Ports North ANNUAL REPORT 2012 / 2013

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ABOUT THIS REPORT

This report details our activities and financial performance for the financial year ended 30 June 2013. It fulfils Queensland Government requirements pursuant to section 118 of the *Government Owned Corporations Act 1993* and Schedule 3, Division 3 of the *Government Owned Corporations Regulation 2004*.

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

Front Cover clockwise:

Port of Cairns – "Rhapsody of the Seas" Cruise Ship

Port of Karumba

Port of Mourilyan

Port of Cairns – Reef Fleet Plaza

Port of Cairns

Port of Cape Flattery

Port of Thursday Island

Port of Cairns – Superyacht Refit

ABOUT US

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

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

Our ports handle bulk shipments of sugar, molasses, silica sand, zinc, fuel, fertiliser, log product, 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 207 hectares of freehold and 807 hectares of leasehold Strategic Port Land and properties across its ports.

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

The Corporation's Vision

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

The Corporation's Mission

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

The Corporation's Values

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

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

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

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

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

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

The Corporate Objectives are to:

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

YEAR AT A GLANCE

Financial Summary for the Year Ending 30 June 2013

Continuing Operations	2013 $'000	2012 $'000
Operating Revenue	**35,595**	37,493
Operating Expenditure	**26,914**	47,146
EBIT	**8,681**	(9,653)
Net Profit (Loss)	**6,378**	(17,679)
Total Assets	**315,203**	320,239
Total Liabilities	**38,487**	44,445
Net Assets	**276,716**	275,794
Accounting Rate of Return	**2.73%**	-3.17%
Debt to Equity Ratio	**-**	-
Current Ratio	**4.48**	3.51

OUR PORTS

PORT OF CAIRNS

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

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

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

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

The Port is one of the country'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 provides the gateway to the Great Barrier Reef for more than 650,000 passengers that visit the reef from Cairns each year. Sailfish Quay, within the Cairns Marlin Marina, provides world class superyacht berths for vessels up to 80 metres.

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 Cape Flattery Silica Mines Pty Ltd. The company is the world's largest producer and exporter of silica sand.

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

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

PORT OF KARUMBA

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

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

PORT OF MOURILYAN

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

The port is also home to a timber product export operation which sees woodchip and export logs pass through the port.

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

PORT OF SKARDON RIVER

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

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

PORT OF QUINTELL BEACH

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

PORT OF THURSDAY ISLAND

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

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

PORTS OF COOKTOWN AND BURKETOWN

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

The ports of Far North Queensland, particularly the Port of Cairns have always played a valuable role in the region's economy and development and the past year has reinforced their role. Ports North continues to work with business and regional development organisations to explore opportunities to grow trade and increase exports from the region.

In addition to maintaining and growing its operations and activities this year, Ports North commenced or completed a number of major initiatives to strengthen employment and improve economic opportunities for the region given the local business conditions.

These initiatives also present Ports North with opportunities to further expand and diversify its operations.

Most notably, this year saw the official opening of the $20 million Cairns Foreshore Development giving Cairns a major new entertainment, tourism and leisure precinct. This project was delivered on time and under budget. This new development builds on the work completed previously by Ports North that has provided significant tourism and marine infrastructure for Cairns. Quality infrastructure like this development is critical for Cairns to retain its destination appeal and grow the tourism industry.

The new development drives value with the adjacent property development precincts as it assists in positioning the Port's Cityport property developments to take advantage of the next upswing in the regional economy providing further opportunities for the organisation to increase revenue. Property remains a critical component of Ports North's business both in terms of revenue received and in its linkage and support of Port operations.

Recognising the growing opportunities and importance of the cruise industry, the proposal to improve shipping access to Trinity Inlet has been declared by the Queensland Government as a significant project. The project which aims to widen and deepen the existing shipping channel and swing basins to accommodate mega class cruise ships, is now subject to rigorous environmental assessment and shareholding Minister approval.

The Environmental Impact Statement (EIS) process is expected to take 12-18 months and will deliver a comprehensive suite of documents that meet the requirements of both the State and Commonwealth Governments.

This project will provide significant economic benefits to the region and the State and further strengthen and diversify our regional economy. Ports North is working with cruise companies and Tourism Tropical North Queensland (TTNQ) to target additional cruise visits for Cairns.

In addition to driving and supporting the region's economic growth through its core port, marine and tourism operations, Ports North is also committed to playing an important part in supporting the regional communities in which our Ports operate.

This commitment was recognised when Ports North and the Cairns Indigenous Art Fair took honours in the Queensland division of the Australian Business Arts Foundation (AbaF) Awards, for their successful partnership in delivering a world class indigenous cultural experience that has contributed more than $4.3 million over the last three years to the local and regional economy. Our in-kind sponsorship and support has been critical to its success.

Activities in the Regional Ports have seen Ports North continuing to engage with MMG Century Mine in relation to the potential future exports through the Port of Karumba. Ports North has also recently been appointed onto the Board of Gulf Savannah Development and will seek to work with regional Councils to further drive economic growth in the Gulf of Carpentaria.

The log and woodchip export operations are now established in the Port of Mourilyan and Ports North continues to work with a range of potential proponents for new mineral exports from the Port. An approval for the importation and exporting of up to 3,000 tonnes of Security Sensitive Ammonium Nitrate (SSAN) for the Port of Mourilyan opens opportunities for increased trade from the Port.

Ports North remains committed to contributing to the continual development of the Far North Queensland region. Trade development will continue to be a major focus for the organisation as we actively explore trade opportunities in mine supply, Papua New Guinea servicing, timber and mineral exports that will deliver practical and commercial outcomes.

Ports North continues to retain loyal and dedicated staff that made a significant contribution to the organization's performance throughout the year seeking to drive long term business outcomes for our customers. The Board also welcomed the appointment of two new Directors, Greg Nucifora and Paul Gregory as well as the re-appointment of Robert Macalister. These appointments replaced Directors, Jack Camp, Jodie Siganto and Lesley Anderson who left the Board in September 2012.

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

OUR PERFORMANCE

The ports trade performance remained steady with increases in most cargo types being largely offset by a decline in lead and zinc concentrates in Karumba due to reduced activities at the MMG Century Mine and lower silica sand exports from Cape Flattery due to the commissioning of a new processing plant.

The Cairns Marlin Marina and Reef Fleet Terminal remain vital infrastructure for the region's marine tourism industry, providing 261 berths accommodating cruising vessels, reef passenger vessels and superyachts. Passengers visiting the Great Barrier Reef and using the Reef Fleet Terminal increased by over 14% during FY2013 reflecting the improvement in tourism in the region.

The operating result after tax for the year ended 30 June 2013 was a profit of $6.38 million which compares to a loss of $17.68 million in the prior year. The operating result before tax was $8.68 million for the year ended 30 June 2013 compared with a loss of $9.65 million for the previous year.

The movement in the results between the two years is largely due to a number of specific transactions relating to the valuation of assets and capital gains tax.

The underlying operating profit before tax improved from $8.21 million in 2011/12 to $10.02 million in 2012/13. It is expected this result should improve further with growth in trade volumes and or when a recovery in Cairns property values and rental returns occurs.

OUR ACHIEVEMENTS

- More than 740,000 passengers visited the Great Barrier Reef using the Reef Fleet Terminal
- 27 international cruise ships visited Cairns
- $20 million Cairns Foreshore Development opened
- Cairns Shipping Development Project EIS to expand shipping channel commenced
- 10 year sea dumping permit granted for Port of Karumba maintenance dredging
- $1.5 million major maintenance program at the Port of Thursday Island completed
- Cairns Foreshore Development received Regional and State awards for architecture
- Ports North and the Cairns Indigenous Art Fair received State AbaF Award

MOVING FORWARD

The marine industries in Cairns are one of the most critical sectors of the local and regional economy and Ports North is an essential part of this sector and will remain focused on providing a service to new and existing customers. At the same time Ports North remains committed to growing trade and tourism through the Ports and developing Port assets to benefit the region.

Progressing the Cairns Shipping Development Project will be a major focus for the organization over the next twelve months and will see Ports North deliver a comprehensive Environmental Impact Statement to meet the requirements of both the State and Commonwealth Governments.

Ports North will continue to play a vital role in driving regional growth and economic diversity. Whether it is bulk and general cargo, marina and tourism facilities, fishing fleet or commercial facilities, they all contribute significantly to the region's economy, providing jobs and attracting people to our region.

Brett Moller
Chairman

Chris Boland
Chief Executive Officer

OUR COMMUNITY AND STAKEHOLDERS

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

During FY2013 Ports North continued its partnerships with other local organisations and the community in a range of initiatives including sponsorship arrangements, establishment of consultative committees and collaboration with local cluster groups.

Ports North has supported a range of initiatives during FY2013 including:

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

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

- Advance Cairns
- Cairns Chamber of Commerce
- Tourism Tropical North Queensland
- Regional Development Australia (Far North Queensland and Torres Strait)
- 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 FY2013.

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 57 employees spans a variety of professional, technical, trade and administrative roles. As a regional organisation we have employees based in Cairns, Mourilyan, Karumba and Thursday Island.

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

SAFETY PERFORMANCE

Safety is a major focus for Ports North and we are committed to ensuring facilities and services provided by Ports North are safe and secure for employees, customers and community. A strong safety culture has been developed across the organisation over the years and we continue to achieve excellent safety performance with zero lost time injuries being recorded for FY2013.

SENIOR MANAGEMENT TEAM

Chris Boland
Chief Executive Officer

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

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

> **Kerry Egerton** *General Manager Corporate Services*
Communications, Organisation Development, Employee Relations, Safety, Information Systems, Media, Community and Public Relations

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

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

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

OUR ENVIRONMENT

Ports North is committed to understanding and minimising any potential environmental impacts of our operations and encourage good environmental practice by our port users, tenants and other stakeholders.

Our approach to environmental management focuses on both regulatory requirements and improving performance through the implementation of best practice environmental management measures and effective community and stakeholder consultation.

Ports North maintained compliance with applicable environmental approvals during the year, including deliverables under conditions of such permits and licences. A Long Term Sea Dumping Permit for the Port of Karumba maintenance dredging was granted in March 2013 which provides a 10 year strategic outline for the management and monitoring of dredging activities in Karumba. This permit along with the 10 year Cairns Long Term Sea Dumping Permit issued in 2010 ensure long term approvals are in place for this critical activity.

Our Environmental Management System (EMS) provides a systematic process to understand and assess the aspects and impacts of our operations and, through a risk based approach, to develop management strategies to minimise impacts.

