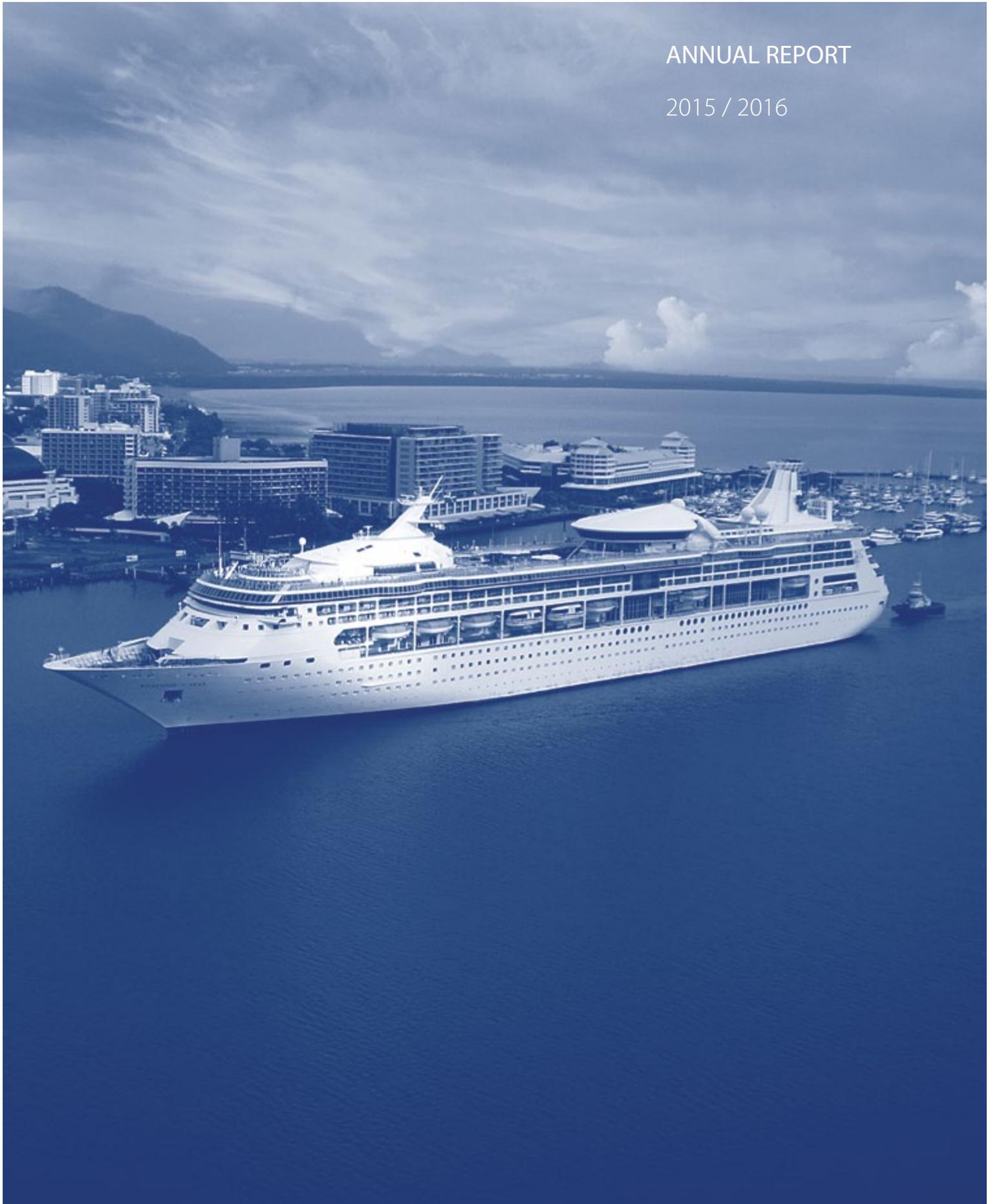


ANNUAL REPORT

2015 / 2016



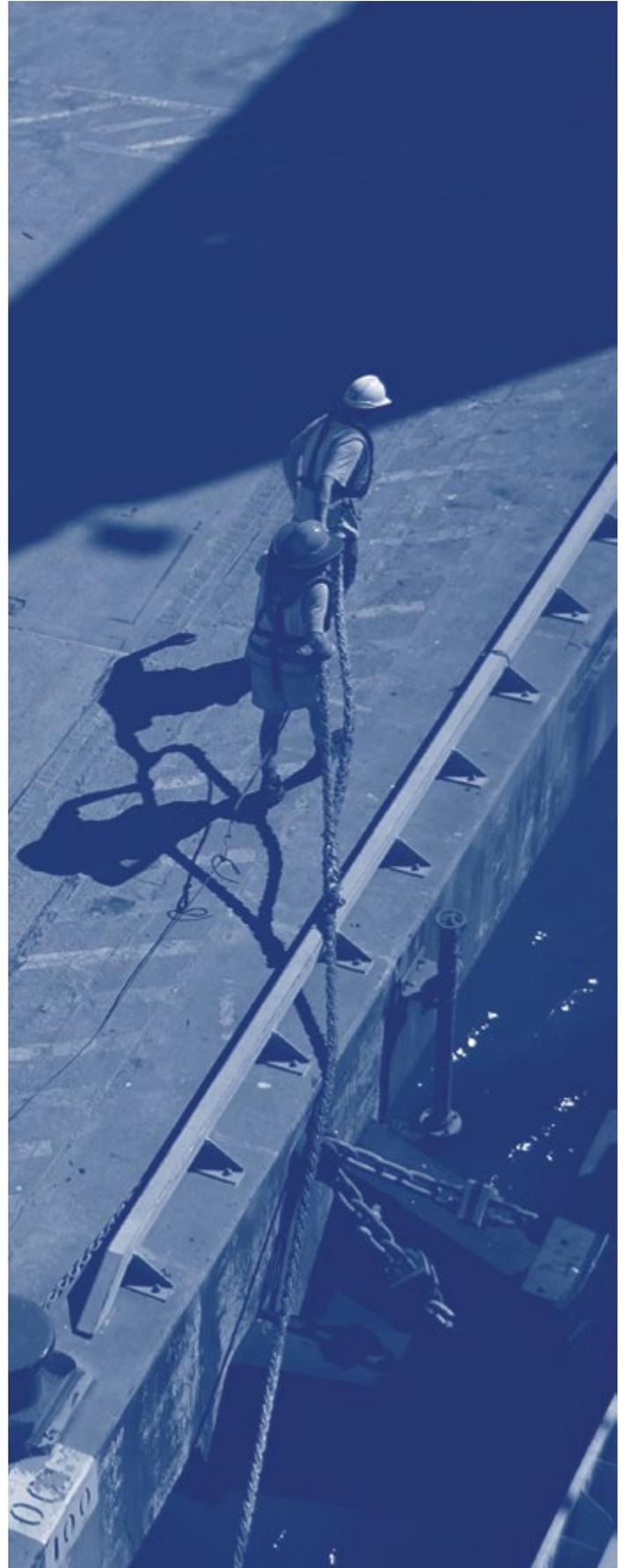
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### About Our Report

This report details our activities and financial performance for the financial year ending 30 June 2016. It fulfils Queensland Government requirements pursuant to section 50 of the Government Owned Corporation Regulation 2004.

The report is available online at [www.portsnorth.com.au](http://www.portsnorth.com.au). Ports North welcomes your feedback on the Report and this can be sent to [enquiries@portsnorth.com.au](mailto:enquiries@portsnorth.com.au)



## ABOUT US

Far North Queensland Ports Corporation, 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.

The 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 Curtis Pitt, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport and the Honourable Mark Bailey, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuel and Water Supply.

### The Corporation's Vision

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

### The Corporation's Mission

To enable business and trade growth by:

- Providing and facilitating infrastructure
- Growing opportunities through sustainable business and regional economic development
- Connecting locally and globally

### The Corporation's Values

#### Safe

- We are committed to providing the highest standard of safety for our workplace.

#### Reliable

- We will be professional and responsive in seeking to deliver excellent service to all of our internal and external customers.
- 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.
- We are committed to compliance with governance structure and procedure, transparent and accountable reporting and management of risk.

#### Value Driven

- 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.
- We are committed to sustainable outcomes by acting in a commercially astute manner whilst considering risk and environmental and social impacts of our activities to deliver sustainable commercial returns to shareholders.

### Corporate objectives are to:

- Identify and develop new trade and business opportunities and grow existing business to provide value to Ports North and its shareholders.
- Manage and develop Port property to provide sustainable commercial return to Ports North and its shareholders.
- Plan, develop and manage Port infrastructure and assets to improve Port efficiency, meet the needs of customers and contribute to sustainable regional development.
- Maintain organisational capability and governance system to deliver the business requirements and maintain the organisation's reputation.

## YEAR AT A GLANCE

Financial Summary for the Year Ending 30 June 2016

	2016 \$'000	2015 \$'000
<b>Continuing Operations</b>		
Operating Revenue	56,615	53,587
Operating Expenditure	36,243	36,597
EBIT	20,372	16,990
Net Profit (Loss)	14,261	12,030
Total Assets	364,604	340,054
Total Liabilities	64,957	54,473
Net Assets	299,647	285,581
Accounting Rate of Return	5.78%	5.28%
Debt to Equity Ratio	-	-
Current Ratio	2.70	2.96

## OUR PORTS

### Port of Cairns

Cairns Seaport is a small, 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 Australia's 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 and Cairns Cruise Liner Terminal provide the gateway to the Great Barrier Reef for more than 980,000 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 port provides for general cargo, fuel, fisheries products, and the export of live cattle. Karumba also acts as a transshipment 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 transshipment.

### 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.

A new state-of-the-art stockpile facility has facilitated the export of iron ore from a local mine, the first shipment of which left for Southern China for steel production in May.

The port also includes a livestock export facility and has 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 and Horn Island. The port services the needs of the two islands and also operates as a major transshipment 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

## Overview

Over the past twelve months nearly 5 million tonnes of cargo including sugar, molasses, silica sand, zinc, fuel, fertiliser, magnetite, livestock and general cargo made its way through the Company's ports bound for domestic and international markets. At the same time, some 980,000 tourists from around Australia and overseas used our facilities to experience 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.

Ports North's operating result after tax for the year ended 30 June 2016 was \$14.26 million which compares to \$12.03 million during the previous year. The operating result before tax was \$20.37 million for the year ended 30 June 2016 compared with a before-tax profit of \$16.99 million for the previous year.

The \$3.38 million improvement in the before-tax result was driven by the impact of asset valuation transactions.

The company's financial results for the year reflect a solid overall performance. Trade volume was down slightly due to the ending of Zinc and Lead export from Karumba in February. Total trade volume across the company's other Ports increased with growth in Sugar, Molasses and Silica Sand Volumes. Property revenue was similar to last year. Marina revenue was up with passenger revenues growing by around 20% reflecting a strong upturn in tourism.

Ports North's vision to be a successful, sustainable Port operator and a valued contributor to regional economic growth remained on track throughout the year with significant support being provided in the following key areas of our business.

*Record number of passengers flow through Reef Fleet Terminal to enjoy Great Barrier Reef.*

## Tourism

Our 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. We provide world-class tourism infrastructure along the city foreshore including the award-winning Cairns Cruise Liner Terminal.

January and February of 2016 brought record numbers of passengers to the Reef Fleet Terminal surpassing even traditionally busy months of September and October. January had a turnover of 87,000 passengers and February 85,000, which compares to 70,000 and 76,000, respectively, the previous year.

The figures were a combination of the growing popularity of Chinese New Year celebrations, and overall tourism growth in the region.

*Ports North is a strong advocate for the value of cruise tourism to Cairns.*

Cairns continues to be a popular destination for cruise shipping and Ports North's approach in attracting a larger slice of the cruise ship market was rewarded during the year.

P&O announced the commencement of home porting in Cairns from September 2016 and Princess Cruises started berthing its three Australian-based Sun class ships in the Port of Cairns. These new arrangements will see a further 17 cruise ship visits to the Port of Cairns during 2017.

Ports North is continuing with the Cairns Shipping Development Project (CSDP), which aims to deepen and widen the Trinity Inlet shipping channel to allow for larger cruise ships, as well as cargo and naval vessels.

*Revised shipping project will significantly reduce dredge material volume and costs.*

A revised Project scope has been completed to deliver a new opportunity to expand the Port of Cairns. The revised project will focus on capturing the strong growth forecast in mid to large Mega ships up to 300 metres. This will result in a significantly reduced capital dredge volume, down from 4.4 to 1 million cubic metres, being achieved.

