

# Annual Report 2019 | 2020

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## About Our Report

This report details our activities and financial performance for the financial year ending 30 June 2020. It fulfils Queensland Government requirements pursuant to section 50 of the *Government Owned Corporation Act 2014*.

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



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

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

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

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

Our range of strategic land holdings include approximately 228 hectares of freehold and 635 hectares of leasehold Strategic Port Land and properties across its ports.

The shareholding Ministers are the Honourable Cameron Dick, Treasurer and Minister for Infrastructure and Planning, and the Honourable Mark Bailey, 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 enable business and trade growth by:

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

## The Corporation's Values

### Safe

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

### Reliable

- We will be professional and responsive in seeking to deliver excellent service to all of our internal and external customers.
- We will seek to build effective relationships with the community and our stakeholders by being a responsible corporate citizen fostering social value and economic benefit to the region.
- We are committed to compliance with governance structure and procedure, transparent and accountable reporting and management of risk.

## Value Driven

- We will promote co-operation and teamwork, ethical and honest behaviour, respect and integrity while providing opportunities for staff to develop and acquire skills needed to meet our objectives.
- We are committed to sustainable outcomes by acting in a commercially astute manner whilst considering risk and environmental and social impacts of our activities to deliver sustainable commercial returns to shareholders.

## Corporate objectives are to:

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

## Year at a Glance

### Financial Summary for the Year Ending 30 June 2020

	2020 \$'000	2019 \$'000
Continuing Operations		
Operating Revenue	55,190	61,637
Operating Expenditure	88,788	78,256
EBIT	(33,598)	(16,619)
Net Profit / (Loss) from Ordinary Operations	(23,247)	(12,150)
Total Assets	407,609	401,204
Total Liabilities	48,011	68,616
Net Assets	359,598	332,588
Accounting Rate of Return	-8.31%	-4.07%
Debt to Equity Ratio	-	-
Current Ratio	2.73	3.03



## Our Ports

### Port of Cairns

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

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

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

As one of the top four Australian cruising destinations, the Port has 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 approximately one million passengers who visit the Reef from Cairns each year. Sailfish Quay, within the Cairns Marlin Marina, provides world-class superyacht berths for vessels up to 140m.

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

The Port has widespread land holdings that are leased to port 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 Mourilyan

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

Other facilities at the Port include a state-of-the-art stockpile facility used in the export of magnetite as well as a livestock export facility.

### 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 (CFSM).

The company is the world's largest producer and exporter of silica sand. There are onshore silica sand handling and stockpiling facilities and a 500 metre single trestle jetty and conveyor running from the mine to an offshore berth and ship loader. There is also a general purpose wharf for the import of fuel and other supplies for the mine and for the mooring of two line boats which assist in ship berthing.

### Port of Karumba

The Port of Karumba is located at the mouth of the Norman River in the south-east corner of the Gulf of Carpentaria. The Port provides for general cargo, fuel, fisheries products, live cattle and the export of minerals from the New Century Resources mining operation.

### Port of Skardon River

Skardon River is located north of Weipa in the Gulf of Carpentaria. The Port is home to Metro Mining's bauxite export operation with a transshipping arrangement and a throughput of around 3.9 million tonnes per annum.

### Port of Quintell Beach

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

### Port of Thursday Island

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

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

### Ports of Cooktown and Burketown

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



## Overview

Ports North continued to be a valued contributor to regional economic growth providing an underlying operating result after tax (excluding asset valuation transactions) for the year ended 30 June 2020 of \$4.3 million profit. The underlying operating result was down on the previous years' result of \$10.9 million profit principally due to the impacts of the COVID-19 pandemic.

Overall trade volumes were higher than the previous year. Higher silica sand exports at Cape Flattery, higher bauxite exports at Skardon River and higher fertiliser imports at Cairns were offset by lower sugar and molasses exports at Cairns and Mourilyan, lower petroleum and LPG imports at Cairns and lower general cargo across all ports.

The operating result before tax was a loss of \$33.6 million for the year ended 30 June 2020 compared with a loss of \$16.6 million for the previous year. Asset valuation transactions decreased profit before tax by \$37.9 million in the year ended 30 June 2020 compared with a decrease of \$27.5 million in the previous year.

The operating result after tax for the year ended 30 June 2020 was a loss of \$23.2 million, which compares to a loss of \$12.2 million in the previous year.

## COVID-19 Impact

Like everywhere many of Ports North's customers and tenants have been impacted by the pandemic. To assist these businesses Ports North implemented \$5.86 million in fee relief packages to support port businesses across the far north. These packages will provide rental and fee relief for the region's commercial tourism and reef operators, resource and seafood sectors as well as other port tenants significantly impacted by coronavirus.

Commercial and reef operators received a 100% rebate on their Ports North marina fees and a 100% rebate to utilise the Green Island jetty. The Port's retail, food and beverage commercial leasehold tenants also received a 100% rebate on their base rent. The fee relief arrangements apply to the 1 February – 30 September 2020 period.

Ports North has also committed to freezing the Cairns Marlin Marina Schedule of Charges for commercial operators until January 2023.

In recognition of the impact of COVID-19 on Queenslanders and the state economy, Ports North's Senior Executives will not receive a wage increase in 2020-21 or performance incentive payments for 2019-20.

## Cairns Shipping Development Project

Ports North successfully delivered the Cairns Shipping Development Project with the final stage of the Project completed in May 2020.

The complex program to widen and deepen the existing Port channel to allow larger cruise ships up to 300 metres in length to access the port and the heritage listed Cairns wharves has been delivered within all environmental guidelines and within the range of the predictions made in the revised Environmental Impact Statement.

The largest port development in Cairns' history builds upon the significant existing tourism infrastructure network in Cairns to facilitate increased tourism opportunities in Far North Queensland and supports the overall growth of the cruise ship sector in Queensland.

The deeper and wider shipping channel also provides the potential for the Royal Australian Navy's larger ships and US naval carriers to berth in Cairns, enabling future expansion of defence activities in the region.

Ports North's performance in achieving successful Project outcomes has been formally recognised by the independent Technical Advisory Group of scientific and engineering experts who were overseeing the environmental management of the Project.

## Tourism

Ports North is a key partner in, and supporter of, Far North Queensland's tourism industry with an average of one million visitors from Australia and around the world using our Reef Fleet Terminal and Cruise Liner Terminal facilities in Cairns to experience the wonders of the city and the Great Barrier Reef.

Cairns remains a strong destination for cruise ship tourism and following the completion of the channel expansion we welcomed the first mega sized vessel into Cairns with the Queen Elizabeth cruise ship successfully berthing at the Cairns Cruise Liner Terminal on February 28, 2020. This was the first of an expected 11 mega sized vessels to visit Cairns during 2020, however with the advent of the COVID-19 pandemic, all cruise ship visits were suspended after March until further notice. This resulted in only 33 international cruise ship visits to Cairns this financial year compared to the scheduled 54 visits.

## Environment

Environmental management and maintaining safe port operations is critical to Ports North as we operate ports located in or adjacent to areas of high conservation values.

We continue to work closely with the Great Barrier Reef Marine Park Authority to meet our requirements in relation to maintaining safe port operations and with James Cook University's TROPWater team to monitor the health of seagrass meadows across several of our ports.

Our support of the Wet Tropics Healthy Waterways Partnership, Crown of Thorns Starfish Control Program and Turtle Rehabilitation Centre remains strong and we are active participants in the Local Marine Advisory Committee and both State and National Port Environmental Working Groups.



*Chairman & Chief Executive Officer's Report continued*

## **New Business and Trade Development**

Ports North champions the case for the development of Far North Queensland as a supply hub and source of goods and services to other areas of Northern Australia, as well as the neighbouring Asian and Pacific regions.

Our trade performance has remained solid throughout the year with more than 8 million tonnes of cargo making its way through Far North Queensland's ports bound for domestic and international markets.

In regional ports, New Century Resources' trans-shipping operations through the Port of Karumba are continuing and Metro Mining's bauxite exports through the Port of Skardon River remain strong.

Ports North continues negotiation with mining operator Tablelands Mining Group's (TMG) on a bulk cargo infrastructure expansion at the Port of Mourilyan to facilitate TMG's new high-grade iron ore operation.

At Thursday Island, Ports North carried out a \$1 million upgrade to the port Cargo Shed and Cargo Yard to improve facilities for Sea Swift operations.

Tenders have been sought for a major project to upgrade the Horn Island cargo facilities to accommodate increased trade and vessel sizes. The works, involving the construction of a new wharf berthing dolphin, supply and installation of a cone fender and fender panel, upgrades to the existing mooring bollards and construction of a new reinforced concrete barge ramp, will be undertaken over the next 12 months.

## **Port Planning**

As part of our commitment to supporting the economic growth of the Far North Queensland region, Ports North continues the development of its Ports Master Planning Project for both the Port of Cairns and Port of Mourilyan.

The Project will assist in plotting a balanced course for our land use, infrastructure and operational decisions over the next 30 years. The Master Planning Project has involved extensive engagement with stakeholders and port users for the past 12 months with final plans to be made available to all stakeholders so that the vision, initiatives and future developments at each port can be understood.

## **Community**

Our support for the community and local organisations continued throughout the year with Ports North participating in sponsorship events which are major contributors to the economic output of the region.

Our long-term commitment and partnership with the Cairns Indigenous Art Fair (CIAF) continues to gain strength. The Art Fair, which was held in July 2019, is an extremely successful regional event and is recognised as Australia's premier Indigenous Art Fair. The Cairns Cruise Liner Terminal has been its home since 2011.

New sponsorships for the year included assisting the Thursday Island Wongai Rugby Football Club participation in the 7s Rugby Union Tournament and the St Vincent de Paul Annual Mega Book Sale held at the Cairns Cruise Liner Terminal.

Support for community and regional organisations are also a mainstay of our community connection, with continued support for the Cairns Yacht Club, the Great Barrier Reef Superyacht Group, Far North Queensland Volunteer Coast Guard, the Business Liaison Association School Environmental Awards and NAIDOC Awards.

## **Stakeholders**

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

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



## Community & 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 FY2020 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 FY2020 including:

- Community and regional festivals and events
- Arts and cultural events
- Tourism initiatives
- Environmental education awards
- Marine industry environmental initiatives and programs
- Charity events

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 (local, state, national)
- 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 FY2020.

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

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

### Safety Performance

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

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

Ports North recorded three minor lost time injuries during FY2020.

### Senior Management Team

**Chris Boland**  
*Chief Executive Officer*

Chris has over 34 years experience in engineering and port management. Chris is currently Chief Executive Officer and Company Secretary of Ports North

**Kerry Egerton**  
*General Manager Corporate Services*

Company Secretary, Corporate Governance, Risk Management, Land Use Planning, Property Management, Human Resources, Employee Relations, Safety, Marine Pilotage, Communications, Media, Community and Public Relations

**Kevin Malone**  
*General Manager Commercial*  
Commercial Business Development and Management

**Chris Tabe**  
*General Manager Finance*  
Financial Management, Accounting, Information Systems and Procurement

**Richard Stevenson**  
*General Manager Operations*  
Port Operations, Security and Emergency Management, Regional Ports

**Alan Vico** (*resigned June 2020*)  
*General Manager Planning and Infrastructure*  
Engineering, Capital Works, Major Projects, Asset Strategy and Maintenance, Contract Management, Dredging, Surveying and Environment

# Our Environment

Ports North continued to focus on sound environmental practice and continued our efforts to minimise potential environmental impacts of our operations through encouragement of good practice by our staff, port users, tenants and other stakeholders. This ensured we operated a business that considered environmental, economic, and social impacts by identifying and implementing initiatives at each of our ports.

Implementation of our Environmental Management System (EMS) was continued to ensure consistency with the ISO 14001:2015 standard. Our system ensures that management remains relevant to our operations, that we identify and manage aspects and impacts of our operations and implement strategies to minimise potential impacts on the environment surrounding our ports.

We maintained compliance with environmental approvals applicable to our operations during the year, including deliverables required under conditions of such permits and licences to work with the various agencies including Local, State and Commonwealth, and the Great Barrier Reef Marine Park Authority.

Involvement with the Wet Tropics Healthy Waterways Partnership was maintained, and we contributed further to a range of actions under the Reef 2050 Long Term Sustainability Plan applicable to our GBR port locations. This included the Reef 2050 Advisory Committee, Queensland Government Maintenance Dredging Strategy, and actions related to port planning, maintenance, and operation. Involvement in State and National Port Environmental and Planning Working Groups was continued.

Local community engagement activities were continued and included the Ports North Environment Awards for Far North Queensland secondary school students through the Business Liaison Association, sponsorship of the Crown of Thorns Starfish removal program, as well as the ongoing support to the Turtle Rehabilitation Centre, and active participation in the Cairns Local Marine Advisory Committee.

## Cairns Shipping Development Project

The successful delivery of the Cairns Shipping Development Project and Ports North's performance in achieving excellent environmental outcomes was a significant milestone for the Planning, Infrastructure and Environment team. The complex project was delivered within all environmental guidelines and within the range of the predictions made in the revised Environmental Impact Statement. The environmental outcomes have been formally recognised by the independent Technical Advisory Group (TAG) of scientific and engineering experts who were overseeing the environmental management of the Project.

## Maintenance Dredging

Actions under the Queensland Maintenance Dredging Strategy, including completion of risk assessments, scheduling and reporting were enacted. Implementation of Long term Management and Monitoring Plans (LMDMP's) for each of Ports North's GBR port locations were continued where applicable.

Maintenance dredging activity for Cairns included regular inner port and navy base dredging, along with completion of the Cairns channel maintenance campaign in April to May 2020. Works were consistent with the applicable Environmental Authority, Sea Dumping, and Marine Park approvals.

The Cairns Technical Advisory Committee (TACC) met during June in regard to the Long Term Management Plan implementation for the Cairns dredging, and processes were enacted by Ports North to ensure continuation of the Marine Park and Sea Dumping Permits beyond mid-2020.

Channel maintenance for the Port of Karumba was completed in July to August 2019 to retain the channel at operational depths to facilitate shipping by New Century Resources for lead and zinc transshipment from the port. The Karumba TACC was informed of the works and outcomes of monitoring conducted under the Port of Karumba 10 Year Long term Monitoring and Management Plan (2013-2022).

## Environmental Monitoring

Attributes of the areas surrounding our ports are of great importance to port users and the broader community and we have continued our focus on regular checks of the general environmental health at each of our main port locations. We maintained a focus on understanding the physical, biological, and cultural attributes of the areas surrounding our ports. In addition to our routine monitoring, monitoring and management arrangements for the Cairns Shipping Development Project (CSDP) were implemented to address the various conditions granted for the project.

A summary of outcomes and performance of these programs are outlined as follows:

### Sediment Quality Analysis Plan (SAP) – Cairns and Karumba

The Sediment Analysis Plan at Cairns (annual) and Karumba (five-yearly) was implemented during March 2020. Tests for a range of potential contaminants in the proposed maintenance dredging material assessed against the National Assessment Guidelines for Dredging (NAGD, 2009) found it to be suitable for continuation of dredging and placement under our 10-year Marine Park and Sea Dumping Permits (for Cairns) and Sea Dumping Permit (Karumba) at the respective marine material placement areas.

