Cairns on the east coast of Cape York Peninsula. It is used for the export of silica sand from the Cape Flattery mine, and is operated by the Cape Flattery Silica Mines Pty Ltd (CFSM). The company is the world's largest producer and exporter of silica sand.

There are onshore silica sand handling and stockpiling facilities and a 500 metre, single trestle jetty and conveyor running from the mine to an offshore berth and ship loader.

There is also a general purpose wharf for the import of fuel and other supplies for the mine and for the mooring of two line boats which assist in ship berthing.

## PORT OF KARUMBA

The Port of Karumba is located at the mouth of the Norman River in the south-east corner of the Gulf of Carpentaria. The Century Mine started exporting zinc concentrate through the port in December 1999. Zinc slurry is piped 304 kilometres to the port from the mine, dewatered and loaded on to a 5,000 tonne, fully enclosed transfer vessel for the 40 kilometre journey to the export ships that anchor in deep water in the Gulf of Carpentaria, about 24 nautical miles off the coast.

Other facilities in the port provide for general cargo, fuel, fisheries products and the export of live cattle. Karumba also acts as a transhipment port for Mornington Island, other Gulf communities and the Port of Weipa for the majority of the year, with refrigerated semi-trailers bringing goods north to Karumba for transhipment.

## PORT OF MOURILYAN

The Port of Mourilyan exports raw sugar and molasses from the Innisfail, Babinda, Tully and the Atherton Tableland sugar growing districts. It comprises onshore sugar and molasses handling and storage facilities and a single sugar loader and associated wharf located within a sheltered natural harbour.

The port is also preparing to accommodate a new magnetite export operation due to commence in late 2014.

The port includes a livestock export facility and the capacity to expand into new bulk cargo exports.

## PORT OF SKARDON RIVER

Skardon River was declared a port in February 2002. As the port manager Ports North's role is to maintain the port to facilitate trade.

The marine facilities are located upstream on the Skardon River and incorporate a barge ramp. To date, limited shipments of product have been shipped via the port.

## PORT OF QUINTELL BEACH

Quintell Beach is a community port with a barge facility located on the east coast of northern Cape York that services the needs of the Lockhart River community and remote grazing properties.

## PORT OF THURSDAY ISLAND

The Port of Thursday Island is a community port located in a natural harbour in the Torres Strait at the most northern part of Australia. Ports North owns the wharf facilities, which are established on both Thursday Island Horn Island. The port services the needs of the two islands and also operates as a major transhipment point for the supply of essential cargoes to other islands of the Torres Strait.

The port's strategic location means that a number of government agencies, including Customs and Fisheries patrols, are based there.

## PORTS OF COOKTOWN AND BURKETOWN

The Ports of Cooktown and Burketown are declared Ports, however no commercial trade takes place.

# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

During FY2014 more than 4.85 million tonnes of cargo including sugar, molasses, silica sand, zinc, fuel, fertiliser, log product, livestock and general cargo made its way through Far North Queensland's ports bound for domestic and international markets. At the same time, some 820,000 tourists from around Australia and overseas used our facilities to experience Cairns and the wonder that is the Great Barrier Reef.

Each and every one of these products and passengers is a reminder of the essential role played by Ports North in the life and prosperity of Far North Queensland.

## OUR PERFORMANCE

The Operating result after tax for the year ended 30 June 2014 was a profit of $7.44 million compared with an after tax profit of $6.38 million in the prior year. The operating result before tax was $12.23 million compared with $8.68 million in the previous year.

The company's financial results for the year reflect a strong overall performance. Trade volume was up particularly in Cape Flattery and Mourilyan. Property revenue growth was ahead of inflation reflecting improved rental returns. Whilst marina occupancy reduced slightly, marina revenue increased due to growth in reef fleet passenger numbers. Cost growth was tightly contained across the company. The market value of the Company's Investment Property increased following an independent revaluation and impairment of other assets reduced reflecting stronger future revenue expectations. Asset related transactions had a minimal net impact on the company's results this year with the investment property gains and impairment reversals being offset by work in progress and other write downs.

## SUP**PORT**ING **Tourism**

Ports North is a key partner in, and supporter of, Far North Queensland's tourism industry with more than 820,000 reef and cruise tourists using our facilities.

The stunning Reef Fleet Terminal provides a gateway to the Great Barrier Reef and the Cairns Marlin Marina provides first-class facilities and customer service for a diverse fleet including some of the world's most advanced super yachts.

The Cityport development demonstrates our expertise in master planning, activating the waterfront through world-class marine and tourism infrastructure and the award winning Cairns Cruise Liner Terminal reflects the importance we place on supporting the Cairns and regional tourism industries while protecting our heritage.

Progressing the Cairns Shipping Development Project (CSDP) continued to be a major focus for the organisation over the past year as we commit to delivering the most rigorous Environmental Impact Statements (EIS) of its type to meet the stringent requirements of both the State and Commonwealth Governments. With the EIS due out for public consultation later this year, we will again seek to enable the community to consider and contribute to the future of Cairns as we lead and listen.

The CSDP is a community project that will support Cairns to take its place as one of the premier cruise destinations in Australia, capitalising on the booming global cruise industry. By improving access for large cruise ships to the Port of Cairns, the project will inject $634 million over 25 years into the regional economy and ultimately generate up to 680 extra flow-on jobs per year significantly boosting local business, tourism and the economy.

## SUP**PORT**ING **the Reef**

Ports North takes very seriously the World Heritage values of the Great Barrier Reef and the responsibility we all have to assist in its protection for future generations.

We are determined to demonstrate the highest standard in managing the environmental impacts that come with operating port activities, including impacts on the reef.

We continue to work closely with the Great Barrier Reef Marine Park Authority to meet our requirements on dredging and shipping movements and we support specific environmental studies that contribute to greater understanding of the reef and its health/inhabitants.

Ports North is committed to the highest standards of environmental practice in our own operations as well as partnering with other organisations that deliver vital regional programs helping to protect our Great Barrier Reef for future generations.

Now in its ninth year, Ports North's sponsorship of the Crown of Thorns Starfish (COTS) Control Program managed by the Association of Marine Park Tourism Operators (AMPTO) continued supporting the program to employ two extra divers. It is part of our long-term commitment to studying and protecting the Great Barrier Reef by controlling the Crown of Thorns starfish which has been identified as one of the most significant threats to coral.

## SUP**PORT**ING **Environment**

Environmental management is critical to Ports North as we operate ports located in or adjacent to areas of high conservation values. We have always had a strong focus on scientific research and environmental monitoring programs that contribute to our understanding of the environment in which we operate. Our involvement in the CSDP has been driven by our expertise in successfully planning and delivering major marine projects while maintaining a high level of environmental management.

Over the past 12 months, Ports North has continued to maintain a strong focus in undertaking research and monitoring programs in the areas of: seagrass, sediment quality analysis, Trinity Inlet water quality, bio-security and marine pests as well as coral, macro algae, benthic macro invertebrate and migratory wader bird surveys.

## SUP**PORT**ING **Trade**

Ports North's ports are critical to the regional economy, representing $1.8 billion gross value added and 17% of the gross regional product. Further improvement to port efficiencies, through projects such as the CSDP, will contribute significantly to the growth potential for trade through our ports.

Ports North has continued to be involved with business and regional development organisations to grow trade and increase exports from the region and we have been actively championing the case for the development of Far North Queensland as a supply hub and source of goods and services to other areas of Northern Australia, as well as the neighbouring Asian and Pacific regions.

Our trade performance has remained solid throughout the year with increases in overall trade reflecting our continued focus on trade development. In a further sign of growth in the region, Ports North recently confirmed a 400,000 tonne per annum magnetite export operation through the Port of Mourilyan. This operation will utilise existing port infrastucture and is due to commence in late 2014.

## SUP**PORT**ING **Jobs**

Our ports support almost 20,000 people in employment in the Cairns and Far North Queensland region.

As a regional employer, we provide a safe, supportive work environment for employees based in the ports of Cairns, Mourilyan, Karumba and Thursday Island.

With our industry partners, we are always looking at ways to sustain and generate regional jobs through increased port efficiencies and infrastructure upgrades in the Far North Queensland marine industries.

The CSDP is a significant project for Ports North to deliver sustainable community and economic benefits for Cairns and the region, with the potential to create 215 jobs during construction and 680 flow-on jobs per annum.

## SUP**PORT**ING **Community**

Ports North continued its support of local organisations and the community during the year participating in sponsorship arrangements for significant regional events such as the Australian Tourism Exchange, Cairns Indigenous Art Fair, Ironman Cairns and the Cairns Amateurs Carnival. All events are major contributors to the economic output of the region.

As the owner and operator of nine ports in North Queensland including the Port of Cairns, Ports North is committed to effective master planning of port facilities and providing opportunities for our increasingly active and engaged community to be part of an informed conversation about the future needs of our ports.

## SUP**PORT**ING **Stakeholders**

We would like to record our appreciation to our customers and facility users for their support and commitment and look forward to continuing to grow the relationship for mutual benefit.

We would like to take this opportunity to thank the staff of Ports North for their efforts and engagement over the past year. Their commitment to exceptional safety performance and environmental stewardship are fundamental to our shared success as an organisation and as a facilitator of regional prosperity.

**Brett Moller**
*Chairman*

**Chris Boland**
*Chief Executive Officer*

# OUR COMMUNITY AND STAKEHOLDERS

Ports North is a major contributor to economic output in the region with benefits impacting on many industry sectors including tourism, marine industry, transport, property and business services.

During FY2014 Ports North continued its partnerships with other local organisations and the community in a range of initiatives including sponsorship arrangements, establishment of consultative committees and collaboration with local cluster groups.

Ports North has supported a range of initiatives during FY2014 including:

- Community and regional festivals and events
- Arts, cultural and sporting events
- Charity initiatives
- Secondary school environment and education awards
- Marine industry initiatives and programs

As a key stakeholder in the region, Ports North supports and participates in a number of consultative forums and cluster groups that are beneficial to the community and our operations. These forums include:

- Advance Cairns
- Cairns Chamber of Commerce
- Tradelinked PNG
- Tourism Tropical North Queensland
- Regional Development Australia (Far North Queensland and Torres Strait)
- Gulf Savannah Development
- Port Advisory Groups in Cairns, Mourilyan, Karumba and Thursday Island
- Port of Cairns Cruise Shipping Group
- Port Security Committees
- Environmental Committees
- Super Yacht Group - Great Barrier Reef

## CORPORATE ENTERTAINMENT AND HOSPITALITY

Ports North maintains policies, procedures and controls over expenditure on entertainment and hospitality to ensure that such expenditure constitutes an acceptable use of funds to advance our business interests and is properly accounted for in accounting records.

Ports North did not undertake any corporate entertainment and hospitality events over $5,000 in FY2014.

# OUR PEOPLE

Ports North is committed to being an employer of choice with a work environment that attracts, develops and retains motivated, capable people who can deliver on the business objectives. Our workforce of 70 employees spans a variety of professional, technical, trade and administrative roles. As a regional organisation we have employees based in Cairns, Mourilyan, Karumba and Thursday Island.

Ports North recognises that to achieve the best outcomes for the business it is important to have an environment that supports initiative, innovation and sound performance. To assist in this area the Employee Consultation Group provide a forum for management and staff to share information, discuss issues and work proactively towards enhancing the performance of Ports North and job satisfaction for staff.

## SAFETY PERFORMANCE

Safety is a major focus for Ports North and we are committed to ensuring facilities and services provided by Ports North are safe and secure for employees, customers and community. A strong safety culture has been developed across the organisation over the years and we continue to achieve excellent safety performance with zero lost time injuries being recorded for FY2014.

## SENIOR MANAGEMENT TEAM

**Chris Boland**
Chief Executive Officer

> **Michael Colleton** *General Manager Commercial*
Commercial Business, Property, Regional Ports, Marine Pilots Business Development and Corporate Governance

> **Alan Vico** *General Manager Planning and Projects*
Engineering, Capital Works, Major Projects, Channel Dredging, Surveying and Environment

> **Kerry Egerton** *General Manager Corporate Services*
Human Resources, Employee Relations, Safety, Information Systems, Administration, Communications, Media, Community and Public Relations

> **Nick Good** *Chief Financial Officer*
Financial Management, Accounting, Risk Management and Procurement

> **Warren Olsen** *Manager Assets*
Asset Strategy and Maintenance, Berth Dredging, Contract Management

> **David Good** *Manager Operations*
Port Operations, Security Management

# OUR ENVIRONMENT

Ports North continued its commitment to understanding and minimising potential environmental impacts of our operations and to encourage good environmental practice by our port users, tenants and other stakeholders. Our approach to environmental management focuses on both regulatory requirements and effective community and stakeholder awareness.

We continued to maintain compliance with environmental approvals applicable to our operations during the year, including deliverables required under conditions of such permits and licences.

## Environmental Management System

Our Environmental Management System (EMS) provides a systematic process to identify and manage the aspects and impacts of our operations and, through a risk-based approach, to develop and implement strategies to minimise impacts. Our system provides a mechanism for staff to identify the need to take corrective action, or modify practices for continual improvement, to ensure that environmental management remains applicable to our daily operations and business systems.

## Environmental Monitoring

Over the past 12 months, Ports North has continued to maintain a strong focus on understanding the physical, biological and cultural attributes of the areas surrounding our ports. This has included an increased emphasis on monitoring of Trinity Bay at Cairns to support the CSDP EIS. A summary of outcomes and performance of the programs is outlined below.

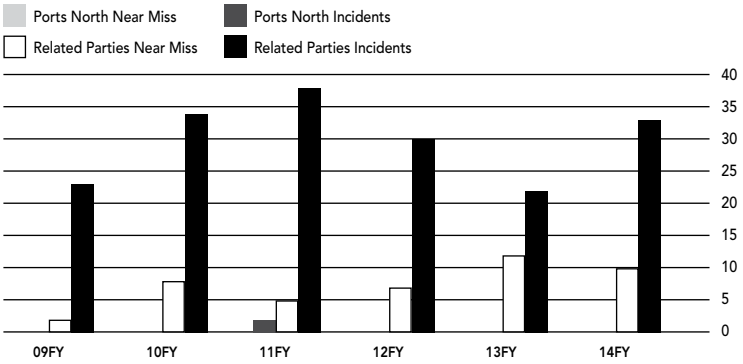
| Initiative | Summary |
|---|---|
| **General Environmental Monitoring** | **Long Term Seagrass Monitoring**<br>Ports North engaged the services of the Marine Ecology Group of TropWATER at James Cook University which provided the following survey outcomes;<br>***July 2013 to June 2014 – Cairns***<br>Confirmed that the density and distribution of seagrass meadows within Trinity Bay continued to remain at a reduced level due to influence of regional climate and wet seasons impacts, with positive signs of recovery at some areas. The condition of Seagrass within the upper Trinity Inlet area remained in good condition. Additional benthic light (Photosynthetically Active Radiation), temperature data, seed bank density and viability analysis was collected at specific seagrass habitat areas to inform the CSDP EIS and improve understanding of conditions for seagrass growth within Trinity Bay.<br>***October 2013 – Mourilyan***<br>The size and density of the three monitoring meadows remained well below the long-term average, or were absent, indicating seagrasses at Mourilyan remain in a poor condition due to the significant declines in biomass and distribution since 2009 as a result of catchment influences and effects of the 2010/11 wet seasons.<br>***October 2013 – Karumba***<br>Seagrass meadows continued to remain in a very healthy and productive condition with extensive meadows that support large populations of turtle and dugong, as evidenced by the numerous feeding trails through the seagrass.<br>These results were comparable to observations of seagrass condition at other Queensland ports and adjacent monitoring areas. |

| Initiative | Summary |
|---|---|
| **General Environmental Monitoring** *(continued)* | **Sediment Quality Analysis Plan - Cairns**<br>The 2014 Sediment Analysis Plan at Cairns was completed to test for a range of potential contaminants. The general trend of improvement in sediment quality was again observed and indicates past changes to management of vessel maintenance and repair facilities has become effective in reducing the inputs of contaminants to Trinity Inlet. Material proposed for maintenance dredging is being assessed against the National Assessment Guidelines for Dredging (NAGD, 2009) for verification of the suitability for the continuation of dredging and placement at the marine material placement area.<br>**Trinity Inlet Water Quality - Cairns**<br>Periodic sampling of water quality at Ports North's marina facilities in Trinity Inlet was continued and extensive additional water quality work was enacted between False Cape and Palm Cove to establish baseline conditions to inform studies for the CSDP EIS process. |
| **Pest Animals and Weeds** | **Bio-Security**<br>Ongoing support by way of facilitation of access and engagement with port operators was continued to enable management of risks associated with introduced species at our ports. This included assistance to the Department of Agriculture for surveillance programs for Asian Honey Bees, tropical mosquitoes and pest toads. No significant finds were reported.<br>**Marine Pests**<br>Periodic checking of sampling devices established at Cairns and Karumba was completed and indicated no detections or establishment of marine pests on the established settlement plate system. There were also no reports by other agencies or port users on the detection of marine pests at Cairns or the regional ports. There were no marine pest species detected during the annual sediment analysis plan work at Cairns during May and June 2014. |
| **Coral, Macro Algae, Benthic Macro Invertebrate and Migratory Wader Bird Surveys** | Outcomes of these surveys to identify the distribution, species types and habitat were finalised during the period and utilised to inform the baseline chapters of the CSDP EIS, as well as provide an updated understanding of the condition of such habitats and species. The coral surveys conducted in December 2013 are the most recent detailed studies of corals along the coastline in the Cairns area since the Trinity Inlet Management Program studies in the mid-1990's. |

## ENVIRONMENTAL INCIDENTS

During FY14, a total of 33 environmental incidents were recorded on strategic port land or at our facilities that resulted in a release to the environment. A further 10 near-miss events occurred that were able to be contained and cleaned up with no release to the environment. No events were attributable to Ports North staff. The events were generally due to accidental operational spills or discharge due to various port users or tenants.

