

Ports North

Annual Report

2020 | 2021



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About Our Report

This report details our activities and financial performance for the financial year ending 30 June 2021. It fulfils Queensland Government requirements pursuant to section 50 of the *Government Owned Corporations Regulation 2014*.

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

About Us

Far North Queensland Ports Corporation, 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 Investment, 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 2021

	2021	2020
	\$'000	\$'000
Continuing Operations		
Operating Revenue	48,610	55,190
Operating Expenditure	57,089	88,788
EBIT	(8,479)	(33,598)
Net Profit / (Loss) from Ordinary Operations	(6,179)	(23,247)
Total Assets	408,232	407,609
Total Liabilities	46,815	48,011
Net Assets	361,417	359,598
Accounting Rate of Return	-2.08%	-8.31%
Debt to Equity Ratio	-	-
Current Ratio	2.60	2.73

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 historically, 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 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 under a transshipping arrangement.

Port of Quintell Beach

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

Port of Thursday Island

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

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

Ports of Cooktown and Burketown

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

Chairman & Chief Executive Officer's Report

Overview

Ports North's underlying operating result (excluding asset valuation transactions) for the year ended 30 June 2021 is a loss of \$4.3 million compared to a profit of \$4.3 million in the previous year (refer to reconciliation on page 14), a decrease in the underlying operating result of \$8.6 million.

The operating result after tax for the year ended 30 June 2021 was a loss of \$6.2 million, compared to a loss of \$23.2 million in the previous year. The operating result before tax for the year ended 30 June 2021 was a loss of \$8.5 million, compared with a loss of \$33.6 million for the previous year. Asset valuation transactions decreased operating result before tax by \$4.1 million in the year ended 30 June 2021 compared with a decrease of \$37.9 million in the previous year.

The COVID-19 pandemic has continued to impact the company's financial results, particularly at the Port of Cairns. Overall trade related revenues declined, principally mineral exports at Skardon River and sugar and molasses exports from Mourilyan, offset by increased volumes of silica sand exports at Cape Flattery and stronger petroleum imports than anticipated into Cairns. The extension of the temporary fee relief package to support port customers impacted by the pandemic has also impacted the company's result, along with the suspension of international cruise ship visits.

COVID-19 Impact

Covid -19 continued to affect many of our customers and tenants and Ports North continued to implement a comprehensive rebate program to support these businesses during the year. This rebate program which has been in place since February 2020 has been critical to support the regional economy and ensure that the businesses that had significant adverse COVID impacts could survive retaining employees for post COVID recovery. For the reef fleet tourism operators a rebate program has been extended to June 2022.

Ports North's total fee relief support to 30 June 2022 will be in excess of \$10 million. In addition, 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 performance incentive payments for 2020-21.

Tourism

Ports North is a key partner in, and supporter of, Far North Queensland's tourism industry with the Reef Fleet Terminal and Cruise Liner Terminal facilities in Cairns facilitating passenger experiences of the region and the Great Barrier Reef.

The industry continued to endure the impacts of COVID-19 with cruise ship visitation remaining on hold and reef operators impacted by visitor numbers. On a positive note, superyacht visitation to the Cairns Marlin Marina are solid with strict border force controls being implemented.

Our ongoing support of the Wet Tropics Healthy Waterways Partnership has been renewed with a commitment to continue promoting the work being undertaken and facilitating research. In addition, Ports North remains an active participant in the Local Marine Advisory Committee and both State and National Port Environmental Working Groups.

New Business and Trade Development

Ports North's mission to enable business and trade growth by providing and facilitating infrastructure; growing opportunities through sustainable business and regional economic development and connecting locally and globally continued throughout the year.

Our trade performance has remained solid throughout the year with more than 6.7 million tonnes of cargo making its way through Far North Queensland's ports bound for domestic and international markets.

We are continuing to work with proponents of the Kaban and Lakeland windfarm projects on logistic and storage infrastructure.

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 are ongoing.

Ports North continues to work 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.

A \$4 million project to upgrade the Horn Island cargo facilities to accommodate increased trade and vessel sizes is in its final stages with completion expected at the end of October 2021. The works involve 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.

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.

Ports North has now finalised baseline assessments and is consulting with customers and key stakeholders on demand forecasts. The Master Plan will provide a long-term direction for the ports and identify future opportunities and infrastructure requirements.

While the overall master plan process is scheduled to be completed in the third quarter of 2021, Ports North prioritised master planning work for HMAS Cairns and the Cairns Marine Precinct (CMP), identifying sites for the CMP Expansion Business Case study and early work wharf construction. This work resulted in the Queensland Government announcing in December 2020 \$2 million funding for the Business Case and \$28 million for CMP early works. The \$30 million for CMP business case and early works was initially announced in September 2020 and included in the 2020-21 Budget.

Since this announcement the CMP Project has made significant progress with Ports North acquiring 2.8 hectares in Portsmith to support the CMP Project and planning the construction of two new wharves in Smith's Creek and at Commercial Fisherman's Base No 2. Design work has commenced on the wharves that will expand capacity at the CMP to carry out in-water maintenance on commercial vessels and ones used by the Australian Defence Force and Australian Border Force.

The Government has commenced the business case to develop the CMP as a key centre for maintaining and repairing Defence and larger commercial vessels. Representatives from the Australian Defence Force, Ports North and the ship repair industry are part of the project coordination group.

Cairns Shipping Development Project

Ports North successfully delivered the Cairns Shipping Development Project in May 2020. However, work continued throughout FY2021 to close out a number of remaining obligations. The onshore dredge material disposal location has been returned to the existing landholder after extensive environmental monitoring studies and engagement with regulatory agencies, while work is continuing on the delivery of a fine sediment offsets program.

The entire project was delivered within budget and was recognised as the Queensland winner of the Engineering Australia Excellence Award, and a finalist in the Project Management Australia Awards.

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 partner with government, industry and the community on a range of initiatives to support our healthy marine ecosystem. Ports North have again re-affirmed its commitments to the Wet Tropics Healthy Waterways Partnership and its long-standing partnership with TropWATER at James Cook University.

Our long term seagrass monitoring program provides an understanding of the condition and trends within our port environments. Information from this program is also used by a number of key stakeholders, including the Wet Tropics Healthy Waterways Partnership, traditional owner groups in the Torres Strait and State and Commonwealth governments.

Ports North have a long history of successfully delivering maintenance dredging campaigns at our ports and are currently working with Great Barrier Reef Marine Park Authority and other stakeholders to renew our 10-year permit for maintenance dredging at the Port of Cairns.

Our support for local community activities continued with Ports North again sponsoring the Ports North Environment Awards for Far North Queensland secondary school students through the Business Liaison Association and we remain active members of the Local Marine Advisory Committee, Technical Advisory Consultative Committee and both State and National Port Environmental Working Groups.

Sustainability Strategy

Solid progress has been made on developing the Ports North Sustainability Strategy with significant engagement being undertaken with staff and key external stakeholders. The feedback received has been incorporated into a 'Foundations Report' focusing on the themes of: People, Planet, Prosperity and Partnerships.

A working group and a steering committee have been established to assist in identifying and prioritising specific actions across the four themes as well as the development of a future sustainability reporting framework.

Ports North's Sustainability Strategy is being developed in accordance with the Ports Australia Sustainability Strategy Development Guide and is expected to be finalised in the second half of 2021.

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) is ongoing and we 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 in Thursday Island.

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.

The Ports North Board welcomed former tourism leader Rob Giason and former Douglas Shire Mayor Julia Leu as new directors while farewelling Tanya Straguszi and Michael Huelin, whom we thank for their contributions over the previous term.

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 FY2021 Ports North continued its partnerships with other local organisations and the community in a range of initiatives including sponsorship arrangements, establishment of consultative committees and collaboration with local cluster groups.

Ports North have supported a range of initiatives during FY2021 including:

- Community and regional events
- Arts, cultural and sporting 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

We continue to foster relationships with the indigenous groups linked to our Ports by facilitating events such as the SBS telecast of the "World's Greatest Sing Along" showcasing the Gimuy Walubara Yidinji and Gondwana Choir at the Cairns Cruise Liner Terminal and the CSIRO-Traditional Owners Climate Change Adaptation Conference at the Cityport foreshore. Ports North has also engaged the services of the Dawul Wuru Ranger Group in a three-year maintenance contract for marine plant management on sections of the Port of Cairns foreshore.

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 FY2021.

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 77 full-time equivalent employees spans across a variety of professional, operational, technical, trade and administrative roles. As a regional organisation we have employees based in Cairns, Mourilyan, Thursday Island and Weipa.

Ports North recognise 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 two minor lost time injuries during FY2021.

Senior Management Team

Chris Boland
Chief Executive Officer and Company Secretary

Sean Reardon
General Manager Planning and Infrastructure
Engineering, Capital Works, Major Projects, Asset Strategy and Maintenance, Contract Management, Dredging, Surveying and Environment

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

Kerry Egerton
General Manager Corporate Services
Company Secretary, Corporate Governance, Risk Management, Land Use Planning, Human Resources, Employee Relations, Safety, Marine Pilotage, Communications, Media, Community and Public Relations

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

Richard Stevenson
General Manager Operations (Cairns and Regional Ports)
Port Operations, Security and Emergency Management

Our Environment

Port North operates nine ports in Far North Queensland, the Torres Strait and Cape York. Five of these ports are located on the boundary of the World Heritage listed Great Barrier Reef Marine Park. The Port of Cairns is uniquely positioned between a World Heritage listed rainforest and reef and serves as the gateway for visitors to the Great Barrier Reef Marine Park.