### Karumba – Benthic Study

The five yearly survey to confirm the status of benthic community structure at and adjacent to the dredge material placement area was conducted in March 2020, with findings indicating a diverse marine seafloor community common to the turbid shallow sandy southern gulf region. These survey outcomes were consistent with past studies which have indicated that irregular low volumes of maintenance dredge material placed at the site continues to have minimal impacts to the surrounding sea floor.

### Cairns – Benthic Study of Dredge Material Placement Area

A repeat of past survey methods to confirm the status of benthic community structure at and adjacent to the dredge material placement area were conducted in February and May 2020, with findings indicating a marine sea floor community typical for the general Trinity Bay area, and consistent with past studies which confirm the placement of maintenance dredge material at the site continues to have minimal impacts. Surveys to determine benthic habitats of an area adjacent and offshore to the present site were conducted to inform the application for the next long term permit and management plan process enacted during the first half of 2020.



### Trinity Inlet Water Quality – Cairns

The predominant water quality monitoring activity during the year was the deployment of monitoring equipment to inform implementation of the Dredge Management Plan for the CSDP. A period of intensive water quality monitoring was enacted within Trinity Inlet and also the adjacent lower Barron River. This activity informed compliance management for the dredging project and also provided opportunity to gain contemporary data for use in future management of Ports North’s facilities in Trinity Inlet.

### Long Term Seagrass Monitoring

Ports North continued the engagement of TropWATER at James Cook University and consistent with the last couple of years, the findings from each of our ports were comparable to the trends identified at adjacent monitoring areas as part of the Queensland Ports Seagrass Monitoring Program. The following survey outcomes were reported in the TropWater publications;

#### July 2019 to June 2020 – Cairns

An increased frequency of surveys was enacted during the year to inform management of the CSDP monitoring program. This also enabled comparison to the main annual survey in November 2019 with the long term survey dataset and place the influences of the CSDP capital dredging works in an appropriate context. The quarterly surveys for density, area and biomass, as well as detailed recording of benthic light (Photosynthetically Active Radiation or PAR), temperature data, seed bank density and viability analysis ensured a thorough understanding of this key habitat adjacent to the main Cairns channel and dredging works. Post dredging surveys in early 2019 confirmed that the seagrass meadows within Trinity Bay had continued to increase in density and distribution, and remained in a robust and productive condition throughout the Trinity Inlet area.

#### November 2019 – Mourilyan Harbour

Seagrass meadows within the Harbour remained at a poor rating due to the continued small size and density of the three monitoring meadows which are well below the long-term average or absent. Seagrasses at Mourilyan have not substantially recovered from the significant declines in biomass and distribution since 2009, and these findings are provided via the WTHWP and report card process.

#### November 2019 – Karumba

A survey at the end of 2019 confirmed that the meadows were substantially reduced and in a below average condition due to the significant period of wet season flood events in early 2018 affecting the southern gulf. Signs of recovery were noted along with populations of turtle and dugong observed during the survey work.

### Bio-Security- Pest Weeds and Animals, and Marine Pests - Our Ports

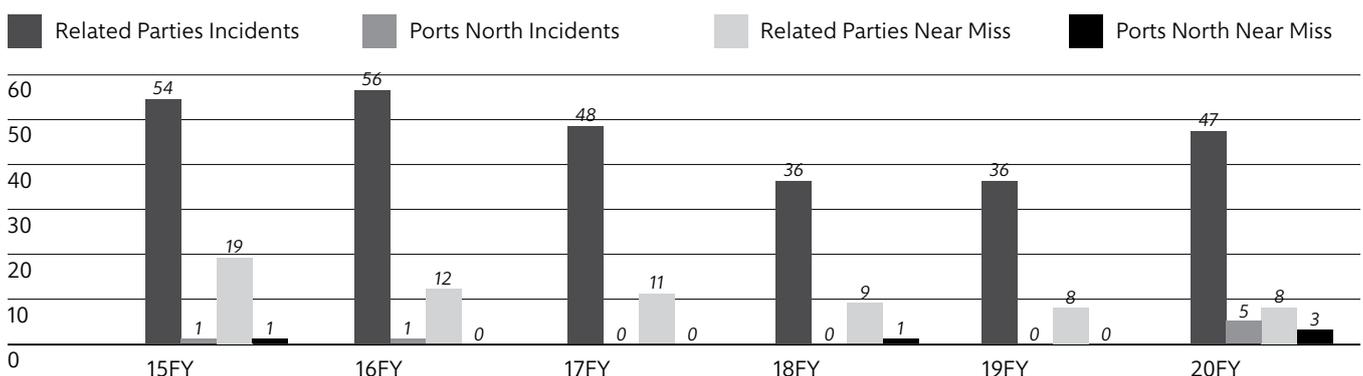
No detections of priority marine pest species were reported by port users, and none were recorded during our Sediment Analysis Plan or Benthic Study work. Similarly there were no further reports by other agencies or port users on the detection of priority marine pest at Cairns or our Regional Ports. We continued to promote awareness of bio-security matters amongst port users and to facilitate access for respective State and Commonwealth biosecurity jurisdictions. Involvement in Biosecurity Queensland’s Marine Pest Preparedness and Awareness Program was continued, and the Queensland Seaports e-DNA Surveillance (Q-SEAs) program enacted at the Port of Cairns.

## Environmental Incidents

There were no serious or material level events recorded at any of our port locations, and no events resulting in environmental harm attributable to Ports North staff or contractors.

During the year a total of 52 environmental incidents were recorded on strategic port land or at our port facilities that resulted in a release to the environment. These events are typically small volume spills and unlikely to result in long-term environmental harm. A further 11 near-miss events occurred that were able to be contained and cleaned up with no release to the environment. A number of events required engagement with local council and state environment department for reporting or investigation.

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



# Board of Directors & 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 Infrastructure and Planning and Minister for Transport and Main Roads for the performance of Ports North.

At 30 June 2020, all shares in Ports North were held by its shareholding Ministers on behalf of the Queensland Government. In accordance with the *Auditor General Act 2009* Ports North's audit is carried out by the Queensland Audit Office or its delegate.

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

## Board of Directors – role and responsibility

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

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

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

## Board of Directors

**Russell Beer** LLB, GLDP

*Independent Director*

**Chairman**

Member, Audit and Risk Committee

Member, Human Resources Committee

**Michael Huelin** GAICD

*Independent Director*

**Deputy Chairman**

Member, Audit and Risk Committee

**Vanessa Maruna** LLB (Hons)/B.EnvPlan, MPIA, GAICD

*Independent Director*

Chairperson, Human Resources Committee

**Victoria Cuda** B.Bus, CA, GAICD

*Independent Director*

Chairperson, Audit and Risk Committee

**Tanya Straguszi** LLB, GAICD

*Independent Director*

Member, Human Resources Committee

**John Hogg** BSc

*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’s expense, on matters related to their responsibilities as a Director.

## Board of Directors – Structure and Process

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

Each year the Board holds a special meeting to consider strategy formulation and planning, from which is developed a strategic outlook report. This report is then used by management as input into the annual business planning cycle. The Board approves the Annual Business Plan. Each year, consistent with the Government Owned Corporations Act, 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 Executive Management Team. 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 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 Framework and a strong internal control environment to protect Ports North’s interests. Safety and Environmental Management Frameworks, Financial Risk Policies, Fraud Control and Corruption Policies and Security and Emergency Plans address the associated specific risks.

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

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

## Remuneration

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

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

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

Ports North 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 of Directors &amp; Corporate Governance continued

## 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 General Manager Finance, who are not members of the Committee, also attend meetings.

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

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

### Human Resources Committee

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

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

- Review and approve employee/industrial relations strategies, including the enterprise bargaining agreement
- Guide the planning and implementation of organisational development and change programs including training and development
- Review and approve remuneration strategy, policies and practices
- Review and approve senior executive recruitment and appointments
- Conduct an annual performance and development review for the Chief Executive Officer
- Manage the Board and Committee Evaluation process
- Review and make recommendations to the Board on Directors training and skills development
- Consider, review and make recommendations to 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

Notification of Public Interest Disclosure standards was received under the *Government Owned Corporations Act* during the period.

### Summary of Overseas Travel

No overseas travel was undertaken this year.

# Key Performance Indicators



## General

The underlying operating result (excluding asset valuation transactions) for the year ended 30 June 2020 is \$4.3 million compared to \$10.9 million in the previous year, a decrease in the underlying operating result of \$6.6 million.

The operating result after tax for the year ended 30 June 2020 was a loss of \$23.2 million, which compares to a loss of \$12.2 million in the previous year. The operating result before tax was a loss of \$33.6 million for the year ended 30 June 2020 compared with a loss of \$16.6 million for the previous year. Asset valuation transactions decreased operating result before tax by \$37.9 million in the year ended 30 June 2020 compared with a decrease of \$27.5 million in the previous year.

The company's financial results for the year have been impacted by the COVID-19 pandemic, particularly at the Port of Cairns. Overall revenues reflecting strong export performance at regional ports, particularly minerals and silica sand, have been offset by reduced volumes of petroleum imports into Cairns as a result of lower local demand, less cruise ship visits due to suspension of all cruise ship visits until further notice, lower passengers through the reef operations and implementation of a temporary fee relief package to support port marina and property customers impacted by the pandemic.

## Statement of Financial Position

Total current assets have decreased to \$46.2 million at 30 June 2020 from \$104.3 million in the previous year. This reflects a lower cash balance driven by higher capital expenditure, principally on the Cairns Shipping Development Project (CSDP), partially offset by an equity contribution of \$30 million towards funding of the CSDP.

Property, Plant and Equipment has increased to \$193.2 million at 30 June 2020 from \$125.7 million in the previous year. The increase of \$67.5 million in the carrying amount was due to:

- \$79.2 million in new assets (principally the CSDP) net of disposals and write-offs;
- \$6.6 million revaluation decrease; and
- \$4.9 million of depreciation.

At 30 June 2020, Ports North recognised a net revaluation decrease of \$6.6 million to the carrying value of Property, Plant and Equipment. This is principally made up of a revaluation decrease of \$47.9 million to the Port of Cairns due to the impact of COVID-19 and changes in trade assumptions on future revenues, and revaluation increases to Mourilyan (\$22.6 million) and Cape Flattery (\$16.8 million) due to increases in future trade revenues.

Investment property value has decreased to \$168.0 million at 30 June 2020 from \$169.9 million in the previous year. The decrease of \$1.9 million in the carrying amount was due to:

- \$1.5 million revaluation increase of existing investment properties; and
- \$3.4 million of disposals and write offs.

Current liabilities have decreased to \$16.9 million at 30 June 2020 from \$34.5 million in the previous year. This was principally due to lower trade payables at the end of the year for capital expenditure accruals relating to the CSDP. The Company has declared a dividend at 30 June 2020 of \$2.8 million. Non-Current liabilities have decreased to \$31.1 million at 30 June 2020 from \$34.1 million in the previous year. This was due to lower deferred tax liabilities arising from a net revaluation decrease of property, plant and equipment and work in progress write-offs for investment property. This means that less tax would be due should the company sell its assets.

Total Equity as at 30 June 2020 was \$359.6 million compared to \$332.6 million for the previous year. The change was due to an increase in the asset revaluation surplus of \$22.4 million as a result of an increase in the carrying amount of the company's assets, a decrease in the accumulated surplus of \$25.3 million reflecting this year's operating loss, and a \$30.0 million equity contribution from the Queensland Government.

## Dividends

A dividend of \$2.8 million has been included in the Statement of Financial Position at 30 June 2020. Shareholding Ministers have approved the board's recommendation of a final dividend payment of 100% of adjusted net profit after tax, which excludes the components of other comprehensive income, material non-cash items, non-cash adjustments from asset revaluations (including any associated tax benefits or expense), and profits from Community Ports (Thursday Island and Quintell Beach).

## Current Ratio

The current ratio at 30 June 2020 is 2.7 compared with 3.0 in the prior year.

## Debt to Equity Ratio

The Company had no debt as at 30 June 2020.

## Interest Cover Ratio

There was no interest expense incurred during the year.

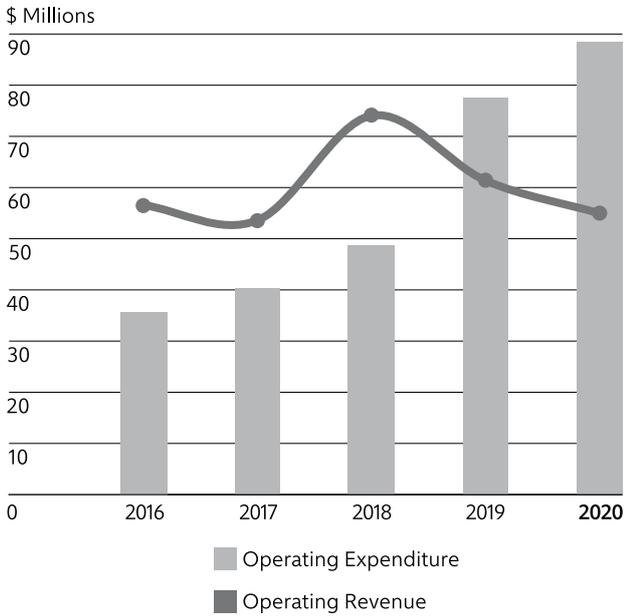


## Key Performance Indicators continued

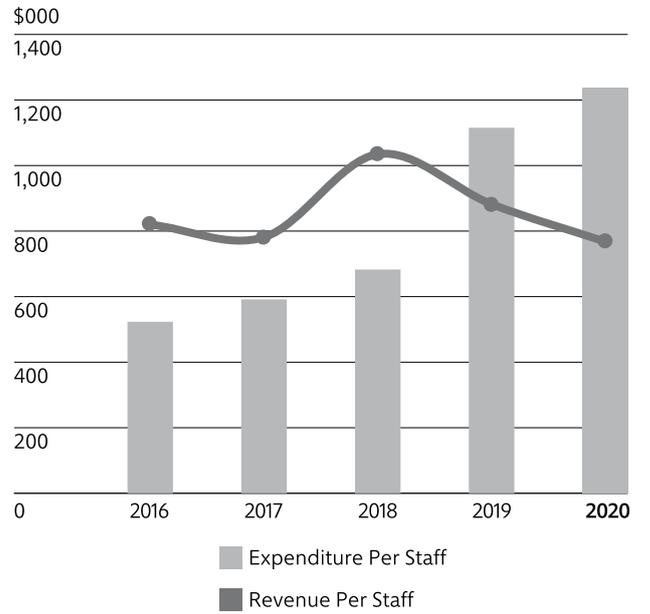
<b>Financial KPIs</b>	<b>FY2020 Plan</b>	<b>FY2020 Actual</b>	<b>FY2019 Actual</b>
Earnings Before Interest and Tax (\$'000)	11,543	(33,598)	(16,619)
EBITDA (\$'000)	17,496	(28,646)	(10,657)
Net Profit After Tax (\$'000)	6,539	(23,247)	(12,150)
Economic Profit (\$'000)	(22,537)	(51,540)	(38,099)
Return on Assets	2.70%	(8.31%)	(4.07%)
Return on Operating Assets	3.33%	(8.35%)	(4.30%)
Debt to Debt + Equity	0.00%	0.00%	0.00%
Return on Equity	2.18%	(7.20%)	(3.44%)
Interest Cover	0.00%	0.00%	0.00%
Current Ratio	3.52	2.73	3.03
Capital Expenditure (\$'000)	85,025	75,995	31,803
Planned Maintenance Performed (%)	100%	78%	96%
<b>Non Financial KPIs</b>	<b>FY2020 Plan</b>	<b>FY2020 Actual</b>	<b>FY2019 Actual</b>
<b>Operational</b>			
Trade ( tonnes)	8,297,662	8,672,540	7,169,311
No. of Vessels to Port (excluding internal movements)	2,525	2,448	2,572
Marina Berth Occupancy (%)	58%	58%	57%
<b>Reputation</b>			
No. of Environmental - reportable breaches	0	0	0
No. of Security issues reported	0	0	0
Lost Time Injury Frequency Rate (LTIFR)	0	25	17
Lost Time Injury Duration Rate (LTIDR)	0	10	2
Staff Turnover (annualised %)	15%	0%	7%
No. of Net FTE Staff numbers	77	72	70
No. of Community Complaints	<10	4	9
Compliance with Reporting Requirements (%)	100%	100%	100%