**Environmental Incidents and Near Miss Events Per Financial Year**



# BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

The Board of Ports North has primary responsibility to shareholding Ministers to establish strategic direction, pursue established corporate objectives and monitor business performance. The Board recognises the importance of applying best practice corporate governance principles in fulfilling this responsibility and has committed to the highest level of integrity in the conduct of its operations. To satisfy this commitment, the Board has adopted a Directors and Senior Executives Code of Conduct and has further set out expectations of Ports North employees and others with whom Ports North has transacted business or continues to transact business in a Code of Employee Conduct.

## SHAREHOLDERS

The Board of Directors is appointed by the Governor in Council and is accountable to the Treasurer and Minister for Trade and Minister for Transport and Main Roads for the performance of Ports North.

At 30 June 2014, all shares in Ports North were held by the Treasurer and Minister for Trade and Minister for Transport and Main Roads on behalf of the Queensland Government. In accordance with the *Auditor-General Act 2009* Ports North's audit is carried out by the Queensland Audit Office or its delegate.

On an annual basis, Ports North submits to the Shareholders and the Shareholders review and agree on, a Corporate Plan and Statement of Corporate Intent which specifies financial and non-financial performance targets. In addition, the shareholding Ministers can also direct that Ports North meet community service obligations and apply specified public sector policies in its operations. The Board has established policies and procedures, including a Disclosure to Shareholders Policy, to ensure that Shareholders are regularly informed through quarterly and Annual Reports of performance against approved plans and material developments likely to impact on the achievement of financial and non-financial targets.

## BOARD OF DIRECTORS – ROLE AND RESPONSIBILITY

The role of the Board is to represent Shareholders and accept responsibility for the management of the business and its affairs. The Board's responsibilities include:

- Determining strategic direction, vision and corporate objectives
- Approving policies, business plans, corporate plans and Statements of Corporate Intent that realise Ports North's vision and corporate objectives
- Evaluating and approving major capital expenditure and business transactions
- Ensuring adequate systems exist to monitor:
  - corporate compliance with legislation and relevant government guidelines and directives;
  - corporate performance against plans and forecasts; and
  - long term planning and risk management to ensure sustainable ongoing operations
- Appointing the Chief Executive Officer and clearly defining the roles and responsibilities of that position
- Approving the appointment of other senior executives and managing succession for all senior positions.

The Board of Directors Charter clearly defines the roles and responsibilities of the Board and individual directors and the matters which have been delegated to management. The Charter also provides the framework in which the operations of the Board are conducted.

## BOARD OF DIRECTORS

**Brett Moller** BA, LLB, MAICD
*Independent Director*
*Chairman*

Member, Audit and Risk Committee
Member, Human Resources Committee

**Sharon Dawson** BA, PGDip.Ed., GAICD
*Independent Director*
*Deputy Chairperson*

Chairperson, Human Resources Committee

**Gregory Nucifora** B.Com, CA, GAICD
*Independent Director*

Chairperson, Audit and Risk Committee

**Robert Macalister** BA(Hons), PGDip.Sc., GAICD
*Independent Director*

Member, Human Resources Committee

**Paul Gregory**
*Independent Director*

Member, Audit and Risk Committee

**Martin Lee** AAICD
*Independent Director*

## BOARD OF DIRECTORS – INDEPENDENCE

The Board of Directors is appointed by the Governor in Council and all are non-executive directors. Independence of Directors is assessed on an individual basis having regard to each Director's circumstances and by reference to independence criteria outlined in the Board of Directors Charter which requires an assessment of materiality. In determining materiality, the following guidelines are included in the Board of Directors Charter:

- a material professional advisor is one whose fees to Ports North in a financial year exceed $150,000 or exceed 5% of the annual revenue of the professional advisor;
- a material supplier is one whose sales to Ports North in a financial year exceeds $150,000 or exceed 5% of the annual revenue of the supplier;
- a material customer is one whose payments to Ports North in a financial year exceeds $150,000 or exceed 5% of the annual operating costs of the customer; and
- a material contractual relationship is one where the consideration payable under the contract exceeds $150,000 in any financial year.

An assessment of independence has been undertaken and all current Directors are considered to be independent.

The Board of Directors Charter and the Directors and Senior Executives Code of Conduct contain procedures for the disclosure of Directors' interests in matters to be considered by the Board and the manner in which such interests will be dealt with by the Board.

## BOARD OF DIRECTORS – PROFESSIONAL ADVICE

The Board and its Committees may seek independent professional advice whenever it is considered appropriate. Individual Directors, with the prior approval of the Chairman, can procure professional advice, at Ports North's expense, on matters related to their responsibilities as a Director.

## BOARD OF DIRECTORS – STRUCTURE AND PROCESS

Board meetings are conducted regularly and structured meeting agendas are prepared to ensure that appropriate time is committed to the principal functions of the Board. An annual Activity Plan has been developed which ensures that all necessary matters are addressed.

Each year the Board holds a special meeting to consider strategy formulation and planning, from which is developed a strategic outlook report. This report is then used by management as input into the annual business planning cycle. The Board approves the Annual Business Plan. Each year, consistent with the *Government Owned Corporations Act 1993*, the Board submits a Corporate Plan and Statement of Corporate Intent for approval by the shareholding Ministers.

The primary source of information for Directors is the monthly performance reports of the Chief Executive Officer and the Chief Financial Officer. In addition, the Board receives regular briefings and presentations on Ports North's operations and conducts site visits of operations as required. The Chairman regularly meets with the Chief Executive Officer to review business issues.

At the conclusion of each meeting, the Board monitors and comments on the efficiency and effectiveness of the meeting. This monitoring extends to an assessment of the adequacy of reports, the allocation of time to allow full consideration of performance monitoring, consideration of strategic issues and approval of matters as well as the general conduct of the meeting.

The effectiveness of the Board and each of the Board Committees is reviewed annually. The review process for the Board involves an assessment of progress against its principal responsibilities and the preparation of a formal Board Performance Report for consideration by the Board. A similar process has been implemented for each of the Board Committees. Periodically, the Board meets without management in attendance to consider Board effectiveness and progress.

The Human Resources Committee, on behalf of the Board, assesses the performance of the Chief Executive Officer and sets performance targets linked to the strategic objectives of Ports North. This system of performance review applies to all management positions whereby key result areas and performance targets are agreed (at a corporate, business unit and individual level) and performance is measured in achieving the agreed targets.

## RISK MANAGEMENT & COMPLIANCE

Ports North has in place processes to identify, assess and manage risks to its operations to minimise the impact of unplanned events. This approach is articulated in its Risk Management Policy and Risk Management Framework which also provides for structured risk assessments to be undertaken and the development of risk treatment plans.

The Audit and Risk Committee oversees the implementation of the Risk Management and Internal Control Policy and Risk Management Framework and a strong internal control environment to protect Ports North's interests. Safety and Environmental Management Frameworks, Financial Risks Policy, Fraud Control and Corruption Policy and Security and Emergency Plans address the associated specific risks.

Before approving the financial statements, the Board receives a formal statement from the Chief Executive Officer and Chief Financial Officer that:

- the financial reports have been prepared in accordance with applicable Accounting Standards and present a true and fair view of the financial position and financial performance of Ports North;
- financial records have been properly maintained and are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the risk management and control system is operating efficiently and effectively in all material respects.

## REMUNERATION

Director remuneration is effected by the provisions of the *Government Owned Corporations Act 1993*.

Executive remuneration is approved by the Board in accordance with the Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements December 2013.

Remuneration policies for management and staff are overseen by the Human Resources Committee which operates under the Human Resources Committee Terms of Reference.

Ports North's remuneration policies provide for a strategy that balances the needs of the organisation, individuals and shareholders. Policies recognise the need to contain costs to Ports North and optimise the return on Ports North's investment in its people.

Guiding principles that underpin the remuneration strategy are:

- Contribution to achievement of vision and corporate objectives
- Promotion of sustained superior performance
- Remuneration is competitive within the labour markets in which Ports North operates
- Transparency and fairness

An individual's remuneration is determined on appropriate market competitiveness and also having regard to the accountabilities and responsibilities of the position they hold. Remuneration may vary from year to year depending on how the individual and the organisation perform.

An 'at-risk' or incentive component of 5%, 10% or 15% (dependent on position) may be awarded to non-award staff for their performance in meeting set annual performance targets. In addition, minimum corporate standards of financial performance will need to be met before any performance payments are made.

These standards are determined by the Board of Directors annually. In making these determinations, organisation and individual performance objectives, standards and achievements will be taken into account.

The incentive is paid in the form of a one-off lump sum payment and employees must 're-earn' the incentive component each year.

## BOARD COMMITTEES

To increase its effectiveness the Board has established an Audit and Risk Committee, and a Human Resources Committee, each with terms of reference approved by the Board. Committee minutes are included in the papers for the next Board meeting and the Director chairing the Committee reports to the Board on matters addressed by the Committee.

## AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is comprised of three non-executive directors. The Chief Executive Officer and the Chief Financial Officer, who are not members of the Committee, also attend meetings.

The Committee's role and functions are detailed in an Audit and Risk Committee Terms of Reference and include:

- Provide an open atmosphere of communication between firms contracted to perform the internal audit function, the Board of Directors and management
- Periodically review and update, if necessary, the Audit Committee's terms of reference
- Appoint and establish the terms of reference for the internal auditor
- Review all published financial statements
- Review prepared budget, statement of corporate intent and corporate plan
- Review and assess the adequacy and effectiveness of internal control procedures
- Review the results of the internal and external audit
- Review changes in accounting policies and the effects of these changes
- Review with management, the external auditor or legal representatives any significant issues that may materially affect the financial position or operating results
- Review and monitor risk management processes and progress in implementing agreed risk management strategies
- Review and monitor compliance with legislative and statutory requirements and internal policies and procedures

## HUMAN RESOURCES COMMITTEE

The Human Resources Committee is comprised of three non-executive directors. The Chief Executive Officer and the General Manager Corporate Services, who are not members of the Committee, also attend meetings.

The Committee's role and functions are detailed in the Human Resources Committee's Terms of Reference and include:

- Review and approve employee/industrial relations strategies, including the enterprise bargaining agreement
- Guide the planning and implementation of organisational development and change programs including training and development
- Review and approve remuneration strategy, policies and practices

- Review and approve senior executive recruitment and appointments
- Conduct an annual performance and development review for the Chief Executive Officer
- Manage the Board and Committee Evaluation process
- Review and make recommendations to the Board on Directors training and skills development
- Consider, review and make recommendations to Board on Succession Planning for Senior Executives
- Provide advice to the Chairman during new directors nomination
- Liaise with State Government departments and agencies, as necessary, or refer matters to the Board of Ports North as appropriate
- Consider any other human resource, industrial relation or environmental matter that may be referred to the Committee by the Board

## SUMMARY OF DIRECTIONS AND NOTIFICATIONS RECEIVED UNDER THE GOVERNMENT OWNED CORPORATIONS ACT

Ports North was notified by it's shareholding Ministers during the reporting period, that the State Procurement Policy would no longer apply.

## SUMMARY OF OVERSEAS TRAVEL

The following officers undertook overseas travel during the year:

- Mr David Good, Manager Operations
- Captain Trond Kildal, Manager Marine Pilots

# KEY PERFORMANCE INDICATORS

## GENERAL

The operating result after tax for the year ended 30 June 2014 was a profit of $7.44 million which compares to a profit of $6.38 million in the prior year. The operating result before tax was $12.23 million for the year ended 30 June 2014 compared with $8.68 million for the previous year. The $3.55 million improvement in the before tax result is due to a number of factors including; an improved trading performance with growth in regional port exports lifting revenue, effective control of operating expenses and a reduction in the negative impact of asset valuation transactions compared to the previous year. Gains on revaluation of investment property and impairment reversals have mostly offset asset write downs of work in progress and property, plant and equipment.

## STATEMENT OF FINANCIAL POSITION

Total current assets reduced from $65.51 million at 30 June 2013 to $44.25 million at 30 June 2014. This was due to a reduced cash balance after a $31 million share repurchase. Excluding this item the cash position of the company improved strongly mostly due to trading performance.

Property Plant and Equipment increased from $104.94 million at 30 June 2013 to $114.51 million at 30 June 2014. The total increase in these values of $9.57 million was due to:

- Gains from revaluations exceeding reductions due to depreciation, and write downs by a total of $6.81 million.
- Additions of new assets (including Investment Property reclassified to Property Plant and Equipment) exceeded disposals by $2.76 million.

Investment property value reduced by $1.36 million overall during the year. This included an $8.05 million gain arising from the revaluation of existing investment properties and a $9.16 million write down of work in progress. Some investment property work in progress was also reclassified to Property Plant and Equipment.

Current liabilities increased from $14.62 million at 30 June 2013 to $17.67 million at 30 June 2014. This was mostly due to a higher dividend provision and increases to employee leave liabilities, creditors and income in advance arising from the port pilotage function. Non-current liabilities increased from $23.86 million at 30 June 2013 to $28.21 million at 30 June 2014. This was due to deferred tax liabilities and providing for marine pilot's long service leave entitlements.

Total equity as at 30 June 2014 was $256.27 million compared to $276.72 million for the prior year. The decrease was due to the combination of an equity withdrawal of $31 million through share repurchase and the issuing of $2.11 million of new shares associated with the transfer to Ports North of $2.11 million of assets for port pilotage purposes.

## DIVIDENDS

Provision for a dividend of $6.41 million has been included in the Statement of Financial Position. The prior year included provision of $5.15 million.

## CURRENT RATIO

The current ratio at 30 June 2014 is 2.50 compared with 4.48 in the prior year. The decrease is due to a combination of reduced cash and increased current liabilities. Cash reduced due to the equity withdrawal of $31 million by means of share repurchase that occurred during the year ended 30 June 2014. Current liabilities were higher due to the increased dividend provision and pilotage related factors explained above.

## DEBT TO EQUITY RATIO

The Company had nil debt as at 30 June 2014.

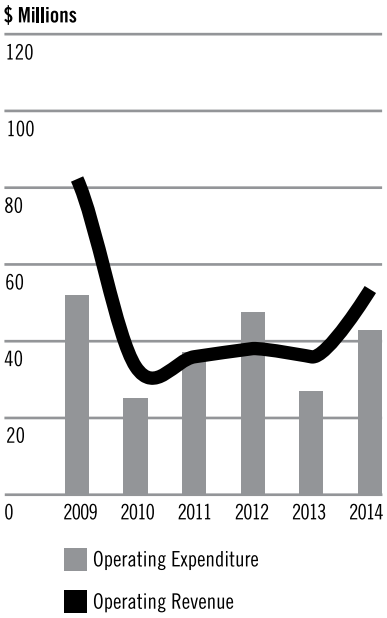
## INTEREST COVER RATIO

There was nil interest expense incurred during the year.