Consequently, a strong commitment to environmental leadership underpins everything that we do.

Comprehensive Environmental Monitoring

Ports North have delivered long term environmental monitoring programs over many years. Indeed, the seagrass monitoring programs at our ports are some of the longest programs of their type in the world and go back more than 25 years.

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. This work is critical to understanding the physical, biological, and cultural attributes of the areas surrounding our ports.

Long Term Seagrass Monitoring

Ports North's long-standing partnership with TropWATER at James Cook University continues. Our long term seagrass monitoring program provides an understanding of the condition and trends within our port environments. Information from this program is also used by a number of key stakeholders, including the Wet Tropics Healthy Waterways Partnership, traditional owner groups in the Torres Strait and State and Commonwealth governments.

A summary of the results over the last 12 months is provided below:

Monitoring Program	Summary of Results
Cairns	Seagrass meadows within Trinity Bay have continued to increase in density and distribution and remain in a robust and productive condition. No residual or lag impacts from the Cairns Shipping Development Project capital dredging have been identified.
Mourilyan Harbour	Seagrass meadows within the Harbour remain in a very poor condition and have not substantially recovered from the significant declines in biomass and distribution due to cyclone and flooding impacts in 2009-2011. In response James Cook University are trialling potential restoration techniques for this important habitat.
Karumba	Seagrass meadows remain substantially reduced in area, and below average biomass condition due to wet season flood events in early 2018. Signs of recovery identified during the 2019 survey continued, and the presence of iconic marine fauna was observed during the survey work.
Thursday Island	Seagrass meadows remain in excellent condition, and well above the broader declining condition observed in other parts of the Torres Strait region. Presence of iconic and culturally significant marine fauna was observed during the survey work, providing further evidence of their healthy status.

Marine Sediment Sampling

To support maintenance dredging at the Port of Cairns, sampling of marine sediment was undertaken and the results assessed against the National Assessment Guidelines for Dredging (NAGD, 2009). All material was found to be suitable for dredging and disposal at the existing approved marine material placement area.

Biosecurity Monitoring

No detections of priority marine pest species were reported by port users, and no detections were recorded during marine sediment sampling. Ports North continues to promote awareness of bio-security matters amongst port users and work collaboratively with State and Commonwealth biosecurity jurisdictions. Ports North also support Biosecurity Queensland's Marine Pest Preparedness and Awareness Program and actively contribute to the Queensland Seaports e-DNA Surveillance (Q-SEAs) program at the Port of Cairns.

Partnering with Government, Industry and the Community

Ports North recognise that healthy freshwater, estuarine and marine ecosystems underpin the economy and unique lifestyle on offer in Far North Queensland. Accordingly, our strong support for the Wet Tropics Healthy Waterways Partnership has been re-affirmed and a new MOU signed until the end of June 2022. Ports North are active members of both the Working Group and Management Committee and provide monitoring data that supports regional water quality report cards.

Support continued for the Tropical Water Quality (TWQ) Hub established under the National Environmental Science Programme (NESP), with Ports North remaining active members of the Steering Committee. Over the last 7 years Ports North have overseen the successful delivery of a number of independent dredging and sediment studies and ensured that these studies were developed in consultation with the port sector.

Ports North also continue to work closely with industry, government and other Queensland ports on a number of broader policy initiatives, including the Reef 2050 Long Term Sustainability Plan and the North East Shipping Management Plan.

Local community activities remain a key focus. Ports North again sponsored the Ports North Environment Awards for Far North Queensland secondary school students through the Business Liaison Association. Our Port Advisory Groups and Technical Advisory Consultative Committees continued to meet throughout the last 12 months to discuss port planning and management. Ports North also maintained ongoing involvement in the Cairns Local Marine Advisory Committee, a role that we have played since 2003.

Maintenance Dredging

Ports North have a long history of successfully delivering maintenance dredging campaigns at our ports. In recognition of this, the Port of Cairns was the first port in Australia to obtain a 10-year permit for maintenance dredging activities in 2010.

Long Term Maintenance Dredge Management Plans (LMDMPs) have been developed for all of our GBR port locations. The LMDMPs present the results of a considerable number of studies, capture valuable feedback from stakeholders and present a leading-practice framework for the long term management of dredge sediment.

Consistent with the requirements of the Queensland Maintenance Dredging Strategy, Ports North:

- Prepared environmental risk assessments to inform the maintenance dredging schedule for Queensland ports.
- Conducted dredging activities in accordance with our LMDMPs.
- Reported on environmental outcomes following dredging activities.

Maintenance dredging at the Port of Cairns included regular inner port and navy base dredging, along with completion of the Cairns channel maintenance campaign in May-June 2021. The Cairns Technical Advisory Committee (TACC) were provided regular progress updates throughout the year.

The current 10 year maintenance dredging permit at the Port of Cairns will expire in mid-2022 and Ports North are currently seeking a new 10 year permit from the Great Barrier Reef Marine Park Authority. To support this application, Ports North has conducted numerous studies in consultation with our TACC and other stakeholders and prepared an updated Long Term Maintenance Dredging Management Plan (LMDMP).

Channel maintenance for the Port of Karumba was completed in June and July 2020 through a bed-levelling campaign to retain the channel at operational depths. The Karumba TACC was informed of the works and the outcomes of monitoring conducted to support these works.

Environmental Management and Compliance

In accordance with the requirements of ISO 14001, our Environmental Management System (EMS) focuses on both regulatory requirements and improving performance through the implementation of best practice environmental management measures across our operations.

We continued to maintain compliance with all environmental approvals for our operations and undertook these compliance activities in consultation with Local, State and Commonwealth agencies.

Management of legacy contamination across our port land holdings remains ongoing. Ports North are engaged in the multi-agency response to Per- and Poly-fluoroalkyl Substances (PFAS), and the work of Department of Defence at HMAS Cairns. We also continued our use of entry and exit contamination assessments of leased land and are discussing remediation activities with one of the vessel maintenance facilities at Cairns.

There were no serious or material level events recorded across our operations, with three (3) nuisance incident events attributable to contractors engaged by Ports North. Each event was thoroughly investigated and closed out, with no environmental harm identified.

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 Investment and Minister for Transport and Main Roads for the performance of Ports North.

At 30 June 2021, 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;
- overseeing Ports North's financial position, monitoring performance and providing an oversight of management's implementation, mitigation and monitoring of risk management and internal control systems, to address Ports North's material business risks;
- 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; and
- modelling and driving an ethical organisational culture.

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

Chairperson

Member, Audit and Risk Committee

Member, Human Resources Committee

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

Independent Director

Deputy Chairperson

Chairperson, Human Resources Committee

Victoria Cuda B.Bus, CA, GAICD

Independent Director

Chairperson, Audit and Risk Committee

John Hogg BSc

Independent Director

Member, Audit and Risk Committee

Julia Leu MBA, BA, GradDipED, GradDipComm

Independent Director

Member, Human Resources Committee

Rob Giason Fellow AMI, Fellow and Life Member AITO

Independent Director

Member, Audit and Risk Committee

Board of Directors – Independence

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

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

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

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

Board of Directors – Professional Advice

The Board and its Committees may seek independent professional advice whenever it is considered appropriate. Individual Directors, with the prior approval of the Chairman, can procure professional advice, at Ports North' 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's remuneration policies provide for a strategy that balances the needs of the organisation, individuals and shareholders. Policies recognise the need to contain costs to Ports North and optimise the return on Ports North's investment in its people.

Guiding principles that underpin the remuneration strategy are:

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

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

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

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

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

Board Committees

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

Audit and Risk Committee

The Audit and Risk Committee is comprised of three non-executive directors. The Chief Executive Officer and the 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 Charter. The objectives of the Committee are to:

- assist the Board in discharging its responsibilities in respect of financial reporting, other accounting requirements and regulatory compliance;
- assist the Board with ensuring that the ability and independence of the external auditor to carry out its statutory audit role is not impaired;
- ensure an effective internal audit and internal control system is maintained;
- oversee, monitor and review the performance of the internal and external auditors and the integrity of the audit process as a whole;
- review the financial reporting process, the system of internal financial control and the external audit process;
- review and ratify Ports North's systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems;
- act as a formal forum for free and open communication between the Board, internal and external auditors and management; and
- ensure an appropriate framework is maintained for the management of strategic and operational risk.

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 Charter. The objectives of the Committee are to:

- review and make recommendations to the Board, where appropriate, in respect of industrial relations strategies, enterprise bargaining agreements and remuneration structures for senior executives and others specifically covered by the Remuneration Policy;
- review and make recommendations to the Board, where appropriate, for amending Remuneration Policy and practices;
- consider and approve appointments for all senior executives and make recommendations to the Board on such matters relating to the Chief Executive Officer.
- obtain external advice, either independently or via management, as appropriate, on remuneration, risk and any other related matter to supplement members' knowledge and expertise; and
- obtain information necessary to enable the Committee to perform its function.