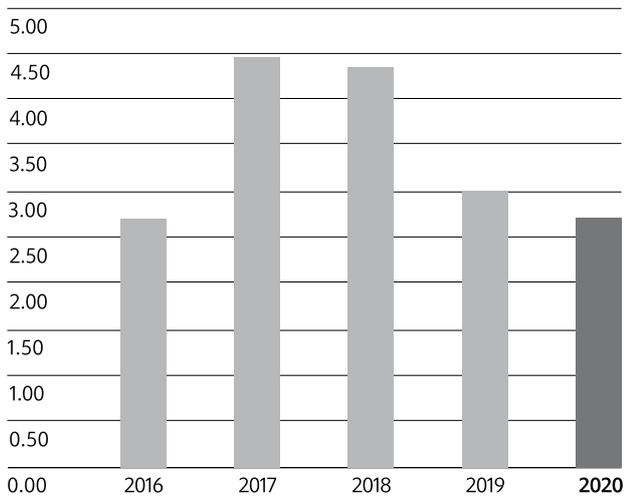
### Operating Revenue & Expenditure



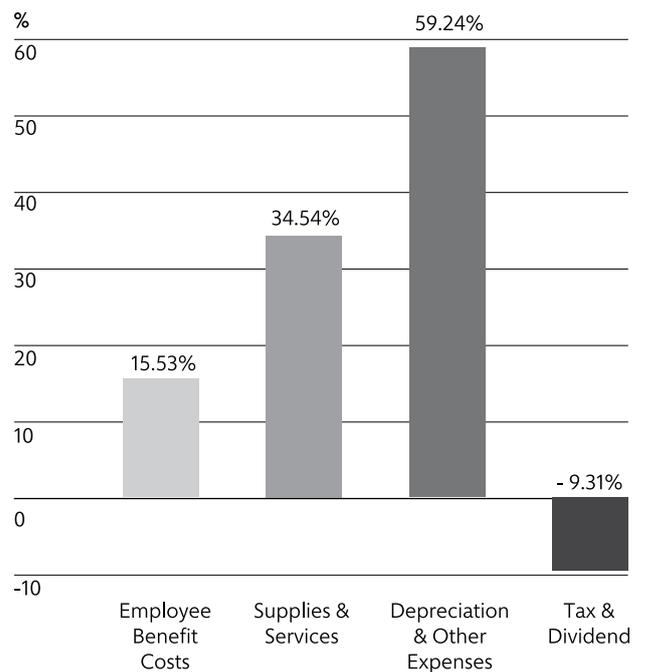
### Revenue & Expenditure Per Staff



### Current Ratio



### Expense Allocation



## Port Results

### Port of Cairns (including Port Pilotage) Results

The operating result before tax from Cairns port activities was a loss of \$36.0 million for the year ended 30 June 2020 compared with a profit of \$17.9 million in the previous year, a decrease of \$18.1 million.

The underlying operating result before tax (excluding asset valuation transactions) was \$1.9 million for the year ended 30 June 2020 compared with \$8.6 million in the previous year.

Overall trade volumes were slightly lower than the previous year due to lower general cargo as a result of the completion of project cargo for the Amrun projects in year ended 30 June 2019, lower sugar and molasses exports, lower petroleum and LPG imports; slightly offset by higher fertiliser imports. Marina revenue was impacted by the COVID-19 pandemic with Ports North implementing a temporary fee relief package to support commercial tourism and reef operators consisting of a 100% rebate on their marina fees from 1 February to 30 September 2020. Passenger revenue was also impacted with significantly reduced passengers through the Reef Fleet Terminal between March to June 2020. Property revenue was impacted by the COVID-19 pandemic with Ports North implementing a temporary fee relief package to support retail, commercial food and beverage, and other port tenants with rebates on their base rent from 1 February to 30 September 2020. Pilotage revenue decreased on the previous year due to lower pilotage activity in Cairns, and lower pilotage activity at the Port of Weipa, principally due to the downturn of exports at existing mines as a result of the commencement of the Amrun mine (Ports North does not have the pilotage contract for this mine).

### Regional Ports Results

The operating result before tax from regional port activities was \$2.4 million for the year ended 30 June 2020 compared with \$1.3 million in the previous year, an increase of \$1.1 million. The underlying operating result before tax (excluding asset valuation transactions) was \$2.4 million for the year ended 30 June 2020 compared with \$2.3 million in the previous year.

The slight increase in underlying operating result from regional port activities was principally due to higher higher exports of minerals from Skardon River and exports of silica sand from Cape Flattery.

### Our Performance

The operating result after tax for the year ended 30 June 2020 was a loss of \$23.2 million, which compares to a loss of \$12.2 million in the previous year. The operating result before tax was a loss of \$33.6 million for the year ended 30 June 2020 compared with a loss of \$16.6 million for the previous year.

The underlying operating result (excluding asset valuation transactions) for the year ended 30 June 2020 is \$4.3 million compared to \$10.9 million in the previous year, a decrease in the underlying operating result of \$6.6 million.

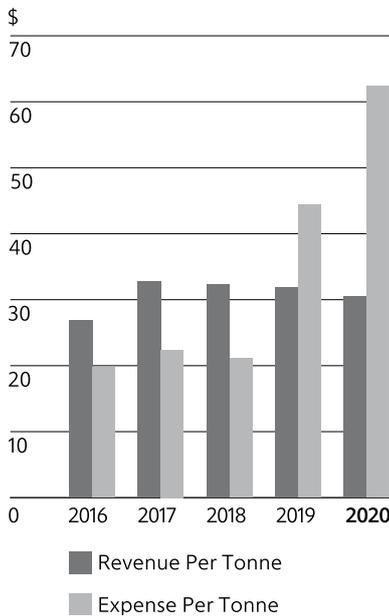
The company's financial results for the year have been impacted by the COVID-19 pandemic, particularly at the Port of Cairns. Overall revenues reflecting strong export performance at regional ports, particularly minerals and silica sand, have been offset by reduced volumes of petroleum imports into Cairns as a result of lower local demand, less cruise ship visits due to suspension of all cruise ship visits until further notice, lower passengers through the reef operations and implementation of a temporary fee relief package to support port marina and property customers impacted by the pandemic.

Maintenance spending across all ports, excluding recoverable dredging activity at Karumba, decreased by \$3.1 million compared to the previous year. During the year ended 30 June 2019 Ports North completed two annual dredging programs for the Port of Cairns channel (July and August 2018; and May and June 2019), with only one annual dredging program for the year ended 30 June 2020. Excluding channel maintenance at the Port of Cairns, overall maintenance spend across all ports was in line with the previous year.

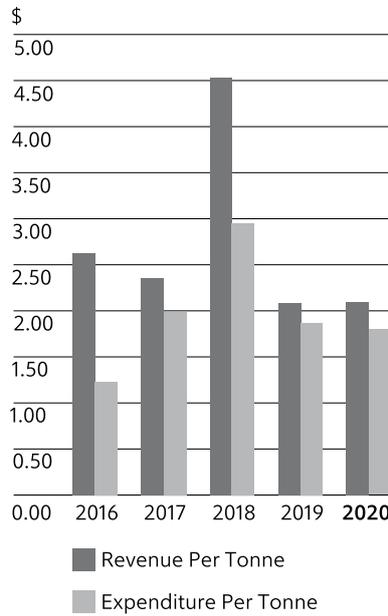
Asset valuation transactions decreased the operating result before tax by \$37.9 million in the year ended 30 June 2020 compared with a decrease of \$27.5 million in the previous year. The market value of the Company's Investment Property increased following an independent revaluation, resulting in a gain of \$1.5 million. The overall carrying values of property, plant and equipment across all ports have increased for the year ended 30 June 2020, however the impact of COVID-19 and changes in trade assumptions on future revenues for the Port of Cairns has resulted in a revaluation decrease of \$39.4 million.



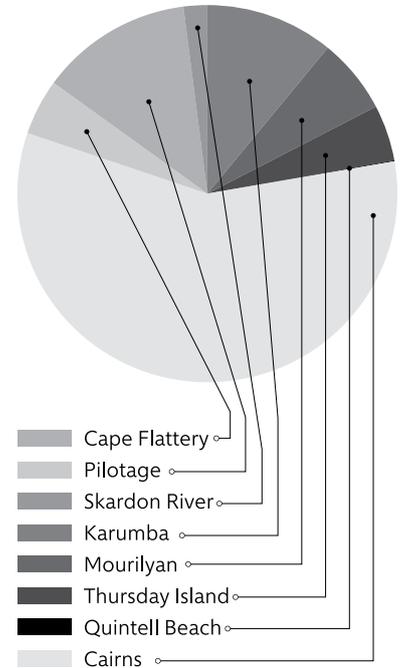
### Port of Cairns Revenue and Expenses Per Tonne



### Regional Revenue and Expenses Per Tonne



### Revenue by Port



### Port of Cairns Cargo Movements (Tonnes)

Year	EXPORTS					IMPORTS					
	Sugar	Molasses	Petroleum Products	Other	Total Exports	Petroleum Products	Fertiliser	LPG	Other	Total Imports	Total Cargo
FY2015	389,872	84,616	12,119	164,361	650,968	539,215	49,483	15,280	53,891	657,869	1,308,837
FY2016	290,067	78,036	11,338	167,733	547,174	501,372	34,682	16,248	50,502	602,805	1,149,979
FY2017	304,911	86,688	12,232	322,863	726,693	488,922	37,046	16,198	90,800	632,966	1,359,659
FY2018	205,350	76,465	11,371	296,186	589,372	463,353	58,474	24,854	343,290	889,971	1,479,343
FY2019	297,412	62,737	15,367	176,541	552,057	551,581	25,177	28,442	149,274	754,475	1,306,532
<b>FY2020</b>	<b>264,800</b>	<b>60,977</b>	<b>13,116</b>	<b>105,026</b>	<b>443,920</b>	<b>502,788</b>	<b>44,903</b>	<b>25,903</b>	<b>59,532</b>	<b>633,126</b>	<b>1,077,046</b>

#### Average Annual Growth

Year	Sugar	Molasses	Petroleum Products	Other	Total Exports	Petroleum Products	Fertiliser	LPG	Other	Total Imports	Total Cargo
1 Year	-10.97%	-2.80%	-14.65%	-40.51%	-19.59%	-8.85%	78.35%	-8.93%	-60.12%	-16.08%	-17.56%
5 years	-6.42%	-5.59%	1.64%	-7.22%	-6.36%	-1.35%	-1.85%	13.90%	2.09%	-0.75%	-3.54%

### Regional Ports Cargo Movements (Tonnes)

Year	EXPORTS							IMPORTS			
	Sugar	Molasses	Lead/Zinc	Silica Sand	Livestock	Minerals	Other	Total Exports	Other	Total Imports	Total Cargo
FY2015	527,778	63,346	988,563	2,004,300	13,186	-	28,861	3,626,034	62,281	62,281	3,688,315
FY2016	682,381	92,314	434,899	2,245,605	6,556	24,366	20,828	3,506,948	72,771	72,771	3,579,719
FY2017	594,000	129,415	-	2,147,240	3,500	51,387	14,203	2,939,745	62,418	62,418	3,002,163
FY2018	605,000	93,499	-	2,308,715	1,842	523,175	19,163	3,551,394	68,302	68,302	3,619,696
FY2019	571,750	68,833	93,120	2,563,453	4,508	2,483,445	13,106	5,798,215	64,564	64,564	5,862,779
<b>FY2020</b>	<b>576,900</b>	<b>41,275</b>	<b>208,640</b>	<b>2,694,652</b>	-	<b>3,999,619</b>	<b>11,591</b>	<b>7,532,677</b>	<b>62,817</b>	<b>62,817</b>	<b>7,595,494</b>

## Vessel Arrivals - Trading, Cruise and Navy

		FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
<b>BULK TRADING VESSELS</b>							
Petroleum	- Cairns	38	28	29	24	37	41
LPG	- Cairns	22	22	20	15	15	14
Sugar	- Cairns	10	10	9	12	12	14
	- Mourilyan	16	16	18	16	19	14
Fertiliser	- Cairns	10	4	12	7	7	9
Molasses	- Cairns	8	7	9	9	10	11
	- Mourilyan	6	6	10	14	10	8
Silica Sand	- Cape Flattery	51	51	45	41	40	40
Livestock	- Karumba	-	5	2	4	7	15
	- Mourilyan	-	-	-	-	-	-
Minerals	- Mourilyan	-	-	4	2	1	-
	- Skardon River	980	943	-	-	-	-
<b>Sub Total Bulk</b>		<b>1,141</b>	<b>1,092</b>	<b>291</b>	<b>144</b>	<b>158</b>	<b>166</b>
<b>OTHER TRADING VESSELS</b>							
General Cargo	- Cairns	575	709	666	633	630	654
	- Regional Ports	617	599	573	618	546	578
<b>Sub Total Other Trading</b>		<b>1,192</b>	<b>1,308</b>	<b>1,239</b>	<b>1,251</b>	<b>1,176</b>	<b>1,232</b>
<b>OTHER VESSELS - CAIRNS &amp; REGIONAL PORTS</b>							
Cruise Vessels	- International	33	55	58	53	25	22
	- Domestic	79	107	110	104	100	107
		112	162	168	157	125	129
Navy		3	10	38	32	14	4
<b>Sub Total Other</b>		<b>115</b>	<b>172</b>	<b>206</b>	<b>189</b>	<b>139</b>	<b>133</b>
<b>TOTAL</b>		<b>2,448</b>	<b>2,572</b>	<b>1,736</b>	<b>1,584</b>	<b>1,473</b>	<b>1,531</b>