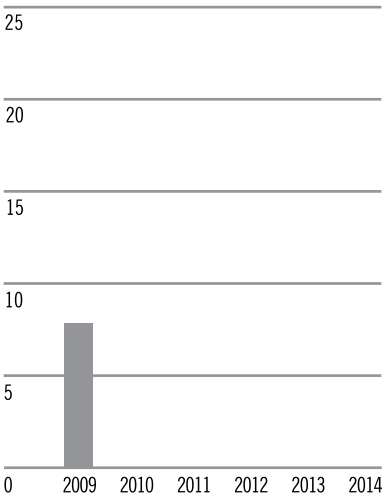
| Financial KPIs | FY2014 Plan | FY2014 Actual | FY2013 Actual |
|---|---|---|---|
| Earnings Before Interest and Tax ($'000) | 9,410 | 12,227 | 8,681 |
| EBITDA ($'000) | 13,832 | 17,153 | 14,876 |
| Net Profit After Tax ($'000) | 5,984 | 7,443 | 6,378 |
| Economic Profit ($'000) | (9,167) | (7,636) | (11,672) |
| Return on Assets | 3.08% | 3.96% | 2.73% |
| Return on Operating Assets | 3.22% | 4.05% | 2.86% |
| Debt to Debt + Equity | 0.00% | 0.00% | 0.00% |
| Return on Equity | 2.48% | 2.97% | 2.48% |
| Interest Cover | 0% | 0% | 0% |
| Current Ratio | 2.19 | 2.50 | 4.48 |
| Capital Expenditure ($'000) | 6,431 | 3,673 | 9,661 |
| Planned Maintenance Performed (%) | 100% | 96% | 113% |

| Non Financial KPIs | FY2014 Plan | FY2014 Actual | FY2013 Actual |
|---|---|---|---|
| **Operational** | | | |
| Trade ( tonnes) | 4,551,606 | 4,850,987 | 4,240,978 |
| No. of Vessels to Port (excluding internal movements) | 2,162 | 2,048 | 2,073 |
| Marina Berth Occupancy (%) | 70% | 68% | 70% |
| **Reputation** | | | |
| No. of Environmental - reportable breaches | 0 | 8 | 3 |
| No. of Security issues reported | 0 | 7 | 3 |
| Lost Time Injury Frequency Rate (LTIFR %) | 0.00% | 0.00% | 0.00% |
| Lost Time Injury Duration Rate (LTIDR) | 0 | 0 | 0 |
| Staff Turnover (annualised %) | 15% | 5% | 20% |
| No. of Net FTE Staff numbers | 54 | 65 | 54 |
| No. of Community Complaints | <10 | 8 | 19 |
| Compliance with Reporting Requirements (%) | 100% | 100% | 100% |

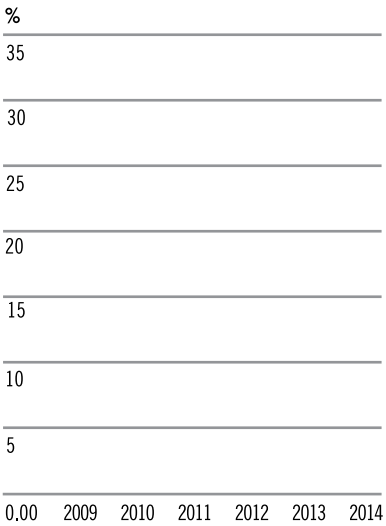
## Operating Revenue & Expense



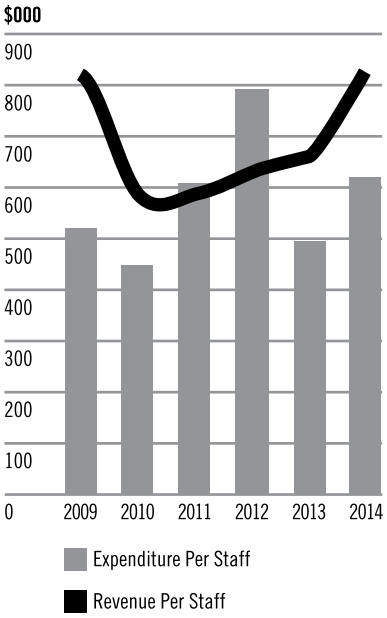

## Interest Cover Ratio



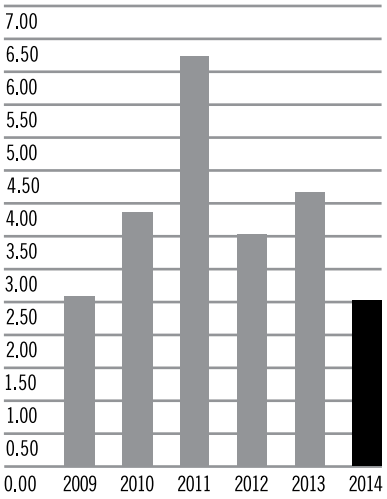

## Debt Equity Ratio



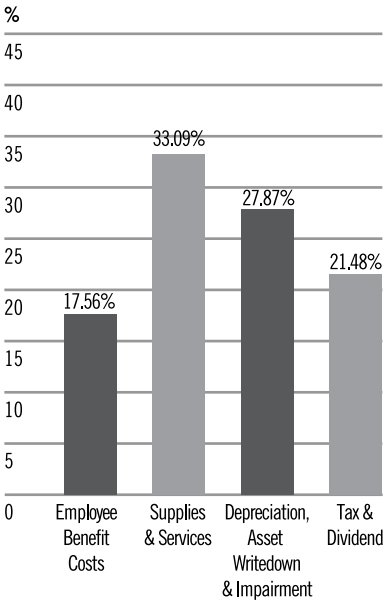

## Revenue & Expenditure Per Staff




## Current Ratio




## Expense Allocation



# PORT RESULTS

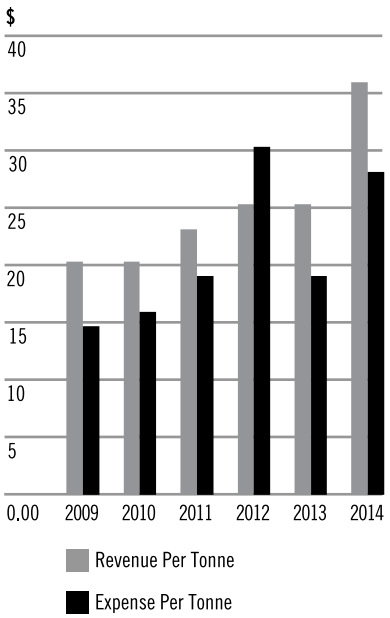
## PORT OF CAIRNS (INCLUDING PORT PILOTAGE) RESULTS

The contribution to Earnings Before Interest and Taxation (EBIT) from Cairns port activities was $8.67 million for the year ended 30 June 2014 compared with $6.72 million in the prior year, an increase of $1.95 million. Trade volume was slightly lower than the previous year. Container and general cargo activity increased. However most other cargo types were down. Sugar exports reduced due to exporters delaying shipment towards year end due to the expectation of higher prices in future months. Maritime revenue was unchanged with price increases offsetting falling volumes. Marina revenue increased slightly due to price rises. Property revenue improved reflecting rental rate increases above inflation. The revaluation of Investment Property produced a gain but this was offset by a write off of work in progress. Improved profitability was mostly due to expenditure being tightly controlled.

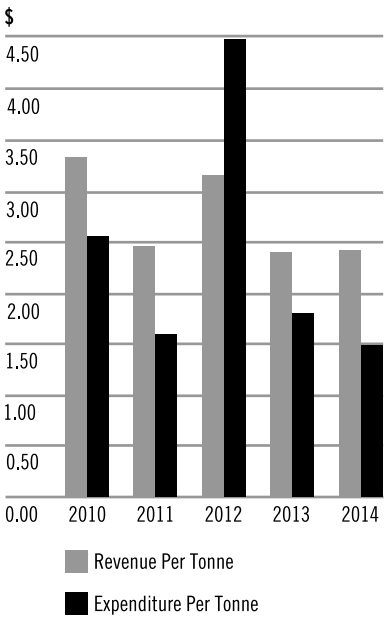
## REGIONAL PORTS RESULTS

The contribution to EBIT from regional port activities was $3.55 million for the year ended 30 June 2014 compared with $1.97 million in the previous year. Trade volumes overall showed a significant increase compared with the previous year. Silica sand exports from Cape Flattery increased strongly as did sugar, molasses and log export from Mourilyan. Thursday Island total trade volume was similar to the previous year with a decline in sand imports being offset by growth in general cargo. At Karumba lead exports increased whilst Zinc quantities remained similar to the previous year. Improved profitability for the regional ports was mostly due to trade growth. Maintenance expenses were lower than the previous year due to the completion of a major maintenance project in Thursday Island during the year ended 30 June 2013. This also contributed to the improvement in EBIT.

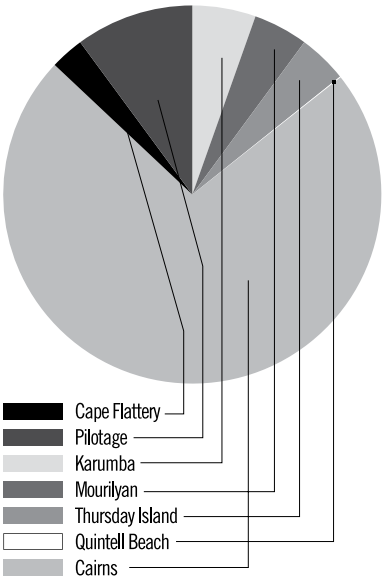
**Port of Cairns Revenue and Expenses Per Tonne**




**Regional Revenue and Expenses Per Tonne**




**Revenue by Port**



## Port of Cairns Cargo Movements (Tonnes)

| | EXPORTS | | | | | IMPORTS | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Sugar | Molasses | Petroleum Products | Other | Total Exports | Petroleum Products | Fertiliser | LPG | Other | Total Imports | Total Cargo |
| FY2009 | 221,546 | 42,539 | 18,033 | 151,352 | 433,470 | 537,504 | 35,684 | 20,682 | 59,134 | 653,004 | 1,086,474 |
| FY2010 | 297,115 | 41,411 | 13,359 | 133,280 | 485,165 | 499,335 | 65,776 | 20,572 | 35,566 | 621,249 | 1,106,414 |
| FY2011 | 197,024 | 50,036 | 7,334 | 142,952 | 397,346 | 528,146 | 26,173 | 16,893 | 56,729 | 627,941 | 1,025,287 |
| FY2012 | 157,239 | 36,410 | 12,663 | 192,305 | 398,617 | 532,083 | 46,838 | 15,021 | 37,093 | 631,035 | 1,029,652 |
| FY2013 | 187,023 | 49,674 | 10,791 | 160,403 | 407,891 | 543,985 | 50,362 | 16,369 | 37,001 | 647,717 | 1,055,608 |
| **FY2014** | **170,717** | **57,331** | **12,354** | **196,476** | **436,878** | **520,797** | **32,746** | **15,912** | **36,515** | **605,970** | **1,042,848** |
| **Average Annual Growth** | | | | | | | | | | | |
| 1 Year | -8.72% | 15.41% | 14.48% | 22.49% | 7.11% | -4.26% | -34.98% | -2.79% | -1.32% | -6.45% | -1.21% |
| 5 years | -4.59% | 6.95% | -6.30% | 5.96% | 0.16% | -0.62% | -1.65% | -4.61% | -7.65% | -1.44% | -0.80% |

## Regional Ports Cargo Movements (Tonnes)

| | EXPORTS | | | | | | | IMPORTS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Sugar | Molasses | Lead / Zinc | Silica Sand | Livestock | Other | Total Exports | Other | Total Imports | Total Cargo |
| FY2010 | 465,500 | 50,942 | 636,000 | 1,730,060 | 10,131 | 11,081 | 2,903,714 | 72,065 | 72,065 | 2,975,779 |
| FY2011 | 435,868 | 70,080 | 949,495 | 2,026,120 | 8,233 | 18,288 | 3,508,084 | 66,190 | 66,190 | 3,574,274 |
| FY2012 | 322,425 | 79,656 | 964,731 | 1,777,000 | 5,261 | 90,715 | 3,239,788 | 74,711 | 74,711 | 3,314,499 |
| FY2013 | 423,325 | 73,546 | 880,123 | 1,678,060 | 8,487 | 54,500 | 3,118,041 | 67,328 | 67,328 | 3,185,369 |
| FY2014 | **506,133** | **101,127** | **935,292** | **2,094,700** | **4,880** | **99,930** | **3,742,062** | **66,077** | **66,077** | **3,808,139** |

## Vessel Arrivals (excluding internal movements)

| | | FY2014 | FY2013 | FY2012 | FY2011 | FY2010 | FY2009 |
|---|---|---|---|---|---|---|---|
| **BULK TRADING VESSELS** | | | | | | | |
| Petroleum | - *Cairns* | **43** | 39 | 44 | 38 | 41 | 42 |
| LPG | - *Cairns* | **14** | 16 | 12 | 18 | 26 | 28 |
| Sugar | - *Cairns* | **7** | 8 | 6 | 10 | 12 | 9 |
| | - *Mourilyan* | **16** | 12 | 11 | 13 | 13 | |
| Fertiliser | - *Cairns* | **8** | 10 | 10 | 7 | 9 | 7 |
| Molasses | - *Cairns* | **7** | 6 | 5 | 5 | 5 | 5 |
| | - *Mourilyan* | **11** | 5 | 8 | 10 | 6 | |
| Silica Sand | - *Cape Flattery* | **41** | 31 | 30 | 39 | 34 | |
| Livestock | - *Karumba* | **5** | 14 | 6 | 10 | 12 | |
| | - *Mourilyan* | **1** | - | - | 2 | 5 | |
| Timber | - *Mourilyan* | **4** | 2 | 2 | | | |
| **Sub Total Bulk** | | **157** | 143 | 134 | 152 | 163 | 91 |
| **OTHER TRADING VESSELS** | | | | | | | |
| General Cargo | - *Cairns* | **642** | 605 | 605 | 583 | 501 | 576 |
| | - *Regional Ports* | **662** | 665 | 551 | 739 | 657 | |
| **Sub Total Other Trading** | | **1,304** | 1,270 | 1,156 | 1,322 | 1,158 | 576 |
| **OTHER VESSELS - CAIRNS & REGIONAL PORTS** | | | | | | | |
| Cruise Vessels | - *International* | **27** | 27 | 38 | 35 | 39 | 41 |
| | - *Domestic* | **108** | 94 | 81 | 94 | 97 | 105 |
| | | **135** | 121 | 119 | 129 | 136 | 146 |
| Navy | | **17** | 18 | 21 | 23 | 21 | 27 |
| Sub Total Other | | **152** | 139 | 140 | 152 | 157 | 173 |
| **TOTAL** | | **1,613** | 1,552 | 1,430 | 1,626 | 1,478 | 840 |

Note: Vessel arrivals shown above exclude internal movements as well as fishing vessels and tug movements.

# SUMMARY OF STATEMENT OF CORPORATE INTENT

Ports North is required under the *Government Owned Corporations Act 1993* to include a summary of its Statement of Corporate Intent (SCI) in its annual report for the relevant year.

A summary of corporate strategies is presented here, with a full SCI laid before the Legislative Assembly at the same time as the tabling of the Annual Report.

| STRATEGIES | PROGRESS AGAINST STRATEGIES |
|---|---|
| **Identify and develop new trade and business opportunities and grow existing business that results in increased profitability/sustainability without compromising current operations.** | • Ports North continues to work with Regional stakeholders exploring new trade opportunities through Cairns and the Regional Ports.<br>• Ports North is working with the Cairns Chamber of Commerce and Advance Cairns seeking trade links with Papua New Guinea. A trade development group called "Tradelinked PNG" has been established to further pursue business opportunities for the City.<br>• Ports North has finalised commercial arrangements with a new exporter of magnetite through the Port of Mourilyan and has completed environmental and concept engineering plans for the development of stockpile arrangements. Meetings with regional Councils, stakeholders and the public have occurred. Ports North has awarded a contract for the construction of the stockpile area with a targeted exports to commence in the second quarter of FY2015.<br>• Ports North has secured a new project cargo to Manus Island and scrap metal exports.<br>• Ports North has contributed to the North West Queensland Strategic Development Study in relation to future opportunities for the Port of Karumba.<br>• Ports North is working with cruise companies and Tourism Tropical North Queensland (TTNQ) to target additional cruise ship visits, overnight stays and home porting opportunities for Cairns. Ports North has established a Cairns Cruise Working Forum to promote improved cruise passenger experience.<br>• Cruise Down Under's Australian cruise conference was successfully hosted in Cairns and provided an opportunity to market the destination, the Port and explain the CSDP. Positive feedback has been received from both local and international attendees.<br>• Ports North is continuing its CSDP EIS.<br>• Work has commenced on the update of the Cityport Masterplan. |
| **Manage and develop Port property to provide long term financial return to the company while contributing to sustainable regional development.** | • Property market conditions continue to be depressed. Six monthly market updates on market conditions are provided to the Board of Directors.<br>• Ports North has negotiated the surrender of land forming part of the waterfront industrial lease adjacent to the main cargo wharf in Cairns. This underutilised waterfront land asset is critical for future development of Port cargo operations and Ports North is negotiating with a Cairns based shipping company to lease this land. |

| STRATEGIES | PROGRESS AGAINST STRATEGIES |
|---|---|
| **Plan, develop and manage Port infrastructure and assets to improve Port efficiency and meet the needs of our customers on a sustainable basis that considers financial, environment and social impacts.** | • CSDP EIS baseline assessment has been completed and key Government agencies and stakeholders are being engaged.<br>• Ports North has finalised the concept design for the new barge ramp in Tingira Street after extensive consultation with stakeholders and submitted applications for environmental approvals.<br>• Annual dredging program completed for Cairns, Mourilyan and Karumba.<br>• The Environmental Management System for Ports North is in place and reflected in other business systems. An audit on the system has been completed.<br>• Sustainable initiatives are incorporated into all new design development.<br>• Effective Safety Management System in place.<br>• Karumba Lead Contamination Strategy being implemented. |
| **Maintain a positive, productive and supportive relationship with employees, stakeholders and community.** | • Active participation in the Cairns Superyacht Cluster, TTNQ, Advance Cairns and with close working relationships with the Cairns Chamber of Commerce, Regional Development Australia Far North Queensland and Torres Strait and the Cairns Regional Council.<br>• Relationship with key stakeholders continues to be developed in the Regional Ports through Port Advisory Group meetings, engagement of local Port stakeholders and Board membership of Gulf Savannah Development.<br>• An updated website has been developed to provide improved high quality information to stakeholders and opportunities for feedback.<br>• Human Resources Management Plan developed and progressively implemented.<br>• The Port Pilots have transferred to Ports North.<br>• Ports North's Enterprise Bargaining Agreement is in place and operating effectively with negotiation on a new Agreement underway.<br>• Effective Safety Management System in place.<br>• Ports North's staff Performance and Development Reviews completed.<br>• Effective Employee Consultation Group and regular presentations to staff on key Port issues. |
| **Maintain an excellence in Corporate Governance with appropriate finance, risk and corporate governance systems and culture.** | • Ports North's Risk Management Framework in place and operational.<br>• Consistent with the Risk Management Framework the Board and Audit and Risk Committee receive quarterly updates outlining the status of the Risk Management System and the Key Strategic Risks.<br>• Effective security plans are in place with an exercise and audit program with a quarterly security report provided to the Board.<br>• Emergency Plans, Crisis Management Plan and Business Continuity Plans are in place and an exercise program established.<br>• Ports North's Policy Framework in place and Policy review, communication and education strategies implemented.<br>• Financial Management Practice Manual is in place with monthly review of financial performance by the Board and variance, emerging issues identified and actioned.<br>• Business Plans are in place with financial reporting monthly to the Board.<br>• Effective Environmental Management System in place with a quarterly report provided to the Board. |

# ANNUAL DIRECTORS' REPORT AND FINANCIAL REPORT

**FOR THE YEAR ENDED 30 JUNE 2014**

## PURPOSE AND SCOPE

Far North Queensland Ports Corporation Limited (the Company / Ports North) is a Company Government Owned Corporation (GOC) reporting under the *Government Owned Corporations Act 1993* (the Act). Under section 118 of the Act the Company must comply (as if it were a statutory body) with the requirements of the *Financial Accountability Act 2009* in relation to the preparation, giving to the appropriate Minister and tabling of annual reports.