All dredge material will be placed on land. The next stage of the project will include reviewing potential impacts and management options associated with the land-based disposal options identified for the significantly reduced volume of dredge material, refining channel simulations for larger vessels and confirming the economic benefit assessment.

It is expected that a sensible, affordable and environmentally sustainable solution to delivering this project can be achieved and Ports North is working towards a final Environmental Impact Statement report being submitted to the Queensland Coordinator-General for consideration by 30 June 2017.

## Environment and the Reef

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.

As part of our ongoing commitment to the environmental health of Trinity Inlet, Ports North continues to work in partnership with James Cook University to monitor sea grass meadows at the Cairns, Mourilyan, Karumba and Thursday Island ports. This process has been sponsored for the past 16 years.

In addition, Ports North undertook monitoring in the areas of 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.

*Ports North 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.*

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

Our environmental reputation as an organisation was enhanced by a number of activities including the continued sponsorship of the Crown of Thorns Starfish removal program, annual Business Liaison Association's Ports North Environmental Awards for senior high school students throughout Far North Queensland, as well as the ongoing support to the Turtle Rehabilitation Centre.

We continue to work closely with the Great Barrier Reef Marine Park Authority and environmental agencies and are members of the Wet Tropics Healthy Waterways Partnership, Reef 2050 Advisory Committee, Local Marine Advisory Committee as well as other State and National Port Environmental Working Groups.

### Trade Development

Our ports handle bulk shipments of sugar, molasses, silica sands, fuel, fertilisers, magnetite, minerals, livestock and general cargo representing \$2 billion gross value added and 14% of the gross regional product.

Ports North has continued its strong focus on developing 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.

One of the highlights for this financial year was the first shipment of Magnetite to an Asian market from the Port of Mourilyan. This was facilitated by a state-of-the-art stockpile facility purpose-built by Ports North. This enterprise will boost job opportunities and the general economy of the region.

The Queensland Government have approved funding of \$1.7M for dredging at the Port of Karumba to ensure continued economic security of the cattle trade industry in the region. This work will be undertaken in July 2016.

*First shipment of Magnetite exported from Port of Mourilyan to Asian market.*

### Community

Our ports support almost 13,000 people in employment in the Cairns and Far North Queensland marine industries. As a regional employer, we provide a safe, supportive work environment for employees based in the ports of Cairns, Mourilyan, Karumba, Weipa and Thursday Island.

Ports North supports local organisations, key stakeholders and the community by participating and sponsoring events which are major contributors to the economic output of the region.

This year we supported a number of regional events including the Cairns Indigenous Art Fair, Cairns Regional Council's EcoFiesta, Ironman Cairns, and conferences such as the 32nd Australia Papua New Guinea Business Forum and Trade Expo and the Regional Ports Australia conference.

Ports North continued its valuable support of the Cairns Yacht Club and the Superyacht Group Great Barrier Reef while assisting numerous other charity groups in their various marine activities.



*Ports North is a major supporter of marine industry jobs in the Far North Region.*

### Stakeholders

Ports North would like to record our appreciation to our customers and facility users for their support and commitment and look forward to continuing to grow our relationship.

We also 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.

We give special recognition to Chairman, Mr Brett Moller and Directors Mr Paul Gregory and Mr Rob Macalister who left the Board in September 2015. Their contribution to the Board and the organisation during their time reflected their professionalism and dedication.

**Russell Beer**  
Chairman

**Chris Boland**  
Chief Executive Officer

## 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 FY2016 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 have supported a range of initiatives during FY2016 including:

- Community and regional festivals and events
- Arts, cultural and sporting events
- Charity initiatives
- Secondary school environment and education awards
- Marine industry environmental 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
- 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 FY2016.

## 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 72 employees spans across a variety of professional, operational, technical, trade and administrative roles. As a regional organisation we have employees based in Cairns, Mourilyan, Thursday Island and Weipa.

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 provides 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 this was highlighted with no lost time injury being recorded for FY2016.

Ports North adopts a proactive approach to port safety management and is committed to developing and implementing safety systems that ensure good practice is achieved in both workplace health and safety and the conduct of safe marine operations.

A strong safety culture has been developed across the organisation over the years and our Port Safety Management System is under continuous review to ensure good safety performance is achieved.

### Senior Management Team

**Chris Boland** *Chief Executive Officer*

- > **Michael Colleton** *General Manager Commercial*  
Commercial Business, Property, Business Development and Corporate Governance
- > **Alan Vico** *General Manager Planning and Infrastructure*  
Engineering, Capital Works, Major Projects, Asset Strategy and Maintenance, Contract Management, Dredging, Surveying and Environment
- > **Kerry Egerton** *General Manager Corporate Services*  
Human Resources, Employee Relations, Safety, Marine Pilotage, Information Systems, Communications, Media, Community and Public Relations
- > **Nick Good** *Chief Financial Officer*  
Financial Management, Accounting, Risk Management and Procurement
- > **David Good** *Manager Operations*  
Port Operations, Security Management, Regional Ports

## OUR ENVIRONMENT

Ports North's commitment to sound environmental practice continued through our efforts to understand and minimise potential environmental impacts of our operations and to encourage good environmental practice by our port users, tenants and other stakeholders. This is to ensure we operate a sustainable business that considers environmental, economic and social impacts by identifying and implementing initiatives at each of our ports throughout the region.

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.

We continue to work closely with the Great Barrier Reef Marine Park Authority and environmental agencies and are members of the Wet Tropics Healthy Waterways Partnership, Reef 2050 Advisory Committee, Local Marine Advisory Committee as well as other State and National Port Environmental Working Groups.

Local community engagement activities included involvement with the Ports North Environment Awards for Far North Queensland secondary school students through the Business Liaison Association, continued sponsorship of the Crown of Thorns Starfish removal program as well as the ongoing support to the Turtle Rehabilitation Centre.

### Environmental Management System

Ongoing maintenance of our Environmental Management System (EMS) was conducted during FY2016 to ensure the system provides a process consistent with the ISO 14001:2015 standard, to identify and manage aspects and impacts of our operations and to develop and implement strategies to minimise such impacts. Our system ensures that environmental management remains relevant to our daily operations and business systems.

### Environmental Monitoring

Understanding of the physical, biological and cultural attributes of the areas surrounding our ports has remained an ongoing commitment, and a summary of outcomes and performance of these programs are outlined in the table below.

Initiative	Summary
<b>General Environmental Monitoring</b>	<p><b>Long Term Seagrass Monitoring</b></p> <p>Ports North continued the engagement of TropWATER at James Cook University who provided the following survey outcomes;</p> <p><u>July-2015 to June 2016 – Cairns</u></p> <p>Quarterly surveys conducted in conjunction with the main annual survey in September 2015 confirmed that the density and distribution of seagrass meadows within Trinity Bay moved from a very poor to poor condition. There were positive signs of recovery, and seagrass within the upper Trinity Inlet area remained in good condition. Sampling of benthic light (Photosynthetically Active Radiation or PAR), temperature data, seed bank density and viability analysis has been collected at specific seagrass habitat areas and continued to improve understanding of conditions for seagrass growth and recovery within Trinity Bay.</p> <p><u>November 2015 – Mourilyan</u></p> <p>Continued very poor condition of seagrass meadows was recorded due to the size and density of the three monitoring meadows remaining well below the long-term average or absent. This trend indicates seagrasses at Mourilyan have not recovered from the significant declines in biomass and distribution since 2009, as a result of catchment influences.</p> <p><u>September 2015 – Karumba</u></p> <p>Seagrass meadow condition remained in a good condition with very healthy and productive seagrass supporting a large population of turtle and dugong observed during the surveys.</p> <p><u>March 2016 – Thursday Island</u></p> <p>The biennially survey found that the seagrass meadows between Horn and Thursday Islands were again in a good condition, and the marine environment in a healthy condition.</p> <p>Repeat of the broader port baseline surveys was also conducted at each of these locations in addition to the regular monitoring of meadows which has enhanced our understanding of each port's ecology. The results outlined above were comparable to the trends in findings at other Queensland Ports and adjacent monitoring areas as part of the Queensland Ports Seagrass Monitoring Program.</p>

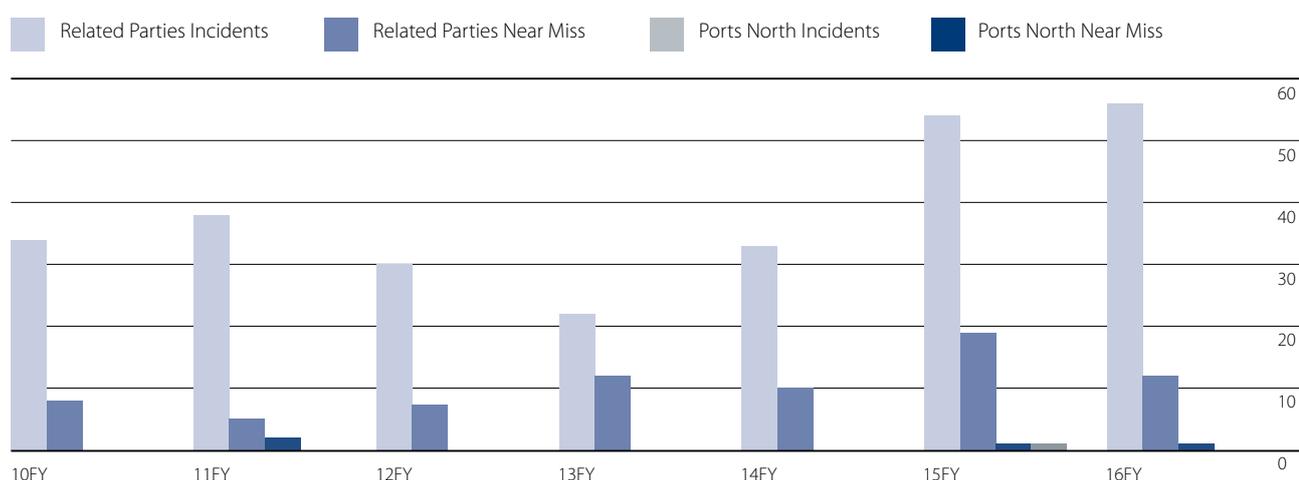
Initiative	Summary
General Environmental Monitoring (continued)	<p><b>Sediment Quality Analysis Plan (SAP) – Cairns</b></p> <p>The annual Sediment Analysis Plan at Cairns was implemented during May-June, with findings from tests for a range of potential contaminants in the proposed maintenance dredging material assessed against the National Assessment Guidelines for Dredging (NAGD, 2009) and found to be suitable for continuation of dredging and placement under our 10 year Marine Park and Sea Dumping Permit at the marine material placement area.</p>
	<p><b>Trinity Inlet Water Quality – Cairns</b></p> <p>Periodic sampling of water quality at Ports North’s marina facilities in Trinity Inlet was continued, and some validation of dredge turbidity plume verification was conducted to enhance our hydrodynamic model inputs, for future management of dredging and material placement.</p>
Pest Animals and Weeds	<p><b>Bio-Security and Marine Pests – Our Ports</b></p> <p>Ports North has continued to facilitate access and engagement with port users to assist in management of risks associated with introduced species at our ports by the respective agencies with State and Commonwealth biosecurity jurisdiction. This included assistance for surveillance programs for Asian Honey Bees, tropical mosquitoes and pest toads. No significant finds were reported. No detections of pest Mussel species were reported by port users, and none were recorded during periodic checking of marine pest sampling devices or through our Sediment Analysis Plan work. Similarly there were no further reports by other agencies or port users on the detection of marine pest at Cairns or the Regional Ports.</p>
Benthic Flora and Fauna	<p><b>Dredge Material Placement Area Benthic Study - Cairns</b></p> <p>Surveys to confirm the status of benthic community structure at and adjacent to the dredge material placement area were conducted in May 2016, with findings consistent with the study conducted in 2009, which again indicated that irregular low volumes of maintenance dredge material placed at the site have a very localised, but minimal impact to the surrounding seafloor.</p>

## Environmental Incidents

During FY2016, a total of 57 environmental incidents were recorded on strategic port land or at our port facilities that resulted in a release to the environment. A further 12 near-miss events occurred that were able to be contained and cleaned up with no release to the environment.

There were no Serious or Material level events recorded.