Summary of Directions and Notifications Received Under the Government Owned Corporations Act

No Directions or Notifications were received under the *Government Owned Corporations Act 1993* 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 2021 is a loss of \$4.3 million compared to a profit of \$4.3 million in the previous year (refer to reconciliation on page 14), a decrease in the underlying operating result of \$8.6 million.

The operating result after tax for the year ended 30 June 2021 was a loss of \$6.2 million, compared to a loss of \$23.2 million in the previous year. The operating result before tax for the year ended 30 June 2021 was a loss of \$8.5 million, compared with a loss of \$33.6 million for the previous year. Asset valuation transactions decreased operating result before tax by \$4.1 million in the year ended 30 June 2021 compared with a decrease of \$37.9 million in the previous year.

The COVID-19 pandemic has continued to impact the company's financial results, particularly at the Port of Cairns. Overall trade related revenues declined, principally mineral exports at Skardon River and sugar and molasses exports from Cairns and Mourilyan, offset by increased volumes of silica sand exports at Cape Flattery and stronger petroleum imports than anticipated into Cairns. The extension of the temporary fee relief package to support port customers impacted by the pandemic has also impacted the company's result, along with the suspension of international cruise ship visits.

Statement of Financial Position

Total current assets have decreased to \$37.5 million at 30 June 2021 from \$46.2 million in the previous year, which reflects a lower cash balance driven by lower overall revenue.

Property, Plant and Equipment has increased to \$195.5 million at 30 June 2021 from \$193.2 million in the previous year. The increase of \$2.3 million in the carrying amount was due to:

- \$5.6 million in new assets (principally works at Horn Island) net of disposals and write-offs;
- \$3.4 million revaluation increase; and
- \$6.7 million of depreciation.

At 30 June 2021, Ports North recognised a net revaluation increase of \$3.4 million to the carrying value of Property, Plant and Equipment. This is principally made up of revaluation increases to Cape Flattery (\$12.0 million) and Karumba (\$2.9 million) due to increases in future trade revenues and a revaluation decrease of \$9.2 million to the Port of Cairns due to the impacts of COVID-19.

Investment property value has increased to \$175.2 million at 30 June 2021 from \$168.0 million in the previous year. The increase of \$7.2 million in the carrying amount was due to:

- \$4.4 million revaluation increase of existing investment properties; and
- \$2.8 million of acquisitions and works in progress.

Current liabilities have decreased to \$14.4 million at 30 June 2021 from \$16.9 million in the previous year. This was principally due to lower provision balances at the end of the year for Green Island and Fitzroy Island jetties due to maintenance works completed throughout the year and reduced revenue as a result of customer rebates provided. Non-Current liabilities have increased to \$32.3 million at 30 June 2021 from \$31.1 million in the previous year. This was due to higher deferred tax liabilities arising from a net revaluation increase of property, plant and equipment. This means that more tax would be due should the company sell its assets.

Total Equity as at 30 June 2021 was \$361.4 million compared to \$359.6 million for the previous year. The change was due to an increase in the asset revaluation surplus of \$7.9 million as a result of an increase in the carrying amount of the company's assets and a decrease in the accumulated surplus of \$6.1 million reflecting this year's operating loss.

Dividends

No provision for dividend has been included in the Statement of Financial Position at 30 June 2021. Shareholding Ministers have approved the board's recommendation to not provide for a dividend for 2020-21 due to a net adjusted consolidated net loss after tax.

Current Ratio

The current ratio at 30 June 2021 is 2.6 compared with 2.7 in the prior year.

Debt to Equity Ratio

The Company had no debt as at 30 June 2021.

Interest Cover Ratio

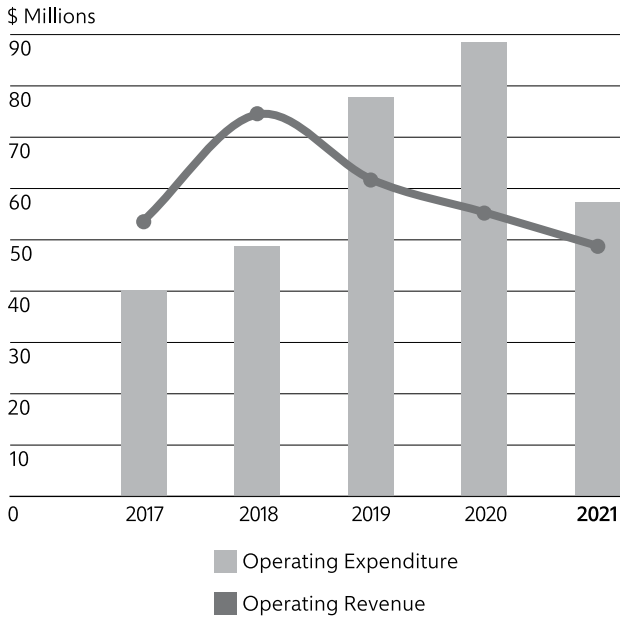
There was no interest expense incurred during the year.

Key Performance Indicators continued

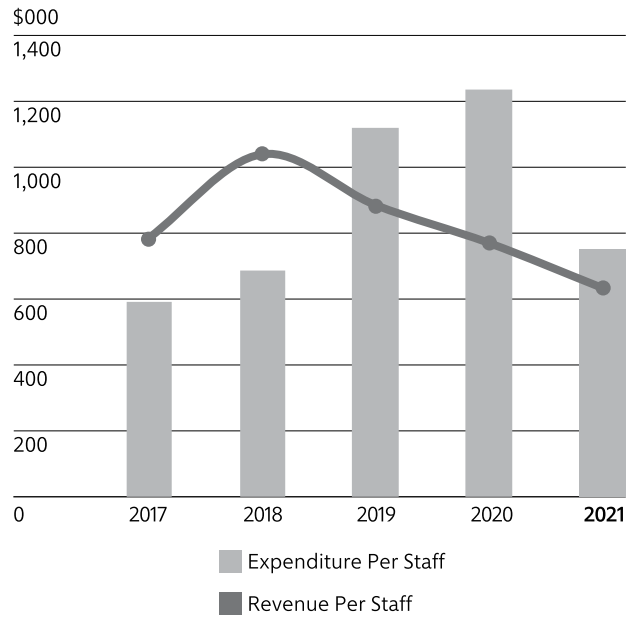
Financial KPIs	FY2021 Plan	FY2021 Actual	FY2020 Actual			
Earnings Before Interest and Tax (\$'000)	(2,438)	(8,479)	(33,598)			
EBITDA (\$'000)	2,428	(1,614)	(28,646)			
Net Profit After Tax (\$'000)	(1,942)	(6,179)	(23,247)			
Return on Assets	-0.59%	-2.08%	-8.31%			
Return on Operating Assets	-0.63%	-2.08%	-8.35%			
Debt to Debt + Equity	0.00%	0.00%	0.00%			
Return on Equity	-0.62%	-1.79%	-7.20%			
Interest Cover	0.00%	0.00%	0.00%			
Current Ratio	2.13	2.60	2.73			
Capital Expenditure (\$'000)	24,941	8,850	75,995			
Planned Maintenance Performed (%)	100%	93%	78%			
Non Financial KPIs	FY2021 Plan	FY2021 Actual	FY2020 Actual			
Operational						
Trade (tonnes)	8,976,412	6,725,691	8,672,540			
No. of Vessels to Port (excluding internal movements)	2,840	1,792	2,448			
Marina Berth Occupancy (%)	58%	56%	58%			
Reputation						
No. of Environmental - reportable breaches	0	0	0			
No. of Security issues reported	0	0	0			
Lost Time Injury Frequency Rate (LTIFR)	0	16	25			
Lost Time Injury Duration Rate (LTIDR)	0	13	10			
Staff Turnover (annualised %)	15%	12%	4%			
No. of Net FTE Staff numbers	80	77	72			
No. of Community Complaints	<10	2	4			
Compliance with Reporting Requirements (%)	100%	100%	100%			
Reconciliation to Underlying Operating Result	Ports North		Port of Cairns		Regional Ports	
	FY2021 Actual	FY2020 Actual	FY2021 Actual	FY2020 Actual	FY2021 Actual	FY2020 Actual
Earnings Before Interest and Tax (\$'000)	(8,479)	(33,598)	(10,148)	(36,007)	1,669	2,409
Asset Valuation Transactions (\$'000)	4,108	37,916	4,108	37,888	-	28
Underlying Operating Result (\$'000)	(4,371)	4,318	(6,040)	1,881	1,669	2,437