Our system provides a mechanism for staff to identify the need to take corrective action, or modify practices for continual improvement, to ensure that environmental management remains applicable to our daily operations and business systems.

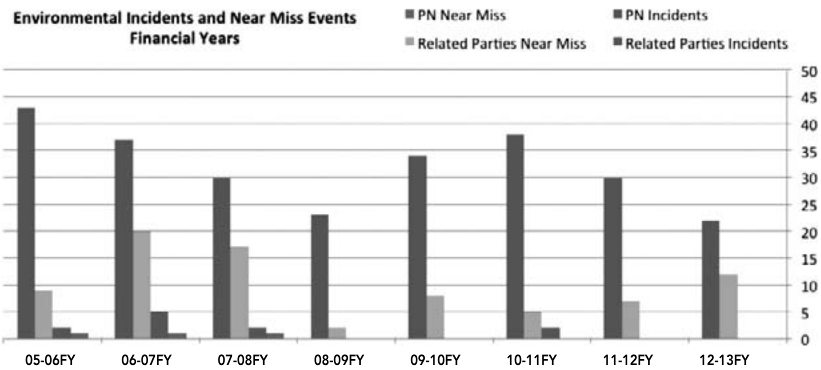
Ports North has always had a strong focus on environmental monitoring programs that contribute to our understanding of the environment in which we operate. A summary of outcomes and performance of the programs are outlined below.

Initiative	Summary
General Environmental Monitoring	**Long Term Seagrass Monitoring** Reports were received from the Marine Ecology Group, now part of TropWATER at James Cook University for the following surveys; ***October 2012 – Cairns*** Confirmed that the density and distribution of seagrass meadows within Trinity Bay had reduced to the lowest observed levels due to influence of regional climate and wet season impacts. ***October 2012 – Mourilyan*** The size and density of the three monitoring meadows remained below the long-term average indicating seagrass at Mourilyan are in a poor condition. Seagrass at the harbour has undergone significant declines in biomass and distribution since 2009, due to catchment influences and effects of the 2010/11 La Niña events and Tropical Cyclone Yasi. ***October 2012 – Karumba*** Surveys again verified that seagrass meadows continued to remain in a healthy and productive state with meadows spatially extensive and above the 19 year average. **Sediment Quality Analysis Plan - Cairns** Implementation of the 2013 Sediment Analysis Plan at Cairns was completed for a range of parameters. A general trend of improvement in sediment quality was observed again, when compared to historical records for our maintenance dredging areas. Material was assessed as suitable for continuation of dredging and placement at the material placement area. **Trinity Inlet Water Quality - Cairns** Routine water quality sampling at Ports North's facilities in Trinity Inlet continued with no significant water quality issues or results identified that required further investigation.

Initiative	Summary
Pest Animals and Weeds	**Bio-Security** Our staff facilitated access by Australian Quarantine & Inspection Services (AQIS) and Bio-Security Queensland for surveillance programmes including those for Asian Honey Bee and Mosquitoes. Outcomes of these surveys were provided to Port tenants by AQIS to assist in the management of risks associated with introduced species at the port. **Marine Pests** For Cairns and Karumba, an established settlement plate system for detection of juvenile marine pests was maintained, and no marine pests were detected during the year. Similarly, marine pest species were not detected during implementation of the annual sediment analysis plan at Cairns. **Weeds - Karumba** A control program for Rubber Vine and Chinese Apple on 49 hectares of vacant port land at Karumba was continued with good success.
Waste and Recycling	Implementation of the Queensland State Government Recycling Policy for Buildings and Infrastructure was completed for the two major Cairns Foreshore Development Project Contracts, achieving significant diversion of resources from landfill. Recyclable reception facilities were maintained at Cairns Marlin Marina to assist marina and reef fleet operators to improve management of waste. Waste oil collection facilities were maintained at our wharf and marina facilities at Cairns and the regional ports. Cairns Marlin Marina maintained the Marina Industries Association Australia "Clean Marina" accreditation.

ENVIRONMENTAL INCIDENTS

A total of 22 environmental incidents were recorded on strategic port land during FY2013. No events were attributable to Ports North staff or activities. The events were due to accidental operational spills or discharge due to tenants, contractors or customers using port facilities.



BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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

SHAREHOLDERS

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

At 30 June 2013, all shares in Ports North were held by the Treasurer and Minister for Trade and Minister for Transport and Main Roads on behalf of the Queensland Government. In accordance with the *Auditor General Act 2009* Ports North's audit is carried out by the Queensland Audit Office or its delegate.

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

BOARD OF DIRECTORS – ROLE AND RESPONSIBILITY

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

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

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

BOARD OF DIRECTORS

Brett Moller BA, LLB, MAICD
Independent Director
Chairman
Member, Audit and Risk Committee
Member, Human Resources Committee

Michael Huelin GAICD
Independent Director
Member, Audit and Risk Committee

Robert Macalister BA(Hons), PGDip.Sc., GAICD
Independent Director
Member, Human Resources Committee

Sharon Dawson BA, PGDip.Ed., GAICD
Independent Director
Chairperson, Human Resources Committee

Gregory Nucifora B.Com, CA, GAICD
Independent Director
Chairperson, Audit and Risk Committee

Paul Gregory
Independent Director

BOARD OF DIRECTORS – INDEPENDENCE

The Board of Directors is appointed by the Governor in Council and all are non-executive directors. Independence of Directors is assessed on an individual basis having regard to each Director's circumstances and by reference to independence criteria outlined in the Board of Directors Charter which 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' 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 a strategic outlook report is developed. 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 and Internal Control Policy and Risk Management Framework and a strong internal control environment to protect Ports North's interests. Safety and Environmental Management Frameworks, Financial Risks Policy, Fraud Control and Corruption Policy and Security and Emergency Plans address the associated specific risks.

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

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

REMUNERATION

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

Executive remuneration is approved by the Board in accordance with the Government shareholder guideline.

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

KEY PERFORMANCE INDICATORS

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 nomination
- Liaise with State Government departments and agencies, as necessary, or refer matters to the Board of Ports North as appropriate
- Consider any other human resource, industrial relation or environmental matter that may be referred to the Committee by the Board

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

Shareholding Ministers notified Ports North in the 2012-13 financial year regarding the discontinuance of the – *Purchasing Carbon Offsets for Queensland Government Air Travel Policy (2008); QFleet Climate Smart Policy; and Sport and Recreation Sponsorships Policy.*

SUMMARY OF OVERSEAS TRAVEL

There was no overseas travel undertaken by the Directors, Officers or associates during the year.

GENERAL

The operating result after tax for the year ended 30 June 2013 was a profit of $6.38 million which compares to a loss of $17.68 million in the prior year. The operating result before tax was $8.68 million for the year ended 30 June 2013 compared with a loss of $9.65 million for the previous year.

The movement in the results between the two years is largely due to a number of specific transactions relating to the valuation of assets and capital gains tax. These are set out in the following table:

	Year Ended June 30 2013 $M	**Year Ended June 30 2012 $M**
Write down of property plant and equipment	**1.13**	8.72
Impairment	**0.21**	4.10
Reduction in value of Investment Properties	**0.00**	5.04
Capital Gains Tax on Lease of Land	**0.00**	9.00
Total	**1.34**	26.86

The large asset write downs in the previous financial year arose from the revaluation of assets at 30 June 2012 and impairment of capital works carried out as part of the Foreshore Development Project. The $9 million Capital Gains tax related to a one-off liability associated with the lease to the Cairns Regional Council of land associated with the proposed Cairns Entertainment Precinct.

The write downs of property plant and equipment for the year ended 30 June 2013 have arisen mostly because of the loss in value due to the reduction in the remaining useful lives of these assets exceeding revaluation gains.

Excluding all the above charges operating profit before tax improved from $8.21 million in 2011/12 to $10.02 million in 2012/13.

STATEMENT OF FINANCIAL POSITION

Total current assets reduced from $72.3 million at 30 June 2012 to $65.5 million at 30 June 2013. This was due to a reduced cash balance after the payment of a Capital Gains (CGT) liability due from the 2011/2012 tax year. Excluding CGT the cash balance improved slightly during the year.

Property Plant and Equipment decreased from $109.65 million at 30 June 2012 to $104.94 million at 30 June 2013. The total decrease in these values of $4.71 million was due to:

- Reductions due to depreciation, and write downs exceeding gains from revaluations by a total of $6.60 million.
- Additions of new assets (including Investment Property reclassified to Property Plant and Equipment) exceeded disposals by $1.89 million.

Investment property value increased by $6.41 million overall during the year due to additions of new assets. The value of existing assets was unchanged.

Total liabilities reduced from $44.4 million at 30 June 2012 to $38.49 million at 30 June 2013 due to the payment of the CGT liability referred to above and a reduction in land tax outstanding at year end. These two reductions offset an increase in provisions due to a dividend being payable (see below) for the 2012/2013 financial year.

Total Equity as at 30 June 2013 was $276.72 million compared to $275.79 million for the prior year. The increase was due to the increase in retained profits.

DIVIDENDS

Provision for a dividend of $5.15 million has been included in the Statement of Financial Position. The prior year included no provision for dividend due to the company making a loss for the year ended 30 June 2012.

CURRENT RATIO

The current ratio at 30 June 2013 is 4.48 compared with 3.51 in the prior year. The increase reflects the payment of Capital Gains Tax arising from the signing of the lease on land associated with the proposed Cairns Entertainment Precinct which was included as a $9 million current tax liability in the previous financial year.

DEBT TO EQUITY RATIO

The Company had nil debt as at 30 June 2013.

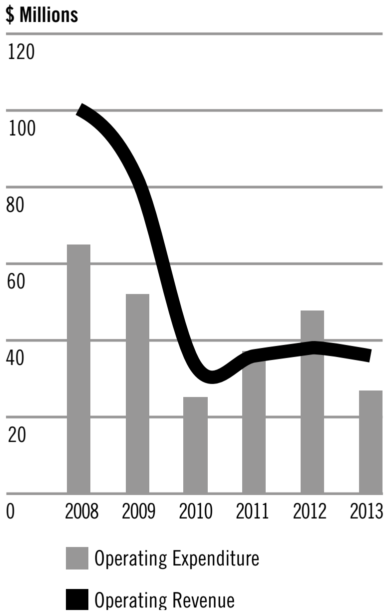
INTEREST COVER RATIO

There was nil interest expense incurred during the year.