These financial statements of the Company as at and for the year ended 30 June 2014 provide information relating to the financial position as at 30 June 2014 and the financial performance for the year ended on that date.

These statements have been prepared:

- To satisfy the requirements of the *Corporations Act 2001*, and other prescribed requirements; and
- To communicate information concerning the entity's financial performance for the year and its financial position at year end to a variety of information users, including:
- Its shareholding Ministers, Treasurer and Minister for Trade and Minister for Transport and Main Roads
- members of the Legislative Assembly;
- the maritime industry;
- the business community in general;
- various government and semi-government instrumentalities; and
- other interested parties.

The statements are general purpose in nature and provide a full presentation of all of the entity's financial activities.

Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

## PRINCIPAL PLACE OF BUSINESS

Corner of Grafton and Hartley Streets
Cairns, Queensland, Australia

PO Box 594
Cairns, Queensland, 4870

# CONTENTS

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

The directors present their report together with the financial report of Far North Queensland Ports Corporation Limited (the Company / Ports North) for the financial year ended 30 June.

# DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

| Name and qualifications | Experience and special responsibilities |
|---|---|
| **William (Brett) Moller**<br>BA, LLB, MAICD<br>**Chairman**<br>*Independent Director*<br>*Member, Audit and Risk Committee*<br>*Member, Human Resources Committee* | Brett is a partner of Marino Moller Lawyers, a Cairns and Regional law firm. He is Chair of the Far North Queensland Policy Board for the Chamber of Commerce and Industry Queensland, the current State President of its Governance Board and Chair of its Queensland State Policy Board. Brett also currently serves as the Queensland Chamber's representative on the Policy Council of the Australian Chamber of Commerce and Industry. He is the Acting Deputy Chair of the Far North Queensland and Torres Strait Regional Development Australia Committee. Brett has significant board and committee experience.<br><br>Appointed 7 June 2012<br>Current term: 7 June 2012 – 30 September 2015 |
| **Sharon Dawson**<br>BA, PGDip.Ed.,GAICD<br>*Independent Director*<br>*Deputy Chairperson*<br>*Chairperson, Human Resources Committee* | Sharon is Chief Executive Officer of the Dawson Group of companies, a large provider of trades and industrial services to heavy industry. A Cairns local, Sharon is passionate about strengthening the regional economy and is a previous Chair of Cairns Chamber of Commerce Resource and Industrial Taskforce and Tropical North Queensland TAFE Advisory Board. Sharon is a Cairns Committee Member of AICD.<br><br>Appointed 1 October 2011<br>Current term: 1 October 2011 – 30 September 2014<br>Appointed Deputy Chairperson: 17 December 2013 |
| **Robert Macalister**<br>BA (Hons), PGDip.Sc., GAICD<br>*Independent Director*<br>*Member, Human Resources Committee* | Rob currently works for clients in the mining and energy sectors. Rob has served on a number of boards and has diverse regional and international development experience.<br><br>Appointed 20 December 2012<br>Current term: 20 December 2012 – 30 September 2015 |

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

| Name and qualifications | Experience and special responsibilities |
|---|---|
| **Gregory Nucifora**<br>BCom, CA, GAICD<br>*Independent Director*<br>*Chairperson, Audit and Risk Committee* | Greg has a strong background in finance, risk management and corporate governance. Greg is currently Chair of ECU Australia having previously served as Deputy Chair and Chair of its Audit Committee from 2007 to 2012. He is also Chair of Cairns Regional Council's Audit and Risk Committee. Greg is currently an Advisor with Stockbrokers, Bell Potter Securities and previously worked with PricewaterhouseCoopers.<br>Appointed 20 December 2012<br>Current term: 20 December 2012 – 30 September 2016 |
| **Paul Gregory**<br>*Independent Director*<br>*Member, Audit and Risk Committee* | Paul has been a long serving Councillor with Cairns Regional Council and brings a great deal of knowledge and experience in regional matters. Paul is a director of the Cairns and District Canegrowers Association. Paul is a former Chair of Cairns Water and Waste Committee and the Infrastructure Services Committee for the Cairns Regional Council as well as being the Far North's representative on the Local Government Association of Queensland Executive.<br>Appointed 20 December 2012<br>Current term: 20 December 2012 – 30 September 2015 |
| **Martin Lee**<br>AAICD<br>*Independent Director* | Martin is a licensed builder and registered Real Estate Agent with extensive proven knowledge and experience managing successful businesses in North Queensland, Queensland and across Australasia. He is a Board Member and Finance Committee member for the Cairns Regional Art Gallery. Martin is a former Deputy Chairman of FNQ Area Consultative Committee and a former Board Member of QCCI and Regional Chairman. Martin was appointed to the Queensland Building and Construction Board on 1 December 2013.<br>Appointed 12 December 2013<br>Current Term: 12 December 2013 – 30 September 2016 |
| **Michael Huelin**<br>GAICD<br>*Independent Director*<br>*Member, Audit and Risk Committee* | Michael has been a Partner at Williams Graham Carman, Solicitors since 1987. He practices exclusively in the areas of Commercial and Property Law. Michael was a Director of Advance Cairns from 2008 to 2013 and is currently a Director of Swim FNQ Ltd.<br>Appointed 1 July 2010<br>Term Expired: 30 September 2013 |

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

## COMPANY SECRETARY

Mr Christopher Boland and Mr Michael Colleton were appointed to the position of company secretary on 14 November 2008.

**Chris Boland** BE (Hon), GAICD

Chris has over 29 years' of experience in engineering and port management. Chris is currently Chief Executive Officer of Ports North, having previously held the position of General Manager of the Seaport business unit for 7 years.

**Michael Colleton** BCom CPA

Michael has over 24 years' experience in finance and commercial roles in the government sector. Michael is currently General Manager Commercial of Ports North, having held several management roles with the Ports North organisation for 13 years.

## DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| | Board Meetings | | Audit & Risk Committee Meetings | | Human Resource Committee Meetings | |
|---|---|---|---|---|---|---|
| | Eligible to Attend | Number Attended | Eligible to Attend | Number Attended | Eligible to Attend | Number Attended |
| **Directors** | | | | | | |
| Mr B Moller | 10 | 10 | 4 | 4 | 4 | 4 |
| Ms S Dawson | 10 | 10 | - | - | 4 | 4 |
| Mr R Macalister | 10 | 10 | - | - | 4 | 4 |
| Mr G Nucifora | 10 | 10 | 4 | 4 | - | - |
| Mr P Gregory | 10 | 10 | 2 | 2 | - | - |
| Mr M Lee | 6 | 6 | - | - | - | - |
| Mr M Huelin *(term expired 30 Sep 2013)* | 2 | 2 | 1 | 1 | - | - |

## PRINCIPAL ACTIVITIES

During the reporting period, Ports North was the owner and operator of the Port of Cairns, with responsibility for the management and development of the Cairns Seaport and strategic port land including planning and implementation of the Cityport Project.

During the reporting period, Ports North was also the owner and operator of the Ports of Burketown, Cape Flattery, Cooktown, Karumba, Mourilyan, Skardon River, Thursday Island and Quintell Beach.

On 2nd November 2013 responsibility for delivery of the Marine Pilotage Service transferred to Ports North from Maritime Safety Queensland (Department of Transport and Main Roads). As a result, Ports North now provides Marine Pilotage to all its own Ports and the Port of Weipa. The income from Marine Pilotage for the year ended 30 June 2014 amounted to $5.369 million. Property, Plant and Equipment Assets valued at $2.104 million transferred to Ports North along with the Pilotage Function. Employee Liaibilites for thirteen (13) staff also transferred at a value of $0.792 million.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

## OPERATING AND FINANCIAL REVIEW

The Company's net profit for the year after income tax was $7.443 million. This compares to a net profit of $6.378 million in the previous financial year. The result for the year ending 30 June 2014 included the following major transactions:

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Gain / Fair Value adjustment on Investment Property | 8,048 | - |
| Impairment Reversal | 1,554 | - |
| Impairment Losses | - | (208) |
| Writedown of Property Plant and Equipment | (775) | (1,127) |
| Write off of Investment Property Work in Progress | (9,155) | - |
| | (328) | (1,335) |

## DIVIDENDS

Ports North's policy is to recommend and pay a dividend amount equivalent to 80% of Ports North's adjusted consolidated profit for 2013/2014. Dividends paid or declared by the Company since the end of the previous financial year were:

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Dividends Declared | 6,410 | 5,154 |
| Dividends Paid | 5,154 | - |

## 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 the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

## LIKELY DEVELOPMENTS

The Company will continue to pursue its principal activities during the next financial year.

The State Government has initiated two strategic reviews that potentially impact on the long-term role of Ports North. The Ports Governance Review will examine how many port entities should exist, whether these entities should be GOC's or Statutory Bodies and which ports should be in any particular entity. The remit of a whole of Government Property Asset Utilisation Review includes whether any land and property is best managed by its current agency, should be sold or should be transferred to a central property agency. The recommendations from these reviews will not be known until later in the 2014-15 financial year.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## ENVIRONMENTAL REGULATION

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its port management activities.

To ensure that it meets its obligations the Company has established a regular internal reporting process. On a quarterly basis, management reports to the Board on the company's environmental performance.

Legislation and regulations that the Corporation is subject to are as follows:

*Aboriginal Cultural Heritage Act 2003 (Qld)*
*Great Barrier Reef Marine Park Act 1975 (Cth)*
*Environment Protection (Sea Dumping) Act 1981 (Cth)*
*Environment Protection and Biodiversity Conservation Act 1999 (Cth)*
*Quarantine Act 1908 (Cth)*
*Coastal Protection and Management Act 1995 (Qld)*
*Environmental Protection Act 1994 (Qld)*
*Fisheries Act 1994 (Qld)*
*Marine Parks Act 2004 (Qld)*
*National Environment Protection Council (Queensland) Act 1994*
*Native Title (Queensland) Act 1993*
*Nature Conservation Act 1992 (Qld)*
*Queensland Heritage Act 1992*
*Soil Conservation Act 1986 (Qld)*
*Sustainable Planning Act 2009 (Qld)*
*Transport Operations (Marine Pollution) Act 1995 (Qld)*
*Vegetation Management Act 1999 (Qld)*

Environmental performance obligations are also subject to periodic government agency, internal and external professional agency audit, as well as ongoing review to ensure compliance.

Compliance with the requirements of environmental regulations and specific requirements of site environmental licences was substantially achieved.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year the Company maintained Directors and Officers Liability insurance cover and indemnified all directors of the company and named senior officers, in respect of any liability incurred in their capacities as an officer of the Company and any related company and defence costs incurred in connection with an investigation or in a proceeding or action for liability incurred as an officer of the Company and any related company. There were no known claims during the financial year. Directors' and Officers' insurance premium paid during the financial year was $128,434.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

## ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Director

Dated at Cairns this 27th day of August 2014

# LEAD AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Far North Queensland Ports Corporation Limited.

This auditor's independence declaration has been provided pursuant to section 307C of the *Corporations Act 2001*.

## Independence Declaration

As lead auditor for the audit of Far North Queensland Ports Corporation Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been –

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

**DAVID ADAMS**

(as Delegate of the Auditor-General of Queensland) Brisbane

# ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED 30 JUNE 2014**

## CONTENTS

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **INCOME FROM CONTINUING OPERATIONS** | | | |
| **Revenue** | | | |
| User charges | 2(a) | 40,226 | 32,512 |
| Finance revenue | 2(b) | 1,781 | 2,499 |
| Grant revenue | | 1,230 | 414 |
| Other revenue | 2(c) | 317 | 170 |
| Gain on sale of property plant and equipment | 2(h) | 2 | - |
| Gain / Fair value adjustment to investment property | 10 | 8,048 | - |
| Impairment reversal | 9 | 1,554 | - |
| **Total Income from Continuing Operations** | | 53,158 | 35,595 |
| **EXPENSES FROM CONTINUING OPERATIONS** | | | |
| **Expenses** | | | |
| Supplies and services | 2(d) | 17,250 | 14,623 |
| Employee expenses | 2(e) | 9,152 | 6,085 |
| Depreciation | 2(g) | 4,598 | 4,860 |
| Loss on sale of property plant and equipment | 2(h) | - | 11 |
| Loss on sale of investment property | 2(i) | 1 | - |
| Impairment losses | 9 | - | 208 |
| Writedown of property plant and equipment | 2(j) | 775 | 1,127 |
| Write off of investment property work in progress | 10 | 9,155 | - |
| **Total Expenses from Continuing Operations** | | 40,931 | 26,914 |
| **Operating Result from Continuing Operations before Income tax (equivalent) expense** | | 12,227 | 8,681 |
| Income tax equivalent expense/(benefit) | 3 | 4,784 | 2,303 |
| **Operating Result for the year** | | 7,443 | 6,378 |
| **Other Comprehensive Income** | | | |
| **Items that will not be reclassified to operating result** | | | |
| Increase/(decrease) in asset revaluation surplus | 24 | 10,600 | (422) |
| Other deferred tax adjustments | 24 | (3,180) | 120 |
| **Total Other Comprehensive Income for the period, net of income tax** | | 7,420 | (302) |
| **Total Comprehensive Income for the year** | | 14,863 | 6,076 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

## FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 36,940 | 58,374 |
| Trade and other receivables | 6 | 6,970 | 6,878 |
| Inventories | 7 | 34 | 23 |
| Other assets | 8 | 310 | 236 |
| **Total current assets** | | 44,254 | 65,511 |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 114,511 | 104,944 |
| Investment property | 10 | 143,386 | 144,748 |
| **Total non-current assets** | | 257,897 | 249,692 |
| **Total assets** | | 302,151 | 315,203 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 2,735 | 2,496 |
| Current tax liabilities | | 2,123 | 1,971 |
| Provisions | 13 | 10,552 | 8,519 |
| Other liabilites | 14 | 2,259 | 1,640 |
| **Total current liabilities** | | 17,669 | 14,626 |
| **Non-Current Liabilities** | | | |
| Deferred tax liabilities | 11(b) | 27,458 | 23,584 |
| Provisions | 13 | 750 | 277 |
| **Total non-current liabilities** | | 28,208 | 23,861 |
| **Total liabilities** | | 45,877 | 38,487 |
| **Net assets** | | 256,274 | 276,716 |
| **Equity** | | | |
| Contributed equity | 15 | 187,178 | 216,073 |
| Asset revaluation surplus | 24 | 48,772 | 41,352 |
| Accumulated surplus | | 20,324 | 19,291 |
| **Total equity** | | 256,274 | 276,716 |

The above statement of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Contributed Equity $'000 | Asset Revaluation Surplus $'000 | Accummulated Surplus $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2012** | | 216,073 | 41,654 | 18,067 | 275,794 |
| Operating Result from Continuing Operations | | - | - | 6,378 | 6,378 |
| Total Other Comprehensive Income | | - | (302) | - | (302) |
| *Transactions with owners, recorded directly in equity* | | | | | |
| Dividends | 4 | - | - | (5,154) | (5,154) |
| **Balance at 30 June 2013** | | 216,073 | 41,352 | 19,291 | 276,716 |

| | Note | Contributed Equity $'000 | Asset Revaluation Surplus $'000 | Accummulated Surplus $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2013** | | 216,073 | 41,352 | 19,291 | 276,716 |
| Operating Result from Continuing Operations | | - | - | 7,443 | 7,443 |
| Total Other Comprehensive Income | | - | 7,420 | | 7,420 |
| *Transactions with owners, recorded directly in equity* | | | | | |
| Share Buy Back | 15 | (31,000) | - | | (31,000) |
| Equity Injection | 15 | 2,105 | - | | 2,105 |
| Dividend | 4 | | | (6,410) | (6,410) |
| **Balance at 30 June 2014** | | 187,178 | 48,772 | 20,324 | 256,274 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 41,234 | 33,950 |
| Payments to suppliers and employees | | (25,453) | (23,212) |
| Interest received | | 1,528 | 2,475 |
| GST received from customers | | 4,515 | 3,534 |
| GST paid to suppliers | | (1,818) | (2,317) |
| GST received from Australian Tax Office | | 1,824 | 2,539 |
| GST paid to Australian Tax Office | | (4,559) | (3,444) |
| Income Tax (equivalent) received/(Paid) | | (3,937) | (10,326) |
| **Net cash provided by (used in) operating activities** | 22 | 13,334 | 3,199 |
| **Cash flows from investing activities** | | | |
| Sales of property, plant and equipment and investment property | | 34 | 43 |
| Payments for property, plant and equipment and investment property | | (3,608) | (9,797) |
| **Net cash provided by (used in) investing activities** | | (3,574) | (9,754) |
| **Cash flows from financing activities** | | | |
| Equity injections / (withdrawals) | | (31,000) | - |
| Government Grant - EIS | | 4,960 | - |
| Dividends Paid | | (5,154) | - |
| **Net cash provided by (used in) financing activities** | | (31,194) | - |
| **Net increase/(decrease) in cash and cash equivalents** | | (21,434) | (6,555) |
| Cash and cash equivalents at the beginning of the financial year | | 58,374 | 64,929 |
| **Cash and cash equivalents at the end of the financial year** | 5 | 36,940 | 58,374 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report of Far North Queensland Ports Corporation Limited (the Company/Ports North) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

#### *(i) Statement of compliance*

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and *Government Owned Corporations Act 1993 (GOC Act)* (including amendments). The report also complies with the applicable provisions of the *Financial Accountability Act 2009 (Qld)* and *Financial and Performance Management Standard 2009 (Qld)*.