## 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, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport and Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply for the performance of Ports North.

At 30 June 2016, all shares in Ports North were held by its shareholding Ministers 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' 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

**Russell Beer** LLB, GLDP

**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** BCom, CA, GAICD

**Independent Director**

Chairperson, Audit and Risk Committee

**Martin Lee** MAICD

**Independent Director**

Member, Human Resources Committee

**Michael Huelin** GAICD

**Independent Director**

Member, Audit and Risk Committee

**Victoria Cuda** BCom, CA, MAICD

**Independent Director**

Member, Audit and Risk Committee

## 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 require 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 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 Policy and Risk Management Framework and a strong internal control environment to protect Ports North's interests. Safety and Environmental Management Frameworks, Financial Risk Policies, Fraud Control and Corruption Policies and Security and Emergency Plans address the associated specific risks.

## BOARD OF DIRECTORS AND CORPORATE GOVERNANCE *(continued)*

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 affected 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 July 2014*.

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 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 the Board on Succession Planning for Senior Executives
- Provide advice to the Chairman during new directors nominations
- 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 1993*

The State Procurement Policy did not apply to Ports North during the reporting period.

## Summary of Overseas Travel

No overseas travel was undertaken by Ports North officers during the year.



## KEY PERFORMANCE INDICATORS

### General

The operating result after tax for the year ended 30 June 2016 was a profit of \$14.26 million which compares to a profit of \$12.03 million in the previous year. The operating result before tax (EBIT) was \$20.37 million for the year ended 30 June 2015 compared with \$16.99 million for the previous year. The \$3.38 million improvement in the before tax result is due to the impact of asset valuation transactions which contributed \$8.54M to EBIT compared with \$3.23M in the previous year.

Overall trade volume dropped during the year ending 30 June 2016. However, this was due to the ending of Zinc and Lead export from Karumba in February 2016. Excluding Zinc and Lead, total trade volume increased during the year with strong growth in Sugar and Molasses from Mourilyan and Silica Sand from Cape Flattery. The first shipment of Magnetite from Mourilyan occurred during the year.

### Statement of Financial Position

Total current assets increased from \$47.85 million at 30 June 2015 to \$55.22 million at 30 June 2016. This reflects an improved cash balance driven by trading performance.

Property Plant and Equipment increased from \$143.48 million at 30 June 2015 to \$157.33 million at 30 June 2016. The total increase in these values of \$13.85 million was due to:

- Gains from revaluations exceeding reductions due to depreciation, and write downs by a total of \$14.03 million.
- Disposals and write offs of existing assets exceeded additions of new assets by \$0.18 million.

Investment property value increased by \$3.33 million overall during the year. This included:

- A \$3.20 million gain arising from the revaluation of existing Investment Properties
- An increase of \$0.13 million from additions exceeding disposals and write offs.

Current liabilities increased from \$16.18 million at 30 June 2015 to \$20.42 million at 30 June 2016. This was mostly due to a higher dividend provision. Non-Current liabilities increased from \$38.29 million at 30 June 2015 to \$44.54 million at 30 June 2016. This was due to higher deferred tax liabilities arising from an increase in the carrying values of the company's assets. This means that more tax would be due should the company sell its assets.

Total Equity as at 30 June 2016 was \$299.65 million compared to \$285.58 million for the prior year. The change was due to an increase in the asset revaluation surplus arising from the improved carrying value of the company's assets and an increase in the accumulated surplus reflecting this year's retained profit. The increase in retained profit relates to profit from community Ports and the gain on revaluation of the Company's Investment Property (a non cash item).

### Dividends

Provision for a dividend of \$9.88 million has been included in the Statement of Financial Position. The prior year included provision of \$5.23 million.

### Current Ratio

The current ratio at 30 June 2016 is 2.70 compared with 2.96 in the prior year. Cash increased reflecting the company's profitable performance. However the current ratio declined slightly mostly due to a higher provision for a dividend.

### Debt to Equity Ratio

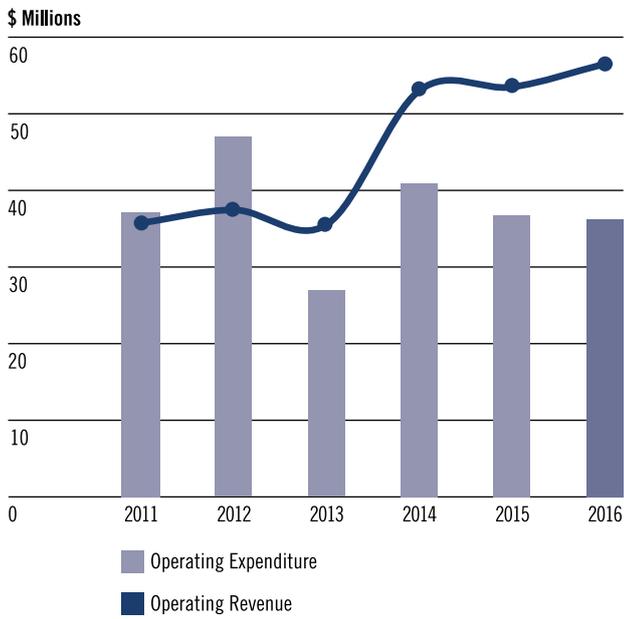
The Company had nil debt as at 30 June 2016.

### Interest Cover Ratio

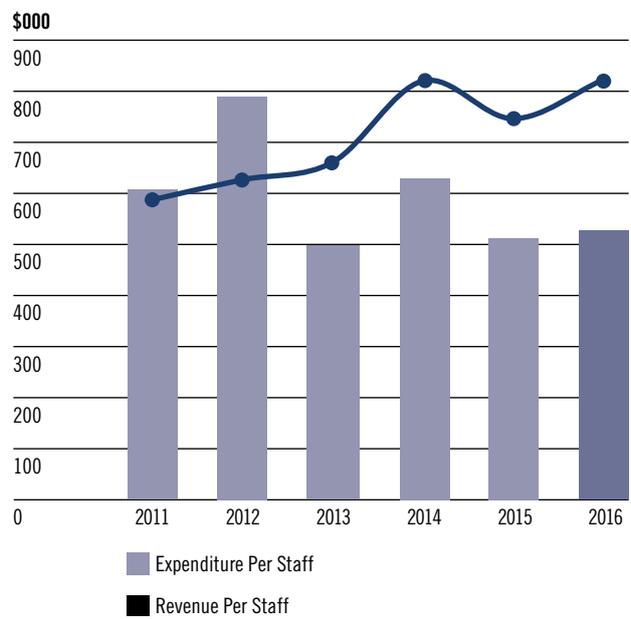
There was nil interest expense incurred during the year.

Financial KPIs	FY2016 Plan	FY2016 Actual	FY2015 Actual
Earnings Before Interest and Tax (\$'000)	13,026	20,372	16,990
EBITDA (\$'000)	17,508	20,231	20,797
Net Profit After Tax (\$'000)	9,016	14,261	12,030
Economic Profit (\$'000)	(5,732)	(2,530)	(6,226)
Return on Assets	4.28%	5.78%	5.28%
Return on Operating Assets	4.33%	5.79%	5.31%
Debt to Debt + Equity	0.00%	0.00%	0.00%
Return on Equity	3.82%	4.14%	4.65%
Interest Cover	0%	0%	0%
Current Ratio	3.25	2.70	2.96
Capital Expenditure (\$'000)	5,020	1,236	4,724
Planned Maintenance Performed (%)	100%	93%	90%
Non Financial KPIs	FY2016 Plan	FY2016 Actual	FY2015 Actual
<b>Operational</b>			
Trade (tonnes)	4,628,466	4,729,698	4,997,152
No. of Vessels to Port (excluding internal movements)	1,937	1,924	2,045
Marina Berth Occupancy (%)	67%	66%	67%
<b>Reputation</b>			
No. of Environmental - reportable breaches	0	0	0
No. of Security issues reported	0	0	3
Lost Time Injury Frequency Rate (LTIFR %)	0	0	9%
Lost Time Injury Duration Rate (LTIDR %)	0	0	20
Staff Turnover (annualised %)	< 15%	17%	4%
No. of Net FTE Staff numbers	74	69	72
No. of Community Complaints	<10	2	9
Compliance with Reporting Requirements (%)	100%	100%	100%

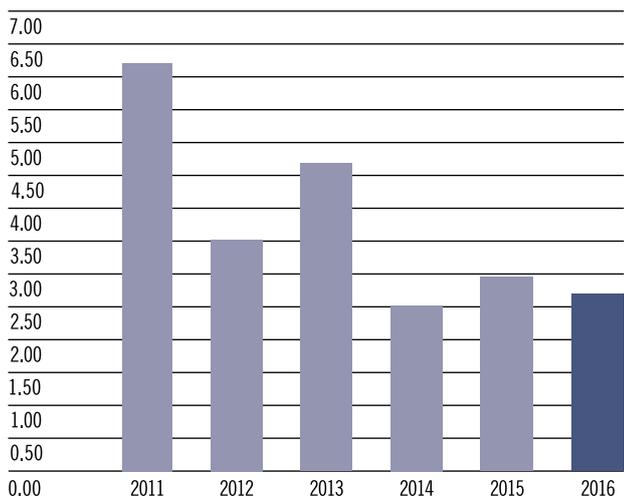
### Operating Revenue & Expense



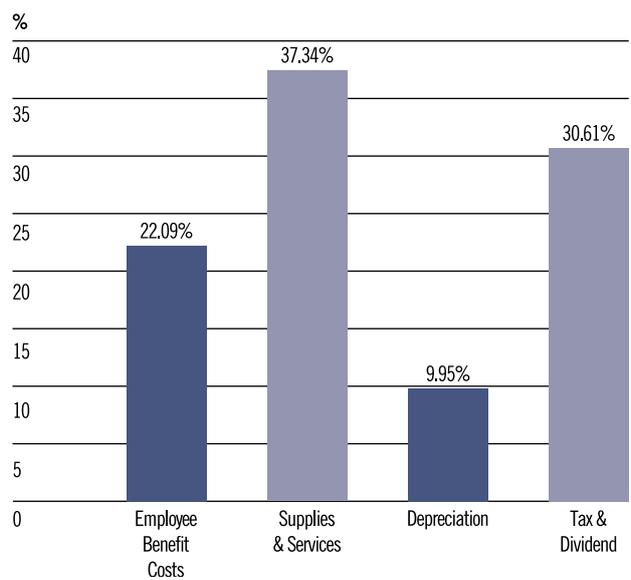
### Revenue & Expenditure Per Staff



### 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 \$15.37 million for the year ended 30 June 2016 compared with \$14.41 million in the prior year, an increase of \$0.96 million. Trade volume was lower than the previous year with sugar, molasses, fertiliser and petroleum all down. This followed strong increases in trade volume for these commodities in the previous year. Marina revenue was up on the previous year with strong growth in passenger levies and reef fleet income as a result of growing tourist numbers. This offset a fall in Superyacht revenue. Property revenue was similar to the previous year. Pilotage revenue was well up on the previous year due to additional activity at the Port of Weipa where marine pilotage is provided by Ports North.

### Regional Ports Results

The contribution to EBIT from regional port activities was \$5.01 million for the year ended 30 June 2016 compared with \$2.58 million in the previous year, an increase of \$2.43 million. Trade volumes overall showed a slight decrease compared with the previous year. Lower export of Zinc and Lead from Karumba was partially offset by increased sugar and molasses export from Mourilyan and increased Silica Sand export from Cape Flattery. During the year export of Zinc and Lead exports through Karumba ended in February after MMG ceased active mining operations at its nearby facility. At Mourilyan the first shipment of magnetite export occurred proving the Port's capability as a mineral export facility. Thursday Island total trade volume was similar to the previous year.

### Our Performance

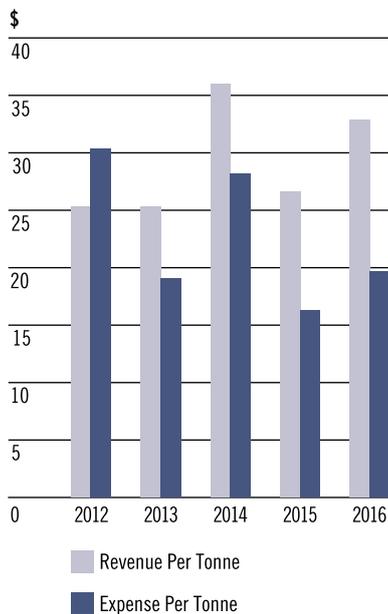
The Operating result after tax for the year ended 30 June 2016 was a profit of \$14.26 million compared with an after tax profit of \$12.03 million in the prior year. The operating result before tax was \$20.37 million compared with \$16.99 million in the previous year.