# Statement of Corporate Intent



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

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

Strategies	Progress Against Strategies
Identify and develop new trade and business opportunities and grow existing business to provide value to Ports North and its shareholders	<ul style="list-style-type: none"><li>• Ports North continues to work with Regional stakeholders exploring new trade opportunities through Cairns and the Regional Ports.</li><li>• Ports North is working with Windfarm importers to secure further project cargo activities through the port of Cairns.</li><li>• Ports North worked with cruise companies and Tourism Tropical North Queensland (TTNQ) to target additional cruise ship visits, overnight stays and home porting opportunities for Cairns however this activity has ceased due to COVID-19.</li><li>• Cairns Shipping Development Project is progressing with construction of wharf and dredging completed.</li><li>• Ports North is working with trade proponents to grow trade through Mourilyan Port including mineral sands and magnetite.</li><li>• Ports North has agreed on the lease and licence terms with United Terminals Pty Ltd to establish a fuel import facility in Mourilyan. This has been delayed due to COVID-19.</li><li>• Tableland Mining Group have signed the lease agreement and have commenced investigation study for establishment of a new negative pressure shed in Mourilyan for storage for exports of minerals.</li><li>• Ports North is working with Great Barrier Reef Super Yacht Group to target additional super yacht visits.</li><li>• Federal Government approved the new Super Yacht Chartering legislation.</li></ul>
Manage and develop Port property to provide sustainable commercial return to Ports North and its shareholders	<ul style="list-style-type: none"><li>• Ports North finalised a Framework Agreement with Government on the Global Tourism Hub (GTH) on Cityport land. This project is now on hold.</li><li>• Ports North continues to engage with potential end users of Tingira Street lands.</li><li>• Property Management Systems and Land Use Plans are in place for all Ports North property.</li><li>• Land Acquisition strategies are in place for Cairns and Mourilyan and these will be updated based on the Master Planning process.</li></ul>
Plan, develop and manage Port infrastructure and assets to improve Port efficiency, meet the needs of customers and contribute to sustainable regional development	<ul style="list-style-type: none"><li>• Ports North has completed preliminary investigation of Cairns Marlin Marina reef fleet expansion options which will be reviewed as part of the Master Plan.</li><li>• Ports North has commenced a review of the existing Master Plan for the Port of Cairns and engaged lead technical consultants who are finalising base line report. Options analysis will be completed prior to finalisation of the report. Ongoing stakeholder engagement in the Master Plan is underway. The project has been deferred until the end of the year due to COVID-19.</li><li>• Marine precinct options analysis report which will inform both the masterplan and the potential investment to develop this industry is being finalised.</li><li>• Ports North has commenced work on developing a Sustainability Strategy for the organisation.</li><li>• Project to renew Cairns Sea Disposal Permit is underway with the new sea dumping permit extension in place and the application for a new 10 year permit to be submitted in May.</li><li>• Port Sustainable Act, Cairns Inner Port Dredging Review is underway with Ports North submitting to the review seeking an ability to undertake inner port dredging into the future.</li></ul>



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## Strategies

## Progress Against Strategies

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

- Ports North's business continuity and health pandemic plan enacted.
- The Environmental Management System for Ports North is in place and reflected in other business systems with quarterly reports to the Board.
- Effective Safety Management System in place.
- Active participation in the Cairns Superyacht Cluster, Tourism Tropical North Queensland, Advance Cairns and with close working relationships with the Cairns Chamber of Commerce, RDA and the Cairns Regional Council.
- Relationship with key stakeholders continues to be developed in the Regional Ports through Port Advisory Group meetings, engagement of local Port stakeholders and Board membership of Gulf Savannah Development.
- Human Resources Management Plan developed and progressively implemented.
- Ports North's staff Performance and Development Reviews undertaken.
- Effective Employee Consultation Group and regular presentations to staff on key Port issues.
- Ports North's Risk Management Framework in place and operational.
- Consistent with the Risk Management Framework the Board and Audit and Risk Committee receive quarterly updates outlining the status of the Risk Management System and the Key Strategic Risks.
- Effective security plans are in place with an exercise and audit program with a quarterly security report provided to the Board.
- Emergency Plans, Crisis Management Plan and Business Continuity Plans are in place and an exercise program established.
- Ports North's Policy Framework in place and Policy review, communication and education strategies implemented.
- Financial Management Practice Manual is in place with monthly review of financial performance by the Board and variances and emerging issues identified and actioned.
- Business Plans are in place with financial reporting monthly to the Board.

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Deliver the Cairns Shipping Development Project

- Government has provided equity funding towards the project.
  - All State, Local and Federal Government environmental approvals have been obtained.
  - Ports North continue to engage with stakeholders.
  - The construction and dredging contracts have been completed.
  - Project Environmental Close-out Reports are being finalised for the project.
  - Dredge material disposal site remediation and monitoring underway to allow site to be returned to owner and Environmental Licences surrendered.
  - Stakeholder and community engagement has continued through website upgrades and shareholder meeting with no adverse media or community response.
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# Annual Directors' Report & Financial Report

for year ended 30 June 2020

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# Purpose & 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 2020 provide information relating to the financial position as at 30 June 2020 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,
    - Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships; 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

# Directors' Report

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 2020.

## DIRECTORS

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

### Name and qualifications

#### **Russell Beer**

LLB, GDLP

Independent Director

*Chairperson*

Member, Audit and Risk Committee

Member, Human Resources Committee

### Experience and special responsibilities

Russell is a partner of MacDonnells Law, one of Queensland's largest and longest established independent law firms. Russell specialises in corporate and government advisory law and has been involved in the development of many major projects and pieces of infrastructure in regional Queensland. Russell was a founding Director and long term Chair of Advance Cairns, and has served on many not-for-profit Boards. He is currently the Deputy Chair of the Reef and Rainforest Research Centre Ltd. In 2009 Russell was awarded a Certificate of Outstanding Achievement By A Legal Practitioner by the Queensland Law Society, and in 2012 was named as Cairns Regional Council's Citizen of the Year.

Appointed October 2015

Current term: 1 October 2018 – 30 September 2021

#### **Michael Huelin**

GAICD

Independent Director

*Deputy Chairperson*

Member, Audit and Risk Committee

Michael is a Director of WGC Lawyers and has been a partner since 1987. He practices exclusively in the areas of Commercial and Property Law. Michael previously served as a director of Ports North from 2010 to 2013 and as a director of Advance Cairns Ltd, a not-for-profit economic development organisation, for a number of years. He is also a director of the not-for-profit body, Swim FNQ.

Appointed October 2015

Current Term: 1 October 2018 – 30 September 2020

#### **Victoria Cuda**

B.Bus, CA, GAICD

Independent Director

Chairperson, Audit and Risk Committee

Victoria is a director of AEDU Group, an enterprise specialising in providing Australian educational programs in Asia. Victoria is a Chartered Accountant with 10+ years professional experience. She is the Deputy Chair of the Australian Institute of Company Directors FNQ Steering Committee and has actively contributed to a number of community boards and committees over the last 10 years.

Appointed October 2015

Current Term: 1 October 2018 – 30 September 2022

#### **Vanessa Maruna**

LLB (Hons)/B.EnvPlan, MPIA, GAICD

Independent Director

Chairperson, Human Resources Committee

Vanessa joined national law firm Holding Redlich's Planning, Environment & Sustainability Practice in 2018. Prior to joining Holding Redlich, Vanessa was the Managing Director of a Cairns based law firm and town planning practice. Vanessa has experience working on large scale master planned projects and has acted for local governments, developers and publicly listed companies providing town planning and legal advice on a large range of matters in Queensland. Vanessa is a guest lecturer for the School of Architecture and Built Environment in the Faculty of Science, Engineering and Built Environment at Deakin University and a former Chair of the Board of the JUTE Theatre Company.

Appointed December 2016

Current Term: 15 December 2019 – 30 September 2022



## Name and qualifications

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### **Tanya Straguszi**

LLB, GAICD

Independent Director

Member, Human Resources Committee

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### **John Hogg**

BSc

Independent Director

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## Experience and special responsibilities

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Tanya is a Principal at Maurice Blackburn Lawyers, Australia's leading insurance, compensation and social justice law firm. In her capacity as the Cairns Regional Office Leader at Maurice Blackburn, Tanya manages the largest personal injury compensation legal practice in North Queensland. Tanya practices exclusively in the area of personal injury and insurance law, and safety and risk analysis. Tanya is the immediate past-Vice Chair of the Board of Management of ARC Disability Services Inc. She is also a member of various legal representative bodies.

Appointed October 2017

Current Term: 12 October 2017 – 30 September 2020

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John served the people of Queensland as a Senator in Federal Parliament for 18 years. During this period, John was heavily involved in parliamentary committees and enquiries. John also served as President of the Senate for 6 years.

John was previously the State Secretary of the Shop Distributive and Allied Employees' Association (Queensland) for 15 years and has been its President for the last 22 years. In these key leadership roles, John was responsible for the strategic and financial management of the organisation, as well as its governance.

Appointed October 2018

Current Term: 1 October 2018 – 30 September 2021

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## Directors' Report continued

### COMPANY SECRETARY

Mr Christopher Boland was appointed to the position of Company Secretary on 14 November 2008 and Mrs Kerry Egerton was appointed to the position of Company Secretary on 24 November 2017.

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

Chris has over 36 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 10 years.

#### Kerry Egerton PGradDip (HR Management), GIA(Cert), MAHRI

Kerry has over 34 years of experience in human resources and corporate management roles in both public and private sector organisations involved in maritime, aviation, mining and forestry industries. Kerry is currently General Manager Corporate Services, having held other management roles with the Ports North organisation for 19 years.

### PRINCIPAL ACTIVITIES

During the reporting period, Ports North was the owner and operator of the Port of Cairns, with responsibility for the management and development of the Cairns Seaport and Strategic Port Land including planning and implementation of the Cityport Project. Ports North was also the owner and operator of the Ports of Burketown, Cape Flattery, Cooktown, Karumba, Mourilyan, Skardon River, Thursday Island and Quintell Beach.

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

### OPERATING AND FINANCIAL REVIEW

The Company's operating result for the year after income tax was a loss of \$23.247 million. This compares to an operating result of \$12.150 million loss in the previous financial year. The result for the year ending 30 June 2020 included the following major transactions:

	2020 \$'000	2019 \$'000
Increase in Fair Value of Investment Property	1,537	2,419
Revaluation of Property Plant & Equipment	(39,453)	(29,960)
	<u>(37,916)</u>	<u>(27,541)</u>

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In response to the immediate and ongoing economic impacts of the coronavirus (COVID-19), the Ports North Board has approved a financial rebate relief package for relevant tourism operators, tenants and licensees to assist in mitigation of the effects of adverse impacts on our customers and the regional economy. This relief package is part of the Queensland Governments Immediate Industry Relief Package. The Board also approved extended payment terms for all rebated tenants from 30 days to 90 days.

Ports North uses an income based financial model to value its Property, Plant and Equipment. The model estimates changes in cash flow projections due to future trade forecasts, probability outcomes and pricing outcomes. The results of the valuation in 2019-20 are significant due to the impact of the coronavirus (COVID-19).

### DIVIDENDS

Ports North's policy is to recommend and pay a dividend amount equivalent to 100% (2019: 100%) of Ports North's adjusted profit for 2019-20.

Based on Ports North's adjusted loss for 2018-19 the company did not declare a dividend.

Dividends paid or declared by the Company since the end of the previous financial year were:

	2020 \$'000	2019 \$'000
Dividends Declared	2,790	-
Dividends Paid	-	-



## EVENTS AFTER THE REPORTING PERIOD

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

## LIKELY DEVELOPMENTS

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

## DIRECTORS' 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 and Risk Committee Meetings		Human Resource Committee Meetings	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
<b>Directors</b>						
Mr R Beer	11	11	4	4	4	4
Mr M Huelin	11	11	4	4	-	-
Mrs V Cuda	11	10	4	4	-	-
Ms V Maruna	11	11	-	-	4	4
Ms T Straguszi	11	11	-	-	4	4
Mr J Hogg	11	11	-	-	-	-

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

Ports Norths operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its port management activities. There are significant environmental regulations under legislation, including licence requirements relating to dredging, potential water and air, noise and land pollution; and waste management in relation to Ports Norths operations.

All environmental performance obligations are reviewed as part of our Environmental Management System (EMS) so as to ensure audit processes and consistency with the ISO 14001:2015 standard. Our system ensures that management remains relevant to our operations, that we identify and manage aspects and impacts of our operations and implement strategies to minimise potential impacts on the environment surrounding our ports. These processes and management practices are subject to government agency, internal and external professional agency audit, as well as ongoing review to ensure compliance.

In some situations, climate factors may give rise to significant judgements and estimation uncertainty associated with the recognition or measurement of assets or liabilities (e.g. provisions). Where there is significant risk that these assumptions may change within the next financial year (for example because of an uncertain regulatory environment), AASB 101 requires the assumptions on which the accounting is based to be explained. Ports North is not aware of any climate factors which give rise to significant judgements and estimation uncertainty or impact on other matter that requires disclosure regarding any significant environmental regulation in respect to its operating activities in the past year or next financial year.

## Directors' Report continued

### **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 \$69,542.

### **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 29.

### **ROUNDING OFF**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Financial Report and Directors' Report. Amounts have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors:

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**R Beer** Chairman

Dated at Cairns this 28th day of August 2020

# Auditor's Independence Declaration



To the Directors of Far North Queensland Ports Corporation Limited.

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

## Independence Declaration

As lead auditor for the audit of Far North Queensland Ports Corporation Limited for the year ended 30 June 2020, 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.