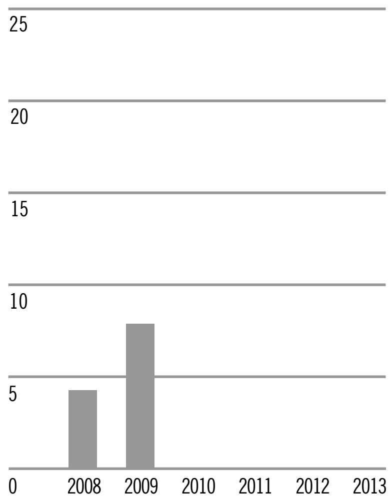
Financial KPIs	FY2013 Plan	FY2013 Actual
Earnings Before Interest and Tax ($'000)	9,108	8,681
EBITDA ($'000)	14,188	14,876
Net Profit After Tax ($'000)	6,268	6,378
Economic Profit ($'000)	(11,366)	(11,672)
Return on Assets	2.84%	2.73%
Return on Operating Assets	2.98%	2.86%
Debt to Debt + Equity	0.00%	0.00%
Return on Equity	2.43%	2.48%
Interest Cover	0.00%	0.00%
Current Ratio	3.44	4.48
Capital Expenditure ($'000)	14,857	9,661
Planned Maintenance Performed (%)	100%	113%

Non Financial KPIs	FY2013 Plan	FY2013 Actual
Operational		
Trade (tonnes)	4,754,338	4,240,978
No. of Vessels to Port (excluding internal movements)	2,162	2,073
Marina Berth Occupancy (%)	68%	70%
Reputation		
No. of Environmental - reportable breaches	0	3
No. of Security issues reported	0	3
Lost Time Injury Frequency Rate (LTIFR %)	0%	0%
Lost Time Injury Duration Rate (LTIDR %)	0	0
Staff Turnover (annualised %)	10%	20%
No. of Net FTE Staff numbers	57	54
No. of Community Complaints	<10	19
Compliance with Reporting Requirements (%)	100%	100%

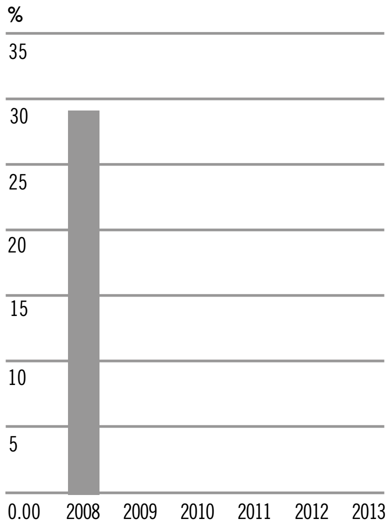
Operating Revenue & Expense



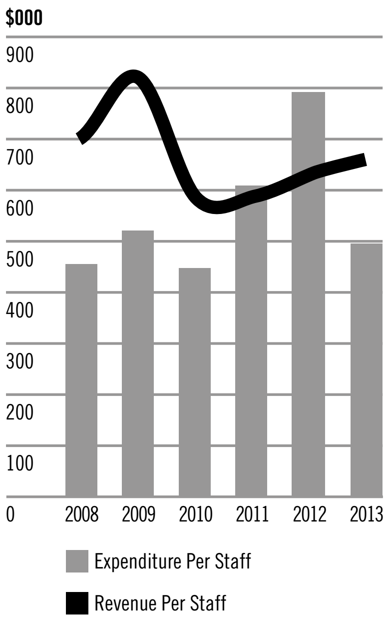
Interest Cover Ratio



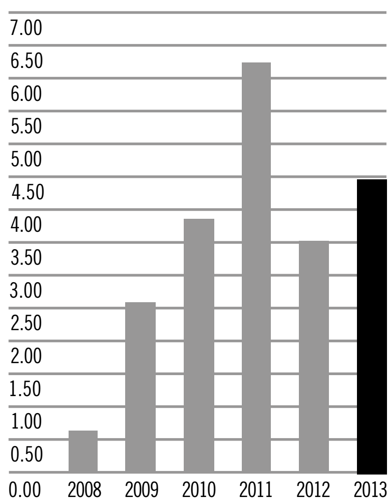
Debt Equity Ratio



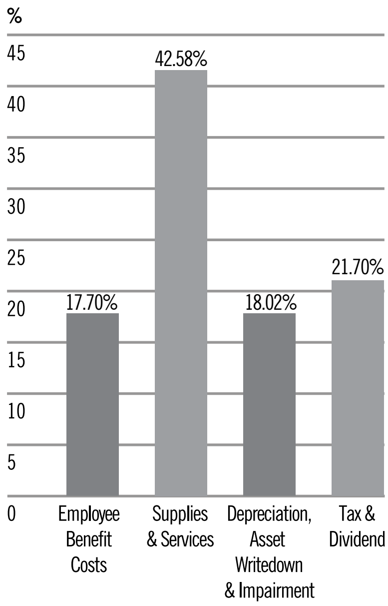
Revenue & Expenditure Per Staff



Current Ratio



Expense Allocation



PORT RESULTS

PORT OF CAIRNS RESULTS

Revenue from Cairns port activities was $26.71 million for the year ended 30 June 2013 compared with $26.02 million in the prior year. The increase is reflective of port pricing during the year. Trade volume was close to prior year levels. Increases in most cargo types were largely offset by a decline in general cargo due to the prior year volume being boosted by export of rocks for the Papua New Guinea gas pipeline.

Operating expenses were $20.00 million for the year ended 30 June 2013 compared with $31.27 million in the prior year. The year ended 30 June 2012 contained $10.49 million of charges arising from the revaluation of assets and the impairment of work in progress on the Foreshore Redevelopment Project. Asset write downs and impairment in the year ended 30 June 2013 amounted to $1.34 million. Apart from these items, operating expenses declined by 10.5% during the year with most expenditure types showing reductions and this partly reflects management action to reduce costs as well as fluctuations in levels of maintenance activity.

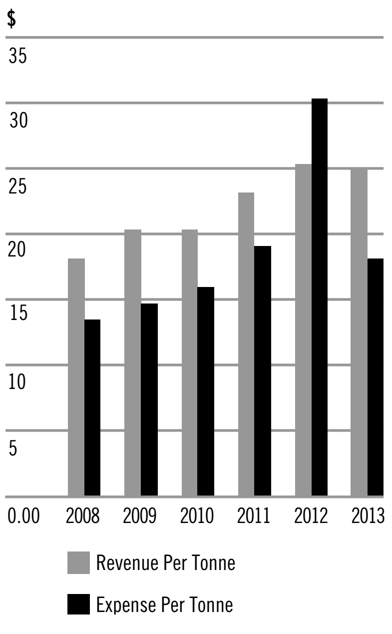
Earnings before interest and taxes associated with Cairns port operations were a contribution of $6.71 million to the consolidated result.

REGIONAL PORTS RESULTS

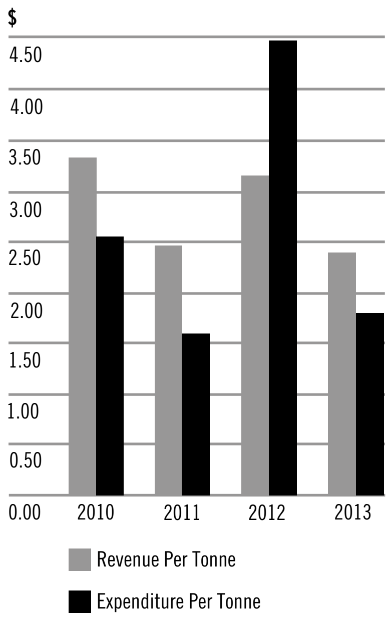
Revenue from regional port activities was $7.64 million for the year ended 30 June 2013 compared with $10.40 million in the previous year. The decline was entirely due to reduced income from the recovery of dredging costs at Karumba. Karumba dredging works on a 2 year cycle and the year ended 30 June 2013 was the year of low activity. Reduced income from general cargo and construction sand in TI was offset by increased sugar export from Mourilyan.

Operating expenditure was $5.67 million compared to $14.80 million in the previous year. The previous year included $7.37 million of charges relating to the revaluation of assets in addition to recoverable dredging expenses explained above. Maintenance in the year ended 30 June 2013 was higher than the previous year due to completion of a major program of works in Thursday Island. Earnings before interest and taxes associated with regional port operations were a contribution of $1.97 million to the consolidated result.

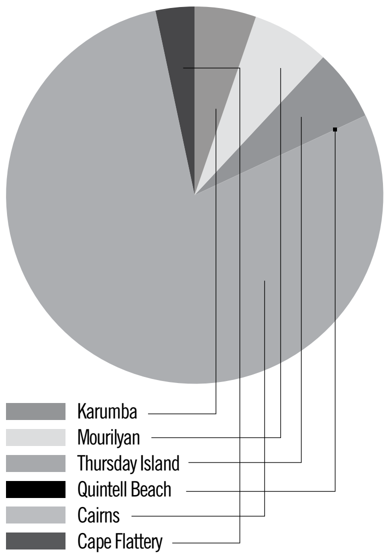
Port of Cairns Revenue and Expenses Per Tonne



Regional Revenue and Expenses Per Tonne



Revenue by Port



Port of Cairns Cargo Movements (Tonnes)

	EXPORTS					IMPORTS					
Year	Sugar	Molasses	Petroleum Products	Other	Total Exports	Petroleum Products	Fertiliser	LPG	Other	Total Imports	Total Cargo
FY2008	289,123	44,412	26,439	180,846	540,820	546,887	41,354	18,719	43,964	650,924	1,191,744
FY2009	221,546	42,539	18,033	151,352	433,470	537,504	35,684	20,682	59,134	653,004	1,086,474
FY2010	297,115	41,411	13,359	133,280	485,166	499,335	65,776	20,572	35,566	621,249	1,106,415
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**
Average Annual Growth											
1 Year	18.94%	36.43%	-14.79%	-16.59%	2.33%	2.24%	7.52%	8.98%	-0.25%	2.64%	2.52%
5 years	-7.06%	2.37%	-11.84%	-2.26%	-4.92%	-0.11%	4.36%	-2.51%	-3.17%	-0.10%	-2.28%

Regional Ports Cargo Movements (Tonnes)

Year	Sugar	Molasses	Lead/Zinc	Silica Sand	Livestock	Other	Total Exports	Other	Total Imports	Total Cargo
FY2010	465,500	50,942	636,000	1,730,060	10,131	11,081	2,903,714	72,065	72,065	2,975,779
FY2011	435,868	70,080	949,495	2,026,120	8,233	18,288	3,508,084	66,190	66,190	3,574,274
FY2012	322,425	79,656	964,731	1,777,000	5,261	90,715	3,239,789	74,711	74,711	3,314,500
FY2013	**423,325**	**73,546**	**880,123**	**1,678,060**	**8,487**	**54,500**	**3,118,041**	**67,328**	**67,328**	**3,185,369**