Key Performance Indicators continued

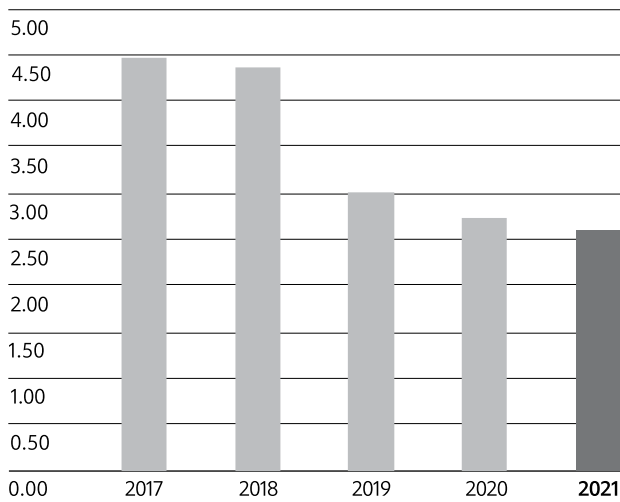
Operating Revenue & Expenditure



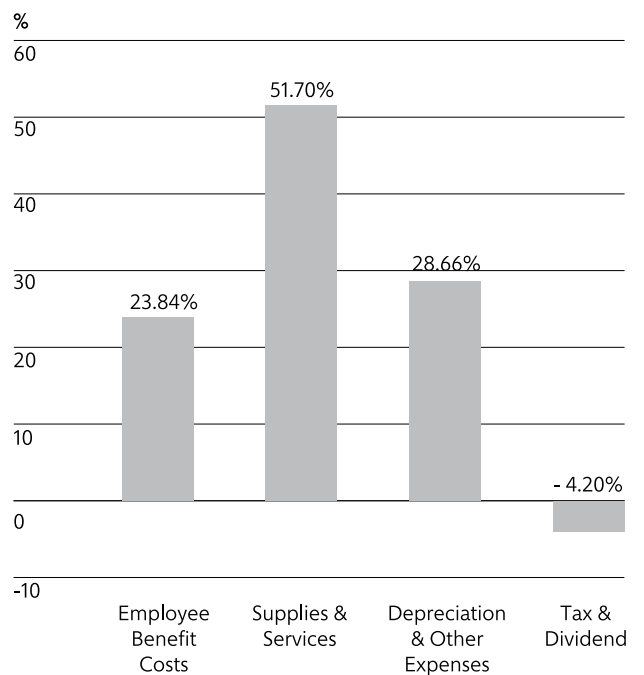
Revenue & Expenditure Per Staff



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 \$10.1 million for the year ended 30 June 2021 compared with a loss of \$36.0 million in the previous year, an increase of \$25.9 million.

The underlying operating result before tax (excluding asset valuation transactions) was a loss of \$6.0 million for the year ended 30 June 2021 compared with a profit of \$1.9 million in the previous year (refer to reconciliation on page 14).

Overall trade volumes were slightly lower than the previous year due to lower sugar and molasses exports, lower general cargo and lower LPG imports; slightly offset by higher petroleum and fertiliser imports. Marina revenue continued to be impacted by the COVID-19 pandemic with Ports North extending their temporary fee relief package to support commercial tourism and reef operators through to 30 June 2021. Passenger revenue was also impacted with significantly reduced passengers through the Reef Fleet Terminal during the year, as well as the extension of rebates on passenger levies for commercial tourism and reef operators. The temporary fee relief package to support retail, commercial food and beverage, and other port tenants with rebates on their base rent was also extended through to 31 March 2021, impacting on property revenue. Pilotage revenue decreased on the previous year due to lower pilotage activity in Cairns as a result of the cancellation of international cruises ship visits due to COVID-19 restrictions, 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 \$1.7 million for the year ended 30 June 2021 compared with \$2.4 million in the previous year, a decrease of \$0.7 million. The underlying operating result before tax (excluding asset valuation transactions) was \$1.7 million for the year ended 30 June 2021 compared with \$2.4 million in the previous year (refer to reconciliation on page 14).

The slight decrease in underlying operating result from regional port activities was principally due to lower exports of minerals from Skardon River and lower sugar and molasses exports from Mourilyan.

Our Performance

The operating result after tax for the year ended 30 June 2021 was a loss of \$6.2 million, which compares to a loss of \$23.2 million in the previous year. The operating result before tax was a loss of \$8.5 million for the year ended 30 June 2021 compared with a loss of \$33.6 million for the previous year.

The underlying operating result (excluding asset valuation transactions) for the year ended 30 June 2021 is a loss of \$4.3 million compared to a profit of \$4.3 million in the previous year, a decrease in the underlying operating result of \$8.6 million (refer to reconciliation on page 14).

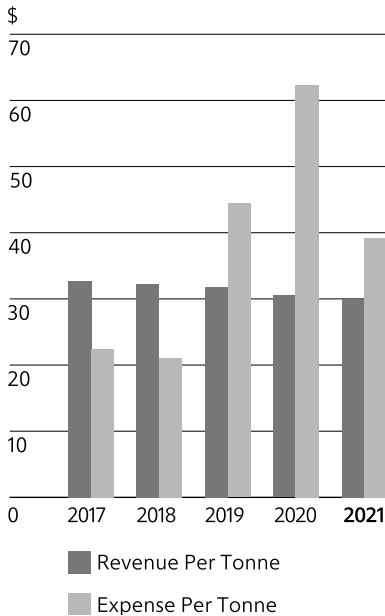
The company's financial results for the year have been impacted by the COVID-19 pandemic, particularly at the Port of Cairns. Overall trade related revenues declined, predominately mineral exports at Skardon River and sugar and molasses exports from Cairns and Mourilyan, offset by increased volumes of silica sand exports at Cape Flattery and stronger petroleum imports than anticipated into Cairns. The extension of the temporary fee relief package to support port customers impacted by the pandemic has also impacted the company's result, along with the suspension of international cruise ship visits.

Maintenance spending across all ports, excluding recoverable dredging activity at Karumba, increased by \$3.0 million compared to the previous year. During the year ended 30 June 2021 Ports North completed one annual dredging program for the Port of Cairns channel (June 2021) and major concrete repairs across a number of wharf infrastructure assets.

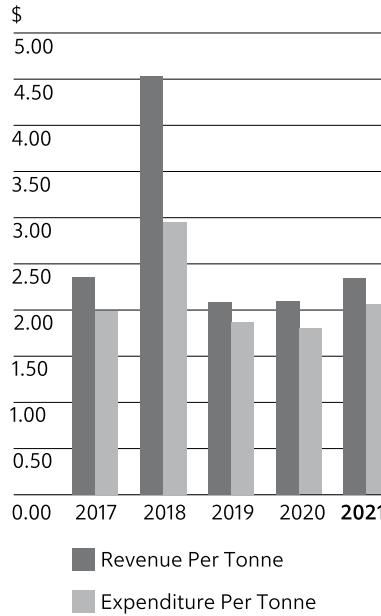
Asset valuation transactions decreased the operating result before tax by \$4.1 million in the year ended 30 June 2021 compared with a decrease of \$37.9 million in the previous year. The market value of the Company's Investment Property increased following an independent revaluation, resulting in a gain of \$4.4 million. The overall carrying values of property, plant and equipment across all ports have increased for the year ended 30 June 2021, however the impact of COVID-19 and changes in trade assumptions on future revenues for the Port of Cairns has resulted in a revaluation profit decrease of \$8.5 million.

Port Results continued

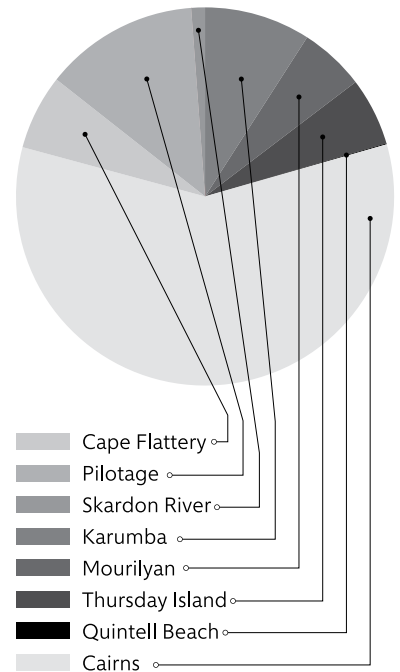
Port of Cairns Revenue and Expenses Per Tonne



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
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
FY2020	264,800	60,977	13,116	105,026	443,920	502,788	44,903	25,903	59,532	633,126	1,077,046
FY2021	187,561	64,731	14,639	115,592	382,523	437,890	49,556	25,576	48,550	561,572	944,095

Average Annual Growth

	Sugar	Molasses	Petroleum Products	Other	Total Exports	Petroleum Products	Fertiliser	LPG	Other	Total Imports	Total Cargo
1 Year	-29.17%	6.16%	11.61%	10.06%	-13.83%	-12.91%	10.36%	-1.26%	-18.45%	-11.30%	-12.34%
5 years	-7.07%	-3.41%	5.82%	-6.22%	-6.02%	-2.53%	8.58%	11.48%	-0.77%	-1.37%	-3.58%

Regional Ports Cargo Movements (Tonnes)

Year	EXPORTS							IMPORTS			
	Sugar	Molasses	Lead/Zinc	Silica Sand	Livestock	Minerals	Other	Total Exports	Other	Total Imports	Total Cargo
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
FY2020	576,900	41,275	208,640	2,694,652	-	3,999,619	11,591	7,532,677	62,817	62,817	7,595,494
FY2021	544,980	77,594	265,896	3,027,964	-	1,792,059	10,554	5,719,047	62,548	62,548	5,781,595