The Company had no subsidiaries during the year.

The financial statements were approved by the Board of Directors on the date shown on the directors' declaration.

The financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

#### *(ii) Basis of measurement*

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs except for the following:

- Land, buildings, infrastructure assets (including wharves, harbours and facilities, channels and swing basins, access roads and carparks, plant and equipment infrastructure) and plant and equipment other, are measured at fair value; and
- Investment property is measured at fair value.

#### *(iii) Functional and presentation currency*

These financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated. Where that amount is $500 or less, the amount has been rounded to zero.

#### *(iv) Use of estimates and judgements*

The preparation of financial statements in conformity with AASBs 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 estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 2(g) - depreciation

Note 6 – provision for impairment of receivables

Note 9 – valuation of property, plant and equipment

Note 9 – measurement of the recoverable amounts of cash-generating units

Note 10 – valuation of investment property

Note 13 – provision for long service leave

The Australian Government passed its *Clean Energy Act* in November 2011 which resulted in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012. From 1 July 2014, the Government plans to abolish the carbon tax. The withdrawal of the carbon pricing mechanism is not expected to have a significant impact on the Company's critical accounting estimates, assumptions and management judgements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(v) Changes in accounting policies*

Effective 1 July 2013, the Company changed its asset recognition thresholds. Previously, the threshold was $500 for all assets excluding land (which was $1). The thresholds applied from 1 July 2013 are as follows:

| Asset Type | Recognition Threshold |
|---|---|
| Land | $1 |
| Buildings | $10,000 |
| Infrastructure (Wharves, Channels, Roads, P&E Infrastructure) | $10,000 |
| Plant and Equipment (P&E Other) | $5,000 |
| Software (P&E Other) | $100,000 |

The impact of the change in accounting policy on the operating result of the year was as follows:

| | 2014 $'000 |
|---|---|
| Writedown of existing assets: | |
| Carrying amount of assets written down | (548) |
| Asset revaluation surplus attributable | 651 |
| | 103 |
| Total expenditure during the year on items between previous and new thresholds: | (61) |
| Net increase in operating result | 42 |

The company did not voluntarily change any of its other accounting policies during 2013-14.

### *(vi) New and revised standards adopted by the company*

- AASB 1053 Application of tiers of Australian Accounting Standards became effective from reporting periods on or after 1 July 2013. This standard establishes a differential financial reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements. Tier 1 requires compliance with the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. Tier 2 requires compliance with all the recognition, measurement and presentation requirements of all Australian Accounting Standards but with substantially reduced disclosure requirements.

  Pursuant to AASB 1053, public sector entities like Ports North may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of Tier 1 requirements. In the case of Ports North, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade have advised that it's policy decision is to require adoption of Tier 1 reporting by all Queensland Government statutory bodies (including government owned corporations) that are consolidated into the whole-of-government financial statements. Therefore, the release of AASB 1053 and associated amending standards has had no impact on the Company.
- AASB 119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised standard includes changes to the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Following the revision, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits and therefore not discounted when calculating leave liabilities. All other annual leave would be included as 'other long-term benefit' and discounted.

  The Company has taken the view that the impact of this discounting is not material and therefore continues to value its annual leave liability as a short-term benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(vi) New and revised standards adopted by the company (continued)*

- AASB 13 Fair Value Measurement became effective for reporting periods beginning on or after 1 January 2013. This standard provides a single source of guidance on how fair value is measured and disclosed and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. The new requirements will apply to all of the company's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

  Note 1(i) explains some of the principles behind the additional fair value information disclosed. Most of the additional information is set out in note 9 Property, Plant and Equipment and Note 10 Investment Property.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements became effective from reporting periods on or after 1 July 2013. This standard removes individual key management personnel disclosure requirements under AASB 124 Related Party Disclosures. It is however, a Queensland Treasury and Trade requirement that the Company comply with their additional disclosures for Government Owned Corporations.

### (b) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

Revenue for the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to financial assets.

All revenue is stated net of goods and services tax.

### (c) Government Grants

Government grants are not recognised until there is reasonable assurance the Company will comply with the conditions attaching to them and that the grants will be received. Grant funding related to assets may be offset against the cost of bringing the assets to their present location and condition (to the extent that the offset does not exceed their cost), in presenting the carrying value of the assets on the statement of financial position (capital approach). Alternatively, the funding may be recognised gross as deferred income in the statement of financial position and subsequently recognised in profit or loss on a systematic basis (income approach). Where the net value of the asset cost less grant monies deducted over the period of construction is reflective of the final impaired value, the Company will adopt the capital approach to grant funding.

### (d) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount.

Other leases are operating leases and the leased assets are not recognised on the Company's statement of financial position.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of profit or loss and other comprehensive income using the effective interest method. The company does not have any borrowings currently.

### (f) Income tax (equivalent)

Ports North is exempt from income tax. However, pursuant to Section 129 of the *Government Owned Corporations Act 1993*, Ports North is liable for income tax equivalents.

The income tax (equivalents) expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### (g) Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call and other short term, highly liquid investments with original maturities of six months or less, with financial institutions.

### (h) Financial instruments

*Recognition*

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the financial instrument.

*Classification*

Financial instruments comprise of the following:

- Cash and cash equivalents – held at fair value through the profit and loss
- Receivables – held at amortised cost
- Payables – held at amortised cost

Financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

All other disclosures relating to the measurement and financial risk management of financial instruments held by the company are included in Note 16.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the Company include, but are not limited to, published sales data for land and buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Company include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Company's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/ functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. All assets and liabilities of the Company for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent

specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of the Company's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company, determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As 2013-14 is the first year of application of AASB 13 by the Company, there were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about the Company's Property, Plant and Equipment and Investment Property is outlined in Notes 9 and 10, respectively.

### (j) Acquisitions of Assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Assets acquired at no cost or for nominal consideration are recognised at their fair value at date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

### (k) Property, plant and equipment

Land, buildings, infrastructure assets, and plant and equipment (except for investment property – refer to Note 1(l) ) are shown at fair value, based on periodic valuations by external independent valuers (taking into account the impact of cost price movements in the Cairns construction market on the replacement cost of assets in the interim years), less where applicable, any accumulated depreciation and impairment losses. Accumulated depreciation at the date of revaluation is adjusted on a pro-rata basis and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

In respect of the abovementioned asset classes, the cost of items acquired during the financial year has been judged by management of the Company to materially represent their fair value at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The fair values reported by the Company are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note 1(i)).

During the reporting period, the Company reviewed all fair value methodologies in light of the new principles in AASB 13. Some minor adjustments were made to methodologies to take into account the more exit-oriented approach to fair value under AASB 13, as well as the availability of more observable data for certain assets (e.g. land and buildings). Such adjustments – in themselves – did not result in a material impact on the values for affected Property, Plant and Equipment classes.

Increases in the carrying amounts arising on revaluation of land, buildings and infrastructure assets are credited, net of tax, to other comprehensive income and presented in the asset revaluation surplus in equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss and other comprehensive income, the increase is first recognised in statement of profit or loss and other comprehensive income. Decreases that reverse previous increases of the same asset are first charged to the asset revaluation surplus in equity to the extent of the remaining surplus attributable to the asset with any balance charged to statement of profit or loss and other comprehensive income; all other decreases are charged to statement of profit or loss and other comprehensive income.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

| Class | Useful Life |
|---|---|
| Buildings | 15 - 75 years |
| Wharves, harbours and facilities | 20 – 60 years |
| Channels and swing basins | 20 – 60 years |
| Access roads and car parks | 10 – 50 years |
| Plant and equipment - infrastructure | 5 – 70 years |
| Plant and equipment - other | 3 – 40 years |
| Other | 7 - 75 years |

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes with property, plant and equipment.

Items of property, plant and equipment with a cost or other value equal to or in excess of the thresholds set out below are recognised for financial reporting purposes in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

| Asset Type | Recognition Threshold |
|---|---|
| Land | $1 |
| Buildings | $10,000 |
| Infrastructure (Wharves, Channels, Roads, P&E Infrastructure) | $10,000 |
| Plant and Equipment (P&E Other) | $5,000 |
| Software (P&E Other) | $100,000 |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(p)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, it is the Company's policy to transfer the amounts included in the asset revaluation surplus in respect of those assets to accumulated surplus.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost including transaction costs. Where investment property is acquired at no or minimal cost it is recognised at fair value. Investment property is subsequently carried at fair value, being revalued at each reporting date. Fair value is based on selling prices in an active market adjusted, if necessary, to reflect the nature, location or condition of the specific investment property. If there is no active property market, alternative valuation methods are used, such as recent selling prices in less active markets, or discounted cash flow projections.

Under AASB 140 Investment Property, investment buildings under construction are included within the Investment Property category. Investment buildings under construction are also now measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case, the property concerned is measured at cost until fair value can be reliably determined). In determining a fair value for investment buildings under construction, a value is determined as at reporting date for an equivalent completed building (using current construction plans and all available relevant information), and this value is adjusted proportionately to reflect the percentage of completion and remaining costs to complete construction as at reporting date.

Gains or losses arising from changes in the fair value of investment property are included in the Statement of profit or loss and other comprehensive income for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

Rental revenue from investment property is recognised as income on a periodic straight line basis over the lease term.

### (m) Inventories

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

### (n) Trade and other receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with allowance being made for impairment. All known bad debts were written-off as at 30 June. Increases in the allowance for impairment are based on loss events as disclosed in Notes 6 and 16.

Other debtors generally arise from transactions outside the usual operating activities of the company and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

### (o) Impairment

#### *(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the statement of profit or loss and other comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss and other comprehensive income.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### *(ii) Non-financial assets*

All non-current assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Company determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Impairment of Non-current Assets

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are offset against the revaluation surplus to the extent of the remaining surplus attributable to the asset and all other decreases are charged to the statement of profit or loss and other comprehensive income.

### (q) Employee benefits

#### *(i) Short-term employee benefits*

Wages, salaries, annual leave and long service leave due but unpaid at reporting date are recognised as an accrual in the statement of financial position at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, Work Cover premiums and employer superannuation contributions.

#### *(ii) Long-term employee benefits*

The provision for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### *(iii) Termination benefits*

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy if it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

### (r) Provisions

Provisions are recorded when the Company has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after twelve or more months, the obligation is discounted to the present value using the appropriate discount rate.

### (s) Trade and other payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Trade receivables and trade payables are stated inclusive of the amount of GST receivable or payable. The amount of GST recoverable from, or payable to, the ATO is included with other receivables or other payables in the statement of financial position.

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

### (u) Superannuation arrangements

Employer contributions for superannuation expenses are determined by the State Actuary. No liability is recognised for accruing superannuation benefits as this liability is held on a whole of government basis and reported in the whole of government financial statements prepared in terms of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

### (v) Comparatives

Comparative information has been re-stated where necessary to be consistent with disclosures in the current reporting period.

### (w) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2014, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards Arising from AASB 9 (December 2010) will become effective from reporting periods beginning on or after 1 January 2018. The main amendments to the standards deal with classification, measurement and disclosure of financial assets and liabilities. The requirements of the amended AASB 9 represent a significant change from the existing requirements of AASB 139 in respect of financial assets and liabilities. The standard contains two primary measurement categories for financial assets: amortised costs and fair value. Financial assets can only be measured at amortised cost if two conditions specified in the standard are met.

  The amendments will also require additional disclosures under AASB 7 Financial Instrument: Disclosures and AASB 101 Presentation of Financial Statements. Whilst comparative figures for financial instruments will not need to be restated, a number of one-off disclosures will be required to explain the impact of adopting AASB 9.

  The above standards will become mandatory for the Company's 30 June 2019 financial statements. The IASB currently has an active project that may result in further amendments before that time.

  The Company does not plan to adopt the standards early however has commenced reviewing the measurement of its financial assets and liabilities against the new classification and measurement requirements. However, as the classification of financial assets and liabilities at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the extent of the impact on the Company's financial statements will not be determined until closer to the date of adoption.
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities becomes effective from reporting periods beginning on or after 1 January 2014 and adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies in applying some of the offsetting criteria within the standard. The Company believes there will be no impact on it as this standard merely clarifies existing requirements.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets will become effective from reporting periods beginning on or after 1 January 2014. The amendments clarify disclosures within AASB 136 Impairment in relation to the recoverable amount of a cash generating unit (CGU) that has significant amounts of goodwill and intangibles with indefinite useful lives. The amendments also require additional disclosures about the level in the fair value hierarchy when the recoverable amount for a CGU is determined based upon fair value less costs to sell. When the amendments are first adopted, the Company believes that based on current circumstances; there will be no impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) New standards and interpretations not yet adopted (continued)

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework (Part A), Materiality (Part B) and Financial Instruments (Part C). Part A made amendments arising from the issuance of AASB CF 2013-1 Amendments to the Australian Conceptual Framework and applied for the current year. Part B deletes references to AASB 1031 Materiality in various Australian Accounting Standards, in preparation for the withdrawal of the standard at a later date. Part B applies to annual reporting periods beginning on or after 1 January 2014. Part C provides new hedging requirements to be included in AASB 9 Financial Instruments and amends the effective date of AASB 9 from 1 January 2015 to 1 January 2017 (as discussed above). The Company has not yet assessed the full impact of these amendments.
- AASB 2014-1 Amendments to Australian Accounting Standards comprises five parts, each with its own application date and transition provisions. Details are as follows:
- Part A Annual Improvements 2010-2012 and 2011-2013 Cycles is effective for annual reporting periods beginning on or after 1 July 2014, except that the amendments to AASB 9 Financial Instruments apply only when that Standard is applied or operative. Part A makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of its Annual Improvements to IFRs 2010-2012 Cycle and Annual Improvements to IFRSs 2011 – 2013 Cycle. Amendments to the 2010-2012 Cycle include clarification of the definition of a 'related party' and amends AASB 8 Operating Segments to require additional disclosures. 2011-2013 Cycle includes amendments that clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of Investment Property constitutes a business combination.
- Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) is effective for annual reporting periods beginning on or after 1 July 2014. The amendments simplify the accounting for defined benefit plans from employees or third parties that are linked to service. The amendments will have no impact on the financial statements of the Company based on current circumstances.
- Part C Materiality is effective for annual reporting periods beginning on or after 1 July 2014. The amendments remove references to AASB 1031 Materiality as part of the process to formally withdraw this standard.
- Part D Consequential Amendments arising from AASB 14 is effective for annual reporting periods beginning on or after 1 January 2016 and makes consequential amendments to AASB 1 First time Adoption of Australian Accounting Standards necessitated by the issuance of AASB 14 Regulatory Deferral Accounts. The Company believes that the amendments will have no impact on its financial statements.
- Part E Financial Instruments is effective for annual reporting periods beginning on or after 1 January 2015 and makes amendments to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments from 1 January 2017 to 1 January 2018. It also makes amendments to numerous Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9. The Company has not yet assessed the full impact of these amendments.

| | | Company | |
|---|---|---|---|
| | | 2014 | 2013 |
| | Note | $'000 | $'000 |