Vessel Arrivals (including internal movements)

		FY2013	FY2012	FY2011	FY2010	FY2009	FY2008
BULK TRADING VESSELS							
Petroleum	- *Cairns*	**39**	44	38	41	42	47
LPG	- *Cairns*	**16**	12	18	26	28	25
Sugar	- *Cairns*	**8**	6	10	12	9	12
	- *Mourilyan*	**12**	11	13	13		
Fertiliser	- *Cairns*	**10**	10	7	9	7	8
Molasses	- *Cairns*	**6**	5	5	5	5	6
	- *Mourilyan*	**5**	8	10	6		
Silica Sand	- *Cape Flattery*	**31**	30	39	34		
Livestock	- *Karumba*	**14**	6	10	12		
	- *Mourilyan*	**-**	-	2	5		
Timber	- *Mourilyan*	**2**					
Sub Total Bulk		**143**	132	152	163	91	98
OTHER TRADING VESSELS							
General Cargo	- *Cairns*	**209**	225	316	211	164	251
	- *Regional Ports*	**665**	553	739	657		
Barges	- *Cairns*	**272**	261	276	205	290	330
	- *Regional Ports*	**509**	539	420	412		
Sub Total Trading		**1,655**	1,578	1,751	1,485	454	581
CRUISE VESSELS - CAIRNS							
Cruise Vessels	- International	**27**	38	35	39	41	38
	- *Domestic*	**94**	81	94	97	105	161
Sub Total Cruise		**121**	119	129	136	146	199
OTHER VESSELS - CAIRNS & REGIONAL PORTS							
Fishing		**1,171**	1,094	1,347	1,368	1,713	1,766
Navy		**18**	21	23	21	27	67
Tugs and Slipping		**124**	135	98	87	77	
Sub Total Other		**1,313**	1,250	1,468	1,476	1,817	1,833
TOTAL		**3,232**	3,079	3,500	3,260	2,508	2,711

SUMMARY OF STATEMENT OF CORPORATE INTENT

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

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

STRATEGIES	ACHIEVEMENTS
Identify and develop new trade and business opportunities and grow existing business that results in increased profitability/sustainability without compromising current operations.	• Ports North continues to work with Regional stakeholders exploring new trade opportunities through Cairns and the Regional Ports. • Ports North is working with the Cairns Chamber of Commerce and Advance Cairns seeking trade links with Papua New Guinea (PNG). A trade development group called "Tradelinked PNG" has been established to further pursue business opportunities for the City. • New timber exports through Mourilyan are continuing but at lower volumes. • Ports North is pursuing a new potential exporter of minerals through the Port of Mourilyan. • A new scrap metal export from Cairns has been established. • Two new commercial reef operators have been established at the Cairns Marlin Marina. • Ports North is working with cruise companies and Tourism Tropical North Queensland (TTNQ) to target additional cruise ship visits, overnight stays and home porting opportunities for Cairns. Ports North has established a Cairns Cruise Working Forum to promote improved cruise passenger experience. TTNQ representatives attended a USA Cruise Forum to target additional cruise ship visits to the region. • Cruise Down Under confirmed that the Australian Cruise Conference for 2013 will be held in Cairns. • Ports North has appointed the lead consultants for the Environmental Impact Statement (EIS) and continues to work with the Coordinator General in the delivery of the EIS Cairns Shipping Development Project. • Approval received for increased explosive limits through the Port of Mourilyan.
Manage and develop Port property to provide long term financial return to the company while contributing to sustainable regional development.	• Property market conditions continue to be depressed. Six monthly market updates on market conditions are provided to the Board of Directors. • The Cairns Cityport foreshore construction work has been finalised and Ports North is seeking to lease Shed 2 property developments. • Ports North has established a new long-term property lease and a short-term lease in its Tingira Street development. • Ports North has completed a statutory review of the Cairns Land Use Plan. • Ports North and Cairns Regional Council have executed a Deed of Surrender for the Cairns Regional Council's waterfront lease for the establishment of an Entertainment Precinct and signed a Heads of Agreement to allow Cairns Regional Council to complete a feasibility study for the establishment of a Performing Arts Centre on Cityport Precinct 2. • Ports North has negotiated the surrender of part of the Incitec Pivot's waterfront lease. This underutilised waterfront land asset is critical for future development of Port cargo operations.

STRATEGIES	ACHIEVEMENTS
Plan, develop and manage Port infrastructure and assets to improve Port efficiency and meet the needs of our customers on a sustainable basis that considers financial, environment and social impacts.	• The Cairns Foreshore Development Project was completed and opened in early November 2012 on time and below budget. This project was awarded the Cairns Architectural Building of the Year and the State Heritage Architect Award. • Cairns Shipping Development Project Environmental Impact Statement (EIS), State and Federal Government Terms of Reference and Guidelines are finalised and key Government agencies have been engaged. The EIS lead consultancy has been awarded and the budget has been agreed with Government. • A major maintenance contract for Thursday Island was completed. • Ports North has finalised the concept design for the new barge ramp in Tingira Street after extensive consultation with stakeholders. • Annual channel maintenance program completed for Cairns and Karumba. • A 10 year sea disposal permit was issued for the Port of Karumba. • The Environmental Management System for Ports North is in place and reflected in other business systems. • Sustainable initiatives are incorporated into all new design development.
Maintain a positive, productive and supportive relationship with employees, stakeholders and community.	• Relationship with key stakeholders continues to be developed in the Regional Ports through Port Advisory Group meetings and engagement of local Port stakeholders. • Active participation in the Cairns Superyacht Cluster, Tourism Tropical North Queensland, Advance Cairns, Cairns Chamber of Commerce, Regional Development Australia and the Cairns Regional Council. • High quality website provides information to stakeholders and opportunities for feedback. • Human Resources Management Plan developed and progressively implemented. • Ports North's Enterprise Bargaining Agreement in place and operating effectively. • Effective Safety Management System in place. • Ports North's staff Performance and Development Reviews completed. • Effective Employee Consultation Group and regular presentations to staff on key Port issues.
Maintain an excellence in Corporate Governance with appropriate finance, risk and corporate governance systems and culture.	• Ports North's Risk Management Framework in place and operational. • Consistent with the Risk Management Framework the Board and Audit and Risk Committees 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's Policy Framework in place and Policy review, communication and education strategies implemented. • Financial Management Practice Manual and Financial Risk Policy is in place and compliance with financial policies is reported to the Board. • Business Plans are in place with financial reporting monthly to the Board. • Effective Environmental Management System in place with a quarterly report provided to the Board.

ANNUAL DIRECTORS' REPORT AND FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 provide information relating to the financial position as at 30 June 2013 and the financial performance for the year ended on that date.

These statements have been prepared:

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

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

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

PRINCIPAL PLACE OF BUSINESS

Corner of Grafton and Hartley Streets
Cairns, Queensland, Australia

PO Box 594
Cairns, Queensland, 4870

CONTENTS

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

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 2013.

DIRECTORS

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

Name and qualifications	Experience and special responsibilities
William (Brett) Moller BA, LLB, MAICD **Chairman** *Independent Director* *Member, Audit and Risk Committee* *Member, Human Resources Committee*	Brett is a partner of Marino Moller Lawyers, a Cairns and Regional law firm. He is Chair of the Far North Queensland Policy Board for the Chamber of Commerce and Industry Queensland, a current state director on its Governance board and Chair of its Queensland State Policy Board. Brett also currently serves as the Queensland director on the board of the Australian Chamber of Commerce and Industry and is a member of its Policy Council. He is the Acting Deputy Chair of the Far North Queensland and Torres Strait Regional Development Australia Committee. Brett has significant board and committee experience. Appointed 7 June 2012 Current term: 7 June 2012 – 30 September 2015
Michael Huelin GAICD *Independent Director* *Member, Audit and Risk Committee*	Michael has been a Partner at Williams Graham Carman, Solicitors since 1987. He practices exclusively in the areas of Commercial and Property Law. Michael was a Director of Advance Cairns from 2008 to 2013 and is currently a Director of Swim FNQ Ltd. Appointed 1 July 2010 Current term: 1 July 2010 – 30 September 2013
Robert Macalister BA (Hons), PGDip.Sc., GAICD *Independent Director* *Member, Human Resources Committee*	Rob is Secretary and CEO of Gulf Savannah Development and an ex-officio Director of Tablelands Futures Corporation. Rob has served on a number of Boards and has diverse regional and international development experience. Appointed 20 December 2012 Current term: 20 December 2012 – 30 September 2015
Sharon Dawson BA, PGDip.Ed.,GAICD *Independent Director* *Chairperson, Human Resources Committee*	Sharon is Chief Executive Officer of the Dawson Group of companies and is currently Chair of the Tropical North Queensland TAFE Advisory Board. Appointed 1 October 2011 Current term: 1 October 2011 – 30 September 2014

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

Name and qualifications	Experience and special responsibilities
Gregory Nucifora BCom, CA, GAICD *Independent Director* *Chairperson, Audit and Risk Committee*	Greg has a strong background in finance, risk management and corporate governance. Greg is currently Chair of ECU Australia having previously served as Deputy Chair and Chair of its Audit Committee from 2007 to 2012. Greg is currently an Advisor with Stockbrokers, Bell Potter Securities and previously worked with PricewaterhouseCoopers. Appointed 20 December 2012 Current term: 20 December 2012 – 30 September 2016 Appointed Chairperson Audit and Risk Committee – 30 January 2013.
Paul Gregory *Independent Director*	Paul has been a long serving Councillor with Cairns Regional Council and brings a great deal of knowledge and experience in regional matters. Paul has been the former Chair of Cairns Water and Waste Committee and the Infrastructure Services Committee for the Cairns Regional Council as well as being the Far North's representative on the Local Government Association of Queensland Executive. Appointed 20 December 2012 Current term: 20 December 2012 – 30 September 2016
Lesley Anderson B.Comm (Hon); M. Ec (Hon); GAICD *Independent Director* *Chairperson, Audit and Risk Committee*	Lesley has 18 years' experience in Queensland Treasury, including a decade as Insurance Commissioner for Queensland. Lesley is an employee of the Territory Insurance Office, Darwin. Appointed 1 July 2009 Term Expired 30 September 2012
John (Jack) Camp *Independent Director* *Member, Human Resources Committee*	Jack has experience with Trade Union Councils and Executives, both State and National and is a member of the Electrical Trade Union. Appointed 1 July 2009 Resigned 13 December 2012
Jodie Siganto LLM (Syd), CISSP, GAICD *Independent Director* *Member, Audit and Risk Committee*	Jodie has over 17 years' experience as a lawyer, including 3 years international "in-house" experience with global IT companies. Jodie is a director of Bridge Point Communications, providing IT security and risk consultancy services, and Bridge Point Training (a related company). Appointed 1 July 2008 Term Expired 30 September 2012

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

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

Michael Colleton BCom CPA

Michael has over 23 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 12 years.