28 August 2020

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**Bhavik Deoji**  
Queensland Audit Office

as delegate of the Auditor-General  
Brisbane

# Statement of Comprehensive Income

for year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>INCOME</b>			
<b>Revenue</b>			
User charges	A1.1	51,807	56,969
Interest revenue		920	2,101
Other revenue		926	140
Gain on sale of Property, Plant and Equipment		-	8
Increase in Fair Value of Investment Property	B5	1,537	2,419
<b>Total Income</b>		<u>55,190</u>	<u>61,637</u>
<b>EXPENSES</b>			
<b>Expenses</b>			
Supplies and services	A2.1	28,053	29,638
Employee expenses	A2.2	12,617	12,696
Finance Costs	A2.3	19	-
Depreciation	B4.1 / B8	4,952	5,962
Write-off of Property, Plant and Equipment work in progress	B4.1	162	-
Write-off of Investment Property work in progress	B5	3,105	-
Loss on sale of Property, Plant and Equipment and Investment Property		427	-
Revaluation of Property, Plant and Equipment	B4.1	39,453	29,960
<b>Total Expenses</b>		<u>88,788</u>	<u>78,256</u>
<b>Operating Result before Income tax (equivalent) expense</b>		(33,598)	(16,619)
Income tax equivalent expense/(benefit)	A3	(10,351)	(4,469)
<b>Operating Result for the year</b>		<u>(23,247)</u>	<u>(12,150)</u>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to operating result</b>			
Increase/(decrease) in asset revaluation surplus	B10.2	32,810	(40,688)
Other deferred tax adjustments	B10.2	(9,579)	12,206
<b>Total Other Comprehensive Income for the period, net of income tax</b>		<u>23,231</u>	<u>(28,482)</u>
<b>Total Comprehensive Income</b>		<u>(16)</u>	<u>(40,632)</u>

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

# Statement of Financial Position

as at 30 June 2020



	Note	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	B1	5,062	5,800
Advances	B2	30,497	87,706
Receivables	B3	8,722	9,888
Current tax asset	B9.1	1,611	655
Inventories		54	22
Prepayments		249	240
<b>Total current assets</b>		<b>46,195</b>	<b>104,311</b>
<b>Non-current assets</b>			
Receivables	B3	-	1,315
Property, plant and equipment	B4.1	193,232	125,690
Investment property	B5	167,960	169,888
Right-of-use assets	B8	222	-
<b>Total non-current assets</b>		<b>361,414</b>	<b>296,893</b>
<b>Total assets</b>		<b>407,609</b>	<b>401,204</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		8,476	24,906
Employee benefits	B6	3,111	2,781
Provisions	B7	3,187	3,472
Income in advance		2,046	3,323
Lease Liabilities	B8	94	-
<b>Total current liabilities</b>		<b>16,914</b>	<b>34,482</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	B9.2	30,110	33,654
Employee benefits	B6	604	480
Lease Liabilities	B8	383	-
<b>Total non-current liabilities</b>		<b>31,097</b>	<b>34,134</b>
<b>Total liabilities</b>		<b>48,011</b>	<b>68,616</b>
<b>Net assets</b>		<b>359,598</b>	<b>332,588</b>
<b>EQUITY</b>			
Contributed equity	B10.1	247,178	217,178
Asset revaluation surplus	B10.2	90,687	68,337
Accumulated surplus		21,733	47,073
<b>Total equity</b>		<b>359,598</b>	<b>332,588</b>

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

# Statement of Changes in Equity

for year ended 30 June 2020

	Note	Contributed Equity \$'000	Asset Revaluation Surplus \$'000	Accumulated Surplus \$'000	Total \$'000
<b>Balance at 30 June 2018</b>		<b>187,178</b>	<b>96,819</b>	<b>59,223</b>	<b>343,220</b>
Operating Result		-	-	(12,150)	(12,150)
Other Comprehensive Income		-	(28,482)	-	(28,482)
<b>Total Comprehensive Income for the year</b>		<b>-</b>	<b>(28,482)</b>	<b>(12,150)</b>	<b>(40,632)</b>
<i>Transactions with owners in their capacity as owners</i>					
Dividend	B10.3	-	-	-	-
Equity Contribution	B10.1	30,000	-	-	30,000
<b>Balance at 30 June 2019</b>		<b>217,178</b>	<b>68,337</b>	<b>47,073</b>	<b>332,588</b>
Effect of change in accounting policy for AASB 16		-	-	(184)	(184)
<b>Restated balance at 1 July 2019</b>		<b>217,178</b>	<b>68,337</b>	<b>46,889</b>	<b>332,404</b>
Operating Result		-	-	(23,247)	(23,247)
Other Comprehensive Income		-	23,231	-	23,231
<b>Total Comprehensive Income for the year</b>		<b>-</b>	<b>23,231</b>	<b>(23,247)</b>	<b>(16)</b>
Transfer from reserves to accumulated surplus	B10.2	-	(881)	881	-
<i>Transactions with owners in their capacity as owners</i>					
Dividend	B10.3	-	-	(2,790)	(2,790)
Equity Contribution	B10.1	30,000	-	-	30,000
<b>Balance at 30 June 2020</b>		<b>247,178</b>	<b>90,687</b>	<b>21,733</b>	<b>359,598</b>

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

# Statement of Cash Flows

for year ended 30 June 2020



	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Receipts from customers		52,317	59,196
Interest received		916	1,928
GST input tax credits from ATO		12,697	6,180
GST collected from customers		5,415	4,065
<i>Outflows:</i>			
Payments to suppliers and employees		(38,278)	(46,541)
GST remitted to ATO		(5,498)	(4,130)
GST paid to suppliers		(12,657)	(6,158)
Income Tax (equivalent) received/(paid)		(3,650)	(6,470)
<b>Net cash provided by operating activities</b>	CF1	<u>11,262</u>	<u>8,070</u>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Sales of Property, Plant and Equipment and Investment Property		2	79
Advances from Queensland Treasury		57,210	-
<i>Outflows:</i>			
Payments for Property, Plant and Equipment and Investment Property		(99,079)	(11,664)
Advances to Queensland Treasury	B2	-	(23,070)
<b>Net cash provided used in investing activities</b>		<u>(41,867)</u>	<u>(34,655)</u>
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Proceeds from Equity Contribution		30,000	30,000
<i>Outflows:</i>			
Dividends Paid		-	-
Payment of principal and interest of lease liabilities	B8	(133)	-
<b>Net cash provided by financing activities</b>		<u>29,867</u>	<u>30,000</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(738)	3,415
<b>Cash and cash equivalents – opening balance</b>		<u>5,800</u>	<u>2,385</u>
<b>Cash and cash equivalents – closing balance</b>	B1	<u><u>5,062</u></u>	<u><u>5,800</u></u>

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

Statement of Cash Flows continued  
for year ended 30 June 2020

## Notes to Statement of Cash Flows

### CF1 Reconciliation of Cash Flows from operating activities

	2020 \$'000	2019 \$'000
Operating surplus/(deficit)	(23,247)	(12,150)
<b>Non-Cash items included in operating result:</b>		
Net (gain)/loss on disposal of property, plant and equipment	427	(8)
Depreciation expense	4,952	5,962
Fair value adjustment to Property, Plant and Equipment	39,453	29,960
Fair value adjustment to Investment Property	(1,537)	(2,419)
Write off of Property, Plant and Equipment work in progress	162	-
Write off of Investment Property work in progress	3,105	-
Interest on lease liabilities	19	-
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	2,479	(509)
(Increase)/decrease in inventories	(31)	(4)
(Increase)/decrease in prepayments	(8)	(38)
(Increase)/decrease in deferred tax assets	(302)	(45)
Increase/(decrease) in trade and other payables	3,387	(3,369)
Increase/(decrease) in current tax liabilities	(956)	(2,567)
Increase/(decrease) in employee benefits	454	173
Increase/(decrease) in provisions	(3,075)	558
Increase/(decrease) in income in advance	(1,278)	854
Increase/(decrease) in deferred tax liabilities	(12,742)	(8,328)
Net Cash Provided by Operating Activities	11,262	8,070

# Notes to Financial Statements

for year ended 30 June 2020



## BASIS OF FINANCIAL STATEMENT PREPARATION

### STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB), the *Corporations Act 2001* and *Government Owned Corporations Act 1993* (GOC Act) (including amendments). The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The report also complies with the applicable provisions of the *Financial Accountability Act 2009 (Qld)* and *Financial and Performance Management Standard 2009 (Qld)*. The Company is a for-profit entity for the purposes of preparing the financial statements.

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

### PRESENTATION AND MEASUREMENT MATTERS

#### Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except where otherwise stated.

#### Functional and Presentation Currency

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

#### Rounding

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

#### Comparatives

Comparative information reflects the audited 2018-19 financial statements.

#### Current/Non-Current Classification

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

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date.

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

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

### AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Directors on 28th August 2020. The directors have the power to amend and reissue the financial statements.

## Notes to Financial Statements continued

for year ended 30 June 2020

## Section 1 - Notes About Our Financial Performance

## A1 REVENUE

## A1.1 USER CHARGES

	2020 \$'000	2019 \$'000
Charges for rentals and leases	10,321	11,532
Charges for use of facilities	18,919	20,521
Charges for services	22,567	24,916
	51,807	56,969

**Accounting Policy – Revenue**

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expected to be entitled in exchange for those goods or services. Invoices issued to customers are usually payable within 30 days.

In response to the immediate and ongoing economic impacts of the coronavirus (COVID-19), the Ports North Board has approved a financial rebate relief package for relevant tourism operators, tenants and licensees to assist in mitigation of the effects of adverse impacts on our customers and the regional economy. This relief package is part of the Queensland Government's Immediate Industry Relief Package. The rebate relief package provided in the current year as a result of COVID-19 is \$2.5 million. This has been recognised as a reduction in user charges. The Board also approved extended payment terms for all rebated tenants from 30 days to 90 days.

**Charges for rentals and leases**

Revenue is recognised on a straight-line basis over the lease term with invoices issued in advance on a monthly basis. Rentals and leases invoiced in advance at the end of the reporting period is recognised as a liability (Income in Advance) and generally expected to be recognised as revenue within one year.

**Charges for use of facilities**

Revenue is recognised over time as the port facilities are used, with the amount calculated using a schedule of charges, or contracted rates, associated with each performance obligation. The performance obligation is satisfied upon departure from the port facility with customers invoiced after departure.

**Charges for services**

Revenue is recognised over time as the services are provided, with the amount calculated using a schedule of charges, or contracted rate, associated with each performance obligation. The performance obligation is satisfied upon completion or delivery of service with customers generally invoiced after the service has been provided. Charges for services invoiced in advance at the end of the reporting period is recognised as a liability (Income in Advance) and generally expected to be recognised as revenue within one year.

## A2 EXPENSES

## A2.1 SUPPLIES AND SERVICES

	2020 \$'000	2019 \$'000
<b>Supplies and services</b>		
Consultants and contractors	17,032	17,107
Electricity	3,670	4,265
Rates, utilities and land tax <sup>1</sup>	3,329	3,948
Insurance	1,616	1,386
Bad debts	479	114
Other supplies and consumables	1,927	2,818
	28,053	29,638
<b>Auditors remuneration included in supplies and services</b>		
External audit fees	89	68
Remuneration for audit of the financial statements	89	68

(1) As part of the Queensland Government's Land Tax Relief measures, Ports North received a rebate of \$0.7 million.



Section 1 - Notes About Our Financial Performance continued

**A2 EXPENSES (CONTINUED)**

**A2.2 EMPLOYEE EXPENSES**

	2020 \$'000	2019 \$'000
Wages and salaries	9,119	9,226
Directors fees	177	190
Wage and salary on-costs	2,866	2,865
Other employee costs and benefits	455	415
	<u>12,617</u>	<u>12,696</u>

**Accounting Policy – Employee Benefits**

Employee expenses include all costs relating to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, WorkCover premiums and superannuation.

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

**A2.3 FINANCE COSTS**

	Note	2020 \$'000	2019 \$'000
<b>Finance costs</b>			
Interest on lease liabilities	B8	19	-
		<u>19</u>	<u>-</u>

**A3 INCOME TAX EQUIVALENTS AND OTHER TAXES**

**A3.1 INCOME TAX EXPENSE**

	Note	2020 \$'000	2019 \$'000
<b>The components of tax equivalents expense / (benefit) comprise:</b>			
Current tax		2,692	16,110
Deferred tax		(13,043)	(20,579)
<b>Income tax</b>		<u>(10,351)</u>	<u>(4,469)</u>

Deferred income tax expense / (benefit) included in income tax expense comprises:

Decrease / (increase) in deferred tax assets	B8.2	(302)	(45)
Increase / (decrease) in deferred tax liabilities	B8.2	(12,741)	(20,534)
		<u>(13,043)</u>	<u>(20,579)</u>

## Notes to Financial Statements continued

for year ended 30 June 2020

## Section 1 - Notes About Our Financial Performance continued

## A3 INCOME TAX EQUIVALENTS AND OTHER TAXES (CONTINUED)

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

	2020 \$'000	2019 \$'000
Operating result before income tax expense	(33,598)	(16,619)
Tax expense / (benefit) at the Australian tax rate of 30% (2019: 30%)	(10,079)	(4,986)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Fair Value adjustment	(607)	445
Entertainment	2	3
Depreciation adjustments	86	69
Sundry expenses	(17)	-
Movement posted direct to equity	264	-
	<hr/>	<hr/>
Income tax expense / (benefit)	(10,351)	(4,469)
	<hr/>	<hr/>

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

	Note	2020 \$'000	2019 \$'000
Revaluation of Property, Plant and Equipment	B9.2	9,579	(12,206)
		<hr/>	<hr/>

**Accounting Policy – Income Tax (Equivalents)**

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

The income tax (equivalents) expense or benefit 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. Deferred tax assets and liabilities information is outlined in Note B9.

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

**Accounting Policy – Goods and Services Tax**

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

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

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



## Section 2 - Notes About Our Financial Position

### B1 CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Cash at bank and on hand	4,738	5,481
Deposits at call	324	319
	5,062	5,800
	5,062	5,800

#### Accounting Policy – Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June 2020 as well as deposits at call and other short term, highly liquid investments with original maturities of six months or less, with financial institutions.

### B2 ADVANCES

	2020 \$'000	2019 \$'000
Advances	30,497	87,706
	30,497	87,706
	30,497	87,706

#### Accounting Policy – Advances

Under the Queensland Government's cash management regime which became effective in the 2018-19 financial year, Government Owned Corporations (GOCs) advanced surplus cash to Queensland Treasury. Queensland Treasury pays interest on these advances at the Queensland Treasury Corporation (QTC) Cash Fund rate. Access to the advances is generally subject to negotiation periods of 24 to 48 hours.

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, advances includes amounts deposited as an advance receivable from Queensland Treasury. The advance is managed by QTC on a whole of state basis.

Because of the short term nature of the advances, their carrying amount represents fair value.

### B3 RECEIVABLES

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade receivables	5,583	8,841
Less: Allowance for impairment loss	(553)	(164)
	5,030	8,677
Other receivables	3,692	1,211
	8,722	9,888
	8,722	9,888
<b>Non-current</b>		
Other receivables	-	1,315
	-	1,315
	-	1,315
<b>Movements in the allowance for impairment loss</b>		
Balance at the beginning of the year	164	156
Impairment loss recognised/(reversed)	389	8
	553	164
Balance at the end of the year	553	164

## Notes to Financial Statements continued

for year ended 30 June 2020

### Section 2 - Notes About Our Financial Position continued

#### B3 RECEIVABLES (CONTINUED)

##### Accounting Policy – Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery (i.e. the agreed purchase/contract price). Normal settlement of these amounts is required within 30 days from invoice date. This has been extended to 90 days for customers materially affected by COVID-19.

There are no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers. Management have assessed the expected credit losses for trade receivables.

Other receivables generally arise from transactions outside the usual operating activities of the Company and are initially recognised at their fair value, and subsequently measured at amortised cost.

All known bad debts were written-off as at 30 June 2020.

##### B3.1 IMPAIRMENT OF RECEIVABLES

##### Accounting Policy – Impairment of Receivables

The allowance for impairment loss of trade receivables reflects estimates of historical credit losses, the subsequent historical default rate and adjustments for forward looking estimates resulting in expected losses per ageing category. In determining this allowance for impairment loss, the Company has adopted a simplified approach using a provision matrix.

The most readily identifiable loss event is where a debtor is overdue in paying a debt to the company, according to the due date (generally terms of 30 days). Economic changes impacting the Company's debtors, and relevant industry data, also form part of the Company's documented risk analysis. If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debtor or group of debtors. If the Company determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables.