Port Results continued

Vessel Arrivals - Trading, Cruise and Navy

		FY2021	FY2020	FY2019	FY2018	FY2017	FY2016
BULK TRADING VESSELS							
Petroleum	- Cairns	42	38	28	29	24	37
LPG	- Cairns	18	22	22	20	15	15
Sugar	- Cairns	7	10	10	9	12	12
	- Mourilyan	14	16	16	18	16	19
Fertiliser	- Cairns	11	10	4	12	7	7
Molasses	- Cairns	8	8	7	9	9	10
	- Mourilyan	12	6	6	10	14	10
Silica Sand	- Cape Flattery	59	51	51	45	41	40
Livestock	- Karumba	-	-	5	2	4	7
	- Mourilyan	-	-	-	-	-	-
Minerals	- Mourilyan	-	-	-	4	2	1
	- Skardon River	451	980	943	-	-	-
Sub Total Bulk		622	1,141	1,092	291	144	158
OTHER TRADING VESSELS							
General Cargo	- Cairns	523	575	709	666	633	630
	- Regional Ports	593	617	599	573	618	546
Sub Total Other Trading		1,116	1,192	1,308	1,239	1,251	1,176
OTHER VESSELS - CAIRNS & REGIONAL PORTS							
Cruise Vessels	- International	-	33	55	58	53	25
	- Domestic	46	79	107	110	104	100
		46	112	162	168	157	125
Navy		8	3	10	38	32	14
Sub Total Other		54	115	172	206	189	139
TOTAL		1,792	2,448	2,572	1,736	1,584	1,473

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

- Ports North continues to work with Regional stakeholders exploring new trade opportunities through Cairns and the Regional Ports.
- Ports North is working with Windfarm importers to secure further project cargo activities through the port of Cairns.
- 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.
- Ports North is working with trade proponents to grow trade through Mourilyan Port and Cape Flattery including mineral sands and magnetite.
- 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.
- Ports North is working with Great Barrier Reef Super Yacht Group to target additional super yacht visits.

Manage and develop Port property to provide sustainable commercial return to Ports North and its shareholders

- Ports North provided rental rebates to COVID-19 impacted port customers.
- Ports North continues to engage with potential end users of Tingira Street lands.
- Property Management Systems and Land Use Plans are in place for all Ports North property.
- Land Acquisition strategies are in place for Cairns and Mourilyan and these will be updated based on Master Planning process.

Plan, develop and manage Port infrastructure and assets to improve Port efficiency, meet the needs of customers and contribute to sustainable regional development

- Ports North is progressing the Master Plan for the Port of Cairns and Mourilyan utilising lead technical consultants however the project has been delayed due to COVID-19. Ongoing stakeholder engagement in the Master Plan is underway.
- Ports North completed the master planning work for HMAS Cairns and the identified site for the Cairns Marine Precinct.
- The Queensland Government has commenced the Cairns Marine Precinct expansion business case with Ports North a member of the Project Control Group.
- Ports North has commenced design of the Cairns Marine Precinct early works including land and Cairns Marine Precinct wharves construction.
- Ports North have commenced work on developing a Sustainability Strategy for the organisation.
- Project to renew Cairns Sea Disposal Permit is underway with the sea dumping permit extension in place and the application for a new 10 year permit submitted to GBRMPA.

Strategies

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

Progress Against Strategies

- 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.
- 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.

Ports North

Annual Director's Report & Financial Report

for the year ended June 30 2021



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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 2021 provide information relating to the financial position as at 30 June 2021 and the financial performance for the year ended on that date.

These statements have been prepared:

- To satisfy the requirements of the *Corporations Act 2001*, and other prescribed requirements; and
- To communicate information concerning the entity's financial performance for the year and its financial position at year end to a variety of information users, including:
 - Its shareholding Ministers,
 - Treasurer and Minister for Investment; 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 2021.

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 former Director and Shareholder of and now consultant to 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

Vanessa Maruna

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

Independent Director

Deputy Chairperson

Chairperson, Human Resources Committee

Vanessa is a partner of national law firm Holding Redlich and has managed the firm's regional Planning, Environment & Sustainability Practice since 2018 and became the national practice leader in 2021. 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 former Chair of the Board of the JUTE Theatre Company and has served on a number of not for profit boards.

Appointed December 2016

Current Term: 15 December 2019 – 30 September 2022

Victoria Cuda

B.Bus, CA, GAICD

Independent Director

Chairperson, Audit and Risk Committee

Victoria has over 10 years' experience as a Chartered Accountant and has experience working in the property development and international education sectors. Victoria 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

John Hogg

BSc

Independent Director

Member, Audit and Risk Committee

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 25 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

Directors' Report continued

Name and qualifications

Julia Leu

MBA, BA, GradDipED, GradDipComm

Independent Director

Member, Human Resources Committee

Rob Giason

Fellow AMI, Fellow & Life Member AITO

Independent Director

Member, Audit and Risk Committee

Michael Huelin

GAICD

Independent Director

Deputy Chairperson

Member, Audit and Risk Committee

Tanya Straguszi

LLB, GAICD

Independent Director

Member, Human Resources Committee

Experience and special responsibilities

Julia Leu is a local council veteran with over 25 years' experience and was Mayor of the Douglas Shire Council from 2014 until March 2020, following 6 years as an independent Councillor with Cairns Regional Council. She is a passionate advocate for regional communities and has worked as a CEO and senior executive in community development, economic services and Indigenous education. Julia is currently on the State Library Board of QLD, Chair of the Public Libraries Advisory Group, President of Arts Nexus and President of the Port Douglas Community Services Neighbourhood Centre.

Appointed October 2020

Current Term: 1 October 2020 – 30 September 2023

Rob brings 45 years of Tourism experience and leadership from across multiple and diverse Australian regions, including CEO Tourism Tropical North Queensland, CEO Tourism Tasmania & Director of Marketing, Destination New South Wales. He possesses a passion for regional communities and their positive development. Rob is a Director of multiple not for profit Boards servicing the Indigenous Health, Charity and development sectors he is a Co-founder & Chair of Reef Restoration Foundation and also serves on the Australian Institute of Company Directors, Cairns Committee.

Appointed October 2020

Current Term: 1 October 2020 – 30 September 2023

Appointed October 2015

Term expired 30 September 2020

Appointed October 2017

Term expired 30 September 2020

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 38 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 11 years.

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

Kerry has over 36 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 20 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 \$6.179 million. This compares to an operating result of \$23.247 million loss in the previous financial year. The result for the year ending 30 June 2021 included the following major transactions:

	2021 \$'000	2020 \$'000
Increase in Fair Value of Investment Property	4,386	1,537
Revaluation of Property Plant & Equipment	(8,494)	(39,453)
	<u>(4,108)</u>	<u>(37,916)</u>

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In response to the ongoing economic impacts of the coronavirus (COVID-19), the Ports North Board has approved financial rebate relief packages for port customers to assist in mitigation of the effects of adverse impacts on our customers and the regional economy. The Board also approved extended payment terms for all rebated tenants from 30 days to 90 days through to December 2020.

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 2020-21 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% (2020: 100%) of Ports North's adjusted profit for the year.

Based on Ports North's adjusted consolidated profit for the year the company did not declare a dividend.

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

	2021 \$'000	2020 \$'000
Dividends Declared	-	2,790
Dividends Paid	<u>2,790</u>	<u>-</u>

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
Directors						
Mr R Beer	9	9	4	3	4	4
Ms V Maruna	9	9	-	-	4	4
Mrs V Cuda	9	9	4	4	-	-
Mr J Hogg	9	9	3	3	-	-
Ms J Leu	7	7	-	-	3	3
Mr R Giason	7	7	3	3	-	-
Mr M Huelin	2	2	1	1	-	-
Ms T Straguszi	2	2	-	-	1	1

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 many 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..

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year the Company maintained Directors and Officers Liability insurance cover and indemnified all Directors of the Company and named Senior Officers, in respect of any liability incurred in their capacities as an Officer of the Company and any related company and defence costs incurred in connection with an investigation or in a proceeding or action for liability incurred as an Officer of the Company and any related company. There were no known claims during the financial year. Directors' and Officers' insurance premium paid during the financial year was \$129,682.

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:

R Beer Chairman

Dated at Cairns this 27th day of August 2021

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 2021, 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.