DIRECTORS' MEETINGS

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

	Board Meetings		Audit & Risk Committee Meetings		Human Resource Committee Meetings	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
Directors						
Mr W Moller	9	9	3	3	5	5
Mr R Macalister	8	6	-	-	2	2
Mr M Huelin	9	8	2	2	-	-
Ms S Dawson	9	7	-	-	5	5
Mr G Nucifora	6	6	2	2	-	-
Mr P Gregory	6	6	-	-	-	-
Ms J Siganto *(term expired 30 Sep 12)*	2	1	1	1	-	-
Ms L Anderson *(term expired 30 Sep 12)*	2	2	1	1	-	-
Mr J Camp *(resigned 13 Dec 12)*	3	3	-	-	3	3

PRINCIPAL ACTIVITIES

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

OPERATING AND FINANCIAL REVIEW

The Company's net profit for the year after income tax was $6.378 million. This compares to a net loss of $17.679 million in the previous financial year. The result for the year ending 30 June 2013 included $1.335 million of asset write downs compared with $17.870 million of asset write downs in the previous year. The year ending 30 June 2012 included a $9 million capital gains tax expense arising from the granting of a lease on land owned by the company.

DIVIDENDS

Ports North's policy is to recommend and pay a dividend amount equivalent to 80% of Ports North's adjusted consolidated profit for 2012/2013. Dividends paid or declared by the Company since the end of the previous financial year were:

	2013 **$'000**	2012 $'000
Dividends Declared	**5,154**	-

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

LIKELY DEVELOPMENTS

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

Shareholding Ministers have advised their intention to withdraw equity of $31 million in the 2013-2014 financial year. This $31 million was originally provided to the company in lieu of the commercial return that could have been derived from land leased to Cairns Regional Council at a peppercorn rent. This lease has now been surrendered.

The Company has also received advice from the shareholding Ministers that there is the likelihood that responsibility for the Marine Pilots currently part of Maritime Safety Queensland (Department of Transport and Main Roads) will be transferred to it during the 2013-2014 year financial year.

The State Government has initiated two Strategic reviews that potentially impact on the long term role of Ports North. The Ports Governance Review will examine how many Port entities should exist, whether these entities should be GOC's or Statutory Bodies and which Ports should be in any particular entity. The remit of a whole of Government Property Asset Utilisation Review includes whether any land and property is best managed by its current agency, should be sold or should be transferred to a central property agency. The recommendations from these reviews will not be known until later in the 2013-14 financial year.

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

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

ENVIRONMENTAL REGULATION

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

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

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

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

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

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year the Company maintained Directors and Officers Liability insurance cover and indemnified all directors of the company and named senior officers, in respect of any liability incurred in their capacities as an officer of the Company and any related company and defence costs incurred in connection with an investigation or in a proceeding or action for liability incurred as an officer of the Company and any related company. There were no known claims during the financial year. Directors' and Officers' insurance premium paid during the financial year was $129,256.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OFF

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

This report is made with a resolution of the directors:

Director

Dated at Cairns this 30th day of August 2013

LEAD AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Far North Queensland Ports Corporation Limited.

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

Independence Declaration

As lead auditor for the audit of Far North Queensland Ports Corporation Limited for the year ended 30 June 2013, 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.

O C CLARE FCPA

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

CONTENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Company 2013 $'000	Company 2012 $'000
INCOME FROM CONTINUING OPERATIONS			
Revenue			
User Charges	2(a)	32,512	34,210
Finance Income	2(b)	2,499	3,121
Grant revenue		414	-
Other revenue	2(c)	170	162
Total Income from Continuing Operations		35,595	37,493
EXPENSES FROM CONTINUING OPERATIONS			
Expenses			
Supplies and services	2(d)	14,623	18,966
Employee expenses	2(e)	6,085	6,330
Depreciation	2(g)	4,860	3,926
Loss on sale of property plant and equipment	2(h)	11	54
Impairment losses	9	208	4,104
Asset writedown of property plant and equipment	9	1,127	8,724
Loss / Fair Value adjustment to investment property	10	-	5,042
Total Expenses from Continuing Operations		26,914	47,146
Operating Result from Continuing Operations before Income tax (equivalent) expense		8,681	(9,653)
Income tax equivalent expense/(benefit)	3	2,303	8,026
Operating Result for the year		6,378	(17,679)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Increase/(decrease) in asset revaluation surplus	25	(422)	31,772
Other deferred tax adjustments		120	(9,531)
Other Comprehensive Income for the period, net of income tax		(302)	22,241
Total Comprehensive Income for the year		6,076	4,562

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2013

		Company	
	Note	2013 $'000	2012 $'000
Assets			
Current assets			
Cash and cash equivalents	5	58,374	64,929
Trade and other receivables	6	6,878	7,033
Inventories	7	23	32
Other	8	236	258
Total current assets		65,511	72,252
Non-current assets			
Property, plant and equipment	9	104,944	109,646
Investment property	10	144,748	138,341
Total non-current assets		249,692	247,987
Total assets		315,203	320,239
Liabilities			
Current liabilities			
Trade and other payables	12	2,496	5,671
Current tax liabilities		1,971	10,074
Provisions	13	8,519	3,144
Other	14	1,640	1,678
Total current liabilities		14,626	20,567
Non-Current Liabilities			
Deferred tax liabilities	11(b)	23,584	23,629
Provisions	13	277	249
Total non-current liabilities		23,861	23,878
Total liabilities		38,487	44,445
Net assets		276,716	275,794
Equity			
Contributed equity	15	216,073	216,073
Asset Revaluation Surplus	25	41,352	41,654
Accumulated Surplus		19,291	18,067
Total equity		276,716	275,794

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Contributed Equity $'000	Asset Revaluation Surplus $'000	Accummulated Surplus $'000	Total $'000
Balance at 1 July 2011		207,073	19,413	35,746	262,232
Operating Result from Continuing Operations		-	-	(17,679)	(17,679)
Total Other Comprehensive Income		-	22,241	-	22,241
Transactions with owners, recorded directly in equity					
Equity injection	15	9,000	-	-	9,000
Balance at 30 June 2012		216,073	41,654	18,067	275,794

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

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Company 2013 $'000	Company 2012 $'000
Cash flows from operating activities			
Receipts from customers		33,950	33,647
Payments to suppliers and employees		(23,212)	(24,561)
Interest received		2,475	2,980
GST received from customers		3,534	3,471
GST paid to suppliers		(2,317)	(2,886)
GST received from Australian Tax Office		2,539	2,689
GST paid to Australian Tax Office		(3,444)	(3,544)
Income Tax (equivalent) received/(Paid)		(10,326)	(1,621)
Net cash provided by (used in) operating activities	23	3,199	10,175
Cash flows from investing activities			
Sales of property, plant and equipment and investment property		43	38
Payments for property, plant and equipment and investment property		(9,797)	(12,576)
Net cash provided by (used in) investing activities		(9,754)	(12,538)
Cash flows from financing activities			
Equity injections		-	9,000
Net cash provided by (used in) financing activities		-	9,000
Net increase/(decrease) in cash and cash equivalents		(6,555)	6,637
Cash and cash equivalents at the beginning of the financial year		64,929	58,292
Cash and cash equivalents at the end of the financial year	5	58,374	64,929

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) Statement of compliance

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

The Company had no subsidiaries during the year.

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

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

(ii) Basis of measurement

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

- Land, buildings and infrastructure assets are measured at fair value; and
- Investment property is measured at fair value.

(iii) Functional and presentation currency

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

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

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

Note 6 – provision for impairment of receivables

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

Note 10 – valuation of investment property

Note 13 – provision for long service leave

The Australian government passed its Clean Energy Act in November 2011 which resulted in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012. On the basis of information available, the introduction of the carbon pricing mechanism is not expected to have a significant impact on the Company's critical accounting estimates, assumptions and management judgements.

(v) Changes in accounting policies

The company did not voluntarily change any of its accounting policies during 2012-13.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) New and amended standards adopted by the company

Amendments made to AASB 101 Presentation of Financial Statements (outlined in AASB 2011-9) effective 1 July 2012 required disclosure changes that had no impact on net income. The changes are applied retrospectively and show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(b) Revenue and other income

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

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

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

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

All revenue is stated net of goods and services tax.

(c) Government Grants

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

(d) Leases

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

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

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

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

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

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

(e) Finance income and finance costs

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (equivalent)

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

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

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

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

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

(g) Cash and Cash Equivalents

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

(h) Financial instruments

Recognition

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

Classification

Financial instruments comprise of the following:

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

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

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

(i) Acquisitions of Assets

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

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

(j) Property, plant and equipment

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment *{continued)*

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

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

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

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

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

Items of property, plant and equipment with a cost or other value equal to or in excess of $500 are recognised for financial reporting purposes in the year of acquisition, except for land which has a $1 threshold. Items with a lesser value are expensed in the year of acquisition.

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

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

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

(k) Investment property

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

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

(m) Trade and other receivables

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

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

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

(n) Impairment

(i) Financial assets

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

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

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

(ii) Non-financial assets

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

(o) Impairment of Non-current Assets

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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, 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.

(q) Provisions

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

(r) Trade and other payables

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

(s) 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.