Due to the global financial uncertainty arising from COVID-19, the Company has observed an increase in credit risk and will continue to make on-going judgements, assumptions, and estimates in areas such as what constitutes a significant increase in credit risk, when a significant increase in credit risk has occurred and determining expected future cash flows in order to calculate impairment charges. Management have assessed the expected loss rates for trade receivables based on their judgement as to the impact of COVID-19 on the trade receivables portfolio. In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. This has resulted in an expense of \$0.479 million for impairment provisions recognised in profit and loss in the year. This is an increase of \$0.365 million from 2019. The Company's provision for impairment represents approximately 9.9% of trade receivables (2019: 1.9%).



Section 2 - Notes About Our Financial Position continued

## B4 PROPERTY, PLANT AND EQUIPMENT

### B4.1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

		2020 \$'000	2019 \$'000
Land	At fair value	33,198	32,281
Buildings	At fair value	3,315	2,203
Wharves	At fair value	75,251	44,522
Channels and swing basins	At fair value	76,234	40,170
Infrastructure and major plant and equipment	At fair value	2,648	3,619
Plant and equipment	At cost	2,609	2,923
	Accumulated depreciation	(337)	(322)
		<u>2,272</u>	<u>2,601</u>
Work in progress	At cost	314	294
<b>Total Property, plant and equipment</b>		<b><u>193,232</u></b>	<b><u>125,690</u></b>

#### Movements in property, plant and equipment

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.

2020	Opening Carrying Amount \$'000	Additions \$'000	Disposals/ Write-offs \$'000	Depreciation \$'000	Revaluations		Closing Carrying Amount \$'000
					Recognised in Asset Revaluation Surplus \$'000	Recognised in Statement of Comprehensive Income \$'000	
Land	32,281	150	-	-	767	-	33,198
Buildings	2,203	139	-	(89)	1,300	(238)	3,315
Wharves	44,522	23,494	-	(1,891)	19,897	(10,771)	75,251
Channels and swing basins	40,170	54,689	-	(2,232)	11,205	(27,598)	76,234
Infrastructure and major plant and equipment	3,619	530	-	(296)	(359)	(846)	2,648
Plant and equipment	2,601	78	(69)	(338)	-	-	2,272
Work in progress	294	182	(162)	-	-	-	314
	<b><u>125,690</u></b>	<b><u>79,262</u></b>	<b><u>(231)</u></b>	<b><u>(4,846)</u></b>	<b><u>32,810</u></b>	<b><u>(39,453)</u></b>	<b><u>193,232</u></b>

2019	Opening Carrying Amount \$'000	Additions \$'000	Disposals/ Write-offs \$'000	Depreciation \$'000	Revaluations		Closing Carrying Amount \$'000
					Recognised in Asset Revaluation Surplus \$'000	Recognised in Statement of Comprehensive Income \$'000	
Land	32,196	-	-	-	85	-	32,281
Buildings	5,140	-	-	(234)	(319)	(2,384)	2,203
Wharves	65,083	694	-	(2,544)	(13,169)	(5,542)	44,522
Channels and swing basins	47,405	29,196	-	(1,593)	(18,420)	(16,418)	40,170
Infrastructure and major plant and equipment	17,422	2,016	(70)	(1,268)	(8,865)	(5,616)	3,619
Plant and equipment	2,680	243	-	(322)	-	-	2,601
Work in progress	675	(381)	-	-	-	-	194
	<b><u>170,601</u></b>	<b><u>31,768</u></b>	<b><u>(70)</u></b>	<b><u>(5,961)</u></b>	<b><u>(40,688)</u></b>	<b><u>(29,960)</u></b>	<b><u>125,690</u></b>



## Notes to Financial Statements continued

### for year ended 30 June 2020

#### Section 2 - Notes About Our Financial Position continued

#### B4 PROPERTY, PLANT AND EQUIPMENT continued

##### B4.2 RECOGNITION AND ACQUISITION

###### Accounting Policy – Recognition Thresholds

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

Asset Type	Recognition Threshold
Land	\$1
Buildings	\$10,000
Wharves	\$10,000
Channels and swing basins	\$10,000
Infrastructure and major plant and equipment	\$10,000
Plant and equipment	\$5,000

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

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Actual cost is the consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

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.

##### B4.3 MEASUREMENT

###### Accounting Policy – Measurement of Property, Plant and Equipment

All asset classes except plant and equipment are measured at fair value. These assets are reported at their revalued amounts, being the fair value at the date of valuation less, where applicable, any accumulated depreciation and impairment losses. Accumulated depreciation at the date of revaluation is adjusted on a pro-rata basis and the net amount is restated to the revalued amount of the asset.

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

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

The fair values reported by the Company are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note C1).

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

Increases in the carrying amounts arising on revaluation of land, buildings and infrastructure assets are credited, net of tax, to Other Comprehensive Income and presented in the asset revaluation surplus in equity. To the extent that the increase reverses a decrease previously recognised in the Statement of Comprehensive Income, the increase is first recognised in the Statement of Comprehensive Income. Decreases that reverse previous increases of the same asset are first charged to the asset revaluation surplus in equity to the extent of the remaining surplus attributable to the asset with any balance charged to the Statement of Comprehensive Income. All other decreases are charged to Statement of Comprehensive Income.



## Section 2 - Notes About Our Financial Position continued

### B4.4 DEPRECIATION EXPENSE

#### Accounting Policy – Depreciation Expense

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, over their estimated useful life to the Company. The useful life of assets are based on estimates and judgements. Straight line depreciation is used reflecting the progressive, and even, consumption of future economic benefits over the assets useful life.

Assets under construction (Work In Progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within Property, Plant and Equipment.

#### Depreciation Rates

For each class of depreciable asset, the following ranges of useful life are used.

Class	Useful Life
Buildings	3 – 55 years
Wharves	3 – 45 years
Channels and swing basins	8 – 55 years
Infrastructure and major plant and equipment	1 – 48 years
Plant and equipment	1 – 70 years

### B4.5 NET GAIN AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

#### Accounting Policy – Gains and Losses on Disposal

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income. When revalued assets are sold, it is the Company's policy to transfer the amounts included in the asset revaluation surplus in respect of those assets to accumulated surplus.

## B5 INVESTMENT PROPERTY

	2020 \$'000	2019 \$'000
Land – at fair value	149,210	146,173
Buildings and Facilities – at fair value	18,750	20,610
Work in Progress – at fair value	-	3,105
<b>Total</b>	<b>167,960</b>	<b>169,888</b>

#### Accounting Policy – Investment Property

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

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

Gains or losses arising from changes in the fair value of Investment Property are included in the operating result for the period in which they arise.

## Notes to Financial Statements continued

for year ended 30 June 2020

### Section 2 - Notes About Our Financial Position continued

#### B5 INVESTMENT PROPERTY continued

##### Reconciliation of Movement in Investment Property

2020	Opening balance	Additions	Disposals / Write-offs	Net Gain / (Loss) from Fair Value Adjustment	Transfers	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	146,173	-	-	3,037	-	149,210
Buildings and Facilities	20,610	-	(360)	(1,500)	-	18,750
Work in progress	3,105	-	(3,105)	-	-	-
	169,888	-	(3,465)	1,537	-	167,960
<b>2019</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals / Write-offs</b>	<b>Net Gain / (Loss) from Fair Value Adjustment</b>	<b>Transfers</b>	<b>Closing balance</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	144,274	-	-	1,899	-	146,173
Buildings and Facilities	20,090	-	-	520	-	20,610
Work in progress	3,070	35	-	-	-	3,105
	167,434	35	-	2,419	-	169,888

##### ***Rental of Investment Property***

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

	2020 \$'000	2019 \$'000
Rental income	10,233	11,173
Direct operating expenses from property generating rental income	(3,107)	(4,432)
	7,126	6,741

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.



Section 2 - Notes About Our Financial Position continued

**B5 INVESTMENT PROPERTY continued**

**Rental of Investment Property continued**

	2020 \$'000	2019 \$'000
<b>Contingent rental recognised as revenue</b>		
Rentals and leases disclosed in the Statement of Comprehensive Income include the following amounts of contingent rent:		
Contingent rent	253	474
<b>Lease commitments receivable at balance date</b>		
Receivables disclosed in Note B3 include the following lease commitments receivable:		
Lease commitments receivable	1,421	1,326
<b>Future minimum lease payments receivable</b>		
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	12,092	13,909
Within two years	11,192	12,355
Within three years	10,211	18,876
Within four years	10,004	11,677
Within five years	4,351	9,122
Later than five years	171,608	175,419
	219,458	234,358

**B6 EMPLOYEE BENEFITS**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Long service leave	1,612	1,496
Annual leave	981	836
Days in lieu	48	35
Public holidays	420	362
Rostered days off	50	52
	3,111	2,781
<b>Non-current</b>		
Long service leave	604	480
	3,715	3,261

## Notes to Financial Statements continued

for year ended 30 June 2020

## Section 2 - Notes About Our Financial Position continued

**B6 EMPLOYEE BENEFITS continued****Accounting Policy – Employee Benefits**

Employee obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

**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.

**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.

**Termination benefits**

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

**B7 PROVISIONS**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Dividend	2,790	-
Green and Fitzroy Island Jetty Management	397	3,472
	<u>3,187</u>	<u>3,472</u>

**Movements in Provisions**

2020	Dividend	Jetty	Total
	\$'000	Management \$'000	\$'000
Balance at the beginning of the year	-	3,472	3,472
Additional provisions	2,790	430	3,220
Amounts used / paid	-	(3,505)	(3,505)
Balance at the end of the year	<u>2,790</u>	<u>397</u>	<u>3,187</u>
<b>2019</b>	Dividend	Jetty	Total
	\$'000	Management \$'000	\$'000
Balance at the beginning of the year	-	2,914	2,914
Additional provisions	-	683	683
Amounts used / paid	-	(125)	(125)
Balance at the end of the year	<u>-</u>	<u>3,472</u>	<u>3,472</u>



## Section 2 - Notes About Our Financial Position continued

### B7 PROVISIONS continued

#### Accounting Policy – Provisions

Provisions are recorded when the Company has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. .

#### Green and Fitzroy Island Jetty Management Fund

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

### B8 LEASES

#### Accounting Policy – Leases

Lessees must recognise all leases on the balance sheet as a right-of-use asset and a lease liability. A lease is a contract, or part of a contract, that conveys the right to use or control an asset (the underlying asset) for a period of time in exchange for consideration. Key judgements are made in applying AASB 16, including whether there is a right to obtain substantially all the economic benefits from the use of the identified asset, and the right to direct the use of the identified asset.

The company identified a number of existing operating leases that have been recognised as a right-of-use asset and corresponding lease liability. These leases include office and residential leases and permits to use perpetual land leases. AASB 16 is not applied to short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as office equipment and personal computers).

Upon transition, the company has elected to apply AASB 16 to its leases retrospectively with the cumulative effect recognised at the date of initial application (1 July 2019) and any adjustments made via retained earnings. Lease liabilities are measured as the present value of lease payments over the lease term, discounted using the interest rate implicit in the lease contract (if can be readily determined) or the lessee's incremental borrowing rate on transition. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by prepaid or accrued lease payments, except for leases where the underlying asset is classified as investment property prior to transition, where it will be measured at fair value.

There is an immaterial difference between the lease commitments shown at 30 June 2019 and the opening balance at 1 July 2019 due to the assumptions around the future years commitments included in the prior year. The opening balance and recognition of lease liabilities takes into consideration the specific terms of the existing lease contracts.

The incremental borrowing rate applied at the initial date of application (1 July 2019) is 3.535%.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period:

<b>2020</b>	<b>Opening balance at 1 July 2019 \$'000</b>	<b>Additions \$'000</b>	<b>Subsequent Re-measure<sup>(2)</sup> \$'000</b>	<b>Depreciation expense \$'000</b>	<b>Closing balance at 30 June 2020 \$'000</b>
Office Space	158	-	-	(29)	129
Residential Accommodation	122	-	-	(61)	61
Mooring Facility	48	-	-	(16)	32
Right-of-use assets (excl. land and investment property)	328	-	-	(106)	222
Right-of-use assets recognised as Land <sup>(1)</sup>	255	-	10,246	-	10,501
Right-of-use assets recognised as Investment Property <sup>(3)</sup>	8	-	42	-	50

(1) Right-of-use assets classified as property, plant and equipment (including land) are measured at an amount equal to the lease liability upon transition.

(2) Where right-of-use assets were previously measured at fair value (except for investment property), subsequent to recognition these right-of-use assets are re-measured at fair value under the revaluation model permitted for property, plant and equipment assets (including land).

(3) Where right-of-use assets were classified as investment property, no adjustment to the right-of-use asset is required upon transition.



## Notes to Financial Statements continued

for year ended 30 June 2020

### Section 2 - Notes About Our Financial Position continued

#### B8 LEASES continued

The corresponding lease liabilities and the movements during the period are as follows:

	2020 \$'000	2019 \$'000
Opening balance at 1 July 2019	(591)	-
Lease payments	133	-
Interest on lease liabilities	(19)	-
	<hr/>	<hr/>
Closing Balance at 30 June 2020	(477)	-
	<hr/> <hr/>	<hr/> <hr/>
Current	(94)	
Non-current	(383)	

A maturity analysis of lease liabilities are disclosed in Note C2.

#### B9 TAX ASSETS AND LIABILITIES

##### B9.1 CURRENT TAX ASSETS AND LIABILITIES

	2020 \$'000	2019 \$'000
Opening balance	655	(1,912)
Tax paid in respect of prior years	(655)	1,912
Over/(Under) provision of tax in prior years	-	-
Current year tax provision	(2,692)	(3,903)
Tax paid in respect of current year	4,303	4,558
	<hr/>	<hr/>
Closing Balance	1,611	655
	<hr/> <hr/>	<hr/> <hr/>

##### B9.2 RECOGNISED DEFERRED 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.



Section 2 - Notes About Our Financial Position continued

**B9 RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES continued**

	Assets		Liabilities		Net	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Amounts recognised in Statement of Comprehensive Income</b>						
Inventories	-	-	(16)	(7)	(16)	(7)
Investment Property	-	-	(38,458)	(37,973)	(38,458)	(37,973)
Property, Plant and Equipment	-	-	45,776	32,540	45,776	32,540
Allowance for impairment (receivables)	166	(49)	-	-	166	(49)
Provisions:						
Annual leave	294	449	-	-	294	449
Long service leave	665	395	-	-	665	395
Rostered days off	155	135	-	-	155	135
Other items	175	144	(1)	-	174	144
	1,455	1,074	7,301	(5,440)	8,756	(4,366)
<b>Amounts recognised in equity</b>						
Revaluation of Property, Plant and Equipment	-	-	(38,866)	(29,288)	(38,866)	(29,288)
Tax assets (liabilities)	1,455	1,074	(31,565)	(34,728)	(30,110)	(33,654)
Set off of tax	(1,455)	(1,074)	1,455	1,074	-	-
Net tax assets/(liabilities)	-	-	30,110	(33,654)	(30,110)	(33,654)

**B9.3 UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES**

At 30 June 2020 and 30 June 2019 the Company had no unrecognised deferred tax assets and liabilities.