The company's financial results for the year reflect a solid overall performance. Trade volume was down slightly but this was entirely due to the ending of Zinc and Lead export from Karumba in February. Overall trade volume across the company's other Ports increased. Property revenue was similar to the previous year. Marina revenue was up on the previous year with passenger levies growing by around 20% reflecting a strong upturn in tourism.

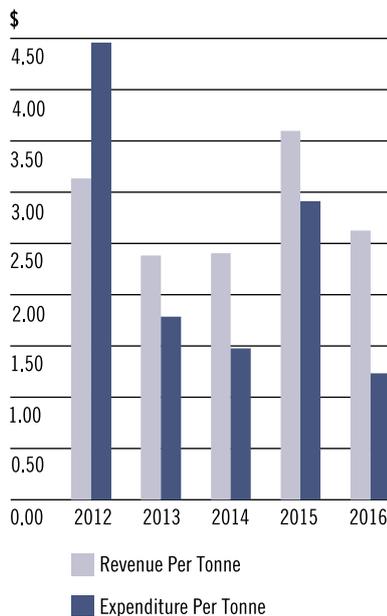
Maintenance spending increased by around \$1 million the growth in activity reflects the implementation of long term maintenance strategies. During the year Ports North made significant progress with delivering the recalibrated Cairns Shipping Development Project Environmental Impact Statement.

Asset valuation transactions increased profit before tax by \$8.54 million in the year ended 30 June 2016 compared with \$3.23 million in the prior year. The market value of the Company's Investment Property increased following an independent revaluation. The carrying values of property plant and equipment also increased reflecting a reduction in cost of capital and improved expectation of future revenue.

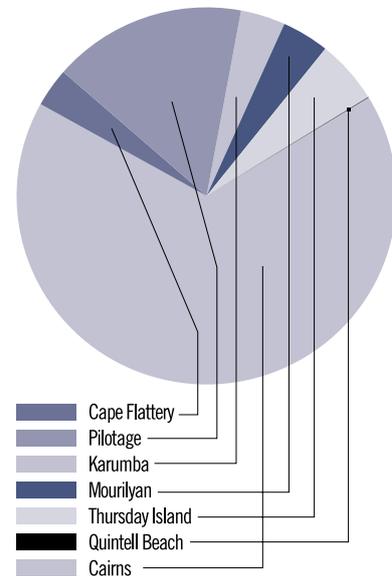
### Port of Cairns Revenue and Expenses Per Tonne



### Regional Revenue and Expenses Per Tonne



### Revenue by Port



### Port of Cairns Cargo Movements (Tonnes)

Year	EXPORTS					IMPORTS					
	Sugar	Molasses	Petroleum Products	Other	Total Exports	Petroleum Products	Fertiliser	LPG	Other	Total Imports	Total Cargo
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
FY2015	389,872	84,616	12,119	164,361	650,968	539,215	49,483	15,280	53,891	657,869	1,308,837
FY2016	290,067	78,036	11,338	167,733	547,174	501,372	34,682	16,248	50,502	602,805	1,149,979
<b>Average Annual Growth</b>											
1 Year	-25.60%	-7.78%	-6.45%	2.05%	-15.94%	7.02%	-29.91%	6.34%	-6.29%	-8.37%	-12.14%
5 years	16.90%	22.87%	-2.09%	-2.56%	7.45%	-1.15%	-5.19%	1.63%	7.23%	-0.89%	2.34%

### Regional Ports Cargo Movements (Tonnes)

Year	EXPORTS							IMPORTS			
	Sugar	Molasses	Lead/Zinc	Silica Sand	Livestock	Minerals	Other	Total Exports	Other	Total Imports	Total Cargo
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
FY2015	527,778	63,346	988,563	2,004,300	13,186		28,861	3,626,034	62,281	62,281	3,688,315
FY2016	682,381	92,314	434,899	2,245,605	6,556	24,366	20,828	3,506,948	72,771	72,771	3,579,719

## PORT RESULTS *(continued)*

### Vessel Arrivals - Trading, Cruise and Navy

	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011
<b>BULK TRADING VESSELS</b>						
Petroleum - Cairns	37	41	43	39	44	38
LPG - Cairns	15	14	14	16	12	18
Sugar - Cairns	12	14	7	8	6	10
- Mourilyan	19	14	16	12	11	13
Fertiliser - Cairns	7	9	8	10	10	7
Molasses - Cairns	10	11	7	6	5	5
- Mourilyan	10	8	11	5	8	10
Silica Sand - Cape Flattery	40	40	41	31	30	39
Livestock - Karumba	7	15	5	14	6	10
- Mourilyan	-	-	1	-	-	2
Timber - Mourilyan	-	-	4	2	2	-
Minerals - Mourilyan	1	-	-	-	-	-
<b>Sub Total Bulk</b>	<b>158</b>	<b>166</b>	<b>157</b>	<b>143</b>	<b>134</b>	<b>152</b>
<b>OTHER TRADING VESSELS</b>						
General Cargo - Cairns	630	654	642	605	605	583
- Regional Ports	546	578	662	665	551	739
<b>Sub Total Other Trading</b>	<b>1,176</b>	<b>1,232</b>	<b>1,304</b>	<b>1,270</b>	<b>1,156</b>	<b>1,322</b>
<b>OTHER VESSELS - CAIRNS &amp; REGIONAL PORTS</b>						
Cruise Vessels - International	25	22	27	27	38	35
- Domestic	100	107	108	94	81	94
	125	129	135	121	119	129
Navy	14	4	17	18	21	23
<b>Sub Total Other</b>	<b>139</b>	<b>133</b>	<b>152</b>	<b>139</b>	<b>140</b>	<b>152</b>
<b>TOTAL</b>	<b>1,473</b>	<b>1,531</b>	<b>1,613</b>	<b>1,552</b>	<b>1,430</b>	<b>1,626</b>

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



## 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 to provide value to Ports North and its shareholders	<ul style="list-style-type: none"> <li>• Ports North continues to work with Regional stakeholders exploring new trade opportunities through Cairns and the Regional Ports.</li> <li>• 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.</li> <li>• Ports North is actively engaging with proponents of the Amrun Port and wind turbine projects to position Cairns as the project cargo hub.</li> <li>• Ports North engaged with potential exporters of sand, bauxite, minerals and live cattle through the Port of Mourilyan.</li> <li>• Ports North engaged with the live cattle exporters on future trade through the Port of Karumba.</li> <li>• 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. P&amp;O announced the establishment of a three month trial of weekly home porting operations from the Port of Cairns to PNG commencing in 2016.</li> <li>• Ports North announced the revised Cairns Shipping Development Project's EIS project scope.</li> </ul>
Manage and develop Port property to provide sustainable commercial return to Ports North and its shareholders	<ul style="list-style-type: none"> <li>• Property market conditions continue to be depressed. Six monthly market updates on market conditions are provided to the Board of Directors.</li> <li>• Work is progressing on the update of the Cityport Masterplan.</li> <li>• Ports North continues to engage with potential developers of new hotel/residential products on the waterfront sites in Cityport.</li> <li>• Ports North continues to engage with potential end users of Tingira Street lands.</li> </ul>
Plan, develop and manage Port infrastructure and assets to improve Port efficiency, meet the needs of customers and contribute to sustainable regional development	<ul style="list-style-type: none"> <li>• Ports North has finalised the concept design and secured environmental approvals for the new barge ramp in Tingira Street after extensive consultation with stakeholders.</li> <li>• New stockpile site for the Port of Mourilyan has been developed and handed over to the magnetite exporter.</li> <li>• Annual dredging program for Cairns has been completed. The dredge program for Karumba has been announced following Government's commitment to \$1.7M funding.</li> <li>• Ports North has engaged consultants to progress the recalibrated EIS for the Cairns Shipping Development Project.</li> </ul>

## STATEMENT OF CORPORATE INTENT *(continued)*

### Strategies

### Progress Against Strategies

Maintain organisational capability and governance system to deliver the business requirements and maintain the organisation's reputation

- The Environmental Management System for Ports North is in place and reflected in other business systems with quarterly reports to the Board.
- Effective Safety Management System in place.
- Karumba Lead Contamination Strategy in place and being managed.
- Active participation in the Cairns Superyacht Cluster, Tourism Tropical North Queensland, Advance Cairns and with close working relationships with the Cairns Chamber of Commerce, RDA and the Cairns Regional Council.
- 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.
- An updated website has been developed to provide improved high quality information to stakeholders and opportunities for feedback.
- Human Resources Management Plan developed and progressively implemented.
- Ports North's new Enterprise Bargaining Agreement in place.
- Ports North's staff Performance and Development Reviews undertaken.
- Effective Employee Consultation Group and regular presentations to staff on key Port issues.
- Ports North's Risk Management Framework in place and operational.
- 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.
- Effective security plans are in place with an exercise and audit program with a quarterly security report provided to the Board.
- Emergency Plans, Crisis Management Plan and Business Continuity Plans are in place and an exercise program established.
- Ports North' Policy Framework in place and Policy review, communication and education strategies implemented.
- Financial Management Practice Manual is in place with monthly review of financial performance by the Board and variance, emerging issues identified and actioned.
- Business Plans are in place with financial reporting monthly to the Board.

**ANNUAL DIRECTORS' REPORT AND FINANCIAL REPORT**  
FOR THE YEAR ENDED 30 JUNE 2016



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## 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 2016 provide information relating to the financial position as at 30 June 2016 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 Aboriginal and Torres Strait Islander Partnerships and Minister for Sport; and
    - Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuel and Water Supply
- 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

## DIRECTORS' REPORT

For the Year ended 30 June 2016

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 2016.

### 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
<p><b>Russell Beer</b> LLB, GDLP</p> <p><i>Chairman</i> Independent Director Member, Audit and Risk Committee Member, Human Resources Committee</p>	<p>Russell is a partner of MacDonnells Law, one of Queensland's largest and longest established independent law firms. Russell specialises in corporate and government advisory law and has been involved in the development of many major projects and pieces of infrastructure in regional Queensland. Russell was a founding Director and long term Chair of Advance Cairns, and has served on many Not For Profit Boards. He is currently the Deputy Chair of the Reef and Rainforest Research Centre Ltd. In 2009 Russell was awarded a Certificate of Outstanding Achievement By A Legal Practitioner by the Queensland Law Society, and in 2012 was named as Cairns Regional Council's Citizen of the Year.</p> <p>Appointed October 2015 Current term: 1 October 2015 – 30 September 2018</p>
<p><b>Sharon Dawson</b> BA, PGDip.Ed.,GAICD</p> <p>Independent Director Deputy Chairperson Chairperson, Human Resources Committee</p>	<p>Sharon is the 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 and is a member of the Management Committee for Advance Cairns.</p> <p>Appointed October 2011 Current term: 11 December 2014 – 30 September 2017</p>
<p><b>Gregory Nucifora</b> BCom, CA, GAICD</p> <p>Independent Director Chairperson, Audit and Risk Committee</p>	<p>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. Greg is 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.</p> <p>Appointed December 2012 Current term: 20 December 2012 – 30 September 2016</p>
<p><b>Martin Lee</b> MAICD</p> <p>Independent Director Member, Human Resources Committee</p>	<p>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 Q.C.C.I. and Regional Chairman. Martin was appointed to the Queensland Building and Construction Board on 1 December 2013.</p> <p>Appointed December 2013 Current Term: 12 December 2013 – 30 September 2016</p>

## DIRECTORS' REPORT *(continued)*

For the Year ended 30 June 2016

Name and qualifications	Experience and special responsibilities
<p><b>Michael Huelin</b> GAICD</p> <p>Independent Director Member, Audit and Risk Committee</p>	<p>Michael has been a Partner at Williams Graham Carman, Solicitors since 1987. He practices exclusively in the areas of Commercial and Property Law. Michael previously served as a director of Ports North from 2011 to 2014 and as a director of Advance Cairns Ltd, a not-for-profit economic development organisation, for a number of years.</p> <p>Appointed October 2015 Current Term: 1 October 2015 – 30 September 2018</p>
<p><b>Victoria Cuda</b> B.Com. CA AAICD</p> <p>Independent Director Member, Audit and Risk Committee</p>	<p>Victoria is a partner and managing director of Anue Property Group, an enterprise specialising in wealth services and lifestyle consultation assistance to the Asian market. Victoria is a Chartered Accountant with 10+ years' professional experience. She is a member of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand FNQ Steering Committee and has been on the board of the JUTE Theatre Company since 2011.</p> <p>Appointed October 2015 Current Term: 1 October 2015 – 30 September 2018</p>
<p><b>William (Brett) Moller</b> BA, LLB, MAICD</p> <p><i>Chairman</i></p> <p>Independent Director Member, Audit and Risk Committee Member, Human Resources Committee</p>	<p>Appointed June 2012 <i>Term Expired 30 September 2015</i></p>
<p><b>Robert Macalister</b> BA (Hons), PGDip.Sc., GAICD</p> <p>Independent Director Member, Human Resources Committee</p>	<p>Appointed July 2009 <i>Term Expired 30 September 2015</i></p>
<p><b>Paul Gregory</b> GAICD</p> <p>Independent Director Member, Audit and Risk Committee</p>	<p>Appointed December 2012 <i>Term Expired 30 September 2015</i></p>

## DIRECTORS' REPORT *(continued)*

For the Year ended 30 June 2016

### 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 31 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 8 years.