27 August 2021

Bhavik Deoji
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Statement of Comprehensive Income

for year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
INCOME			
Revenue			
User charges	A1.1	43,967	51,807
Interest revenue		202	920
Other revenue		55	926
Increase in Fair Value of Investment Property	B5	4,386	1,537
Total Income		48,610	55,190
EXPENSES			
Expenses			
Supplies and services	A2.1	28,325	28,053
Employee expenses	A2.2	13,059	12,617
Finance Costs	B8	16	19
Depreciation	B4.1 / B8	6,865	4,952
Write-off of Property, Plant and Equipment work in progress	B4.1	-	162
Write-off of Investment Property work in progress	B5	214	3,105
Loss on sale of Property, Plant and Equipment and Investment Property		116	427
Revaluation of Property, Plant and Equipment	B4.1	8,494	39,453
Total Expenses		57,089	88,788
Operating Result before Income tax (equivalent) expense		(8,479)	(33,598)
Income tax equivalent expense/(benefit)	A3	(2,300)	(10,351)
Operating Result for the year		(6,179)	(23,247)
Other Comprehensive Income			
Items that will not be reclassified to operating result			
Increase/(decrease) in asset revaluation surplus	B10.2	11,916	32,810
Other deferred tax adjustments	B10.2	(3,415)	(9,579)
Total Other Comprehensive Income for the period, net of income tax		8,501	23,231
Total Comprehensive Income		2,322	(16)

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

Statement of Financial Position

as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	4,046	5,062
Advances	B2	22,651	30,497
Receivables	B3	8,234	8,722
Current tax asset	B9.1	2,225	1,611
Inventories		46	54
Prepayments		303	249
Total current assets		37,505	46,195
Non-current assets			
Property, plant and equipment	B4.1	195,547	193,232
Investment property	B5	175,151	167,960
Right-of-use assets	B8	29	222
Total non-current assets		370,727	361,414
Total assets		408,232	407,609
LIABILITIES			
Current liabilities			
Payables		8,729	8,476
Employee benefits	B6	3,113	3,111
Provisions	B7	106	3,187
Income in advance		2,457	2,046
Lease Liabilities	B8	35	94
Total current liabilities		14,440	16,914
Non-Current Liabilities			
Deferred tax liabilities	B9.2	31,725	30,110
Employee benefits	B6	382	604
Lease Liabilities	B8	268	383
Total non-current liabilities		32,375	31,097
Total liabilities		46,815	48,011
Net assets		361,417	359,598
EQUITY			
Contributed equity	B10.1	247,178	247,178
Asset revaluation surplus	B10.2	98,655	90,687
Accumulated surplus		15,584	21,733
Total equity		361,417	359,598

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 2021

	Note	Contributed Equity \$'000	Asset Revaluation Surplus \$'000	Accumulated Surplus \$'000	Total \$'000
Balance at 30 June 2019		217,178	68,337	47,073	332,588
Effect of change in accounting policy for AASB 16		-	-	(184)	(184)
Restated balance at 1 July 2019		217,178	68,337	46,889	332,404
Operating Result		-	-	(23,247)	(23,247)
Other Comprehensive Income		-	23,231	-	23,231
Total Comprehensive Income for the year		-	23,231	(23,247)	(16)
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
Balance at 30 June 2020		247,178	90,687	21,733	359,598
Effect of change for prior year deferred tax adjustment ⁽¹⁾		-	-	(343)	(343)
Restated balance at 1 July 2020		247,178	90,687	21,390	359,255
Operating Result		-	-	(6,179)	(6,179)
Other Comprehensive Income		-	8,501	-	8,501
Total Comprehensive Income for the year		-	8,501	(6,179)	2,322
Transfer from reserves to accumulated surplus	B10.2	-	(533)	373	(160)
<i>Transactions with owners in their capacity as owners</i>					
Dividend	B10.3	-	-	-	-
Equity Contribution	B10.1	-	-	-	-
Balance at 30 June 2021		247,178	98,655	15,584	361,417

(1) Prior year adjustment for recognition of DTA relating to a temporary difference on revetment and carpark works and correction to recognition of prior period permanent adjustment.

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 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from customers		44,988	52,317
Interest received		202	916
GST input tax credits from ATO		3,297	12,697
GST collected from customers		4,462	5,415
<i>Outflows:</i>			
Payments to suppliers and employees		(41,726)	(38,278)
GST remitted to ATO		(4,496)	(5,498)
GST paid to suppliers		(3,174)	(12,657)
Income Tax (equivalent) received/(paid)		(616)	(3,650)
Net cash provided by operating activities	CF1	<u>2,937</u>	<u>11,262</u>
Cash flows from investing activities			
<i>Inflows:</i>			
Sales of Property, Plant and Equipment and Investment Property		283	2
Advances from Queensland Treasury	B2	7,846	57,210
<i>Outflows:</i>			
Payments for Property, Plant and Equipment and Investment Property		(9,174)	(99,079)
Advances to Queensland Treasury	B2	-	-
Net cash provided/(used) in investing activities		<u>(1,045)</u>	<u>(41,867)</u>
Cash flows from financing activities			
<i>Inflows:</i>			
Proceeds from Equity Contribution		-	30,000
<i>Outflows:</i>			
Dividends Paid		(2,790)	-
Payment of principal and interest of lease liabilities	B8	(118)	(133)
Net cash provided by/(used) in financing activities		<u>(2,908)</u>	<u>29,867</u>
Net increase/(decrease) in cash and cash equivalents		(1,016)	(738)
Cash and cash equivalents – opening balance		<u>5,062</u>	<u>5,800</u>
Cash and cash equivalents – closing balance	B1	<u>4,046</u>	<u>5,062</u>

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

Statement of Cashflows continued

Notes to Statement of Cash Flows

CF1 Reconciliation of Cash Flows from operating activities

	2021 \$'000	2020 \$'000
Operating surplus/(deficit)	(6,179)	(23,247)
Non-Cash items included in operating result:		
Net (gain)/loss on disposal of property, plant and equipment	116	427
Depreciation expense	6,865	4,952
Fair value adjustment to Property, Plant and Equipment	8,494	39,453
Fair value adjustment to Investment Property	(4,386)	(1,537)
Write off of Property, Plant and Equipment work in progress	-	162
Write off of Investment Property work in progress	214	3,105
Interest on lease liabilities	16	19
Changes in assets and liabilities:		
(Increase)/decrease in right-of-use assets	193	-
(Increase)/decrease in trade and other receivables	490	2,479
(Increase)/decrease in inventories	7	(31)
(Increase)/decrease in prepayments	(54)	(8)
(Increase)/decrease in deferred tax assets	(1,013)	(302)
Increase/(decrease) in trade and other payables	365	3,387
Increase/(decrease) in current tax liabilities	(614)	(956)
Increase/(decrease) in employee benefits	(220)	454
Increase/(decrease) in provisions	(3,081)	(3,075)
Increase/(decrease) in income in advance	413	(1,278)
Increase/(decrease) in lease liabilities	(174)	-
Increase/(decrease) in deferred tax liabilities	1,485	(12,742)
Net Cash Provided by Operating Activities	<u>2,937</u>	<u>11,262</u>

Notes to Financial Statements

for year ended 30 June 2021

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 report also complies with the applicable provisions of the *Financial Accountability Act 2009 (Qld)* and *Financial and Performance Management Standard 2019 (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 2019-20 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the determination and use of certain management judgements, estimates and assumptions that affect the application of policies and resulting reported amounts. The Directors evaluate estimates and associated assumptions incorporated into the financial statements based on historical knowledge, best available current information, and other factors that are considered relevant. Such estimates, judgements and underlying assumptions assume a reasonable expectation of future events and are based on current trends and economic data. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates significant to the financial statements are disclosed in the following notes:

Impairment of Receivables Note B3.1

Valuation of property, plant and equipment Note B4.3

Assessment of useful lives Note B4.4

Depreciation Note B4.4

Valuation of investment properties Note B5

Provision for long service leave Note B6

Leases Note B8

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Directors on 27th August 2021. The directors have the power to amend and reissue the financial statements.

Section 1 - Notes About Our Financial Performance

A1 REVENUE

A1.1 USER CHARGES

	2021 \$'000	2020 \$'000
Charges for rentals and leases	8,335	10,321
Charges for use of facilities	16,948	18,919
Charges for services	18,684	22,567
	43,967	51,807

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 ongoing economic impacts of the coronavirus (COVID-19), the Ports North Board has approved financial rebate relief packages for port customers to assist in mitigation of the effects of adverse impacts on our customers and the regional economy. The rebate relief package provided in the current year as a result of COVID-19 is \$5.7 million (2020: \$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 through to December 2020.

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

	2021 \$'000	2020 \$'000
Supplies and services		
Consultants and contractors	16,629	17,032
Electricity	2,863	3,670
Rates, utilities and land tax ⁽¹⁾	4,626	3,329
Insurance	1,904	1,616
Bad debts	142	479
Other supplies and consumables	2,161	1,927
	28,325	28,053

(1) As part of the Queensland Government's Land Tax Relief measures, Ports North received a rebate of \$0.9 million (2020: \$0.7 million).

During the year, fees included in supplies and services of \$95,000 (2020: \$89,000) were paid or payable for services provided by the auditor of the entity in relation to the audit of the financial report. No other services were provided.

Notes to Financial Statements continued

Section 1 - Notes About Our Financial Performance continued

A2 EXPENSES (CONTINUED)

A2.2 EMPLOYEE EXPENSES

	2021 \$'000	2020 \$'000
Wages and salaries	9,738	9,119
Directors fees	194	177
Wage and salary on-costs	2,607	2,866
Other employee costs and benefits	520	455
	<u>13,059</u>	<u>12,617</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.