(t) Superannuation arrangements

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

(u) Comparatives

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2013, but have not been applied in preparing this financial report:

- **AASB 1053 Application of tiers of Australian Accounting Standards** will become effective from reporting periods on or after 1 July 2013. This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. Tier 1 requires full compliance with all aspects of Australian Accounting Standards, while Tier 2 requires compliance with all the recognition, measurement and presentation requirements of all Australian Accounting Standards but with substantially reduced disclosure requirements. It is mandatory for Ports North to apply the Tier 1 reporting requirement as government owned corporations are captured within the whole of government financial statements.
- **AASB 119 Employee Benefits** applies from reporting periods beginning on or after 1 January 2013. The standard changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. This standard will become mandatory for the Company's 30 June 2014 financial statements. The revised standard is to be applied retrospectively.
- **AASB 13 Fair Value Measurement** will become effective for reporting periods beginning on or after 1 January 2013. This standard provides a single source of guidance on how fair value is measured and disclosed and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. The new requirements will apply to all of the company's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

  The Company has commenced reviewing its methodologies in determining fair value in accordance with the AASB 13 for application from the year ending 30 June 2014. To the extent that the methodologies don't comply, changes will be necessary. AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities.
- **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements** will become effective from reporting periods on or after 1 July 2013. This standard removes individual key management personnel disclosure requirements under AASB 124 Related Party Disclosures. This standard is not available for early adoption and guidance is required from the Office of Government Owned Corporation as to whether there is a need to amend the existing requirements regarding disclosures relating to individual key management personnel.
- **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 2015. 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 2016 financial statements. The IASB currently has an active project that may result in further amendments before that time.

  The Company does not plan to adopt the standards early however has commenced reviewing the measurement of its financial assets and liabilities against the new classification and measurement requirements. However, as the classification of financial assets and liabilities at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the extent of the impact on the Company's financial statements will not be determined until closer to the date of adoption.

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

	Note	Company 2013 $'000	Company 2012 $'000

NOTE 2 OPERATING RESULT FROM CONTINUING OPERATIONS

Operating Result before income tax includes the following specific items:

Revenue

	Note	2013 $'000	2012 $'000
(a) User charges			
Rentals and leases		8,594	8,350
Charges for use of facilities		12,590	12,041
Charges for services		11,328	13,819
		32,512	34,210
(b) Finance income			
Interest received		2,499	3,121
(c) Other Income			
Sundry income		170	162

Expenses

	Note	2013 $'000	2012 $'000
(d) Supplies and Services			
Consultants and Contractors		6,007	9,507
Supplies and Consumables		2,442	2,666
Electricity		3,619	3,782
Rates, Utilities and Land Tax		2,555	3,011
		14,623	18,966
(e) Employee Expenses			
Wages and Salaries		4,405	4,486
Directors Fees		163	184
Wage and Salary On-Costs		1,432	1,500
Other employee costs and benefits		85	160
		6,085	6,330
(f) Auditors remuneration included in supplies and services			
Queensland Audit Office		68	54
Remuneration for audit of the financial statements		68	54
(g) Depreciation			
Buildings		152	190
Wharves, harbours and facilities		1,446	1,139
Channels and swing basins		1,372	1,223
Access roads and carparks		509	397
Plant and equipment – infrastructure		610	481
Plant and equipment – other		689	475
Other		82	21
		4,860	3,926

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

NOTE 2 OPERATING RESULT FROM CONTINUING OPERATIONS (CONTINUED)

	Note	Company 2013 $'000	Company 2012 $'000
(h) Gain/(Loss) on sale of property plant and equipment			
Proceeds on sale of property plant and equipment		43	38
Carrying value of property plant and equipment sold		(80)	(97)
Asset Revaluation Surplus attributable to sale of property plant and equipment		26	5
		(11)	(54)

NOTE 3 INCOME TAX EQUIVALENTS

	Note	Company 2013 $'000	Company 2012 $'000
(a) Income tax expense			
The components of tax equivalents (expense)/income comprise:			
Current tax		2,765	1,356
Deferred tax		(45)	6,786
Under/(over) provision in prior years		(417)	(116)
Income tax from continuing operations		2,303	8,026
Deferred income tax expense / (revenue) included in income tax expense comprises:			
Decrease / (increase) in deferred tax assets	11	24	4
Increase / (decrease) in deferred tax liabilities	11	(69)	6,782
		(45)	6,786
(b) Numerical reconciliation of income tax expense to prima facie income tax payable			
Operating result from continuing operations before income tax expense		8,681	(9,653)
Tax expense/(benefit) at the Australian tax rate of 30% (2012: 30%)		2,604	(2,896)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:			
Impairment		(8)	2,014
Entertainment		5	6
Depreciation adjustments		119	18
Capital Gains Tax		-	9,000
Under/(over) provision in prior years		(417)	(116)
Income tax expense		2,303	8,026

The Capital Gains Tax of $9M in 2012 relates to a notional capital gain recognised as a result of the granting of a lease on a portion of land. An equity injection associated with this lease was received and accounted for in the year ended 30 June 2010.

	Note	Company 2013 $'000	Company 2012 $'000
(c) Income tax expense recognised directly in equity			
Revaluation of property, plant and equipment	25	(120)	9,531

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

	Company	
	2013 $'000	**2012 $'000**

NOTE 4 DIVIDENDS

	2013 $'000	2012 $'000
Dividend provided for in respect of the year ended 30 June 2013 of 2.4 cents per share	5,154	-

NOTE 5 CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Cash at bank and in hand	744	1,534
Deposits at call	57,630	63,395
	58,374	64,929

Shareholding Ministers have advised their intention to withdraw equity of $31 million in the 2013-2014 financial year. This $31 million was originally provided to the company in lieu of the commercial return that could have been derived from land leased to Cairns Regional Council at a peppercorn rent. This lease has now been surrendered.

NOTE 6 TRADE AND OTHER RECEIVABLES

	2013 $'000	2012 $'000
Trade receivables	6,235	6,026
Less: Allowance for impairment loss	(202)	(371)
	6,033	5,655
Other receivables	845	1,378
	6,878	7,033
Movements in the allowance for impairment loss		
Balance at the beginning of the year	371	511
Impairment loss recognised/(reversed)	(169)	(140)
Balance at the end of the year	202	371

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 3.2% of trade receivables (2012: 6.2%).

NOTE 7 INVENTORIES

	2013 $'000	2012 $'000
Consumables and spare parts	23	32

NOTE 8 OTHER ASSETS

Current

	2013 $'000	2012 $'000
Prepayments	236	258

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

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	Company 2013 $'000	Company 2012 $'000
Freehold land		
At valuation	31,424	31,424
Accumulated impairment	(529)	(502)
Carrying amount	30,895	30,922
Buildings		
At valuation	19,133	18,853
Accumulated depreciation	(9,290)	(8,790)
Accumulated impairment	(7,182)	(7,260)
Carrying amount	2,661	2,803
Wharves, harbours and facilities		
At valuation	201,398	197,351
Accumulated depreciation	(118,118)	(111,832)
Accumulated impairment	(51,048)	(51,410)
Carrying amount	32,232	34,109
Channels and swing basins		
At valuation	64,859	62,970
Accumulated depreciation	(21,814)	(19,444)
Accumulated impairment	(19,395)	(18,376)
Carrying amount	23,650	25,150
Access roads and carparks		
At valuation	32,076	30,428
Accumulated depreciation	(15,763)	(14,005)
Accumulated impairment	(11,383)	(11,011)
Carrying amount	4,930	5,412
Plant and equipment – infrastructure		
At valuation	35,467	34,200
Accumulated depreciation	(19,921)	(17,967)
Accumulated impairment	(10,123)	(10,112)
Carrying amount	5,423	6,121
Plant and equipment – other		
At valuation	11,653	11,068
Accumulated depreciation	(8,128)	(7,367)
Accumulated impairment	(56)	(58)
Carrying amount	3,469	3,643
Other		
At valuation	1,925	1,594
Accumulated depreciation	(289)	(202)
Carrying amount	1,636	1,392
Work in progress		
At cost	82	4,008
Accumulated impairment	(34)	(3,914)
	48	94
Total property, plant and equipment	104,944	109,646
Summary of Property, Plant and Equipment		
At valuation/cost	398,017	391,896
Accumulated depreciation	(193,323)	(179,607)
Accumulated impairment	(99,750)	(102,643)
Carrying amount	104,944	109,646

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

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

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

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

2012	Opening balance $'000	Additions $'000	Disposals $'000	Revaluations $'000	Depreciation $'000	Asset Write-down to PPE $'000	Impairment $'000	Transfers $'000	Closing balance $'000
Freehold land	25,105	-	-	8,873	-	(3,264)	(23)	231	30,922
Buildings	2,893	54	(8)	560	(190)	(949)	450	(7)	2,803
Wharves, harbours and facilities	25,659	1,123	(25)	10,832	(1,139)	(794)	(1,594)	47	34,109
Channels and swing basins	20,813	-	-	6,715	(1,223)	(1,231)	76	-	25,150
Access roads and carparks	7,440	55	(8)	(757)	(397)	(1,288)	213	154	5,412
Plant & Equipment – Infrastructure	3,016	557	(2)	3,072	(481)	(794)	713	40	6,121
Plant & Equipment – Other	2,360	232	(54)	2,137	(475)	(400)	(192)	35	3,643
Other	1,543	(476)	-	346	(21)	(4)	4	-	1,392
Work in progress	3,195	1,107	-	-	-	-	(3,751)	(457)	94
	92,024	2,652	(97)	31,778	(3,926)	(8,724)	(4,104)	43 [1]	109,646

[1] Transfer from Investment Property – see Note 10

Valuation of property, plant and equipment

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

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

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land

On 30 June 2012, land held by the company was valued by independent valuer AssetVal Pty Ltd. The fair value of land is based on current market value.

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

Buildings

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

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

On 30 June 2012, the above infrastructure classes held by the company were valued by independent valuer AssetVal Pty Ltd. The fair value of infrastructure is based on their depreciated replacement cost. Taking into consideration advice from an independent cost consultant (refer to paragraph further below) about the impact of inflation on the replacement cost of the above infrastructure classes, the Directors adopted revised depreciated replacement costs on 30 June 2013.

Plant and Equipment – Infrastructure and Other

On 30 June 2012, plant and equipment held by the company were valued by independent valuer AssetVal Pty Ltd. The fair value of plant and equipment is based on their depreciated replacement cost. Taking into consideration advice from an independent cost consultant (refer to paragraph further below) about the impact of inflation on the replacement cost of plant and equipment, the Directors adopted revised depreciated replacement costs on 30 June 2013.

Other

Other Assets are measured at cost less accumulated depreciation and accumulated impairment.