#### **Michael Colleton BCom CPA**

Michael has over 26 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 15 years.

### 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. 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.

Also during the reporting period, Ports North provided Marine Pilotage to each of its Ports as well as the Port of Weipa.

### OPERATING AND FINANCIAL REVIEW

The Company's net profit for the year after income tax was \$14.261 million. This compares to a net profit of \$12.03 million in the previous financial year. The result for the year ending 30 June 2016 included the following major transactions:

	2016 \$'000	2015 \$'000
Gain / Fair Value adjustment on Investment Property	3,197	2,457
Gain / Fair Value adjustment on Property Plant & Equipment	5,340	771
Write off of Investment Property Work in Progress	-	-
	8,537	3,228

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### DIVIDENDS

Ports North's policy is to recommend and pay a dividend amount equivalent to 100% (2015: 80%) of Ports North's adjusted consolidated profit for 2015/2016. Dividends paid or declared by the Company since the end of the previous financial year were:

	2016 \$'000	2015 \$'000
Dividends Declared	9,878	5,233
Dividends Paid	5,233	6,410

### 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.

## DIRECTORS' REPORT *(continued)*

For the Year ended 30 June 2016

### 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:

Directors	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
Mr R Beer (appointed 1 October 2015)	8	8	3	3	3	3
Mr B Moller (retired 30 September 2015)	3	3	1	1	2	2
Ms S Dawson	11	10	-	-	5	5
Mr R Macalister (retired 30 September 2015)	3	1	-	-	2	-
Mr G Nucifora	11	11	4	4	-	-
Mr P Gregory (retired 30 September 2015)	3	3	1	1	-	-
Mr M Lee	11	11	-	-	3	3
Mrs V Cuda (appointed 1 October 2015)	8	8	3	3	-	-
Mr M Huelin (appointed 1 October 2015)	8	8	3	3	-	-

### 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. Refer to comments under the section 'Our Environment' of the 2016 Annual Report.

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 \$113,905.

### 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 28.

### ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 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 26th day of August 2016

## 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 s.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 2016, 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

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2016

	Note	Company	
		2016 \$'000	2015 \$'000
<b>INCOME FROM CONTINUING OPERATIONS</b>			
<b>Revenue</b>			
User charges	A1.1	46,528	47,071
Interest revenue		1,400	1,349
Grant revenue		-	1,669
Other revenue		132	234
Gain on sale of property plant and equipment		18	36
Gain / Fair value adjustment to Investment Property	B4	3,197	2,457
Gain / Fair value adjustment to Property, Plant and Equipment	B3	5,340	771
<b>Total Income from Continuing Operations</b>		<u>56,615</u>	<u>53,587</u>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>			
<b>Expenses</b>			
Supplies and services	A2.2	19,506	20,868
Employee expenses	A2.1	11,538	11,151
Depreciation	B3.1	5,199	4,578
<b>Total Expenses from Continuing Operations</b>		<u>36,243</u>	<u>36,597</u>
<b>Operating Result from Continuing Operations before Income tax (equivalent) expense</b>		20,372	16,990
Income tax equivalent expense/(benefit)	A3.2	6,111	4,960
<b>Operating Result for the year</b>		<u>14,261</u>	<u>12,030</u>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to operating result</b>			
Increase/(decrease) in asset revaluation surplus	B7.2	13,834	32,157
Other deferred tax adjustments	B7.2	(4,151)	(9,647)
<b>Total Other Comprehensive Income for the period, net of income tax</b>		<u>9,683</u>	<u>22,510</u>
<b>Total Comprehensive Income for the year</b>		<u><u>23,944</u></u>	<u><u>34,540</u></u>

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

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		<b>Company</b>	
	Note	2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	B1	48,358	41,446
Receivables	B2	6,562	6,071
Inventories		39	54
Prepayments		264	278
<b>Total current assets</b>		55,223	47,849
<b>Non-current assets</b>			
Property, Plant and Equipment	B3.1	157,328	143,482
Investment Property	B4	152,053	148,723
<b>Total non-current assets</b>		309,381	292,205
<b>Total assets</b>		364,604	340,054
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables		3,264	2,594
Current tax liabilities		103	1,531
Provisions	B5	14,864	9,731
Deferred Revenue		2,191	2,325
<b>Total current liabilities</b>		20,422	16,181
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	B6	43,817	37,511
Provisions	B5	718	781
<b>Total non-current liabilities</b>		44,535	38,292
<b>Total liabilities</b>		64,957	54,473
<b>Net assets</b>		299,647	285,581
<b>Equity</b>			
Contributed equity	B7.1	187,178	187,178
Asset revaluation surplus	B7.2	80,965	71,282
Accumulated surplus		31,504	27,121
<b>Total equity</b>		299,647	285,581

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

## STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2016

	Note	Contributed Equity \$'000	Asset Revaluation Surplus \$'000	Accumulated Surplus \$'000	Total \$'000
<b>Balance at 1 July 2014</b>		187,178	48,772	20,324	256,274
Operating Result from Continuing Operations		-	-	12,030	12,030
Total Other Comprehensive Income		-	22,510	-	22,510
<i>Transactions with owners, recorded directly in equity</i>					
Dividend	A4	-	-	(5,233)	(5,233)
<b>Balance at 30 June 2015</b>		187,178	71,282	27,121	285,581
Operating Result from Continuing Operations		-	-	14,261	14,261
Total Other Comprehensive Income		-	9,683	-	9,683
<i>Transactions with owners, recorded directly in equity</i>					
Dividend	A4	-	-	(9,878)	(9,878)
<b>Balance at 30 June 2016</b>		187,178	80,965	31,504	299,647

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

## STATEMENT OF CASH FLOWS

Year ended 30 June 2016

	Note	Company	
		2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		45,944	47,454
Payments to suppliers and employees		(28,709)	(30,465)
Interest received		1,392	1,648
GST received from customers		4,762	5,180
GST paid to suppliers		(1,678)	(2,283)
GST received from Australian Tax Office		1,687	2,250
GST paid to Australian Tax Office		(4,806)	(5,106)
Income Tax (equivalent) received/(paid)		(5,382)	(5,146)
<b>Net cash provided by (used in) operating activities</b>	CF1	<u>13,210</u>	<u>13,532</u>
<b>Cash flows from investing activities</b>			
Sales of property, plant and equipment and investment property		40	67
Payments for property, plant and equipment and investment property		(1,269)	(4,695)
<b>Net cash provided by (used in) investing activities</b>		<u>(1,229)</u>	<u>(4,628)</u>
<b>Cash flows from financing activities</b>			
Equity injections / (withdrawals)		-	-
Government Grant – EIS		164	2,012
Dividends Paid		(5,233)	(6,410)
<b>Net cash provided by (used in) financing activities</b>		<u>(5,069)</u>	<u>(4,398)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		6,912	4,506
Cash and cash equivalents at the beginning of the financial year		<u>41,446</u>	<u>36,940</u>
<b>Cash and cash equivalents at the end of the financial year</b>	B1	<u><u>48,358</u></u>	<u><u>41,446</u></u>

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

## STATEMENT OF CASH FLOWS *(continued)*

Year ended 30 June 2016

### NOTES TO THE STATEMENT OF CASH FLOWS

#### CF1 Reconciliation of Cash Flows from operating activities

	Company	
	2016	2015
	\$'000	\$'000
Operating surplus/(deficit)	4,383	6,797
<b>Adjustments for:</b>		
Gain/(Loss) on sale of Property, Plant and Equipment	(18)	(36)
Depreciation expense	5,199	4,578
Fair value adjustment to Property, Plant and Equipment	(5,340)	(771)
Write off of Investment Property work in progress	-	-
Fair value adjustment to Investment Property	(3,197)	(2,457)
Dividend paid included in cash flows from financing activities	5,233	6,410
Government Grant revenue included in cashflows from financing activities	13	(501)
	6,273	14,020
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(653)	555
(Increase)/decrease in inventories	15	(20)
(Increase)/decrease in other assets	1,249	42
(Increase)/decrease in deferred tax assets	45	24
Increase/(decrease) in trade and other payables	663	(154)
Increase/(decrease) in current tax liabilities	(1,427)	(593)
Increase/(decrease) in provisions	5,070	(791)
Increase/(decrease) in other liabilities	(135)	67
Increase/(decrease) in deferred tax liabilities	2,110	382
<b>Net cash flows from operating activities</b>	13,210	13,532

## BASIS OF FINANCIAL STATEMENT PREPARATION

Year ended 30 June 2016

### STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with *Australian Accounting Standards (AASBs)* adopted by the *Australian Accounting Standards Board (AASB)*, the *Corporations Act 2001* and *Government Owned Corporations Act 1993 (GOC Act) (including amendments)*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). 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 is a for-profit entity for the purposes of preparing the financial statements.

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

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note D3.

### PRESENTATION MATTERS

#### Currency and Rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

#### Comparatives

Comparative information reflects the audited 2014-15 financial statements except where restated for a prior period error.

#### Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Company does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

### 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) and plant and equipment, are measured at fair value;
- Investment Property is measured at fair value; and
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value.

#### Historical (Actual) Cost

Under historical (actual) cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

## BASIS OF FINANCIAL STATEMENT PREPARATION *(continued)*

Year ended 30 June 2016

### **Fair Value**

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. Fair value is determined using one of the following three approaches:

- The **market approach** uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- The **cost approach** reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current/depreciated replacement cost methodology.
- The **income approach** converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

### **Present Value**

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

## NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2016

### SECTION 1 - NOTES ABOUT OUR FINANCIAL PERFORMANCE

#### A1 REVENUE

##### A1.1 USER CHARGES AND FEES

	Company	
	2016 \$'000	2015 \$'000
Rentals and leases	9,683	9,715
Charges for use of facilities	16,038	15,191
Charges for services	20,807	22,165
	46,528	47,071

##### Accounting Policy – Revenue

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. Recognition occurs 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. Accrued revenue is recognised if the revenue has been earned but not yet invoiced. 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.

##### Accounting Policy – Property Revenue

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

##### Accounting Policy – 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.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### A2 EXPENSES

#### A2.1 EMPLOYEE BENEFITS EXPENSE

	Company	
	2016 \$'000	2015 \$'000
Wages and salaries	8,647	8,238
Directors fees	195	178
Wage and salary on-costs	2,312	2,465
Other employee costs and benefits	384	270
	11,538	11,151

#### Accounting Policy – 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.

#### Accounting Policy – Superannuation

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*.

#### Accounting Policy – Workers' Compensation Premiums

The Company pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' Compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

Key management personnel and remuneration disclosures are detailed in Note D1.

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**A2.2 SUPPLIES AND SERVICES**

	<b>Company</b>	
	2016	2015
	\$'000	\$'000
<b>Supplies and services</b>		
Consultants and contractors	9,364	11,078
Supplies and consumables	3,428	3,549
Electricity	3,489	3,691
Rates, utilities and land tax	3,225	2,550
	<u>19,506</u>	<u>20,868</u>
<b>Auditors remuneration included in supplies and services</b>		
External audit fees	<u>78</u>	61
Remuneration for audit of the financial statements	<u>78</u>	<u>61</u>

Total audit fees paid to Queensland Audit Office relating to the financial statements are expected to be \$77,913 (2015 \$60,700). There are no non-audit services included in this amount.