## NOTE 2 OPERATING RESULT FROM CONTINUING OPERATIONS

### Operating Result before income tax includes the following specific items:

### Revenue

| | | | |
|---|---|---|---|
| **(a)** | **User charges** | | |
| | Rentals and leases | 8,925 | 8,594 |
| | Charges for use of facilities | 13,865 | 12,590 |
| | Charges for services | 17,436 | 11,328 |
| | | 40,226 | 32,512 |
| **(b)** | **Finance revenue** | | |
| | Interest received | 1,781 | 2,499 |
| **(c)** | **Other revenue** | | |
| | Sundry income | 317 | 170 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **NOTE 2 OPERATING RESULT FROM CONTINUING OPERATIONS (CONTINUED)** | | | |
| **Expenses** | | | |
| **(d) Supplies and services** | | | |
| Consultants and contractors | | 7,190 | 6,007 |
| Supplies and consumables | | 3,497 | 2,442 |
| Electricity | | 3,804 | 3,619 |
| Rates, utilities and land tax | | 2,759 | 2,555 |
| | | 17,250 | 14,623 |
| **(e) Employee Expenses** | | | |
| Wages and salaries | | 6,751 | 4,405 |
| Directors fees | | 165 | 163 |
| Wage and salary on-costs | | 2,071 | 1,432 |
| Other employee costs and benefits | | 165 | 85 |
| | | 9,152 | 6,085 |
| **(f) Auditors remuneration included in supplies and services** | | | |
| External audit fees | | 47 | 68 |
| Remuneration for audit of the financial statements | | 47 | 68 |

Total audit fees paid to Queensland Audit Office relating to the financial statements are expected to be $51,000 (2013 $47,000). There are no non-audit services included in this amount.

| | | | |
|---|---|---|---|
| **(g) Depreciation** | | | |
| Buildings | | 143 | 152 |
| Wharves, harbours and facilities | | 1,425 | 1,446 |
| Channels and swing basins | | 1,397 | 1,372 |
| Access roads and carparks | | 487 | 509 |
| Plant and equipment – infrastructure | | 386 | 610 |
| Plant and equipment – other | | 675 | 689 |
| Other | | 85 | 82 |
| | | 4,598 | 4,860 |
| **(h) Gain/(Loss) on sale of property plant and equipment** | | | |
| Proceeds on sale of property plant and equipment | | 34 | 43 |
| Carrying value of property plant and equipment sold | | (58) | (80) |
| Asset revaluation surplus attributable to sale of property plant and equipment | | 26 | 26 |
| | | 2 | (11) |
| **(i) Gain/(Loss) on sale of investment property** | | | |
| Proceeds on sale of investment property | | - | - |
| Carrying value of investment property sold | | (1) | - |
| | | (1) | - |
| **(j) Writedown of property plant and equipment** | | | |
| Writedown of property plant and equipment | 9 | 1,426 | 1,127 |
| Asset revaluation surplus attributable | 24 | (651) | - |
| | | 775 | 1,127 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **NOTE 3 INCOME TAX EQUIVALENTS** | | | |
| **(a) Income tax expense** | | | |
| The components of tax equivalents (expense)/income comprise: | | | |
| Current tax | | 946 | 2,765 |
| Deferred tax | | 3,874 | (45) |
| Under/(over) provision in prior years | | (36) | (417) |
| Income tax from continuing operations | | 4,784 | 2,303 |
| Deferred income tax expense / (revenue) included in income tax expense comprises: | | | |
| Decrease / (increase) in deferred tax assets | 11 | (363) | 24 |
| Increase / (decrease) in deferred tax liabilities | 11 | 4,237 | (69) |
| | | 3,874 | (45) |
| **(b) Numerical reconciliation of income tax expense to prima facie income tax payable** | | | |
| Operating result from continuing operations before income tax expense | | 12,227 | 8,681 |
| Tax expense/(benefit) at the Australian tax rate of 30% (2013: 30%) | | 3,668 | 2,604 |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: | | | |
| Impairment | | 35 | (8) |
| Entertainment | | 3 | 5 |
| Depreciation adjustments | | 72 | 119 |
| Government Grant received | | 1,042 | - |
| Under/(over) provision in prior years | | (36) | (417) |
| Income tax expense | | 4,784 | 2,303 |
| **(c) Income tax expense recognised directly in equity** | | | |
| Revaluation of property, plant and equipment | 24 | 3,180 | (120) |
| **NOTE 4 DIVIDENDS** | | | |
| Dividend provided for in respect of the year ended 30 June 2014 of 3.4 cents per share | | 6,410 | 5,154 |
| **NOTE 5 CASH AND CASH EQUIVALENTS** | | | |
| Cash at bank and in hand | | 1,063 | 744 |
| Deposits at call | | 35,877 | 57,630 |
| | | 36,940 | 58,374 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **NOTE 6 TRADE AND OTHER RECEIVABLES** | | | |
| Trade receivables | | 5,421 | 6,235 |
| Less: Allowance for impairment loss | | (416) | (202) |
| | | 5,005 | 6,033 |
| Other receivables | | 1,965 | 845 |
| | | 6,970 | 6,878 |
| **Movements in the allowance for impairment loss** | | | |
| Balance at the beginning of the year | | 202 | 371 |
| Impairment loss recognised/(reversed) | | 214 | (169) |
| Balance at the end of the year | | 416 | 202 |

During the year, an impairment loss was recognised in relation to charges at high risk of not being recovered. The Company's provision for impairment represents approximately 7.7% of trade receivables (2013: 3.2%).

| | | | |
|---|---|---|---|
| **NOTE 7 INVENTORIES** | | | |
| Consumables and spare parts | | 34 | 23 |
| **NOTE 8 OTHER ASSETS** | | | |
| **Current** | | | |
| Prepayments | | 310 | 236 |
| **NOTE 9 PROPERTY, PLANT AND EQUIPMENT** | | | |
| **Freehold land** | | | |
| At valuation | | 33,970 | 31,424 |
| Accumulated impairment | | (918) | (529) |
| Carrying amount | | 33,052 | 30,895 |
| **Buildings** | | | |
| At valuation | | 18,983 | 19,133 |
| Accumulated depreciation | | (9,548) | (9,290) |
| Accumulated impairment | | (7,038) | (7,182) |
| Carrying amount | | 2,397 | 2,661 |
| **Wharves, harbours and facilities** | | | |
| At valuation | | 203,458 | 201,398 |
| Accumulated depreciation | | (123,389) | (118,118) |
| Accumulated impairment | | (44,241) | (51,048) |
| Carrying amount | | 35,828 | 32,232 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)** | | | |
| **Channels and swing basins** | | | |
| At valuation | | 68,102 | 64,859 |
| Accumulated depreciation | | (24,781) | (21,814) |
| Accumulated impairment | | (17,466) | (19,395) |
| Carrying amount | | 25,855 | 23,650 |
| **Access roads and carparks** | | | |
| At valuation | | 32,568 | 32,076 |
| Accumulated depreciation | | (17,362) | (15,763) |
| Accumulated impairment | | (10,149) | (11,383) |
| Carrying amount | | 5,057 | 4,930 |
| **Plant and equipment – infrastructure** | | | |
| At valuation | | 33,153 | 35,467 |
| Accumulated depreciation | | (19,043) | (19,921) |
| Accumulated impairment | | (8,772) | (10,123) |
| Carrying amount | | 5,338 | 5,423 |
| **Plant and equipment – other** | | | |
| At valuation | | 13,003 | 11,653 |
| Accumulated depreciation | | (8,152) | (8,128) |
| Accumulated impairment | | (13) | (56) |
| Carrying amount | | 4,838 | 3,469 |
| **Other** | | | |
| At valuation | | 1,927 | 1,925 |
| Accumulated depreciation | | (362) | (289) |
| Carrying amount | | 1,565 | 1,636 |
| **Work in progress** | | | |
| At cost | | 581 | 82 |
| Accumulated impairment | | - | (34) |
| | | 581 | 48 |
| **Total property, plant and equipment** | | 114,511 | 104,944 |
| **Summary of Property, Plant and Equipment** | | | |
| At valuation/cost | | 405,745 | 398,017 |
| Accumulated depreciation | | (202,637) | (193,323) |
| Accumulated impairment | | (88,597) | (99,750) |
| Carrying amount | | 114,511 | 104,944 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

| 2014 | Opening balance $'000 | Additions $'000 | Disposals $'000 | Revaluations $'000 | Depreciation $'000 | Writedown of PPE $'000 | Impairment $'000 | Transfers $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Freehold land | 30,895 | - | - | 2,195 | - | (44) | 6 | - | 33,052 |
| Buildings | 2,661 | - | (10) | (159) | (143) | (160) | 208 | - | 2,397 |
| Wharves, harbours and facilities | 32,232 | - | - | 4,883 | (1,425) | (236) | 327 | 47 | 35,828 |
| Channels and swing basins | 23,650 | - | - | 3,442 | (1,397) | 212 | (52) | - | 25,855 |
| Access roads and carparks | 4,930 | - | - | 538 | (487) | (395) | 471 | - | 5,057 |
| Plant & Equipment – Infrastructure | 5,423 | - | - | 271 | (386) | (554) | 563 | 21 | 5,338 |
| Plant & Equipment – Other | 3,469 | 2,251 | (48) | 63 | (675) | (219) | (3) | - | 4,838 |
| Other | 1,636 | | | 44 | (85) | (30) | - | - | 1,565 |
| Work in progress | 48 | 179 | (64) | - | - | - | 34 | 384 | 581 |
| | 104,944 | 2,430 | (122) | 11,277 | (4,598) | (1,426) | 1,554 | [1] 452 | 114,511 |

[1] Transfer from Investment Property – see Note 10

| 2013 | Opening balance $'000 | Additions $'000 | Disposals $'000 | Revaluations $'000 | Depreciation $'000 | Writedown of PPE $'000 | Impairment $'000 | Transfers $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Freehold land | 30,922 | - | - | (25) | - | | (2) | - | 30,895 |
| Buildings | 2,803 | 43 | - | (5) | (152) | (88) | 60 | - | 2,661 |
| Wharves, harbours and facilities | 34,109 | 100 | - | (124) | (1,446) | (588) | 181 | - | 32,232 |
| Channels and swing basins | 25,150 | - | - | (269) | (1,372) | 154 | (13) | - | 23,650 |
| Access roads and carparks | 5,412 | 737 | - | (6) | (509) | (285) | (419) | - | 4,930 |
| Plant & Equipment – Infrastructure | 6,121 | 310 | - | (67) | (610) | (322) | (9) | - | 5,423 |
| Plant & Equipment – Other | 3,643 | 551 | (80) | 48 | (689) | 2 | (6) | - | 3,469 |
| Other | 1,392 | 279 | - | 47 | (82) | - | - | - | 1,636 |
| Work in progress | 94 | 25 | - | - | | - | - | (71) | 48 |
| | 109,646 | 2,045 | (80) | (401) | (4,860) | (1,127) | (208) | (71) | 104,944 |

### Valuation of property, plant and equipment

The valuation basis for land, buildings, infrastructure and plant and equipment – infrastructure and other assets, is fair value.

### Land

On 30 June 2014, land held by the company was valued by independent valuer Herron Todd White (Cairns) Pty. Ltd. The fair value of land is based on relevant comparable sales of land in the nearby localities in the last 6-12 months prior to the date of the revaluation. In determining the values, adjustments were made to the sales data to take into account the location of the company's land, size, exposure, location, land use and highest and best use. The extent of the adjustments made varies in significance for each parcel of land – refer to reconciliation table later in this note for information about the fair value classification of the company's land.

At 30 June 2013 the directors reviewed the key assumptions made by the valuers at 30 June 2012 along with additions and disposals since that valuation. They concluded, with reference to an assessment made by Herron Todd White (Cairns) Pty Ltd, Approved Valuers, that these assumptions remain materially unchanged and are satisfied that the carrying value did not exceed the fair value amount at 30 June 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Buildings**

On 30 June 2012, buildings held by the company were valued by independent valuer AssetVal Pty Ltd. The fair value of the buildings is based on their depreciated replacement cost. Taking into consideration advice from an independent cost consultant (refer to paragraph further below) about the impact of cost price movements on the replacement cost of buildings, the Directors adopted revised depreciated replacement costs on 30 June 2014, as this approximates fair value (and at 30 June 2013 using the same method).

**Wharves, Harbours and Facilities, Channels and Swing Basins, Access Roads and Carparks (Infrastructure)**

On 30 June 2012, the above infrastructure classes held by the company were valued by independent valuer AssetVal Pty Ltd. The fair value of infrastructure is based on their depreciated replacement cost, as there is no active market for these assets. These assets are primarily used for the provision of port services. Taking into consideration advice from an independent cost consultant (refer to paragraph further below) about the impact of cost price movements on the replacement cost of the above infrastructure classes, the Directors adopted revised depreciated replacement costs on 30 June 2014 (and at 30 June 2013 using the same method).

**Plant and Equipment – Infrastructure and Other**

On 30 June 2012, plant and equipment held by the company were valued by independent valuer AssetVal Pty Ltd. The fair value of plant and equipment infrastructure is based on their depreciated replacement cost, as there is no active market for these assets. These assets are primarily used for the provision of port services. The fair value of plant and equipment – other is based on depreciated replacement cost and this approximates fair value. Taking into consideration advice from an independent cost consultant (refer to paragraph further below) about the impact of cost price movements on the replacement cost of plant and equipment, the Directors adopted revised depreciated replacement costs on 30 June 2014 (and at 30 June 2013 using the same method).

**Other**

Other Assets are measured at cost less accumulated depreciation and accumulated impairment. Useful lives were reviewed as at 30 June 2014.

**Assessment by Independent Cost Consultant – 30 June 2014 (and 30 June 2013)**

An independent cost consultant was engaged by the company to assess the impact of cost price movements on the replacement cost of various asset classes as listed above. Ken Spain and Associates, Quantity Surveyors (QBSA Licence No 55780) assessed the market movement in the various asset classes with the estimated percentage movement being an average for the whole of the asset class inclusive of materials, plant and labour.

| Asset Class Description | 2014 Estimated Percentage Market Movement | 2013 Estimated Percentage Market Movement |
|---|---|---|
| **Building Structures.** Percentage movement based on published indices. | 1% | 1.25% |
| **Wharves and Harbours.** Assessed percentage movement based on published cost data. | 1% | 2% |
| **Marina Facilities.** Assessed percentage movement based on published cost data. | 1% | 2% |
| **Channels and Swing Basins.** Assessed percentage movement based on costs associated with the hire of the Port of Brisbane Corporation Dredge. | 5% | 3% |
| **Access Roads and Carparks.** Percentage movement based on published cost data (assuming class is exclusive of inground infrastructure services). | 2% | 3% |
| **Electrical, Water, Sewerage and Plumbing Assets.** Assessed percentage movement based on published cost data and industry feedback | 2% | 3% |
| **Other Property Plant & Equipment Assets.** Assessed percentage movement is based on the CPI Index. | 3% | 2% |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Impairment losses**

The recoverable amount estimation for the Port operations was based on a value in use calculation and was determined at the cash-generating unit level. A total impairment of $(128,456) was recognised during the year. (2013: $1,335,154). This is comprised of writedown of property, plant and equipment of $1,425,400 and net impairment income (reversal) of $1,553,856. Value-in-use was based on management's most recent cash flow forecasts over five years, using a terminal growth rate of 2.6% (2013: 2.5%) and a discount rate of 13.03% (2013: 12.96%), the 13.03% is Ports Norths' weighted average cost of capital.

**Categorisation of fair values recognised as at 30 June 2014 (refer Note 1(i))**

| | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|
| Freehold Land | 28,039 | 5,013 | 33,052 |
| Buildings | | 2,397 | 2,397 |
| Wharves, harbours and facilities | | 35,828 | 35,828 |
| Channels and swing basins | | 25,855 | 25,855 |
| Access roads and carparks | | 5,057 | 5,057 |
| Plant & Equipment – Infrastructure | 4,094 | 1,244 | 5,338 |
| Plant & Equipment - Other | 4,838 | | 4,838 |
| Other | 1,565 | | 1,565 |

**Level 3 fair value reconciliation (refer Note 1(i))**

| 2014 | Opening balance $'000 | Transfers from/to Level 2 $'000 | Additions/ Transfers $'000 | Disposals/ Wite-offs $'000 | Depreciation $'000 | Impairment reversal/ (expense) $'000 | Gains recognised in other comprehen-sive income $'000 | Gains recognised in other income $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Freehold land | 5,391 | | | | | 6 | (242) | (142) | 5,013 |
| Buildings | 2,661 | - | - | (10) | (143) | 208 | (159) | (160) | 2,397 |
| Wharves, harbours and facilities | 32,232 | - | 47 | - | (1,425) | 327 | 4,883 | (236) | 35,828 |
| Channels and swing basins | 23,650 | - | - | - | (1,397) | (52) | 3,442 | 212 | 25,855 |
| Access roads and carparks | 4,930 | - | - | - | (487) | 471 | 538 | (395) | 5,057 |
| Plant & Equipment – Infrastructure | 1,331 | - | 21 | - | (59) | 28 | 21 | (98) | 1,244 |
| | 70,195 | - | 68 | (10) | (3,511) | 988 | 8,483 | (819) | 75,394 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Level 3 significant valuation inputs and relationship to fair value**

| Description | Depreciated Replacement Cost (DRC) at 30 June 2014 $'000s | Fair Value at 30 June 2014 $'000s | Type and amount for significant level 3 inputs affecting DRC | Impact of alternative amounts for significant level 3 inputs on DRC |
|---|---|---|---|---|
| Freehold Land | 5,055 | 5,013 | $/m$^2$ | An increase or decrease in the $m$^2$ value will lead to a proportionate increase or decrease in the DRC value of Freehold Land. |
| Buildings | 9,435 | 2,397 | $/m$^2$ | An increase or decrease in the $m$^2$ value will lead to a proportionate increase or decrease in the DRC value of Buildings. |
| Wharves, harbours and facilities | 80,069 | 35,828 | m$^3$ of standard materials used | An increase or decrease in the value of m$^3$ of standard materials used will lead to a proportionate increase or decrease in the DRC value of Wharves, harbours and facilities. |
| Channels and swing basins | 43,321 | 25,855 | m$^3$ of dredged material | An increase or decrease in the value of m$^3$ of dredged material will lead to a proportionate increase or decrease in the DRC value of Channels and swing basins. |
| Access roads and carparks | 15,206 | 5,057 | $/m of road surface and carpark | An increase or decrease in the $/m of road surface and carpark value will lead to a proportionate increase or decrease in the DRC value of Access roads and carparks. |
| Plant & Equipment – Infrastructure | 3,782 | 1,244 | $/m of pipes | An increase or decrease in the $/m of pipes value will lead to a proportionate increase or decrease in the DRC value of Plant & Equipment - Infrastructure. |

The final carrying values of the company's Property Plant and Equipment assets are the lower of the Depreciated Replacement Cost and the Recoverable Amount (Value in use). The significant variable inputs affecting the calculation of values in use are the discount rate (WACC) and operational income. Most of the company's operational costs do not vary significantly in response to changes in the volume of business.