A3 INCOME TAX EQUIVALENTS AND OTHER TAXES

A3.1 INCOME TAX EXPENSE

	Note	2021 \$'000	2020 \$'000
The components of tax equivalents expense / (benefit) comprise:			
Current tax		-	2,692
Deferred tax		(2,300)	(13,043)
Income tax		<u>(2,300)</u>	<u>(10,351)</u>
Deferred income tax expense / (benefit) included in income tax expense comprises:			
Decrease / (increase) in deferred tax assets	B9.1	(1,012)	(302)
Increase / (decrease) in deferred tax liabilities	B9.1	(1,288)	(12,741)
		<u>(2,300)</u>	<u>(13,043)</u>

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

	2021 \$'000	2020 \$'000
Operating result before income tax expense	(8,479)	(33,598)
Tax expense / (benefit) at the Australian tax rate of 30% (2020: 30%)	(2,544)	(10,079)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Fair Value adjustment	110	(607)
Entertainment	2	2
Depreciation adjustments	132	86
Sundry expenses	-	(17)
Movement posted direct to equity	-	264
Income tax expense / (benefit)	<u>(2,300)</u>	<u>(10,351)</u>

Notes to Financial Statements continued

Section 1 - Notes About Our Financial Performance continued

A3 INCOME TAX EQUIVALENTS AND OTHER TAXES (CONTINUED)

A3.3 INCOME TAX EXPENSE RECOGNISED DIRECTLY IN EQUITY

	Note	2021 \$'000	2020 \$'000
Revaluation of Property, Plant and Equipment	B9.2	3,415	9,579

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

	2021 \$'000	2020 \$'000
Cash at bank and on hand	3,720	4,738
Deposits at call	326	324
	<u>4,046</u>	<u>5,062</u>

Accounting Policy – Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June 2021 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

	2021 \$'000	2020 \$'000
Advances	22,651	30,497

Accounting Policy – Advances

Under the Queensland Government's cash management regime, 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

	2021 \$'000	2020 \$'000
Current		
Trade receivables	7,435	5,583
Less: Allowance for impairment loss	(667)	(553)
	<u>6,768</u>	<u>5,030</u>
Other receivables	1,466	3,692
	<u>8,234</u>	<u>8,722</u>
Non-current		
Other receivables	-	-
	<u>-</u>	<u>-</u>
Movements in the allowance for impairment loss		
Balance at the beginning of the year	553	164
Impairment loss recognised/(reversed)	114	389
	<u>667</u>	<u>553</u>

Notes to Financial Statements continued

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.

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 impairment of 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 2021.

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 \$0.142 million for impairment provisions recognised in profit and loss in the year. This is a decrease of \$0.337 million from 2020. The Company's provision for impairment represents approximately 9.0% of trade receivables (2020: 9.9%).

B4 PROPERTY, PLANT AND EQUIPMENT

B4.1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

		2021 \$'000	2020 \$'000
Land	At fair value	32,743	33,198
Buildings	At fair value	2,683	3,315
Wharves	At fair value	83,879	75,251
Channels and swing basins	At fair value	70,585	76,234
Infrastructure and major plant and equipment	At fair value	2,036	2,648
Plant and equipment	At cost	2,500	2,609
	Accumulated depreciation	(321)	(337)
		<hr/> 2,179	<hr/> 2,272
Work in progress	At cost	1,442	314
Total Property, plant and equipment		<hr/> 195,547	<hr/> 193,232

Notes to Financial Statements continued

Section 2 - Notes About Our Financial Position continued

B4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

B4.1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT continued

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.

2021	Opening Carrying Amount	Additions	Disposals/ Write-offs	Depreciation	Transfers	Revaluations		Closing Carrying Amount
						Recognised in Asset Revaluation Surplus	Recognised in Statement of Comprehensive Income	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Land	33,198	-	-	-	(120)	(335)	-	32,743
Buildings	3,315	-	-	(370)	-	(222)	(40)	2,683
Wharves	75,251	2,137	-	(3,156)	-	12,095	(2,448)	83,879
Channels and swing basins	76,234	2,244	-	(2,584)	-	555	(5,864)	70,585
Infrastructure and major plant and equipment	2,648	9	-	(302)	-	(177)	(142)	2,036
Plant and equipment	2,272	645	(419)	(319)	-	-	-	2,179
Work in progress	314	1,342	-	-	(214)	-	-	1,442
	193,232	6,377	(419)	(6,731)	(334)	11,916	(8,494)	195,547

2020	Opening Carrying Amount	Additions	Disposals/ Write-offs	Depreciation	Transfers	Revaluations		Closing Carrying Amount
						Recognised in Asset Revaluation Surplus	Recognised in Statement of Comprehensive Income	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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
	125,690	79,262	(231)	(4,846)		32,810	(39,453)	193,232

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

Notes to Financial Statements continued

Section 2 - Notes About Our Financial Position continued

B4 PROPERTY, PLANT AND EQUIPMENT continued

B4.2 RECOGNITION AND ACQUISITION continued

Accounting Policy – Cost of Acquisition

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. 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.

Carrying Amounts that could have been recognised if Property, Plant and Equipment were carried at cost

If items of property, plant and equipment that have been revalued were stated on the historical cost basis, the carrying amounts would be as follows:

	2021 \$'000	2020 \$'000
Land	67,573	67,573
Buildings	8,040	8,386
Wharves	48,445	47,586
Channels and swing basins	110,682	109,519
Infrastructure and major plant and equipment	23,874	25,093
Plant and equipment	2,501	2,469
Total	261,115	260,269

Notes to Financial Statements continued

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 – 52 years
Wharves	3 – 59 years
Channels and swing basins	8 – 60 years
Infrastructure and major plant and equipment	1 – 62 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

\$'000	2021 \$'000	2020
Land – at fair value	154,739	149,210
Buildings and Facilities – at fair value	19,890	18,750
Work in Progress – at fair value	522	-
Total	175,151	167,960

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 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

Section 2 - Notes About Our Financial Position continued

B5 INVESTMENT PROPERTY continued

Reconciliation of Movement in Investment Property

2021	Opening balance	Additions	Disposals / Write-offs	Net Gain / (Loss) from Fair Value Adjustment	Transfers	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	149,210	2,163	-	3,246	120	154,739
Buildings and Facilities	18,750	-	-	1,140	-	19,890
Work in progress	-	522	(214)	-	214	522
	167,960	2,685	(214)	4,386	334	175,151

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

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.

	2021 \$'000	2020 \$'000
Rental income	8,038	10,233
Direct operating expenses from property generating rental income	(3,556)	(3,107)
	4,482	7,126

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.

Notes to Financial Statements continued

Section 2 - Notes About Our Financial Position continued

B5 INVESTMENT PROPERTY continued

Rental of Investment Property continued

	2021 \$'000	2020 \$'000
Contingent rental recognised as revenue		
Rentals and leases disclosed in the Statement of Comprehensive Income include the following amounts of contingent rent:		
Contingent rent	308	253
Lease commitments receivable at balance date		
Receivables disclosed in Note B3 include the following lease commitments receivable:		
Lease commitments receivable	1,557	1,421
Future minimum lease payments receivable		
Future minimum lease payments under non-cancellable operating leases at balance date not recognised in the financial statements are receivable as follows:		
Within one year	12,173	12,092
Within two years	10,651	11,192
Within three years	10,412	10,211
Within four years	8,841	10,004
Within five years	8,841	4,351
Later than five years	169,246	171,608
	220,164	219,458

B6 EMPLOYEE BENEFITS

	2021 \$'000	2020 \$'000
Current		
Long service leave	1,556	1,612
Annual leave	957	981
Days in lieu	27	48
Public holidays	536	420
Rostered days off	37	50
	3,113	3,111
Non-current		
Long service leave	382	604
	3,495	3,715

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. The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service, or are expected to reach this threshold in the next 12 months. The non-current portion represents entitlement of those employees that have not yet reached, or are expected to reach, the required period of service in the next 12 months.

Notes to Financial Statements continued

Section 2 - Notes About Our Financial Position continued

B6 EMPLOYEE BENEFITS continued

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. The provision for 2021 includes updated probability factors based on a five year average of employee departures and periods of service, it is estimated the effect this has had in this period is \$0.229 million. Expected future payments are discounted using interest rates on high quality corporate bonds 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

	2021 \$'000	2020 \$'000
Current		
Dividend	-	2,790
Green and Fitzroy Island Jetty Management	106	397
	<u>106</u>	<u>3,187</u>

Movements in Provisions

	2021		Total \$'000
	Dividend \$'000	Jetty Management \$'000	
Balance at the beginning of the year	2,790	397	3,187
Additional provisions	-	148	148
Amounts used / paid	(2,790)	(439)	(3,229)
Balance at the end of the year	<u>-</u>	<u>106</u>	<u>106</u>
	2020		Total \$'000
	Dividend \$'000	Jetty Management \$'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>

Notes to Financial Statements continued

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 has 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).

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.

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:

2021	Opening balance at 1 July 2020	Additions	Modifications	Subsequent Re-measure⁽²⁾	Depreciation expense	Closing balance at 30 June 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Office Space	129	-	(78)	-	(38)	13
Residential Accommodation	61	-	-	-	(61)	-
Mooring Facility	32	-	-	-	(16)	16
Right-of-use assets (excl. land and investment property)	222	-	(78)	-	(115)	29
Right-of-use assets recognised as Land ⁽¹⁾	260	-	-	9,841	-	10,101
Right-of-use assets recognised as Investment Property ⁽³⁾	8	-	-	42	-	50

Notes to Financial Statements continued

Section 2 - Notes About Our Financial Position continued

B8 LEASES continued

2020	Opening balance at 1 July 2019	Additions	Modifications	Subsequent Re-measure⁽²⁾	Depreciation expense	Closing balance at 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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 ⁽¹⁾	255	-	-	10,246	-	10,501
Right-of-use assets recognised as Investment Property ⁽³⁾	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.