**A3 INCOME TAX EQUIVALENTS AND OTHER TAXES**

		<b>Company</b>	
	Note	2016	2015
		\$'000	\$'000
<b>A3.1 INCOME TAX EXPENSE</b>			
<b>The components of tax equivalents (expense)/income comprise:</b>			
Current tax		(105)	(5,093)
Deferred tax		6,216	10,053
Under/(over) provision in prior years		<u>-</u>	<u>-</u>
Income tax from continuing operations		<u>6,111</u>	<u>4,960</u>
Deferred income tax expense / (revenue) included in income tax expense comprises:			
Decrease / (increase) in deferred tax assets	B6.2	(45)	24
Increase / (decrease) in deferred tax liabilities	B6.2	<u>6,261</u>	<u>10,029</u>
		<u>6,216</u>	<u>10,053</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 30 June 2016

### A3.2 NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE INCOME TAX PAYABLE

	Note	Company	
		2016 \$'000	2015 \$'000
<b>Operating result from continuing operations before income tax expense</b>		20,372	16,990
Tax expense/(benefit) at the Australian tax rate of 30% (2015: 30%)		6,112	5,097
<b>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</b>			
Fair Value adjustment		(297)	(625)
Entertainment		3	3
Depreciation adjustments		63	79
Government Grant received		48	56
Dredging Project costs		182	350
Under/(over) provision in prior years		-	-
Income tax expense		<u>6,111</u>	<u>4,960</u>

### A3.3 INCOME TAX EXPENSE RECOGNISED DIRECTLY IN EQUITY

Revaluation of property, plant and equipment	B7.2	<u>4,151</u>	<u>9,647</u>
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#### Accounting Policy – Income Tax (Equivalents)

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.

#### Accounting Policy – 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.

## A4 DIVIDENDS

	Company	
	2016 \$'000	2015 \$'000
Dividend provided for in respect of the year ended 30 June 2016 of 5.2 cents per share	<u>9,878</u>	<u>5,233</u>

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**SECTION 2 - NOTES ABOUT OUR FINANCIAL POSITION****B1 CASH AND CASH EQUIVALENTS**

	<b>Company</b>	
	2016 \$'000	2015 \$'000
Cash at bank and in hand	1,983	1,297
Deposits at call	46,375	40,149
	48,358	41,446

**Accounting Policy – 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 received but not banked at 30 June 2016 as well as deposits at call and other short term, highly liquid investments with original maturities of six months or less, with financial institutions.

**B2 RECEIVABLES**

	<b>Company</b>	
	2016 \$'000	2015 \$'000
Trade receivables	6,124	5,370
Less: Allowance for impairment loss	(221)	(192)
	5,903	5,178
Other receivables	659	893
	6,562	6,071
<b>Movements in the allowance for impairment loss</b>		
Balance at the beginning of the year	192	416
Impairment loss recognised/(reversed)	29	(224)
<b>Balance at the end of the year</b>	221	192

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 3.61% of trade receivables (2015: 3.58%).

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

	<b>Company</b>			<b>Company</b>		
	Gross	Allowance for Impairment	Carrying Amount	Gross	Allowance for Impairment	Carrying Amount
	2016 \$'000	2016 \$'000	2016 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
Not past due	3,308	(43)	3,265	3,933	(39)	3,894
Past due 0-30 days	1,172	(36)	1,136	1,177	(48)	1,129
Past due 31-120 days	1,147	(96)	1,051	490	(40)	450
Past due 121 days and later	497	(46)	451	663	(65)	598
	6,124	(221)	5,903	6,263	(192)	6,071

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### **B2 RECEIVABLES *(continued)***

#### **Accounting Policy – Receivables**

Trade receivables 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 2016. Increases in the allowance for impairment are based on loss events as disclosed above.

Other receivables generally arise from transactions outside the usual operating activities of the Company and are recognised at their assessed values.

#### **Disclosure – Credit Risk Exposure of Receivables**

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets inclusive of any provisions for impairment. No collateral is held as security and no credit enhancements relate to receivables held by the Company. In terms of collectability, receivables will fall into one of the following four categories:

- Within terms and expected to be fully collectible;
- Within terms but impaired;
- Past due but not impaired; and
- Past due and impaired.

The collectability of receivables is assessed periodically with provision being made where receivables are impaired. Note B2.1 details the Accounting Policies for Impairment of Receivables, including the loss events giving rise to impairment and the movements in the provision for impairment.

All known bad debts were written-off as at 30 June 2016.

All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history. Credit risk management strategies are detailed in Note C2.1.

### **B2.1 IMPAIRMENT OF RECEIVABLES**

#### **Accounting Policy – Impairment of Receivables**

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the company, according to the due date (normally terms of 30 days). Economic changes impacting the Company's debtors, and relevant industry data, also form part of the Company's documented risk analysis.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If Ports North determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables.

Allowance for impairment loss for the current year regarding the Company's receivables is \$221,341. This is an increase of \$29,117 from 2015.

During the year, an additional impairment loss was recognised in relation to charges at high risk of not being recovered. The Company's provision for impairment represents approximately 3.61% of trade receivables (2015: 3.58%).

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**B3 PROPERTY, PLANT AND EQUIPMENT****B3.1 CLOSING BALANCES AND RECONCILIATIONS OF CARRYING AMOUNT****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.

<b>2016</b>	Opening balance	Additions	Disposals /Write-offs	Revaluations	Depreciation	Gain/(Loss) Fair Value Adjustment	Transfers	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	33,331	-	-	(116)	-	(1)	-	33,214
Buildings	3,128	-	-	592	(188)	2,331	-	5,863
Wharves, harbours and facilities	49,964	-	-	9,366	(2,404)	696	-	57,622
Channels and swing basins	34,007	-	-	1,498	(681)	39	-	34,863
Access roads and carparks	7,690	-	-	1,701	(508)	775	-	9,658
Plant & Equipment – Infrastructure & Other	13,521	238	(61)	826	(1,337)	1,500	-	14,687
Other	1,412	-	-	24	(81)	-	-	1,355
Work in progress	429	48	(411)	-	-	-	-	66
	143,482	286	(472)	13,891	(5,199)	5,340	-	157,328

<b>2015</b>	Opening balance	Additions	Disposals /Write-offs	Revaluations	Depreciation	Gain/(Loss) Fair Value Adjustment	Transfers	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land	33,052	-	-	267	-	12	-	33,331
Buildings	2,397	-	-	400	(133)	261	203	3,128
Wharves, harbours and facilities	35,828	9	-	13,547	(1,613)	2,193	-	49,964
Channels and swing basins	25,855	-	-	12,693	(1,296)	(3,245)	-	34,007
Access roads and carparks	5,057	-	-	2,637	(339)	335	-	7,690
Plant & Equipment – Infrastructure & Other	10,176	795	(72)	2,553	(1,110)	1,186	(7)	13,521
Other	1,565	-	-	101	(87)	29	(196)	1,412
Work in progress	581	27	(10)	-	-	-	(169)	429
	114,511	831	(82)	32,198	(4,578)	771	<sup>(1)</sup> (169)	143,482

<sup>(1)</sup> Transfer from Investment Property – see Note B4.

**B3.2 RECOGNITION AND ACQUISITION****Accounting Policy – Recognition Thresholds**

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)	\$10,000
Plant and Equipment (P&E Infrastructure)	\$10,000
Plant and Equipment (P&E Other)	\$5,000
Software (P&E Other)	\$100,000

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### **B3.2 RECOGNITION AND ACQUISITION *(continued)***

#### **Accounting Policy – Cost of Acquisition**

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.

Where an 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.

### **B3.3 MEASUREMENT**

#### **Accounting Policy - Measurement of Property, Plant and Equipment**

Land, buildings, infrastructure assets, and plant and equipment (except for Investment Property – refer to Note B4) are shown at fair value. These assets are reported at their revalued amounts, being the fair value at the date of valuation 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 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.

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 Comprehensive Income during the financial period in which they are incurred.

#### ***Use of Specific Appraisals***

Property, Plant and Equipment classes measured at fair value (refer above) are revalued using external independent valuers at least once every three years.

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 C1).

#### ***Use of Independent Cost Consultant***

Where assets have not been specifically appraised in the reporting period, the fair value (refer above) is determined by taking advice from an independent cost consultant on changes to replacement costs and applying an appropriate fair value adjustment.

#### ***Accounting for Changes in Fair Value***

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 the Statement of Comprehensive Income, the increase is first recognised in the Statement of 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 the Statement of Comprehensive Income; all other decreases are charged to Statement of Comprehensive Income.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### B3.4 DEPRECIATION EXPENSE

#### Accounting Policy

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, over their estimated useful life to the Company.

**Key Judgement:** Straight line depreciation is used reflecting the progressive, and even, consumption of future economic benefits over their useful life to the company.

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 within Property, Plant and Equipment.

#### Depreciation Rates

**Key Estimate:** For each class of depreciable asset, the following ranges of useful life are used

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

### B3.5 IMPAIRMENT

#### Accounting Policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of 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 FINANCIAL STATEMENTS (continued)

Year ended 30 June 2016

### B4 INVESTMENT PROPERTY

	Company	
	2016 \$'000	2015 \$'000
Land – at fair value	130,995	128,952
Buildings and Facilities – at fair value	19,365	18,211
Work in Progress – at fair value	1,693	1,560
<b>Total</b>	<b>152,053</b>	<b>148,723</b>

#### Accounting Policy – 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 operating result for the period in which they arise.

#### Reconciliation of Movement in Investment Property

2016	Opening Balance	Additions	Disposals / Write-offs	Net Gain / (Loss) from Fair Value Adjustment	Transfers	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	128,952	20	(20)	2,043	-	130,995
Buildings and Facilities	18,211	-	-	1,154	-	19,365
Work in progress	1,560	265	(132)	-	-	1,693
	148,723	285	(152)	3,197	-	152,053
2015	Opening Balance	Additions	Disposals / Write-offs	Net Gain / (Loss) from Fair Value Adjustment	Transfers	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	124,850	-	-	1,615	2,487	128,952
Buildings and Facilities	17,008	361	-	842	-	18,211
Work in progress	1,528	2,350	-	-	(2,318)	1,560
	143,386	2,711	-	2,457	169	148,723

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**B4 INVESTMENT PROPERTY** *(continued)***Rental of Investment Property**

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

	<b>Company</b>	
	2016	2015
	\$'000	\$'000
Rental income	9,238	9,446
Direct operating expenses from property generating rental income	(3,058)	(2,321)
	6,180	7,125

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.

**Contingent rental recognised as revenue**

Rentals and leases disclosed in the Statement of Comprehensive Income include the following amounts of contingent rent for continuing operations:

Contingent rent	319	220
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**Lease commitments receivable at balance date**

Receivables disclosed in Note B2 include the following lease commitments receivable:

Lease commitments receivable	1,910	1,693
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**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	10,904	11,141
Later than one year but not later than five years	29,893	34,064
Later than five years	122,471	118,693
	163,268	163,898

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### B5 PROVISIONS

	Company	
	2016 \$'000	2015 \$'000
<b>Current</b>		
Long service leave	766	862
Employee benefits	1,179	1,259
Dividend	9,878	5,233
Green and Fitzroy Island Jetty Management	3,041	2,377
	14,864	9,731
<b>Non-current</b>		
Long service leave	718	781
	15,582	10,512

#### Movements in provisions

2016	Long Service Leave \$'000	Employee Benefits \$'000	Dividend \$'000	Jetty Management \$'000	Total \$'000
Balance at the beginning of the year	1,643	1,259	5,233	2,377	10,512
Additional provisions	141	929	9,878	986	11,934
Amounts used / paid	(300)	(1,009)	(5,233)	(322)	(6,864)
Balance at the end of the year	1,484	1,179	9,878	3,041	15,582
<b>2015</b>	Long Service Leave \$'000	Employee Benefits \$'000	Dividend \$'000	Jetty Management \$'000	Total \$'000
Balance at the beginning of the year	1,520	1,185	6,410	2,187	11,302
Additional provisions	240	980	5,233	367	6,820
Amounts used / paid	(117)	(906)	(6,410)	(177)	(7,610)
Balance at the end of the year	1,643	1,259	5,233	2,377	10,512

#### Accounting Policy – 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 12 or more months, the obligation is discounted to the present value using the appropriate discount rate.