An increase in the WACC rate of 1% (from 13.03% to 14.03%) decreases the carrying value of the assets by 5.6%. A decrease in the WACC rate of 1% (from 13.03% to 12.03%) increases the carrying value of the assets by 6.8%.

An increase in the operational income of 5% increases the carrying value of the assets by 14.3%. A decrease in the operational income of 5% decreases the carrying value of the assets by 7.4%.

**Assets where current use is not highest and best use**

The Company has assessed its property, plant and equipment assets and considers that they have all been valued at highest and best use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Company 2014 $'000 | 2013 $'000 |
|---|---|---|---|

## NOTE 10 INVESTMENT PROPERTY

| | | |
|---|---|---|
| Land – at independent valuation | 124,850 | 109,942 |
| Buildings and Facilities – at independent valuation | 17,008 | 23,407 |
| Work in Progress | 1,528 | 11,399 |
| **Total** | 143,386 | 144,748 |

| **2014** | Opening balance | Additions | Disposals | Net Gain / (Loss) from Fair Value Adjustment | Transfers | Closing balance |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Land | 109,942 | - | (1) | 8,433 | 6,476 | 124,850 |
| Buildings and Facilities | 23,407 | - | - | (385) | (6,014) | 17,008 |
| Work in progress | 11,399 | 198 | [1] (9,155) | - | (914) | 1,528 |
| | 144,748 | 198 | (9,156) | 8,048 | (452) | 143,386 |

[1] The Company has reviewed all work in progress and where no future economic benefits are expected, costs have been expensed.

| **2013** | Opening balance | Additions | Disposals | Net Gain / (Loss) from Fair Value Adjustment | Transfers | Closing balance |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Land | 109,802 | 140 | - | - | | 109,942 |
| Buildings and Facilities | 11,277 | - | - | - | 12,130 | 23,407 |
| Work in progress | 17,262 | 6,267 | - | - | -12,130 | 11,399 |
| | 138,341 | 6,407 | - | - | - | 144,748 |

**Level 3 fair value reconciliation (refer Note 1(i))**

| **2014** | Opening balance | Transfers from / (to) Level 2 | Additions | Disposals/ Write-offs | Transfers | Gain/(Loss) Fair Value Adjustment | Closing balance |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Land | 51 | | | (1) | | - | 50 |
| Buildings | 163 | - | - | - | (163) | - | - |
| Work in progress | 11,399 | - | 198 | (9,155) | (914) | - | 1,528 |
| | 11,613 | - | 198 | (9,156) | (1,077) | - | 1,578 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 10 INVESTMENT PROPERTY (CONTINUED)

**Level 3 significant valuation inputs and relationship to fair value**

| Description | Fair Value at 30 June 2014 $'000s | Type and amount for significant level 3 inputs | Possible alternative amounts for significant level 3 inputs | Impact of alternative amounts for significant level 3 inputs |
|---|---|---|---|---|
| Land | 50 | $/m$^2$ | -5% to 5% | An increase or decrease of 5% results in a corresponding increase or decrease of 5% in the carrying amount. |
| Work in Progress | 1,528 | Standard usage of materials and labour used | -5% to 5% | An increase or decrease of 5% results in a corresponding increase or decrease of 5% in the carrying amount. |

| | Note | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|
| **Amounts recognised in statement of profit or loss and other comprehensive income for investment property** | | | |
| Rental income | | 8,672 | 8,278 |
| Direct operating expenses from property generating rental income | | (2,955) | (2,560) |
| | | 5,717 | 5,718 |

**Valuation basis**

On 30 June 2014, investment property held by the company was valued by independent valuer Herron Todd White (Cairns) Pty Ltd. The basis of valuation of investment property is fair value being the amounts for which properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Changes in fair values are recorded in the statement of comprehensive income.

**Leasing arrangements**

Investment properties are leased to tenants under operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are detailed in Note 21.

## NOTE 11 TAX ASSETS AND LIABILITIES

### (a) Current tax assets and liabilities

The Company operates in one tax jurisdiction and have offset the deferred tax asset against the deferred tax liability because:

i) The entity has a legally enforceable right to do so, and

ii) The income tax equivalents are levied by the same tax authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 11 TAX ASSETS AND LIABILITIES (CONTINUED)

### (b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities for the Company are attributable to the following:

| | Assets Company | | Liabilities Company | | Net Company | |
|---|---|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| *Amounts recognised in statement profit or loss and other comprehensive income* | | | | | | |
| Deferred capital gain | | - | - | (686) | - | (686) |
| Inventories | | - | (10) | (7) | (10) | (7) |
| Investment property | | - | (30,435) | (27,438) | (30,435) | (27,438) |
| Property, plant and equipment | | - | 22,944 | 21,761 | 22,944 | 21,761 |
| Provision for impairment (receivables) | 125 | 61 | - | - | 125 | 61 |
| Provisions: | | | | | | |
| Annual leave | 256 | 201 | - | - | 256 | 201 |
| Long service leave | 456 | 319 | - | - | 456 | 319 |
| Rostered days off | 99 | 12 | - | - | 99 | 12 |
| Other items | 61 | 41 | (51) | (125) | 10 | (84) |
| | 997 | 634 | (7,552) | (6,495) | (6,555) | (5,861) |
| *Amounts recognised in equity* | | | | | | |
| Revaluation of property, plant and equipment | - | - | (20,903) | (17,723) | (20,903) | (17,723) |
| Tax assets (liabilities) | 997 | 634 | (28,455) | (24,218) | (27,458) | (23,584) |
| Set off of tax | (997) | (634) | 997 | 634 | - | - |
| Net tax assets/(liabilities) | - | - | (27,458) | (23,584) | (27,458) | (23,584) |

### (c) Unrecognised deferred tax assets and liabilities

At 30 June 2014 and 30 June 2013 the Company had no unrecognised deferred tax assets and liabilities.

## NOTE 12 TRADE AND OTHER PAYABLES

| | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|
| Trade payables | 581 | 56 |
| Other payables and accruals | 2,154 | 2,440 |
| | 2,735 | 2,496 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 13 PROVISIONS

| | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|
| **Current** | | |
| Long service leave | 770 | 785 |
| Employee benefits | 1,185 | 708 |
| Dividend | 6,410 | 5,154 |
| Green and Fitzroy Island Jetty Management | 2,187 | 1,872 |
| | 10,552 | 8,519 |
| **Non-current** | | |
| Long service leave | 750 | 277 |
| | 11,302 | 8,796 |

**Provision for long service leave and other employee benefits**

A provision has been recognised for long service leave for employees eligible for long service leave.

The provision for employee benefits represents amounts accrued for annual leave and rostered days off.

The measurement and recognition criteria for all employee benefits are as described in Note 1(q).

**Green and Fitzroy Island Jetty Management Fund**

A provision has been recognised for monies held for the purposes of maintaining the Green Island and Fitzroy Island Jetties pursuant to the Jetty Management Agreement. The amount held is from the users of the jetty.

### Movements in provisions

| 2014 | Long service leave $'000 | Employee Benefits $'000 | Dividend $'000 | Jetty maintenance $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at the beginning of the year | 1,062 | 708 | 5,154 | 1,872 | 8,796 |
| Additional provisions | 553 | 1,261 | 6,410 | 336 | 8,560 |
| Amounts used / paid | (95) | (784) | (5,154) | (21) | (6,054) |
| Balance at the end of the year | 1,520 | 1,185 | 6,410 | 2,187 | 11,302 |

| 2013 | Long service leave $'000 | Employee Benefits $'000 | Dividend $'000 | Jetty maintenance $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at the beginning of the year | 976 | 715 | - | 1,702 | 3,393 |
| Additional provisions | 132 | 431 | 5,154 | 302 | 6,019 |
| Amounts used / paid | (46) | (438) | - | (132) | (616) |
| Balance at the end of the year | 1,062 | 708 | 5,154 | 1,872 | 8,796 |

## NOTE 14 OTHER LIABILITIES

| | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|
| **Current** | | |
| Income received in advance | 2,259 | 1,640 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | Company | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |

## NOTE 15 CONTRIBUTED EQUITY

**Share capital**

| | | |
|---|---|---|
| Ordinary shares of $1 each, fully paid | 187,178 | 216,073 |
| **Movements:** | | |
| Balance at the beginning of the year 216,073,278 shares (2013: 216,073,278 shares) | 216,073 | 216,073 |
| Share buy back 31,000,000 shares (2013: nil) | (31,000) | - |
| Issue of shares 2,104,250 shares (2013: nil) | 2,105 | - |
| Balance at the end of the year 187,177,528 shares (2013: 216,073,278 shares) | 187,178 | 216,073 |

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

**Share buy back**

An equity withdrawal of $31 million through share repurchase occurred on 28th January 2014. This resulted in the cancellation of 31,000,000 shares of $1 each.

**Issue of shares**

On 2nd November 2013 responsibility for delivery of the Marine Pilotage Service transferred to Ports North from Maritime Safety Queensland (Department of Transport and Main Roads). Plant and equipment assets valued at $2.104 million transferred to Ports North along with the pilotage function and 2,104,250 shares at $1 each were issued at the same time.

## NOTE 16 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Capital Risk
- Market risk, in the form of interest rate risk; and
- Operational risk.

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Risk Management Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit & Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Management Committee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Approximately 20% (2013: 24%) of sales revenue is primarily from property rentals; all properties held for rental are covered by lease agreements.

The Company has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

***Exposure to credit risk***

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

| | | Company | |
|---|---|---|---|
| | Note | 2014 $'000 | 2013 $'000 |
| **Financial assets** | | | |
| Cash and cash equivalents | 5 | 36,940 | 58,374 |
| Trade and other receivables | 6 | 6,970 | 6,878 |
| | | 43,910 | 65,252 |

**Impairment losses**

The Company's aging of receivables at the reporting date was:

| | Company | | Company | |
|---|---|---|---|---|
| | Gross 2014 $'000 | Impairment 2014 $'000 | Gross 2013 $'000 | Impairment 2013 $'000 |
| Not past due | 4,620 | (50) | 4,681 | (28) |
| Past due 0-30 days | 1,094 | (60) | 1,401 | (27) |
| Past due 31-120 days | 798 | (116) | 469 | (26) |
| Past due 121 days and later | 874 | (190) | 529 | (121) |
| | 7,386 | (416) | 7,080 | (202) |

For analysis of the movement in the allowance for Impairment for Trade receivables refer to Note 6.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of the financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (continued)

The following table sets out the liquidity risk of financial liabilities held by the Company. It represents the contractual maturity of financial liabilities including estimated interest payments.

| | Note | Payable in: 1 year or less $'000 | 1-5 years $'000 | More than 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|
| **30 June 2014** | | | | | |
| *Financial liabilities* | | | | | |
| Trade and other payables | 12 | 2,735 | - | - | 2,735 |
| **30 June 2013** | | | | | |
| *Financial liabilities* | | | | | |
| Trade and other payables | 12 | 2,496 | - | - | 2,496 |

### (c) Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to shareholding Ministers.

The Company reviews its capital structure annually to determine the optimal structure to reflect changes in its business and operating environment.

***Capital Structure***

The Company's Audit and Risk Committee reviews the capital structure on an annual basis, considering the cost of capital and associated risks. The Company currently has no debt. Based on a review of the Company's capital structure in 2009 by Queensland Treasury Corporation, the benchmark Debt to Equity ratio for the Company was established at less than 0.40, with the EBITDA/Interest ratio remaining above 4.5.

Capital structure ratios are reported to the Board quarterly and are forecast as part of the 5 year forecasts in the Corporate Plan. The Company reviews its Weighted Average Cost of Capital (WACC) on an annual basis.

### (d) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

***Interest rate risk***

The Company's exposure to interest rate risk arises predominantly from borrowings bearing variable interest rates. The company currently has no borrowings.

At the reporting date the interest rate profile and carrying amounts of the Company's interest-bearing financial instruments was:

| | Note | Company 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Variable rate instruments** | | | |
| Financial assets | 5 | 16,938 | 35,372 |
| **Fixed rate instruments** | | | |
| Financial assets | 5 | 20,002 | 23,002 |

Cash is held with Queensland Treasury Corporation and other financial institutions. Variable and fixed interest rates are applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Market risk (continued)

***Sensitivity***

The following table summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk:

| | Carrying Amount $'000 | -1% Interest Rate Net Profit $'000 | -1% Interest Rate Equity $'000 | +1% Interest Rate Net Profit $'000 | +1% Interest Rate Equity $'000 |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Cash | 36,940 | (259) | (52) | 259 | 52 |
| **2013** | | | | | |
| Cash | 58,374 | (409) | (82) | 409 | 82 |

### (e) Fair Value

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximate their carrying amounts.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction less any allowance for impairment.

The fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Fair value is exclusive of costs that would be incurred on realisation of an asset and inclusive of costs which would be incurred on settlement of a liability.

### (f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit & Risk Committee and senior management of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES

### Directors

The names of persons who were directors of Far North Queensland Ports Corporation Limited at any time during the year ended 30 June 2014 were:

| | | |
|---|---|---|
| Mr W Moller | Chairman | |
| Ms S Dawson | Deputy | *(appointed as Deputy 17 December 2013)* |
| Mr R Macalister | Director | |
| Mr G Nucifora | Director | |
| Mr P Gregory | Director | |
| Mr M Lee | Director | *(appointed 12 December 2013)* |
| Mr M Huelin | Director | *(term expired 30 September 2013)* |

### Executives with greatest authority

The names of executives with greatest authority during the year ended 30 June 2014 were:

| | |
|---|---|
| Mr CJ Boland | Chief Executive Officer |
| Mr MH Colleton | General Manager Commercial |
| Mr AG Vico | General Manager Planning & Projects |
| Ms KP Egerton | General Manager Corporate Services |
| Mr N Good | Chief Financial Officer |

### Remuneration policy

The Company's remuneration policies provide for a strategy that balances the needs of the organisation, individuals and shareholders. Policies recognise the need to contain costs to the Company and optimise the return on the Company's investment in its people.

Guiding principles that underpin the remuneration strategy are:

- Contribution to the achievement of Ports North's vision and corporate objectives;
- Promotion of sustained superior performance;
- Remuneration is competitive within the labour markets in which Ports North operates;
- Transparency and fairness is achieved by recognising legitimate differences in roles and in an individual's contribution; and
- Policy is able to withstand scrutiny from all stakeholders.

An individual's remuneration is determined on appropriate market competitiveness and also having regard to the accountabilities and responsibilities of the position they hold. Remuneration may vary from year to year depending on how the individual and Company perform. In making these determinations, both organisation, and individual performance objectives, standards and achievements are taken into account.

### Performance payments

An 'at-risk' or incentive component of 5%, 10% or 15% (dependent on position) may be awarded to staff for superior or outstanding performance. In addition, minimum corporate standards of financial performance will need to be met before any performance payments are made.

These standards are determined by the Board of Directors annually. In making these determinations, organisation and individual performance objectives, standards and achievements will be taken into account.