Assessment by Independent Cost Consultant – 30 June 2013

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

Asset Class Description	Estimated Percentage Market Movement
Building Structures. Percentage movement based on published indices.	1.25%
Wharves and Harbours. Assessed percentage movement based on analysis of previous projects and industry feedback.	2%
Marina Facilities. Assessed percentage movement based on industry feedback.	2%
Channels and Swing Basins. Assessed percentage movement based on costs associated with the hire of the Port of Brisbane Corporation Dredge.	3%
Access Roads and Carparks. Percentage movement based on published indices	3%
Electrical, Water, Sewerage and Plumbing Assets. Assessed percentage movement based on published indices and industry feedback	3%
Other Property Plant & Equipment Assets. Assessed percentage movement is based on the CPI Index.	2%

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Independent Valuation – 30 June 2012

Independent Valuer, AssetVal Pty Ltd, were engaged to undertake a valuation of all non-current assets held by the Company on 30 June 2012. The relevant asset class values were determined as follows:

Asset Class Description	Valuation Rationale
Land	Direct comparison method (with the Capitalisation approach used as a check).
Building Structures	Estimated Cost of Replacement adjusted for the condition and age of the asset in order to obtain a depreciated replacement cost.
Wharves and Harbours	
Marina Facilities	
Channels and Swing Basins	
Access Roads and Carparks	
Electrical, Water, Sewerage and Plumbing Assets	
Other Property Plant & Equipment Assets	Market approach where reliable evidence of sales exists, otherwise depreciated replacement cost method (as above).
Investment Property	Traditional investment approach utilising net income and an appropriate market yield.

Impairment losses

The recoverable amount estimation for the Port operations was based on a value in use calculation and was determined at the cash-generating unit level. A total impairment of $1,335,154 was recognised during the year. (2012: $12,828,181). This is comprised of asset writedown of property, plant and equipment of $1,127,335 and net impairment expense of $207,819. Value-in-use was based on management's most recent cash flow forecasts over five years, using a terminal growth rate of 2.5% (2012: 3%) and a discount rate of 12.96% (2012: 13.03%), the 12.96% is Ports Norths' weighted average cost of capital.

NOTE 10 INVESTMENT PROPERTY

	Note	Company 2013 $'000	Company 2012 $'000
Land – at independent valuation		109,942	109,802
Buildings and Facilities – at independent valuation		23,407	11,277
Work in Progress		11,399	17,262
Total		144,748	138,341

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

NOTE 10 INVESTMENT PROPERTY (CONTINUED)

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

2012	Opening balance	Additions	Disposals	Net Gain / (Loss) from Fair Value Adjustment	Transfers	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Land	111,182	2,913		(4,062)	(231)	109,802
Buildings and Facilities	12,258	-	(1)	(980)		11,277
Work in progress	9,925	7,149			188	17,262
	133,365	10,062	(1)	(5,042)	(43)	138,341

	Note	Company 2013 $'000	Company 2012 $'000
Amounts recognised in statement of profit or loss and other comprehensive income for investment property			
Rental income		8,278	8,470
Direct operating expenses from property generating rental income		(2,560)	(2,975)
		5,718	5,495

Valuation basis

On 30 June 2012, investment property held by the company was valued by independent valuer AssetVal Pty Ltd. The basis of valuation of investment property is fair value being the amounts for which the 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.

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

Leasing arrangements

Investment properties are leased to tenants under operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are detailed in Note 22.

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

NOTE 11 TAX ASSETS AND LIABILITIES

(a) Current tax assets and liabilities

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

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

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

(b) Recognised deferred tax assets and liabilities

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

	Assets Company		Liabilities Company		Net Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Amounts recognised in statement profit or loss and other comprehensive income						
Deferred capital gain	-	-	(686)	(686)	(686)	(686)
Inventories	-	-	(7)	(10)	(7)	(10)
Investment property	-	-	(27,438)	(26,806)	(27,438)	(26,806)
Property, plant and equipment	-	-	21,761	21,069	21,761	21,069
Provision for impairment (receivables)	61	111	-	-	61	111
Provisions:						
Annual leave	201	202	-	-	201	202
Long service leave	319	293	-	-	319	293
Rostered days off	12	13	-	-	12	13
Other items	41	39	(125)	(2)	(84)	37
	634	658	(6,495)	(6,435)	(5,861)	(5,777)
Amounts recognised in equity						
Revaluation of property, plant and equipment	-	-	(17,723)	(17,852)	(17,723)	(17,852)
Tax assets (liabilities)	634	658	(24,218)	(24,287)	(23,584)	(23,629)
Set off of tax	(634)	(658)	634	658	-	-
Net tax assets/(liabilities)	-	-	(23,584)	(23,629)	(23,584)	(23,629)

(c) Unrecognised deferred tax assets and liabilities

At 30 June 2013 and 30 June 2012 the Company had no unrecognised deferred tax assets and liabilities.

NOTE 12 TRADE AND OTHER PAYABLES

	Company 2013 $'000	Company 2012 $'000
Trade payables	56	508
Other payables and accruals	2,440	5,163
	2,496	5,671

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

NOTE 13 PROVISIONS

	Company 2013 $'000	Company 2012 $'000
Current		
Long Service Leave	785	727
Employee benefits	708	715
Dividend	5,154	-
Green and Fitzroy Island Jetty maintenance	1,872	1,702
	8,519	3,144
Non-current		
Long Service Leave	277	249
	8,796	3,393

Provision for long service leave and other employee benefits

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

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

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

Green and Fitzroy Island Jetty maintenance

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

Movements in provisions

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

2012	Long service leave $'000	Employee Benefits $'000	Dividend $'000	Jetty maintenance $'000	Total $'000
Balance at the beginning of the year	902	670	-	1,529	3,101
Additional provisions	151	456	-	250	857
Amounts used / paid	(77)	(411)	-	(77)	(565)
Balance at the end of the year	976	715	-	1,702	3,393

NOTE 14 OTHER LIABILITIES

	Company 2013 $'000	Company 2012 $'000
Current		
Income received in advance	1,640	1,644
Refundable deposits	-	34
	1,640	1,678

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

	Company 2013 $'000	Company 2012 $'000

NOTE 15 CONTRIBUTED EQUITY

	2013 $'000	2012 $'000
Share capital		
Ordinary shares of $1 each, fully paid	216,073	216,073
Movements:		
Balance at the beginning of the year 216,073,278 shares (2012: 207,073,278 shares)	216,073	207,073
Issue of shares nil shares (2012: 9,000,000)	-	9,000
Balance at the end of the year 216,073,278 shares (2012: 216,073,278 shares)	216,073	216,073

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

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

Issue of shares

There were no shares in the Company issued during the year.

NOTE 16 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

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

Approximately 24% (2012: 23%) of sales revenue is primarily from property rentals; all properties held for rental are covered by lease agreements.

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

Exposure to credit risk

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

		Company	
	Note	**2013 $'000**	**2012 $'000**
Financial assets			
Cash and cash equivalents	5	58,374	64,929
Trade and other receivables	6	6,878	7,033
		65,252	71,962

Impairment losses

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

	Company		**Company**	
	Gross 2013 $'000	**Impairment 2013 $'000**	**Gross 2012 $'000**	**Impairment 2012 $'000**
Not past due	4,681	(28)	4,151	(33)
Past due 0-30 days	1,401	(27)	1,325	(39)
Past due 31-120 days	469	(26)	1,016	(56)
Past due 121 days and later	529	(121)	912	(243)
	7,080	(202)	7,404	(371)

(b) Liquidity risk

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

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

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.

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

NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	Note	Payable in: 1 year or less $'000	1-5 years $'000	More than 5 years $'000	Total $'000
30 June 2013					
Financial liabilities					
Trade and other payables	12	2,496	-	-	2,496
30 June 2012					
Financial liabilities					
Trade and other payables	12	5,671	-	-	5,671

(c) Capital Risk Management

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

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

Capital Structure

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

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

(d) Market risk

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

Interest rate risk

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

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

	Note	Company 2013 $'000	Company 2012 $'000
Variable rate instruments			
Financial assets	5	35,372	48,927
Fixed rate instruments			
Financial assets	5	23,002	16,002

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

NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Sensitivity

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

	Carrying Amount	-1% Interest Rate		+1% Interest Rate	
		Net Profit	Equity	Net Profit	Equity
	$'000	$'000	$'000	$'000	$'000
2013					
Cash	58,374	(409)	(82)	409	82
2012					
Cash	64,929	(455)	(91)	455	91

Net fair value of financial assets and liabilities

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

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

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

(e) Operational risk

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

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

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

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

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

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The names of persons who were directors of Far North Queensland Ports Corporation Limited at any time during the year ended 30 June 2013 were:

Mr W Moller	Chairman	
Mr M Huelin	Deputy	
Mr R Macalister	Director	*(appointed 20 Dec 12)*
Ms S Dawson	Director	
Mr G Nucifora	Director	*(appointed 20 Dec 12)*
Mr P Gregory	Director	*(appointed 20 Dec 12)*
Ms JJ Siganto	Director	*(term expired 30 Sept 12)*
Mr J Camp	Director	*(resigned 13 Dec 12)*
Ms L Anderson	Director	*(term expired 30 Sept 12)*

Executives with greatest authority

The names of executives with greatest authority during the year ended 30 June 2013 were:

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

Remuneration policy

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

Guiding principles that underpin the remuneration strategy are:

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

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

Performance payments

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

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

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

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Director and executive remuneration

Specified directors

Specified Directors are only remunerated by the Company.

	Short-term employee benefits	Post employment	Other long-term benefits	Termination benefits	Other benefits	Total
Mr W Moller - Chairman						
2013	48,691	4,382	-	-	-	53,073
2012	3,706	334	-	-	-	4,040
Mr K Chapman - Chairman						
2013	-	-	-	-	-	-
2012	43,786	3,941	-	-	-	47,727
Ms LF Brophy - Deputy						
2013	-	-	-	-	-	-
2012	5,955	536	-	-	-	6,491
Mr M Huelin - Deputy						
2013	22,739	2,046	-	-	-	24,785
2012	22,041	1,984	-	-	-	24,025
Ms JJ Siganto - Director						
2013	5,904	531	-	-	-	6,435
2012	23,243	2,092	-	-	-	25,335
Ms S Dawson - Director						
2013	24,345	2,191	-	-	-	26,536
2012	17,001	1,530	-	-	-	18,531
Mr R Macalister - Director						
2013	17,979	1,618	-	-	-	19,597
2012	21,519	1,937	-	-	-	23,456
Mr J Camp – Director						
2013	11,640	1,048	-	-	-	12,688
2012	23,100	2,079	-	-	-	25,179
Ms L Anderson - Director						
2013	6,050	544	-	-	-	6,594
2012	23,819	2,144	-	-	-	25,963
Mr G Nucifora - Director						
2013	12,805	1,152	-	-	-	13,957
2012	-	-	-	-	-	-
Mr P Gregory - Director						
2013	11,637	1,047	-	-	-	12,684
2012	-	-	-	-	-	-
Total remuneration						
2013	161,790	14,559	-	-	-	176,349
2012	184,170	16,577	-	-	-	200,747