#### ***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 A2.1.

**Key Judgement:** The provision has been discounted using a rate that reflects current market assessments and risks specific to the liability.

#### ***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.

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**B6 TAX ASSETS AND LIABILITIES****B6.1 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.

**B6.2 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Amounts recognised in Statement of Comprehensive Income</i>						
Inventories			(12)	(16)	(12)	(16)
Investment Property			(32,595)	(31,461)	(32,595)	(31,461)
Property, Plant and Equipment			22,563	23,545	22,563	23,545
Provision for impairment (receivables)	66	58	-	-	66	58
Provisions:			-	-	-	-
Annual leave	242	278	-	-	242	278
Long service leave	445	493	-	-	445	493
Rostered days off	112	100	-	-	112	100
Other items	63	44	(2)	(2)	61	42
	928	973	(10,046)	(7,934)	(9,118)	(6,961)
<i>Amounts recognised in equity</i>						
Revaluation of property, plant and equipment	-	-	(34,699)	(30,550)	(34,699)	(30,550)
Tax assets (liabilities)	928	973	(44,745)	(38,484)	(43,817)	(37,511)
Set off of tax	(928)	(973)	928	973	-	-
Net tax assets/(liabilities)	-	-	(43,817)	(37,511)	(43,817)	(37,511)

**B6.3 UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES**

At 30 June 2016 and 30 June 2015 the Company had no unrecognised deferred tax assets and liabilities.

**Accounting Policy – Income Tax Equivalents**

Accounting policy information for the Company is outlined at Note A3.

## NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 30 June 2016

### B7 EQUITY

#### B7.1 CONTRIBUTED EQUITY

		Company	
		2016	2015
		\$'000	\$'000
<b>Share capital</b>			
Ordinary shares of \$1 each, fully paid		187,178	187,178
<b>Movements:</b>			
Balance at the beginning of the year	187,177,528 shares (2015: 187,177,528 shares)	187,178	187,178
Share buy back	Nil shares (2015: nil shares)	-	-
<b>Issue of shares</b>	Nil shares (2015: nil shares)	-	-
Balance at the end of the year	187,177,528 shares (2015: 187,177,528 shares)	187,178	187,178

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.

#### B7.2 ASSET REVALUATION SURPLUS BY ASSET CLASS

##### Accounting Policy

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

##### Movements

	Opening Balance	Revaluation reversal through sale/other write-off	Revaluation	Other Deferred Tax Adjustments	Closing Balance
<b>2016</b>					
Land	14,047	-	(116)	35	13,966
Buildings	829	-	592	(177)	1,244
Wharves, harbours & facilities	24,248	-	9,366	(209)	33,405
Channels & swing basins	20,872	-	1,498	(3,050)	19,320
Access roads & carparks	5,215	-	1,701	(510)	6,406
Plant & Equipment – Infrastructure & Other	5,610	(57)	826	(230)	6,149
Other	461	-	24	(10)	475
Total	71,282	(57)	13,891	(4,151)	80,965
<b>2015</b>					
Freehold land	13,861	-	267	(81)	14,047
Buildings	549	-	400	(120)	829
Wharves, harbours & facilities	14,765	-	13,547	(4,064)	24,248
Channels & swing basins	11,987	-	12,693	(3,808)	20,872
Access roads & carparks	3,369	-	2,637	(791)	5,215
Plant & Equipment – Infrastructure & Other	3,852	(41)	2,553	(754)	5,610
Other	389	-	101	(29)	461
Total	48,772	(41)	32,198	(9,647)	71,282

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### SECTION 3 - NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

#### C1 FAIR VALUE MEASUREMENT

##### C1.1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES

###### *What is Fair Value?*

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.

###### *Fair Value Measurement Hierarchy*

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.

There were no assets transferred between fair value hierarchy levels during the period, both from Level 2 to Level 3. These transfers occurred at the beginning of the reporting period and are detailed further in Note B3.

More specific fair value information about the Company's Property, Plant and Equipment and Investment Property is outlined in Notes B3 and B4, respectively.

##### C1.2 BASIS FOR FAIR VALUES OF ASSETS AND LIABILITIES

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

###### **Land**

On 30 June 2016, land held by the Company was valued by independent valuer Herron Todd White (Cairns) Pty Ltd through a desktop exercise. The valuation was carried out by Valuers who are Certified Practising Valuers, registered with the Queensland Valuers Registration Board and are members of the Australia Property Institute. The previous comprehensive valuation was completed on 30 June 2014 by HTW (Cairns) Pty Ltd. Site visits were not conducted for this year's desktop exercise with reliance being placed on the site visit conducted for the 30 June 2014 valuation. 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, 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.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### **C1.2 BASIS FOR FAIR VALUES OF ASSETS AND LIABILITIES *(continued)***

#### **Buildings, Wharves, Harbours and Facilities, Channels and Swing Basins, Access Roads and Carparks (Infrastructure) and Plant and Equipment – Infrastructure and Other**

On 30 June 2016, Property, Plant and Equipment, as described above, were valued using Ports North's valuation process. This process determines the carrying value (Fair Values as defined by AASB 13) of individual assets by grouping the assets into Units of Account (UAs), determining the Net Present Value (NPV) of the cash flows of these UAs and attributing the total NPV of each UA to its individual assets. The key inputs having the most significant impact on the final carrying values of the above assets are the net cash flows and the discount rate (WACC rate) adopted.

#### **Other**

Other Property, Plant and Equipment assets held by the Company were valued on 30 June 2015 by independent valuer, Herron Todd White (South Australia) Pty Ltd. The valuation was carried out by a Certified Practising Valuer from South Australia. Taking into consideration advice from an independent cost consultant about the impact of cost movements on the replacement cost of Property, Plant and Equipment, the Directors adopted revised depreciated replacement costs on 30 June 2016. The fair value of Other Property, Plant and Equipment assets is based on their depreciated replacement cost which for this asset class is considered commensurate with the recoverable amount.

#### **Investment Property**

On 30 June 2016, Investment Property held by the Company was valued by independent valuer Herron Todd White (Cairns) Pty Ltd (section on Land above for valuer details) through a desktop exercise. Site visits were not conducted with reliance being placed on the site visits conducted for the 30 June 2014 valuation. 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.

#### **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 FINANCIAL STATEMENTS** (continued)

Year ended 30 June 2016

**C1.3 CATEGORISATION AND RECONCILIATION OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

	As at 30 June 2016			As at 30 June 2015		
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, Plant and Equipment</b>						
Land	28,198	5,015	33,213	28,298	5,033	33,331
Buildings	-	5,863	5,863	-	3,128	3,128
Wharves, harbours and facilities	-	57,622	57,622	-	49,964	49,964
Channels and swing basins	-	34,863	34,863	-	34,007	34,007
Access roads and carparks	-	9,659	9,659	-	7,690	7,690
Plant & Equipment – Infrastructure & Other	12,306	2,380	14,686	11,721	1,800	13,521
Other	1,355	-	1,355	1,412	-	1,412
Work in Progress	-	66	66	-	429	429
<b>Total</b>	<b>41,859</b>	<b>115,468</b>	<b>157,327</b>	<b>41,431</b>	<b>102,051</b>	<b>143,482</b>
<b>Investment Property</b>						
Land	130,945	50	130,995	128,902	50	128,952
Buildings	19,365	-	19,365	18,211	-	18,211
Work in Progress	-	1,693	1,693	-	1,560	1,560
<b>Total</b>	<b>150,310</b>	<b>1,743</b>	<b>152,053</b>	<b>147,113</b>	<b>1,610</b>	<b>148,723</b>

**C1.4 LEVEL 3 FAIR VALUE MEASUREMENT – SIGNIFICANT VALUATION INPUTS AND IMPACT ON FAIR VALUE****Property, Plant and Equipment**

Description	Fair Value (Carrying amount) at 30 June 2016 \$'000s	Type and amount for significant level 3 inputs affecting Fair Values	Impact of alternative amounts for significant Level 3 inputs on Fair Values
Land	5,015	\$/m <sup>2</sup>	An increase or decrease in the \$/m <sup>2</sup> value will lead to a proportionate increase or decrease in the value of Freehold Land

In relation to the asset classes of Buildings, Wharves, harbours and facilities, Channels and swing basins, Access Roads and Carparks and Plant and Equipment Infrastructure, the most significant variable inputs affecting the calculation of the carrying values 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.

**Overall Sensitivity Analysis**

An increase in the WACC rate of 1% (from 11.6% to 12.6%) decreases the carrying value of the assets by 7.3%. A decrease in the WACC rate of 1% (from 11.6% to 10.6%) increases the carrying value of the assets by 8.7%.

An increase in the operational income of 5% increases the carrying value of the assets by 12.4%. A decrease in the operational income of 5% decreases the carrying value of the assets by 12.8%.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### C1.4 LEVEL 3 FAIR VALUE MEASUREMENT – SIGNIFICANT VALUATION INPUTS AND IMPACT ON FAIR VALUE *(continued)*

#### Summary of Key Inputs and Assumptions Used in the Valuation Process

Unobservable Input Description	Input Value	Impact on Fair Value
Discount Rate (Pre Tax WACC Rate)	11.6%	A higher discount rate will reduce fair values
Annual CPI	1.7% to 2.5%	A higher CPI will reduce fair values
Annual Price Growth	2.5% to 5%	Higher prices will increase fair values
Annual Marina and Passenger Volume	1.8% to 2%	Higher business volume will increase fair values
Business Volume Growth Other Areas	Stable at Present levels	Higher business volume will increase fair values
Operational Expenses	In line with Corporate Plan	Higher operating expenses will reduce fair values
Capital Expenditure	Replacement plus Marina growth	Higher Capital expenditure will reduce fair values
Terminal Values	Based on Year 10 cash flow	Higher Terminal Values will increase fair values

Ports North's valuation model groups assets into Units of Account. The Net Present Value (NPV) of these units is determined based on the above assumptions. The NPV values are attributed to assets on the basis of the assets replacement cost information.

#### Investment Property

Description	Fair Value at 30 June 2016 \$'000s	Fair Value at 30 June 2015 \$'000s	Type and amount for significant Level 3 inputs	Possible alternative amounts for significant Level 3 inputs
Land	50	50	N/A	N/A
Work in Progress	1,693	1,560	Standard usage of materials and labour used	-5% to 5%

The carrying value of Investment Property land, which is classified as Level 3 above, is a nominal value and will not vary as a result of a change in Level 3 inputs.

Investment Property work in progress is valued at cost and a +/- 5% change in the value of the materials and labour will result to an increase/decrease of \$85,000 (2015: \$78,000).

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**C2 FINANCIAL RISK DISCLOSURES****Accounting Policy – Financial Instruments**

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.

Financial instruments comprise the following:

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

**Overview of measurement and financial risk management of financial instruments**

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 have 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 and Risk 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 and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to the Audit and Risk Committee.

**C2.1 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 21% (2015: 19%) of sales revenue is primarily from property rentals; all properties occupied by tenants are covered by a legally enforceable agreement.

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:

Financial Assets	Note	Company	
		2016 \$'000	2015 \$'000
Cash and cash equivalents	B1	48,358	41,446
Receivables	B2	6,562	6,071
		<u>54,920</u>	<u>47,517</u>

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### C2.2 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.

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.

	Payable in:			Total
	1 year or less	1-5 years	More than 5 years	
	\$'000	\$'000	\$'000	\$'000
<b>30 June 2016</b>				
<i>Financial liabilities</i>				
Trade and other payables	3,264	-	-	3,264
<b>30 June 2015</b>				
<i>Financial liabilities</i>				
Trade and other payables	2,594	-	-	2,594

### C2.3 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 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.

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**C2.4 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:

		<b>Company</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Variable rate instruments</b>			
Financial assets	B1	47,358	36,444
<b>Fixed rate instruments</b>			
Financial assets	B1	1,000	5,002

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

**C2.5 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 and Risk Committee and senior management of the Company.

## NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 30 June 2016

### C3 CONTINGENCIES

Ports North has no contingent assets and liabilities at 30 June 2016 (at 30 June 2015: nil).

#### Native Title Claims over Company Land

The Company is a respondent party to five native title claims – the Kaurareg People #2 and #3 Claims, the Gimuy Walubara Yidinji People Claim, the Yirrganydji (Irukandji) People Claim, the Gkuthaarn and Kukatj People Claim and the Cape York United #1 Claim. The Kaurareg People Claims cover land and waters within the Torres Strait Islands, the Gkuthaarn and Kukatj People Claim covers land and waters west of Normanton in the Cape York Peninsula, the Cape York United #1 Claim covers all land and waters in Cape York not previously claimed and the other claims cover land and waters in and around Cairns, Queensland. None of the Claims are, from the Company's perspective, active.