The incentive is paid in the form of a one-off lump sum payment and employees must 're-earn' the incentive component each year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### Director and executive remuneration

#### *Specified directors*

Specified Directors are only remunerated by the Company.

| | Short-term employee benefits | Post employment | Other long-term benefits | Termination benefits | Other benefits | Total |
|---|---|---|---|---|---|---|
| Mr B Moller - Chairman | | | | | | |
| 2014 | 48,691 | 4,504 | - | - | - | 53,195 |
| 2013 | 48,691 | 4,382 | - | - | - | 53,073 |
| Mr M Huelin - Deputy | | | | | | |
| 2014 | 5,904 | 546 | - | - | - | 6,450 |
| 2013 | 22,739 | 2,046 | - | - | - | 24,785 |
| Ms S Dawson - Deputy | | | | | | |
| 2014 | 24,199 | 2,238 | - | - | - | 26,437 |
| 2013 | 24,345 | 2,191 | - | - | - | 26,536 |
| Mr R Macalister - Director | | | | | | |
| 2014 | 23,615 | 2,184 | - | - | - | 25,799 |
| 2013 | 17,979 | 1,618 | - | - | - | 19,597 |
| Mr G Nucifora - Director | | | | | | |
| 2014 | 24,201 | 2,239 | - | - | - | 26,440 |
| 2013 | 12,805 | 1,152 | - | - | - | 13,957 |
| Mr P Gregory - Director | | | | | | |
| 2014 | 22,739 | 2,103 | - | - | - | 24,842 |
| 2013 | 11,637 | 1,047 | - | - | - | 12,684 |
| Mr M Lee - Director | | | | | | |
| 2014 | 12,107 | 1,120 | - | - | - | 13,227 |
| 2013 | - | - | - | - | - | - |
| Mr J Camp – Director | | | | | | |
| 2014 | - | - | - | - | - | - |
| 2013 | 11,640 | 1,048 | - | - | - | 12,688 |
| Ms L Anderson - Director | | | | | | |
| 2014 | - | - | - | - | - | - |
| 2013 | 6,050 | 544 | - | - | - | 6,594 |
| Ms J Siganto - Director | | | | | | |
| 2014 | - | - | - | - | - | - |
| 2013 | 5,904 | 531 | - | - | - | 6,435 |
| **Total remuneration** | | | | | | |
| 2014 | 161,456 | 14,934 | - | - | - | 176,390 |
| 2013 | 161,790 | 14,559 | - | - | - | 176,349 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### Director and executive remuneration (continued)

***Specified executives***

| | Short-term employee benefits | Post employment | Performance benefits | Other long-term benefits | Termination benefits | Total |
|---|---|---|---|---|---|---|
| Chief Executive Officer | | | | | | |
| 2014 | 253,310 | 52,163 | 32,605 | - | - | 338,078 |
| 2013 | 242,726 | 49,928 | 31,512 | - | - | 324,166 |
| General Manager Commercial | | | | | | |
| 2014 | 187,423 | 39,347 | 24,311 | - | - | 251,081 |
| 2013 | 179,434 | 37,634 | 23,538 | - | - | 240,606 |
| General Manager Planning & Projects | | | | | | |
| 2014 | 168,093 | 35,305 | 21,988 | - | - | 225,386 |
| 2013 | 161,576 | 33,843 | 20,694 | - | - | 216,113 |
| General Manager Corporate Services | | | | | | |
| 2014 | 161,473 | 33,932 | 21,323 | - | - | 216,728 |
| 2013 | 155,459 | 32,661 | 20,995 | - | - | 209,115 |
| Chief Financial Officer | | | | | | |
| 2014 | 158,299 | 25,000 | 19,708 | - | - | 203,007 |
| 2013 | 150,067 | 25,000 | 12,453 | - | - | 187,520 |
| **Total remuneration** | | | | | | |
| 2014 | 928,598 | 185,747 | 119,935 | - | - | 1,234,280 |
| 2013 | 889,262 | 179,066 | 109,192 | - | - | 1,177,520 |

(1) Remuneration expenses for key management personnel comprises the following components:

- Short-term employee benefits which include salaries, allowances and leave entitlements earned and expensed for the year
- Post-employment which includes amounts expensed in respect of employer superannuation obligations.

### Service agreements

*Chief Executive Officer*

- Term of agreement – 2 years expiring 15 September 2014
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 23 weeks

*General Manager Commercial*

- Term of agreement – 2 years expiring 25 February 2015
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 17 weeks

*General Manager Planning & Projects*

- Term of agreement – 2 years expiring 25 February 2015
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 17 weeks

*General Manager Corporate Services*

- Term of agreement – 3 years expiring 22 November 2015
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 25 weeks

*Chief Financial Officer*

- Term of agreement – 2 years expiring 24 October 2015
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 24 weeks

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### Aggregate at-risk performance incentive remuneration

| *Year paid* | *Aggregate performance bonus paid* | *Post Employment* | *Total salaries paid to employees receiving performance bonuses* | *Number of employees receiving a performance payment total* |
|---|---|---|---|---|
| | $ | $ | $ | |
| 2014 | 170,331 | 15,756 | 2,227,176 | 15 |
| 2013 | 155,939 | 14,034 | 2,115,282 | 15 |

The performance bonus payments were approved for payment by the Human Resources Committee at its meeting on 16 November 2013.

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |

## NOTE 18 COMMITMENTS

### Capital commitments

| | | |
|---|---|---|
| Contracted for at reporting date but not recognised as liabilities: | | |
| Within one year | 656 | 1,942 |
| Later than one year but not later than five years | - | - |
| | 656 | 1,942 |
| Breakdown: | | |
| Within one year | | |
| Cruise Shipping Development Project – EIS Statement | 656 | 1,791 |
| Investment Property | - | 30 |
| Wharves | - | 121 |
| | 656 | 1,942 |

### Other expenditure commitments

| | | |
|---|---|---|
| Contracted for at reporting date but not recognised as liabilities: | | |
| Within one year | 6,732 | 3,966 |
| Later than one year but not later than five years | 5,345 | 545 |
| | 12,077 | 4,511 |
| Breakdown: | | |
| Within one year | | |
| Dredging of main channels | 4,602 | 2,950 |
| Environmental analytical Services | 70 | 150 |
| Asset maintenance & contractor services | 899 | 831 |
| Pilotage transfer services | 1,161 | - |
| Other operating expenses | - | 15 |
| | 6,732 | 3,966 |
| Later than one year but not later than five years | | |
| Asset maintenance & contractor services | 701 | 545 |
| Pilotage transfer services | 4,644 | - |
| | 5,345 | 545 |
| | 12,077 | 4,511 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 19 RELATED PARTY TRANSACTIONS

### (a) Transactions with entities controlled by the State of Queensland

The Company transacts with other State of Queensland controlled entities. All material transactions are negotiated on terms equivalent to those that prevail in arm's length transactions.

The value of these related party transactions and balances, as reported in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows, are disclosed below.

| | | Company | |
|---|---|---|---|
| | | 2014 $'000 | 2013 $'000 |
| **Entity** | **Services** | | |
| Queensland Treasury and Trade | Dividend (paid) | (5,154) | - |
| | Tax equivalents (paid)/received | (3,937) | (10,326) |
| | Rates equivalents (paid) | (266) | (255) |
| Queensland Treasury Corporation | Interest (received) | | |
| | Ancillary Services (paid) | 888 | 1,515 |
| | | (6) | - |
| Queensland Transport | Registration marine (paid) | (10) | (7) |
| | Registration vehicle (paid) | (15) | (15) |
| | Dredging Simulation (Cruise Liner) | (60) | - |
| | Hydrographic Survey (paid) | (50) | (13) |
| | Lease rentals (paid) | (22) | (28) |
| | Hire of Pilot Boat (paid) | (30) | |
| | Floating plant hire -"Wathan" (paid) | - | (21) |
| | Idabu Pontoon Maintenance (received) | - | 65 |
| | Ancillary Services (received) | (19) | - |
| Office of State Revenue | Land tax (paid) | (1,972) | (4,061) |
| | Payroll tax (paid) | (375) | (269) |
| Q Super | Superannuation contributions (paid) | (767) | (514) |
| Maritime Safety Queensland | Piloted Ship Movements (received) | 6,375 | - |
| | Pilotage transfer services (received) | 71 | 629 |
| | Lease rental (received) | 30 | 59 |
| | Electricity services (received) | 162 | 158 |
| | Dredging at MSQ Cairns (received) | 208 | - |
| | Ancillary services (received) | 42 | 38 |
| Ergon Energy | Electricity supply and ancillary services (paid) | (4,149) | (3,996) |
| Queensland Audit Office | Audit fees (paid) | (58) | (75) |
| Department of Agriculture Fisheries and Forestry | Lease rentals (received) | 294 | 288 |
| | Electricity services (received) | 98 | 93 |
| | Seagrass monitoring (paid) | - | (48) |
| | Northern Fisheries Wharf Piles replacement (received) | 147 | - |
| Queensland Police Service | Lease rentals (received) | 22 | 22 |
| Department of State Development Infrastructure& Planning | Environmental Impact Statement contribution-Cairns Shipping Development Project (received) | 3,938 | 1,518 |
| | Environmental Coordination fees (paid) | - | (114) |
| | Lease rentals (received) | 263 | 263 |
| Workcover Qld | Workcover premium (paid) | (45) | (44) |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 19 RELATED PARTY TRANSACTIONS

### (a) Transactions with entities controlled by the State of Queensland (continued)

| | | Company | |
|---|---|---|---|
| | | 2014 $'000 | 2013 $'000 |
| **Entity** | **Services** | | |
| Citec | Property, vehicle, company searches (paid) | (12) | (10) |
| Department of Community Safety (Qld Fire and Rescue Service) | Annual fees/false alarm calls (paid) | (29) | (23) |
| Department of Education, Training and Employment | Lease rentals (received) | 95 | 30 |
| | Electricity services (received) | 89 | 80 |
| | Ancillary Services (received) | - | 17 |
| Department of Housing and Public Works | Lease rentals (received) | 118 | 115 |
| | Electricity services (received) | 25 | 18 |
| | Ancillary Services (received) | - | 1 |
| | Lease rental (paid) | (72) | - |
| | Vehicles leases (paid) | (125) | (1) |
| Department of Natural Resources and Mines | Annual rental fee for perpetual lease (paid) | (12) | (10) |
| | Registration & Application Fees (paid) | (10) | (10) |
| | Development Fees (paid) | | - |
| Department of Justice & Attorney General | Ancillary Services (paid) | - | (1) |
| | Licence fees (paid) | (19) | (19) |
| Dawson Group of Companies | Contractor Services (paid) | (8) | (5) |

The company used the maintenance contractor services of the Dawson Group of Companies, of which Sharon Dawson, an independent director, is the Chief Executive Officer. Amounts paid were based on normal market rates for such services and were due and payable under normal payment terms.

| | | | |
|---|---|---|---|
| Gulf Savannah Development Inc | Membership Fees & Services (paid) | (17) | (2) |

The company made a contribution to the cost of launching "Our Economy, Our Future" document in conjunction with the Tablelands and Futures Corporation and paid a Diamond membership fee to the Gulf Savannah Development Inc, of which Rob Macalister, (an independent director of Ports North), is the Secretary and Chief Executive Officer until January 2014. Amounts paid were based on normal market rates for such services and were due and payable under normal payment terms.

### (b) Outstanding balance arising from provision of user charges

The following balance remains outstanding at the end of the reporting period in relation to transactions with related parties. All outstanding balances are priced on an arm's length basis and are to be settled within 30 days of the reporting date. None of the balances are secured.

| | Company | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| **Trade Receivables** | 197 | 1,616 |

### (c) Outstanding balance arising from purchase of goods and services

The following balance remains outstanding at the end of the reporting period in relation to transactions with related parties. All outstanding balances are priced on an arm's length basis and are to be settled within 30 days of the reporting date. None of the balances are secured.

| | | |
|---|---|---|
| **Trade Payables** | 14 | 2 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 20 CLAIM FOR NATIVE TITLE

The Company is a respondent party to three native title claims – the Kaurareg People #3, the Gimuy Walubara Yidinji People and the Yirrganydji (Irukandji) People. The Kaurareg People claim covers land and waters within the Torres Strait Islands, whilst the other claims cover land and water in and around Cairns. None of the claims are currently active.

## NOTE 21 LEASING ACTIVITIES

### General description of leasing arrangements

Ports North leases significant assets at the seaport to third parties under operating leases with varying terms. The method of calculation of amounts payable to Ports North under these leases also varies depending on the terms and conditions of the lease, with the majority being a fixed amount that is reviewed annually.

| | Company | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| **Contingent rental recognised as revenue** | | |
| Rentals and leases disclosed in the statement of profit or loss and other comprehensive income include the following amounts of contingent rent for continuing operations: | | |
| Contingent rent | 171 | 146 |
| **Lease commitments receivable at balance date** | | |
| Receivables disclosed in Note 6 include the following lease commitments receivable: | | |
| Lease commitments receivable | 1,982 | 1,582 |
| **Future minimum lease payments receivable** | | |
| Future minimum lease payments under non-cancellable operating leases at balance date not recognised in the financial statements are receivable as follows: | | |
| Within one year | 10,095 | 9,710 |
| Later than one year but not later than five years | 33,199 | 33,711 |
| Later than five years | 132,990 | 132,001 |
| | 176,284 | 175,422 |

## NOTE 22 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|---|---|
| Operating surplus/(deficit) | 1,033 | 1,224 |
| *Adjustments for:* | | |
| Gain/(Loss) on sale of property, plant and equipment | (1) | 11 |
| Depreciation expense | 4,598 | 4,860 |
| Writedown of property, plant and equipment | 775 | 1,127 |
| Impairment losses | (1,554) | 208 |
| Write off of investment property work in progress | 9,155 | - |
| Fair value adjustment to investment property | (8,048) | - |
| **Changes in assets and liabilities** | 5,958 | 7,430 |
| (Increase)/decrease in trade and other receivables | (92) | 155 |
| (Increase)/decrease in inventories | (11) | 9 |
| (Increase)/decrease in other assets | (139) | 22 |
| (Increase)/decrease in deferred tax assets | (363) | 24 |
| Increase/(decrease) in trade and other payables | 466 | (3,175) |
| Increase/(decrease) in current tax liabilities | 152 | (8,103) |
| Increase/(decrease) in provisions | 2,506 | 5,403 |
| Increase/(decrease) in other liabilities | 619 | (38) |
| Increase/(decrease) in deferred tax liabilities | 4,238 | 1,472 |
| **Net cash flows from operating activities** | 13,334 | 3,199 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 23 EVENTS AFTER BALANCE SHEET 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 the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

## NOTE 24 ASSET REVALUATION SURPLUS BY CLASS

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 1(k).

| 2014 | Opening Balance | Revaluation | Revaluation reversal through sale | Impairment Reversal | Impairment losses through equity | Other deferred tax adjustments | Closing balance |
|---|---|---|---|---|---|---|---|
| Freehold land | 12,324 | 2,590 | - | 504 | (899) | (659) | 13,861 |
| Buildings | 694 | (35) | (48) | 1,350 | (1,474) | 62 | 549 |
| Wharves, harbours & facilities | 11,347 | (1,598) | - | 47,449 | 40,969) | (1,465) | 14,765 |
| Channels & swing basins | 9,578 | 1,462 | - | 19,190 | (17,210) | (1,033) | 11,987 |
| Access roads & carparks | 3,005 | (211) | (17) | 9,031 | (8,283) | (156) | 3,369 |
| Plant & Equipment – Infrastructure | 2,911 | (105) | (404) | 6,525 | (6,150) | 40 | 2,817 |
| Plant & Equipment – Other | 1,125 | 74 | (194) | 49 | (59) | 39 | 1,035 |
| Other | 368 | 44 | (14) | - | - | (9) | 389 |
| Total | 41,352 | 2,222 | (677) | 84,098 | (75,043) | (3,180) | 48,772 |

| 2013 | Opening Balance | Revaluation | Revaluation reversal through sale | Impairment Reversal | Impairment losses through equity | Other deferred tax adjustments | Closing balance |
|---|---|---|---|---|---|---|---|
| Freehold land | 12,342 | - | - | 479 | (504) | 7 | 12,324 |
| Buildings | 698 | (23) | - | 1,368 | (1,350) | 1 | 694 |
| Wharves, harbours & facilities | 11,434 | (304) | - | 47,629 | (47,449) | 37 | 11,347 |
| Channels & swing basins | 9,766 | 737 | - | 18,184 | (19,190) | 81 | 9,578 |
| Access roads & carparks | 3,009 | (53) | - | 9,078 | (9,031) | 2 | 3,005 |
| Plant & Equipment – Infrastructure | 2,958 | (65) | - | 6,523 | (6,525) | 20 | 2,911 |
| Plant & Equipment – Other | 1,111 | 42 | (21) | 56 | (49) | (14) | 1,125 |
| Other | 336 | 46 | - | - | - | (14) | 368 |
| Total | 41,654 | 380 | (21) | 83,317 | (84,098) | 120 | 41,352 |

## NOTE 25 SEGMENT REPORTING

Ports North operates predominantly in one industry, being that of port management and in one geographic segment, being Far North Queensland.

## NOTE 26 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Ports North has no contingent assets and liabilities at 30 June 2014 (2013:nil).

# DIRECTORS' DECLARATION

In the opinion of the directors of Far North Queensland Ports Corporation Limited (the Company):

(a) the financial statements and notes, set out on pages 33 to 70, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and

  (ii) complying with *Australian Accounting Standards* (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) Note 1(a) (i) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors:

**B Moller**
Chairman

**S Dawson**
Director

Dated at Cairns, 27 August 2014

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Far North Queensland Ports Corporation Limited**

*Report on the Financial Report*

II have audited the accompanying financial report of Far North Queensland Ports Corporation Limited, which comprises the statement of financial position as at 30 June 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a) the directors also state, in accordance with Accounting Standards AASB101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

*Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

*Auditor's Opinion*

In my opinion the financial report of Far North Queensland Ports Corporation Limited is in accordance with the *Corporations Act 2001*, including –

(a) giving a true and fair view of the company's financial position as at 30 June 2014 and 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*; and

(c) the financial report also complies with International Financial Reporting Standards as a disclosed Note 1(a).

*Other Matters – Electronic Presentation of the Audited Financial Report*

Those viewing an electronic presentation of these financial statements should note that the audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronic presented information.

**D ADAMS**

as Delegate of the Auditor General of Queensland

Queensland Audit Office
Brisbane