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

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Specified executives

	Short-term employee benefits	Post employment	Performance benefits	Other long-term benefits	Termination benefits	Total
Chief Executive Officer						
2013	242,726	49,928	31,512	-	-	324,166
2012	226,733	46,568	28,647	-	-	301,948
General Manager Commercial						
2013	179,434	37,634	23,538	-	-	240,606
2012	156,522	48,461	23,920	-	-	228,903
General Manager Planning & Projects						
2013	161,576	33,843	20,694	-	-	216,113
2012	153,423	30,722	19,394	-	-	203,539
General Manager Corporate Services						
2013	155,459	32,661	20,995	-	-	209,115
2012	150,955	31,716	20,412	-	-	203,083
Chief Financial Officer						
2013	150,067	25,000	12,453	-	-	187,520
2012	144,008	25,000	8,079	-	-	177,087
General Manager Operations[(1)]						
2013	-	-	-	-	-	-
2012	61,993	36,766	19,006	-	-	117,765
Total remuneration						
2013	889,262	179,066	109,192	-	-	1,177,520
2012	893,634	219,233	119,458	-	-	1,232,325

[(1)] Resigned January 2012

Service agreements

Chief Executive Officer
- Term of agreement – 2 years expiring 15 September 2014
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 33 weeks

General Manager Commercial
- Term of agreement – 2 years expiring 25 February 2015
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 28 weeks

General Manager Planning & Projects
- Term of agreement – 2 years expiring 25 February 2015
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 28 weeks

General Manager Corporate Services
- Term of agreement – 3 years expiring 22 November 2015
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 35 weeks

Chief Financial Officer
- Term of agreement – 3 years expiring 24 October 2013
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 14 weeks

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

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Aggregate at-risk performance incentive remuneration

Year paid	*Aggregate performance bonus paid* $	*Post Employment* $	*Total salaries paid to employees receiving performance bonuses* $	*Number of employees receiving a performance payment total*
2013	155,939	14,034	2,115,282	15
2012	162,140	14,593	2,066,102	16

The performance bonus payments were approved for payment by the Human Resources Committee at its meeting on 16 November 2012.

NOTE 18 COMMITMENTS

	Company 2013 $'000	Company 2012 $'000
Capital commitments (property, plant and equipment)		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	1,942	7,052
Later than one year but not later than five years	-	-
	1,942	7,052
Other expenditure commitments		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	3,966	4,162
Later than one year but not later than five years	545	865
	4,511	5,027

NOTE 19 RELATED PARTY TRANSACTIONS

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

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

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

Entity	Services	Company 2013 $'000	Company 2012 $'000
Queensland Treasury	Dividend (paid)	-	-
and Trade	Tax equivalents (paid)/received	(10,326)	(1,621)
	Rates equivalents (paid)	(255)	(246)
Queensland Treasury Corporation	Interest (received)	1,515	2,016

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

NOTE 19 RELATED PARTY TRANSACTIONS (CONTINUED)

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

		Company	
		2013	2012
Entity	Services	$'000	$'000
Queensland Transport	Registration marine (paid)	(7)	(7)
	Registration vehicle (paid)	(15)	(14)
	Dredging Simulation (Cruise Liner)	-	(74)
	Hydrographic Survey (paid)	(13)	-
	Lease rentals (paid)	(28)	(30)
	Floating plant hire -"Wathan" (paid)	(21)	-
	Idabu Pontoon Maintenance (received)	65	-
	Ancillary Services (received)	-	11
Office of State Revenue	Land tax (paid)	(4,061)	(640)
	Payroll tax (paid)	(269)	(294)
Q Super	Superannuation contributions (paid)	(514)	(548)
Maritime Safety Queensland	Pilotage transfer services (received)	629	497
	Lease rental (received)	59	51
	Electricity services (received)	158	132
	Ancillary services (received)	38	14
Ergon Energy	Electricity supply and ancillary services (paid)	(3,996)	(4,187)
Queensland Audit Office	Audit fees (paid)	(75)	(38)
Department of Agriculture Fisheries and Forestry	Lease rentals (received)	288	285
	Electricity services (received)	93	86
	Seagrass monitoring (paid)	(48)	(103)
Queensland Police Service	Lease rentals (received)	22	21
Department of State Development Infrastructure & Planning	Environmental Impact Statement contribution-Cairns Shipping Development Project (received)	1,518	-
	Environmental Coordination fees (paid)	(114)	-
	Lease rentals (received)	263	260
Workcover Qld	Workcover premium (paid)	(44)	(48)
Citec	Property, vehicle, company searches (paid)	(10)	(5)
Department of Community Safety (Qld Fire and Rescue Service)	Annual fees/false alarm calls (paid)	(23)	(25)
Department of Education, Training and Employment	Lease rentals (received)	30	-
	Electricity services (received)	80	72
	Ancillary Services (received)	17	4
Department of Housing and Public Works	Lease rentals (received)	115	66
	Electricity services (received)	18	20
	Ancillary Services (received)	1	-
	Vehicles leases (paid)	(1)	(19)
Department of Natural Resources and Mines	Annual rental fee for perpetual lease (paid)	(10)	(10)
	Registration & Application Fees (paid)	(10)	(11)
	Development Fees (paid)	-	(8)

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

NOTE 19 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Entity	Services	Company 2013 $'000	Company 2012 $'000
Department of Justice & Attorney General	Ancillary Services (paid)	(1)	(3)
	Plant registration (paid)	-	(1)
	Licence fees (paid)	(19)	(17)
Wet Tropics Management Authority	Ancillary Services (received)	-	1
Dawson Group of Companies	Contractor Services (paid)	(5)	(52)

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.

Entity	Services	Company 2013 $'000	Company 2012 $'000
Gulf Savannah Development Inc	Membership Fees & Services (paid)	(2)	-

The company made a contribution to the cost of printing the Gulf Savannah Information document and paid a Gold membership fee to the Gulf Savannah Development Inc, of which Rob Macalister, (an independent director of Ports North), is the Secretary and Chief Executive Officer. Amounts paid were based on normal market rates for such services and were due and payable under normal payment terms. The other expenditure commitments in Note 18 include an amount of $15,000 in respect of an annual Diamond membership of Gulf Savannah Development.

(b) Outstanding balance arising from provision of user charges

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

	Company 2013 $'000	Company 2012 $'000
Trade Receivables	1,616	105

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

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

	2013	2012
Trade Payables	2	5

NOTE 20 CLAIM FOR NATIVE TITLE

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

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

NOTE 21 INVESTMENT IN ASSOCIATES

Investments in associates have not been accounted for using the equity method of accounting on the basis of materiality. The company disposed of its shares in the associate on the 26th March 2012. Information relating to investments in associates is set out below.

		Ownership interest		Carrying value	
		2013	2012	2013	2012
Name of company	**Principal activity**	%	%	$	$
Advance Cairns Limited (Incorporated in Australia)	Regional economic development	nil	nil	nil	nil

	Company	
	2013	2012
	$	$
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the year	nil	1
Investment in associates	-	(1)
Carrying amount at the end of the year	nil	nil

NOTE 22 LEASING ACTIVITIES

General description of leasing arrangements

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

	Company	
	2013	2012
	$'000	$'000
Contingent rental recognised as revenue		
Rentals and leases disclosed in the statement of profit or loss and other comprehensive income include the following amounts of contingent rent for continuing operations:		
Contingent rent	146	76
Lease commitments receivable at balance date		
Receivables disclosed in Note 6 include the following lease commitments receivable:		
Lease commitments receivable	1,582	2,158
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	9,710	9,664
Later than one year but not later than five years	33,711	30,246
Later than five years	132,001	136,824
	175,422	176,734

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

NOTE 23 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Company	
	2013 $'000	**2012 $'000**
Operating surplus/(deficit)	1,224	(17,679)
Adjustments for:		
Gain/(Loss) on sale of Property, Plant and Equipment	11	54
Depreciation expense	4,860	3,926
Asset writedown of property, plant and equipment	1,127	8,724
Impairment losses	208	4,104
Fair value adjustment to investment property	-	5,042
Changes in assets and liabilities	7,430	4,171
(Increase)/decrease in trade and other receivables	155	(1,386)
(Increase)/decrease in inventories	9	15
(Increase)/decrease in other assets	22	(19)
(Increase)/decrease in deferred tax assets	24	4
Increase/(decrease) in trade and other payables	(3,175)	1,002
Increase/(decrease) in current tax liabilities	(8,103)	9,153
Increase/(decrease) in provisions	5,403	247
Increase/(decrease) in other liabilities	(38)	(125)
Increase/(decrease) in deferred tax liabilities	1,472	(2,887)
Net cash flows from operating activities	3,199	10,175

NOTE 24 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.

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

NOTE 25 ASSET REVALUATION SURPLUS BY CLASS

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

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

2012	Opening Balance	Revaluation	Revaluation reversal through sale	Impairment Reversal	Impairment losses through equity	Other deferred tax adjustments	Closing balance
Freehold land	6,155	9,352	-	-	(479)	(2,686)	12,342
Buildings	331	(425)	-	2,351	(1,368)	(191)	698
Wharves, harbours & facilities	3,756	(8,126)	(1)	66,587	(47,629)	(3,153)	11,434
Channels & swing basins	5,085	10,107	-	14,792	(18,184)	(2,034)	9,766
Access roads & carparks	3,429	(6,206)	-	14,738	(9,078)	126	3,009
Plant & Equipment – Infrastructure	399	1,364	(1)	8,631	(6,523)	(912)	2,958
Plant & Equipment – Other	166	1,572	(3)	8	(56)	(576)	1,111
Other	92	349	-	-	-	(105)	336
Total	19,413	7,987	(5)	107,107	(83,317)	(9,531)	41,654

NOTE 26 SEGMENT REPORTING

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

NOTE 27 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Ports North has no contingent assets and liabilities at 30 June 2013 (2012:nil).

DIRECTORS' DECLARATION

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

(a) the financial statements and notes, set out on pages 33 to 66, 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 2013 and of its performance, for the financial year ended on that date; and

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

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

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

Signed in accordance with a resolution of the directors:

William (Brett) Moller

Chairman

M Huelin

Director

Dated at Cairns, 30 August 2013

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 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Opinion

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

(a) giving a true and fair view of the company's financial position as at 30 June 2013 and its performance for the year ended on that date; and

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

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

Other Matters – Electronic Presentation of the Audited Financial Report

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

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(as Delegate of the Auditor-General of Queensland) Queensland Audit Office, Brisbane