### C4 COMMITMENTS

	Company	
	2016 \$'000	2015 \$'000
<b>Capital commitments</b>		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	2,355	136
Later than one year but not later than five years	-	-
	2,355	136
<b>Breakdown:</b>		
Within one year		
Cruise Shipping Development Project – EIS Statement	2,355	-
Investment Property – Tingira Street Land Improvement	-	136
	2,355	136
<b>Other expenditure commitments</b>		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	5,627	1,873
Later than one year but not later than five years	7,324	1,838
	12,951	3,711
<b>Breakdown</b>		
Within one year		
Dredging of main channels	3,700	-
Environmental analytical Services	41	70
Asset maintenance & contractor services	1,464	1,428
Pilotage transfer services	312	308
Other operating expenses	110	67
	5,627	1,873
Later than one year but not later than five years		
Dredging of main channels	6,000	-
Asset maintenance & contractor services	-	262
Pilotage transfer services	1,324	1,576
	7,324	1,838
	12,951	3,711

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### C5 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.

### C6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

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 2016, but have not been applied in preparing this financial report:

- **AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107** will become effective from reporting periods beginning on or after 1 July 2017. This Standard amends AASB 107 Statement of Cash Flows and requires entities preparing financial statements in accordance with Tier 1 reporting requirements to provide additional disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation or roll forward as part of the notes to the Statement of Cash Flows. The measurement of assets, liabilities, income and expenditure in the financial statements will be unaffected.
- **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 and 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 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards Arising from AASB 15 (December 2014)** will become effective from reporting periods beginning on or after 1 January 2018. This Standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of the Company's goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that the Company has received cash but has not met its associated obligations (such amounts would be reported as a liability (unearned revenue) in the meantime). The Company is yet to complete its analysis of current arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.
- AASB 16 **Leases** will become effective for reporting periods beginning on or after 1 January 2019. When applied, the Standard supersedes AASB 117 Leases, AASB Interpretation 4 Determining whether an *Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

#### **Impact for Lessees**

Unlike AASB 117 Leases, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the Statement of Financial Position under AASB 16. There will be a significant increase in assets and liabilities for agencies that lease assets. The impact on the reported assets and liabilities would be largely in proportion to the scale of the agency's leasing activities.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### **C6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE *(continued)***

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the commencement date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the Standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

The Company has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

#### ***Impact for Lessors***

Lessor accounting under AASB 16 remains largely unchanged from AASB 117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### SECTION 4 - OTHER INFORMATION

#### D1 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 2016 were:

Mr R Beer	Chairman
Ms S Dawson	Director
Mr G Nucifora	Director
Mr M Lee	Director
Mr M Huelin	Director
Ms V Cuda	Director

Mr B Moller	Chairman	(Retired 30 September 2015)
Mr R Macalister	Director	(Retired 30 September 2015)
Mr P Gregory	Director	(Retired 30 September 2015)

##### Executives with greatest authority

The names of executives with greatest authority during the year ended 30 June 2016 were:

Mr C Boland	Chief Executive Officer
Mr M Colleton	General Manager Commercial
Mr A Vico	General Manager Planning & Infrastructure
Ms K 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 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 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 FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### D1 KEY MANAGEMENT PERSONNEL DISCLOSURES *(continued)*

#### Director and Executive Remuneration

##### Specified Directors

	Short-term employee benefits	Post employment	Total
<b>Chairman</b>			
2016	40,128	3,812	43,940
<b>Deputy Chairperson and Chairperson, Human Resources Committee</b>			
2016	28,670	2,724	31,394
2015	20,990	1,994	22,984
<b>Director and Chairperson, Audit and Risk Committee</b>			
2016	28,806	2,668	30,754
2015	26,466	2,514	28,981
<b>Director</b>			
2016	20,626	1,959	22,586
<b>Director</b>			
2016	27,064	2,571	29,635
2015	24,130	2,292	26,423
<b>Director</b>			
2016	20,626	1,959	22,586
<b>Chairman (Retired 30 September 2015)</b>			
2016	13,814	1,312	15,126
2015	51,061	4,851	55,911
<b>Director</b>			
2016	6,437	612	7,049
2015	25,444	2,417	27,862
<b>Director</b>			
2016	6,875	653	7,529
2015	25,444	2,417	27,862
<b>Total remuneration</b>			
2016	192,328	18,271	210,599
2015	173,536	16,486	190,022

##### Specified Executives

	Short-term employee benefits	Post employment	Performance benefits	Other long-term benefits	Termination benefits	Total
<b>Chief Executive Officer</b>						
2016	263,586	54,614	36,569	-	-	354,769
2015	259,547	53,755	35,781	-	-	349,083
<b>General Manager Commercial</b>						
2016	195,963	41,355	27,016	-	-	264,333
2015	202,734	40,421	26,269	-	-	269,424
<b>General Manager Planning &amp; Infrastructure</b>						
2016	190,614	40,079	24,739	-	-	255,432
2015	179,232	36,553	23,439	-	-	239,224
<b>General Manager Corporate Services</b>						
2016	169,753	35,838	23,554	-	-	229,145
2015	167,194	35,240	22,593	-	-	225,027
<b>Chief Financial Officer</b>						
2016	157,834	35,000	21,202	-	-	214,036
2015	151,799	30,000	20,888	-	-	202,688
<b>Total Remuneration</b>						
2016	977,751	206,885	133,080	-	-	1,317,716
2015	960,507	195,969	128,970	-	-	1,285,446

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**D1 KEY MANAGEMENT PERSONNEL DISCLOSURES** *(continued)***Service agreements***Chief Executive Officer*

- Tenured agreement
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for six months

*General Manager Commercial*

- Tenured agreement
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for three months

*General Manager Planning & Infrastructure*

- Tenured agreement
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for three months

*General Manager Corporate Services*

- Term of agreement – 2 years expiring 22 November 2017
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 25 weeks

*Chief Financial Officer*

- Tenured agreement
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for three months

**Aggregate at-risk performance incentive remuneration**

<i>Year paid</i>	<i>Aggregate performance bonus paid</i>	<i>Post Employment</i>	<i>Total salaries paid to employees receiving performance bonuses</i>	<i>Number of employees receiving a performance payment total</i>
	\$	\$	\$	
2016	165,515	15,724	2,102,991	11
2015	177,835	16,894	2,232,932	14

The performance bonus payments were approved for payment by the Human Resources Committee at its meeting on 25 September 2015 under delegation from the Board of Directors issued at its meeting on 27 October 2011.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### D2 RELATED PARTY TRANSACTIONS

#### 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 Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, are disclosed below.

Entity	Services	Company	
		2016 \$'000	2015 \$'000
Queensland Treasury	Dividend (paid)	(5,233)	(6,410)
	Tax equivalents (paid)/received	(5,381)	(5,146)
	Rates equivalents (paid)	(273)	(270)
Queensland Treasury Corporation	Interest (received)	1,141	360
	Ancillary Services (paid)	-	-
Queensland Transport	Registration marine (paid)	(14)	(12)
	Registration vehicle (paid)	(25)	(14)
	Dredging Simulation (Cruise Liner)	-	-
	Hydrographic Survey (paid)	(61)	(13)
	Lease rentals (paid)	(14)	(34)
	Hire of Pilot Boat (paid)	(70)	(75)
	Smartship Simulation Assessment (paid)	(116)	(18)
Office of State Revenue	Ancillary Services (paid)	(36)	(13)
	Land tax (paid)	(2,188)	(1,879)
Q Super	Payroll tax (paid)	(543)	(496)
	Superannuation contributions (paid)	(932)	(896)
Department of Transport	Piloted Ship Movements (received)	10,205	8,463
	Pilotage transfer services (received)	-	-
	Lease rental (received)	-	17
	Electricity services (received)	154	175
	Ancillary services (received)	34	33
Ergon Energy	Electricity supply and ancillary services (paid)	(3,880)	(4,237)
Queensland Audit Office	Audit fees (paid)	(65)	(59)
Department of Agriculture and Fisheries	Permit Application Fees (paid)	-	(2)
	Electricity services (received)	115	107
Queensland Police Service	Lease rentals (received)	23	23
Department of State Development	Environmental Impact Statement Contribution - Cairns Shipping Development Project (received)	121	2,214
	Lease rentals (received)	-	-
	Draft Environmental Impact Statement – advertising costs (paid)	-	(14)
	Application fee for extension of time for Environmental Impact Statement (paid)	-	(4)
	Administration fee for Environmental Impact Statement (paid)	(114)	-
	Development Application Fee – Common User Barge Ramp (paid)	-	(21)
Workcover Qld	Workcover premium (paid)	(41)	(39)
Citec	Property, vehicle, company searches (paid)	(18)	(10)
Queensland Fire and Emergency Services	Annual fees/false alarm calls (paid)	(23)	(25)

**NOTES TO FINANCIAL STATEMENTS** *(continued)*

Year ended 30 June 2016

**D2 RELATED PARTY TRANSACTIONS** *(continued)*

Entity	Services	Company	
		2016 \$'000	2015 \$'000
Department of Education and Training	Lease rentals (received)	141	139
	Electricity services (received)	98	99
Department of Housing and Public Works	Lease rentals (received)	708	688
	Electricity services (received)	24	27
	Ancillary services (paid)	-	(9)
	Lease rental (paid)	(53)	(67)
	Vehicles leases (paid)	(6)	(44)
Department of Natural Resources and Mines	Annual rental fee for perpetual lease (paid)	(12)	(12)
Department of Environment and Heritage Protection	Site investigation fee (paid)	-	(1)
	Registration & Application Fees (paid)	(22)	(20)
Department of Justice and Attorney-General	Licence fees (paid)	(21)	(20)
TAFE Queensland	Staff training (paid)	(14)	(5)
Department of National Parks, Sport and Racing	Ancillary services (received)	-	3
Queensland Health	Ancillary services (received)	-	1
Department of Science, Information Technology and Innovation	Ancillary services (received)	3	3
	Ancillary services (paid)	(32)	-
Port of Townsville Ltd	Towage Licence (paid)	(15)	-
North Queensland Bulk Ports Corporation Ltd	Port Advisory environmental Planning work (paid)	(36)	(61)
	Ancillary services (paid)	(15)	(11)
Dawson Group of Companies	Contractor Services (paid)	(2)	-
	Replacement of light tower framing (paid)	(46)	-
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.			
MacDonnells Law	Legal Fees (paid)	(45)	-
The Company used the legal services of MacDonnells Law, of which Russell Beer, an independent Director appointed on 01 October 2015, is a partner. Amounts paid were based on normal market rates for such services and were due and payable under normal payment terms.			

## NOTES TO FINANCIAL STATEMENTS *(continued)*

Year ended 30 June 2016

### **D3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY**

#### **Changes in Accounting Policy**

The Company did not voluntarily change any of its accounting policies during 2015-16.

#### **Accounting Standards Early Adopted for 2015-16**

The following Australian Accounting Standard has been early adopted for 2015-16.

- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*. The amendments arising from this Standard seek to improve financial reporting by providing flexibility as to the ordering of notes, the identification and location of significant accounting policies and the presentation of sub-totals and provides clarity on aggregating line items. It also emphasises only including material disclosures in notes. The Company has applied the flexibility in preparing the 2015-16 financial statements, including co-locating significant accounting policies with the related breakdowns of financial statement figures in the Notes.

### **D4 SEGMENT REPORTING**

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

## 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 29 to 65, 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 2016 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) Statement of Compliance on page 34 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:

**R Beer**  
*Chairman*

**S Dawson**  
*Deputy Chairperson*

Dated at Cairns, 26th August, 2016

# INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Report

I have audited the accompanying financial report of Far North Queensland Ports Corporation Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### **Directors' Responsibility for the Financial Report**

The directors of the 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. The directors also state, in accordance with Accounting Standard AASB 101 *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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

#### **Independence**

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 be removed only 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. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Far North Queensland Ports Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

#### **Opinion**

In my opinion -

- (a) the financial report of Far North Queensland Ports Corporation Limited is 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 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in the statement of compliance.

## INDEPENDENT AUDITOR'S REPORT *(continued)*

### **Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements should note that 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 electronically presented information.

**D Adams**

*Director*

(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office

Brisbane