**Accounting Policy – Income Tax Equivalents**

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

## Notes to Financial Statements continued

### for year ended 30 June 2020

#### Section 2 - Notes About Our Financial Position continued

### B10 EQUITY

#### B10.1 CONTRIBUTED EQUITY

##### Accounting Policy

Where the company receives support by way of equity from the Queensland Government, the amount received is recognised directly as contributed equity by way of share issue.

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.

	2020 \$'000	2019 \$'000
<b>Share capital</b>		
Ordinary shares of \$1 each, fully paid	247,178	217,178
<b>Movements:</b>		
Balance at the beginning of the year 217,177,528 shares (2019: 187,177,528 shares)	217,178	187,178
Share buy back Nil shares (2019: nil shares)	-	-
Issue of shares 30,000,000 shares* (2019: 30,000,000 shares)	30,000	30,000
Balance at the end of the year 247,177,528 shares (2019: 217,177,528 shares)	247,178	217,178

\*The Queensland Government committed to a \$60 million equity contribution towards funding of the Cairns Shipping Development Project (CSDP). The company received \$30 million in March 2019 and a further \$30 million was received in August 2019.



Section 2 - Notes About Our Financial Position continued

**B10 EQUITY continued**

**B10.2 ASSET REVALUATION SURPLUS BY ASSET CLASS**

**Movements**

2020	Opening Balance	Transfer from reserves to accumulated surplus	Revaluation	Other deferred tax adjustments	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Land	13,524	-	767	(230)	14,061
Buildings	1,224	-	1,300	(390)	2,134
Wharves	31,028	(645)	19,897	(5,775)	44,505
Channels & swing basins	20,949	(134)	11,205	(3,321)	28,699
Infrastructure and major plant and equipment	1,612	(102)	(359)	137	1,288
<b>Total</b>	<b>68,337</b>	<b>(881)</b>	<b>32,810</b>	<b>(9,579)</b>	<b>90,687</b>

2019	Opening Balance	Transfer from reserves to accumulated surplus	Revaluation	Other deferred tax adjustments	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Land	13,465	-	85	(26)	13,524
Buildings	1,537	-	(319)	96	1,224
Wharves	40,527	-	(13,169)	3,951	31,028
Channels & swing basins	31,148	-	(18,420)	5,526	20,949
Infrastructure and major plant and equipment	10,143	-	(8,865)	2,659	1,612
<b>Total</b>	<b>96,820</b>	<b>-</b>	<b>(40,688)</b>	<b>12,206</b>	<b>68,337</b>

**Accounting Policy – Asset Revaluation Surplus**

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

**B10.3 DIVIDENDS**

	2020 \$'000	2019 \$'000
Dividends provided for	2,790	-

**Accounting Policy – Dividends**

Provisions are made for the amount of dividend as appropriately determined or recommended by Directors, on or before the end of the financial but not yet paid at balance date. In accordance with section 131(3)(a) of the *Government Owned Corporations Act 1993*, the shareholding Ministers have approved the board's recommendation of a final dividend payment of 100% (2019: no dividend paid due to a net adjusted loss after tax) of adjusted net profit after tax, which excludes the components of other comprehensive income, material non-cash items, non-cash adjustments from asset revaluations (including any associated tax benefits or expense), and profits from Community Ports (Thursday Island and Quintell Beach).

## Notes to Financial Statements continued

for year ended 30 June 2020

## Section 3 - Notes About Risks and Other Accounting Uncertainties

## C1 FAIR VALUE MEASUREMENT

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

**Fair Value**

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

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

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

**Fair Value Measurement Hierarchy**

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

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

None of the Company's valuations of assets or liabilities are eligible for categorisation into Level 1 of the fair value hierarchy. Investment Property includes some assets categorised as level 2 and some as level 3. Property, Plant and Equipment includes some Land categorised as level 2, all other Property, Plant and Equipment assets is categorised as level 3. Ports North uses an income based valuation process for all property, plant and equipment except land which has been valued on a market value approach. In this process the unobservable inputs are projected cash flows amended for probability adjustments and discounted. Under the income based model all property, plant and equipment except land are categorised at Level 3.

More specific fair value information about the Company's Property, Plant and Equipment and Investment Property is outlined in Notes B4 and B5, respectively.

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

The valuation basis for land, buildings, wharves, channels and swing basins, and infrastructure and major plant and equipment, is fair value.

**Property Plant and Equipment (Land Asset Class)**

For the year ended 30 June 2019, land held by the Company was valued by independent valuer Herron Todd White (Cairns) Pty Ltd (HTW) on a desktop basis and did not involve a site visit. For the year ended 30 June 2020 a full independent valuation, including site visits where possible, was undertaken by HTW. The valuation was carried out by Valuers who are Certified Practising Valuers, registered with the Queensland Valuers Registration Board and are members of the Australia Property Institute. The fair value of land is based on relevant comparable sales of land in the nearby localities in the last 6-12 months prior to the date of the revaluation. In determining the values, adjustments were made to the sales data to take into account the location of the Company's land, size, exposure, land use and highest and best use. The extent of the adjustments made varies in significance for each parcel of land – refer to reconciliation table later in this note for information about the fair value classification of the Company's land.

**Property Plant and Equipment (All Asset Classes Except Land)**

On 30 June 2020, Property, Plant and Equipment, as described above, were valued using Ports North's Income Based valuation process. This process determines the carrying value (Fair Values as defined by AASB 13) of individual assets by grouping the assets into Units of Account (UAs), determining the Net Present Value (NPV) of the cash flows of these UAs and attributing the total NPV of each UA to its individual assets. The key inputs having the most significant impact on the final carrying values of the above assets are the net cash flows and the discount rate (Weighted Average Cost of Capital Rate (WACC rate)) adopted.



Section 3 - Notes About Risks and Other Accounting Uncertainties continued

C1 FAIR VALUE MEASUREMENT continued

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

Assets Valued on Highest and Best Use Basis

The Company has assessed the current use of its Property, Plant and Equipment assets and considers that the current use reflects their highest and best use.

Investment Property

For the year ended 30 June 2019, Investment Property held by the Company was valued by independent valuer Herron Todd White (Cairns) Pty Ltd (HTW) on a desktop basis and did not involve a site visit. For the year ended 30 June 2020, a full independent valuation, including site visits, was undertaken by HTW. The valuation was carried out by Valuers who are Certified Practising Valuers, registered with the Queensland Valuers Registration Board and are members of the Australia Property Institute. Changes in fair values are recorded in the Statement of Comprehensive Income.

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

Property, Plant and Equipment	As at 30 June 2020			As at 30 June 2019		
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	6,340	26,858	33,198	26,864	5,417	32,281
Buildings	-	3,315	3,315	-	2,203	2,203
Wharves	-	75,251	75,251	-	44,522	44,522
Channels and swing basins	-	76,234	76,234	-	40,170	40,170
Infrastructure and major plant and equipment	-	2,648	2,648	-	3,619	3,619
<b>Total</b>	<b>6,340</b>	<b>184,306</b>	<b>190,646</b>	<b>26,864</b>	<b>95,931</b>	<b>122,795</b>

Investment Property	As at 30 June 2020			As at 30 June 2019		
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	149,160	50	149,210	146,123	50	146,173
Buildings	18,750	-	18,750	20,610	-	20,610
Work in Progress	-	-	-	-	3,105	3,105
<b>Total</b>	<b>167,910</b>	<b>50</b>	<b>167,960</b>	<b>166,733</b>	<b>3,155</b>	<b>169,888</b>

C1.4 LEVEL 3 FAIR VALUE MEASUREMENT – SIGNIFICANT VALUATION INPUTS AND IMPACT ON FAIR VALUE

Property, Plant and Equipment (Land Asset Class)

Description	Fair Value (Carrying amount) at 30 June 2020 \$'000s	Type and amount for significant level 3 inputs affecting Fair Values	Impact of alternative amounts for significant Level 3 inputs on Fair Values
Land	26,858	\$/m <sup>2</sup>	An increase or decrease in the \$m <sup>2</sup> value will lead to a proportionate increase or decrease in the value of Freehold Land

## Notes to Financial Statements continued

for year ended 30 June 2020

### Section 3 - Notes About Risks and Other Accounting Uncertainties continued

#### C1 FAIR VALUE MEASUREMENT continued

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

###### Property, Plant and Equipment (All Asset Classes Except Land)

In relation to the asset classes of Buildings, Wharves, harbours and facilities, Channels and swing basins, Access Roads and Carparks and Plant and Equipment Infrastructure, the most significant variable inputs affecting the calculation of the carrying values are the discount rate (WACC) and operational income. Most of the Company's operational costs do not vary significantly in response to changes in the volume of business.

At 30 June 2020, the Company recognised a \$7.410 million revaluation decrease to the total carrying value of Property, Plant and Equipment (all asset classes except land). This revaluation decrease is mostly due to the impacts of COVID-19 on forecast revenue assumptions, primarily at Cairns.

###### Overall Sensitivity Analysis

An increase in the WACC rate of 1% (from 7.58% to 8.58%) decreases the carrying value of the assets by 19.4%. A decrease in the WACC rate of 1% (from 7.58% to 6.58%) increases the carrying value of the assets by 28.9%.

An increase in the operational income of 5% increases the carrying value of the assets by 19.0%. A decrease in the operational income of 5% decreases the carrying value of the assets by 19.0%.

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

Unobservable Input Description	Input Value	Impact on Fair Value
Discount Rate (Post-Tax WACC Rate)	7.58%	A higher discount rate will reduce fair values
Annual CPI	2.25%	A higher CPI will reduce fair values
Annual Price Growth	2.25% to 5%	Higher prices will increase fair values
Annual Marina and Passenger Volume	0% to 4.25%	Higher business volume will increase fair values
Business Volume Growth Other Areas	Stable at Present levels	Higher business volume will increase fair values
Operational Expenses	In line with Corporate Plan	Higher operating expenses will reduce fair values
Capital Expenditure	Replacement	Higher Capital expenditure will reduce fair values
Terminal Values	Based on Year 10 cash flow	Higher Terminal Values will increase fair values

Property, Plant and Equipment were valued using Ports North's Income Based valuation using the following key assumptions:

- Future cash flows are denominated in Australian Dollars and are projected on a nominal, ungeared, post-tax basis.
- Mid-period discounting (to discount future cash flows to their net present value) adopted.
- The valuation model groups assets into eight cash generating units of account: Port of Cairns, Port of Mourilyan, Port of Cape Flattery, Port of Karumba, Port of Thursday Island, Port of Quintell Beach, Port of Skardon River and Port of Cooktown.
- Future cash flows for revenues, operational expenditure and capital expenditure in years 1 to 5 (FY2021 to FY2025) are based on the FY2021 Corporate Plan, with cash flows beyond this period projected accordingly. Cash flows for future capital expenditure is limited to the replacement of minor capital acquisitions.
- The Cairns Shipping Development Project (CSDP) was completed in 2019-20, with the exception of minor expenditure in 2020-21 around environmental obligations.
- Forecast revenue assumptions have been based on advice from customers, global market conditions, historical trade patterns and assessment of probability around new trade projects. Impacts of COVID-19 have been included in forecast revenue assumptions (years 1 to 5), particular around cruise, petroleum imports, reef fleet operations, marina and property rebates and pilotage.
- Major revenue cash flows for all ports are based on annual price growth of between CPI and 5%, unless otherwise identified for certain commodities or revenue items.
- Expenditure cash flows are assumed to be largely fixed in nature with an assumption of CPI price increases, unless otherwise identified for certain expenditure items.



## Section 3 - Notes About Risks and Other Accounting Uncertainties continued

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

- Net cash flows assume a discount rate equal to the relevant Weighted Average Cost of Capital (WACC), with a CPI for the terminal growth rate equivalent to the RBA inflation target of 2 – 3%, on average, over time.
- Working capital balances are assumed to increase in line with the growth in revenues.
- Tax calculations in the cash flow projections assume a corporate tax rate of 30%.

#### Investment Property

Description	Fair Value at 30 June 2020 \$'000s	Type and amount for significant Level 3 inputs	Possible alternative amounts for significant Level 3 inputs
Land	50	N/A	N/A
Work in Progress	-	Standard usage of materials and labour used	-5% to 5%

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

## C2 FINANCIAL RISK DISCLOSURES

### Accounting Policy – Financial Instruments

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

Financial instruments comprise the following:

- Cash and cash equivalents – held at amortised cost;
- Receivables (including Advances) – held at amortised cost; and
- Payables – held at amortised cost.

Overview of measurement and financial risk management of financial instruments

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

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

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

The Board of Directors have overall responsibility for the establishment and oversight of the Risk Management Framework.

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

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



## Notes to Financial Statements continued

for year ended 30 June 2020

## Section 3 - Notes About Risks and Other Accounting Uncertainties continued

## C2 FINANCIAL RISK DISCLOSURES continued

## C2.1 CREDIT RISK

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, cash advance facility, and trade and other receivables. The Company is exposed to credit risk from the possibility of counterparties to cash and cash equivalents, cash advance facility, and trade and other receivables failing to perform their obligations. The balance of cash is disclosed in Note B1 and the balance of the Cash Advance Facility is disclosed in Note B2. The Company does not hold any credit derivatives to offset its credit exposure. The level of exposure is disclosed in the Statement of Financial Position and in Note B3 with the carrying amount stated net of any provision for expected credit losses.

## Exposure to credit risk

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

Financial assets	Note	2020 \$'000	2019 \$'000
Cash and cash equivalents	B1	5,062	5,800
Advances	B2	30,497	87,706
Receivables	B3	8,722	9,888
		<u>44,281</u>	<u>103,394</u>

## C2.2 LIQUIDITY RISK

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

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

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

	Payable in:			Total \$'000
	1 year or less \$'000	1-5 years \$'000	More than 5 years \$'000	
<b>30 June 2020</b>				
<i>Financial liabilities</i>				
Trade and other payables	8,476	-	-	8,476
Lease liabilities	124	225	262	611
	<u>8,600</u>	<u>225</u>	<u>262</u>	<u>9,087</u>
<b>30 June 2019</b>				
<i>Financial liabilities</i>				
Trade and other payables	24,906	-	-	24,906
Lease liabilities	-	-	-	-
	<u>24,906</u>	<u>-</u>	<u>-</u>	<u>24,906</u>



## Section 3 - Notes About Risks and Other Accounting Uncertainties continued

### C2 FINANCIAL RISK DISCLOSURES continued

#### C2.3 CAPITAL RISK MANAGEMENT

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

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

##### Capital Structure

The Company currently has no debt. Based on a review of the Company's capital structure in 2009 by Queensland Treasury Corporation, the benchmark Debt to Equity ratio for the Company was established at less than 0.40, with the EBITDA/Interest ratio remaining above 4.5.

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

#### C2.4 MARKET RISK

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

##### Interest rate risk

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

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

	Note	2020 \$'000	2019 \$'000
<b>Variable rate instruments</b>			
Financial assets – Cash and cash equivalents	B1	5,062	5,800
Financial assets – Advances	B2	30,497	87,706
		<u>35,559</u>	<u>93,506</u>

Cash is held with Queensland Treasury Corporation and other financial institutions. Variable interest rates are applicable. The nature of these financial instruments is short-term therefore changes in interest rates will not have a material impact on the value of the investments.

## Notes to Financial Statements continued

for year ended 30 June 2020

### Section 3 - Notes About Risks and Other Accounting Uncertainties continued

## C3 CONTINGENCIES

Ports North has no contingent assets and liabilities at 30 June 2020 (at 30 June 2019 nil).

### Native Title Claims over Company Land

The Company is a respondent party to nine native title claims: the Kaurareg People #2 and #3 Claims, Northern Peninsula Sea Claim Group, the Gimuy Walubara Yidinji People Claim, the Yirrganydji (Irukandji) People #1 Claim, the Yirrganydji (Irukandji) People #2 Claim, the People of Kamoi the Gkuthaarn and Kukatj People Claim, the Cape York United #1 Claim.

The Cape York United #1 Claim and Northern Peninsula Sea Claim Group cover land and water in and around Cape York, the Kaurareg People Claims cover land and waters within the Torres Strait Islands, and the other claims cover land and water in and around Cairns. In relation to the Cape York United #1 Claim, the claim is subject to a 'workplan' involving 9 separate test/reporting areas across the claim area. Anthropology experts are gathering and assessing evidence as to native title over their respective report areas and this process is ongoing. Dates had been set for the hearing of witness evidence in late September 2020 on country, however those dates have been cancelled due to the COVID-19 restrictions. The Company's interests in the relevant report areas have been notified. The Company otherwise has no active involvement in the matter while the anthropology experts continue their work.

The Kaurareg People #2 and #3 Claims and Northern Peninsula Sea Claim Group form part of the Torres Strait Sea Claim Cluster of claims. These claims are subject to orders requiring mediations between the anthropology experts and meetings between the active parties' representatives/working groups to seek to resolve overlapping claim area issues, with a view to the claims being potentially re-structured as a consequence. The Company is not an active party and does not need to participate in these negotiations. The Gimuy, Yirrganydji (Irukandji) #1 and #2 and People of Kamoi claims form part of the Cairns Cluster of claims. These have been the subject of a process for the resolution of their overlapping claims by two referees appointed by the Court who prepared a report with their findings and recommendations. However, objections were lodged by the Applicant to the Court adopting the referees' report. It is currently not clear how the Cairns Cluster of Claims will progress in light of the objections. Mediations have been taking place between the claims' Applicants and the State.

In relation to the Gkuthaarn People Claim, the matter is being steadily progressed towards a consent determination on 29 September 2020. The rights and interests of the Company, as the port authority for the Port of Karumba, have been notified to the Applicant and State and will be reflected in the consent determination.

## C4 COMMITMENTS

	2020 \$'000	2019 \$'000
<b>Capital commitments</b>		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	3,827	69,297
Later than one year but not later than five years	-	900
	<u>3,827</u>	<u>70,197</u>
<b>Breakdown:</b>		
Within one year		
Cairns Shipping Development Project	3,717	69,163
Capital Purchases	110	134
	<u>3,827</u>	<u>69,297</u>

## C5 EVENTS AFTER THE REPORTING PERIOD

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

## C6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

No Standards, amendments to Standards and interpretations have been identified as those which may impact the entity in the period of initial application.



## Section 4 - Other Information

### D1 KEY MANAGEMENT PERSONNEL DISCLOSURES

The Company's shareholding Ministers are identified as Key Management Personnel. Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The company does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

#### Directors

The names of persons who were Directors of Far North Queensland Ports Corporation Limited at any time during the year ended 30 June 2020 were:

Mr R Beer	Chairman
Mr M Huelin	Director
Ms V Maruna	Director
Ms V Cuda	Director
Ms T Straguszi	Director
Mr J Hogg	Director

#### Executives with greatest authority

The names of executives with greatest authority during the year ended 30 June 2020 were:

Mr C Boland	Chief Executive Officer
Mr C Tabe	General Manager Finance
Mr A Vico	General Manager Planning & Infrastructure (resigned June 2020)
Ms K Egerton	General Manager Corporate Services
Mr K Malone	General Manager Commercial
Mr R Stevenson	General Manager Operations

#### Remuneration Policy

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

Guiding principles that underpin the remuneration strategy are:

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

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

Total remuneration costs for directors include the following components:

- Short-term employee benefits including directors fees and committee fees; and
- Post-employment benefits including amounts expensed in respect of employer superannuation obligations.

Total remuneration costs for executives include the following components:

- Short-term employee benefits including salaries, allowances (if applicable) and leave entitlements expensed (paid) for the entire year, or for that part of the year during which the employee occupied an executive position;
- Post-employment benefits including amounts expensed (paid) in respect of employer superannuation obligations for the entire year, or for that part of the year during which the employee occupied an executive position; and
- Performance benefits including performance payments for the previous financial year (as detailed below).

## Notes to Financial Statements continued

for year ended 30 June 2020

## Section 4 - Other Information continued

## D1 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

## Performance payments

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

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

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

## Aggregate at-risk performance incentive remuneration

<i>Year paid</i>	<i>Aggregate performance payment</i>	<i>Post Employment</i>	<i>Total salaries paid to employees receiving performance payments</i>	<i>Number of employees receiving a performance payment total</i>
	\$	\$	\$	
2020	171,230	16,267	1,933,969	10
2019	157,836	14,994	1,889,036	12

The performance payments were approved by the Human Resources Committee at its meeting on 7 November 2019 under delegation from the Board of Directors issued at its meeting on 27 October 2011. Performance payments are paid to eligible staff, which include management level and executive staff.

## Director and Executive remuneration

## Specified Directors

Specified directors are only remunerated by the Company. Therefore, comparative remuneration disclosures set out below are applicable to the Company.

<b>Specified Directors</b>	<b>Short-term employee benefits</b>	<b>Post employment</b>	<b>Total</b>
Mr R Beer, Chair			
2020	53,504	5,083	58,587
2019	53,942	5,124	59,066
Mr M Huelin, Director			
2020	27,648	2,627	30,275
2019	28,086	2,668	30,754
Ms V Maruna, Director			
2020	28,086	2,668	30,754
2019	28,670	2,724	31,394
Ms V Cuda, Director			
2020	26,438	2,512	28,950
2019	27,502	2,613	30,115
Ms T Straguszi, Director			
2020	27,502	2,613	30,115
2019	27,940	2,654	30,594
Mr J Hogg, Director			
2020	25,750	2,446	28,196
2019	19,312	1,835	21,147
<b>Total Remuneration</b>			
<b>2020</b>	<b>188,928</b>	<b>17,948</b>	<b>206,876</b>
<b>2019</b>	<b>185,452</b>	<b>17,618</b>	<b>203,070</b>



Section 4 - Other Information continued

D1 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

**Specified Executives**

Specified Executives	Short-term employee benefits	Post employment benefits	Performance benefits <i>(relates to previous financial year)</i>	Termination benefits	Total
Chief Executive Officer					
2020	317,634	65,707	45,333	-	428,674
2019	296,448	61,265	41,694	-	399,407
General Manager Commercial <sup>(1)</sup>					
2020	227,769	25,000	-	-	252,769
2019	6,038	1,500	-	-	7,538
General Manager Commercial <sup>(2)</sup>					
2020	-	-	-	-	-
2019	86,686	2,562	-	-	89,248
General Manager Commercial <sup>(3)</sup>					
2020	-	-	-	-	-
2019	170,272	15,610	6,656	-	192,538
General Manager Planning & Infrastructure <sup>(4)</sup>					
2020	223,516	47,169	32,535	-	303,220
2019	213,896	44,913	28,739	-	287,548
General Manager Corporate Services					
2020	220,193	45,540	31,550	-	297,283
2019	210,406	43,120	28,000	-	281,526
General Manager Finance					
2020	179,308	23,595	22,857	-	225,760
2019	168,830	22,169	21,032	-	212,031
General Manager Operations <sup>(5)</sup>					
2020	166,061	24,675	13,768	-	204,504
2019	-	-	-	-	-
<b>Total Remuneration</b>					
<b>2020</b>	<b>1,334,481</b>	<b>231,686</b>	<b>146,043</b>	<b>-</b>	<b>1,712,210</b>
<b>2019</b>	<b>1,152,576</b>	<b>191,139</b>	<b>126,121</b>	<b>-</b>	<b>1,469,836</b>

(1) Commenced June 2019

(2) Departed July 2018

(3) Departed March 2019

(4) Departed June 2020

(5) Commenced September 2019

**Service agreements**

**Chief Executive Officer**

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

**General Manager Commercial**

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

**General Manager Planning & Infrastructure**

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

**General Manager Corporate Services**

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

**General Manager Finance**

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

## Notes to Financial Statements continued

for year ended 30 June 2020

### Section 4 - Other Information continued

#### D1 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

##### Other Transactions with Key Management Personnel

For details regarding any other transactions other than remuneration paid refer to Related Party Transactions in Note D2.

#### D2 RELATED PARTY TRANSACTIONS

##### Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note D1.

##### Transactions with shareholding Ministers

As a GOC, Ports North's shareholding Ministers for the 2019-20 reporting period were:

- the Honourable Cameron Dick MP – Treasurer, Minister for Infrastructure and Planning (from 11 May 2020);
- the Honourable Mark Bailey MP – Minister for Transport and Main Roads; and
- the Honourable Jackie Trad MP – Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (up to 10 May 2020).

There was no income received, or due and receivable, by the shareholding Minister from Ports North during the year. No shareholding Minister has received or become entitled to receive any benefit by reason of a contract made with Ports North.

##### Transactions with Related Parties

All transactions between Ports North and entities controlled by key management personnel are conducted at arm's length under normal commercial terms and conditions. Senior Executives and Directors declare their interest on commercial dealings at Board meetings.

Entity	Services	2020 \$'000	2019 \$'000
MacDonnells Law	Legal Fees (paid)	(280)	(734)
	The Company used the legal services of MacDonnells Law, of which Russell Beer, an Independent Director appointed on 01 October 2015, is a partner. Amounts paid were based on normal market rates for such services and were due and payable under normal payment terms.		
	Outstanding balance as at 30 June 2020 is nil.		

##### Transactions with State of Queensland Controlled Entities

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.

Entity	Services	2020 \$'000	2019 \$'000
Queensland Treasury	Tax equivalents (paid)	(4,818)	(6,470)
	Rates equivalents (paid)	(276)	(272)
Queensland Treasury Corporation	Interest (received)	874	1,884
Department of Transport & Main Roads	Piloted Ship movements and other ancillary services (received)	7,926	10,871
	Services & Licences (paid)	(393)	(251)
Office of State Revenue	Taxes (paid)	(646)	(3,540)
Q Super	Superannuation contributions (paid)	(1,091)	(1,059)
Ergon Energy	Electricity supply and ancillary services (paid)	(4,097)	(4,663)
Other Queensland Government Departments	Property leases and other ancillary services (received)	1,037	1,135
	Audit and other fees (paid)	(314)	(255)
	Payments relating to Cairns Shipping Development fees and financial assurance	-	(1,588)
Other Non-Departmental Queensland Government entities	Other Services (paid)	(58)	(454)



## Section 4 - Other Information continued

### D2 RELATED PARTY TRANSACTIONS continued

#### 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.

	2020 \$'000	2019 \$'000
Trade Receivables	265	1,940

#### 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.

	2020 \$'000	2019 \$'000
Trade Payables	-	47

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

#### Accounting Standards Early Adopted for 2019-20

No Australian Accounting Standards have been early adopted for 2019-20.

#### Changes in Accounting Policy

The Company adopted the following Australian Accounting Standards during 2019-20 which resulted in immaterial changes to existing accounting policies.

##### **AASB 16 Leases**

AASB 16 Leases is effective from reporting periods beginning on or after 1 January 2019. The Standard supersedes AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases – Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

Lessor accounting under AASB 16 remains largely unchanged from AASB 117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate. The Company has determined that there will be no impact for leases in which the Company is the lessor.

##### **Impact for Lessees**

The Company will recognise right-of-use assets and corresponding lease liabilities for its operating leases including land leases held in perpetuity, office and accommodation leases, and a mooring lease. The nature of the expenses relating to those leases will now be recognised as a depreciation charge for right-of-use assets (excluding land) and interest expense on lease liabilities.

Previously, expenses were recognised as operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Company has chosen to apply the simplified approach for the measurement of the lease liability at the date of transition and does not need to restate comparative information. The cumulative effect of applying the Standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

A number of judgements have been applied to determine the value of the lease liability under AASB 16 including lease option periods, implied interest rates and variable lease payments.

The additional requirement of disclosing the right-of-use assets including additions and depreciation, and lease liabilities including additions and interest are reflected in Note B8.



## 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 30 to 63, 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 2020 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) Statement of Compliance on page 35 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:

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**R Beer**  
Chairman

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**M Huelin**  
Deputy Chairperson

Dated at Cairns, 28<sup>th</sup> August, 2020

To the Members of Far North Queensland Ports Corporation Limited

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of Far North Queensland Ports Corporation Limited.

In my opinion, the financial report:

- a) gives a true and fair view of the company's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

### Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*. I am also independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001*.

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

### Key audit matters

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

#### Valuation of property, plant and equipment—Note B4 and C1

Key audit matter	How my audit addressed the key audit matter
<p>Property, plant and equipment is reported at fair value and where applicable at cost.</p> <p>Approximately 81% of the property, plant and equipment was valued at fair value which was determined using the income-based valuation model.</p> <p>The key assumptions used in the valuation model included:</p> <ul style="list-style-type: none"> <li>• forecasting operating revenue</li> <li>• estimating future capital and operating costs</li> <li>• determining of terminal values</li> <li>• the discount rate applied to future cashflows.</li> </ul>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices.</li> <li>• Checking, on a sample basis, the accuracy and relevance of the input data used, including reconciling input data to supporting evidence such as approved budgets.</li> <li>• Performing a sensitivity analysis to establish that management's assumptions for fair value including cash flows, terminal values, discount rates, expansionary capital expenditure and inflation adjustments are within a reasonable range of audit expectations for fair value.</li> <li>• Assessing the reasonableness of cash flow forecasts and terminal value estimates relative to board approved budgets, historical growth trends and other relevant internal and external evidence. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process.</li> <li>• Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.</li> <li>• Challenging the reasonableness of key assumptions based on my knowledge of the entity and industry.</li> <li>• Verifying the mathematical accuracy of net present value calculations.</li> </ul>

#### Useful lives estimated for depreciation expense—Note B4

Key audit matter	How my audit addressed the key audit matter
<p>The straight-line depreciation method used requires significant judgements for:</p> <ul style="list-style-type: none"> <li>• Identifying the significant parts of assets that have different useful lives</li> <li>• Estimating the remaining useful lives of those significant parts.</li> </ul>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's approach for identifying the parts of property, plant and equipment with different useful lives for reasonableness, having regard to recent replacement projects and changes in estimates over time.</li> <li>• Evaluating remaining useful life estimates for reasonableness with reference to historical disposal rates, condition assessments for older assets, internal consistency</li> </ul>

## Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in the company's annual report for the year ended 30 June 2020 was the directors' report.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

28 August 2020

**Bhavik Deoji**  
Queensland Audit Office

as delegate of the Auditor-General  
Brisbane