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

	2021	2020
	\$'000	\$'000
Opening balance	(477)	(591)
Modifications	72	-
Lease payments	118	133
Interest on lease liabilities	(16)	(19)
Closing Balance	(303)	(477)
Current	(35)	(94)
Non-current	(268)	(383)

B9 TAX ASSETS AND LIABILITIES

B9.1 CURRENT TAX ASSETS AND LIABILITIES

	2021	2020
	\$'000	\$'000
Opening balance	1,611	655
Tax paid in respect of prior years	(1,611)	(655)
Over/(Under) provision of tax in prior years	-	-
Current year tax provision	-	(2,692)
Tax paid in respect of current year	2,225	4,303
Closing Balance	2,225	1,611

Notes to Financial Statements continued

Section 2 - Notes About Our Financial Position continued

B9 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.

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

	Assets		Liabilities		Net	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Amounts recognised in Statement of Comprehensive Income						
Inventories	-	-	(14)	(16)	(14)	(16)
Investment Property	-	-	(40,584)	(38,458)	(40,584)	(38,458)
Property, Plant and Equipment	-	-	48,685	45,776	48,685	45,776
Allowance for impairment (receivables)	200	166	-	-	200	166
Provisions:						
Annual leave	287	294	-	-	287	294
Long service leave	581	665	-	-	581	665
Rostered days off	180	155	-	-	180	155
Tax losses utilised	1,077	-	-	-	1,077	-
Other items	144	175	-	(1)	144	174
	2,469	1,455	8,087	7,301	10,556	8,756
Amounts recognised in equity						
Revaluation of Property, Plant and Equipment	-	-	(42,281)	(38,866)	(42,281)	(38,866)
Tax assets (liabilities)	2,469	1,455	(34,194)	(31,565)	(31,725)	(30,110)
Set off of tax	(2,469)	(1,455)	2,469	1,455	-	-
Net tax assets/(liabilities)	-	-	(31,725)	(30,110)	(31,725)	(30,110)

B9.3 UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

For the 2020 and 2021 years 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

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.

	2021 \$'000	2020 \$'000
Share capital		
Ordinary shares of \$1 each, fully paid	247,178	247,178
Movements:		
Balance at the beginning of the year 247,177,528 shares (2020: 217,177,528 shares)	247,178	217,178
Share buy back Nil shares (2020: nil shares)	-	-
Issue of shares 0 shares (2020: 30,000,000 shares)*	-	30,000
Balance at the end of the year 247,177,528 shares (2020: 247,177,528 shares)	247,178	247,178

**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.*

Notes to Financial Statements continued

Section 2 - Notes About Our Financial Position continued

B10 EQUITY continued

B10.2 ASSET REVALUATION SURPLUS BY ASSET CLASS

Movements

2021	Opening Balance	Transfer from reserves to accumulated surplus	Revaluation	Other deferred tax adjustments	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Land	14,061	(118)	(335)	136	13,744
Buildings	2,134	(104)	(222)	98	1,875
Wharves	44,505	(63)	12,094	(3,610)	52,822
Channels & swing basins	28,699	-	556	(167)	29,734
Infrastructure and major plant and equipment	1,288	(248)	(177)	128	480
Total	90,687	(533)	11,916	(3,415)	98,655
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
Total	68,337	(881)	32,810	(9,579)	90,687

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

	2021 \$'000	2020 \$'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 no dividend payment (2020: \$2.790 million dividend paid) due to an adjusted net loss 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).

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 2021, 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 2021, 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.

Notes to Financial Statements continued

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 2021, 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 2021			As at 30 June 2020		
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	27,286	5,457	32,743	6,340	26,858	33,198
Buildings	-	2,683	2,683	-	3,315	3,315
Wharves	-	83,879	83,879	-	75,251	75,251
Channels and swing basins	-	70,585	70,585	-	76,234	76,234
Infrastructure and major plant and equipment	-	2,036	2,036	-	2,648	2,648
Total	27,286	164,640	191,926	6,340	184,306	190,646

Investment Property	As at 30 June 2021			As at 30 June 2020		
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	154,689	50	154,739	149,160	50	149,210
Buildings	19,890	-	19,890	18,750	-	18,750
Work in Progress	-	522	522	-	-	-
Total	174,579	572	175,151	167,910	50	167,960

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 2021 \$'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	27,286	\$/m ²	An increase or decrease in the \$/m ² value will lead to a proportionate increase or decrease in the value of Freehold Land

Notes to Financial Statements continued

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 2021, the Company recognised a \$3.757 million revaluation increase to the total carrying value of Property, Plant and Equipment (all asset classes except land). This revaluation increase is principally due to an increase in silica sand volumes and certainty at Cape Flattery, partially offset by the impacts of COVID-19 on forecast revenue assumptions, primarily at Cairns.

Overall Sensitivity Analysis

An increase in the WACC rate of 1% (from 7.13% to 8.13%) decreases the carrying value of the assets by 19.6%. A decrease in the WACC rate of 1% (from 7.13% to 6.13%) increases the carrying value of the assets by 30.4%.

An increase in the operational income of 5% increases the carrying value of the assets by 18.9%. A decrease in the operational income of 5% decreases the carrying value of the assets by 18.9%.

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)	7.13%	A higher discount rate will reduce fair values
Annual CPI	2%	A higher CPI will reduce fair values
Annual Price Growth	0% to 5%	Higher prices will increase fair values
Annual Marina and Passenger Volume	0% to 20%	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 (FY2022 to FY2026) are based on the FY2022 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), particularly 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.
- 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%.

Notes to Financial Statements continued

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

Investment Property

Description	Fair Value at 30 June 2021 \$'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	522	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

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	2021 \$'000	2020 \$'000
Cash and cash equivalents	B1	4,046	5,062
Advances	B2	22,651	30,497
Receivables	B3	8,234	8,722
		<u>34,931</u>	<u>44,281</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.

	1 year or less \$'000	Payable in: 1-5 years \$'000	More than 5 years \$'000	Total \$'000
30 June 2021				
<i>Financial liabilities</i>				
Trade and other payables	8,729	-	-	8,729
	<u>8,729</u>	<u>-</u>	<u>-</u>	<u>8,729</u>
30 June 2020				
<i>Financial liabilities</i>				
Trade and other payables	8,476	-	-	8,476
	<u>8,476</u>	<u>-</u>	<u>-</u>	<u>8,476</u>

Notes to Financial Statements continued

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	2021 \$'000	2020 \$'000
Variable rate instruments			
Financial assets – Cash and cash equivalents	B1	4,046	5,062
Financial assets – Advances	B2	22,651	30,497
		<u>26,697</u>	<u>35,559</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.

C3 CONTINGENCIES

Ports North has no contingent assets and liabilities at 30 June 2021 (at 30 June 2020 nil).

Native Title Claims over Company Land

The Company is a respondent party to eight native title claims, namely the Kaurareg People #2 Claim; Kaurareg People #3 Claim and Northern Peninsula Sea Claim (Torres cluster of claims); and the Gimuy Walubara Yidinji People Claim; Yirrganydji (Irukandji) People #1 Claim; Yirrganydji (Irukandji) People #2 Claim and the People of Kamoj Claim (Cairns cluster of claims); and the Cape York United #1 Claim.

The Company has interests in the Cairns cluster of claims and those claims overlap each other to various extents. There are a number of connection/intra-indigenous issues and boundary issues affecting the claims which are currently being mediated between the respective claim groups and the State of Queensland (and other active respondent parties) under the supervision of the Federal Court. Until those issues are resolved, and any potential amended claims filed, the Cairns cluster of claims cannot actively progress towards consent determination. On the basis the issues relate to connection and the Company is not actively participating in connection issues, the Company will only need to monitor the Cairns cluster of claims at this stage.

With respect to the Torres cluster of claims, the Company has interests within these claim areas. Like the Cairns cluster of claims, the Torres cluster of claims also overlap each other to various extents. Following extensive mediation between the Applicant groups, including with respect to connection, overlap and intra-indigenous issues, the legal representatives for the Applicants advised that agreement in principle had been reached in relation to reconstituting the claims as a "Unified Claim". Given that the issues still relate to connection, including claim group descriptions and boundary descriptions, the Company is not actively involved in the Torres cluster of claims at this stage and is only monitoring the mediation outcomes.

Notes to Financial Statements continued

Section 3 - Notes About Risks and Other Accounting Uncertainties continued

C3 CONTINGENCIES continued

The Company has interests in the Cape York United #1 Claim, specifically in relation to two Report Areas. The first Area, the Thompson Report Area, is progressing in accordance with the Report Area timetable. It is anticipated that the Thompson Report Area (now renamed the Kuuku Ya'u and Uutaalnganu (Night Island) areas) will be listed for consent determination in November 2021. The second Report Area in which the Company has interests in has been in abeyance, however it is anticipated that a timetable to progress that Report Area towards consent determination will be developed by the end of 2021/early 2022.

C4 COMMITMENTS

	2021 \$'000	2020 \$'000
Capital commitments		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	2,103	3,827
Later than one year but not later than five years	1,358	-
	<u>3,461</u>	<u>3,827</u>
Breakdown:		
Within one year		
Cairns Shipping Development Project	683	3,717
Cairns Marine Precinct	326	-
General Cargo Consolidation	119	-
Horn Island Cargo Facilities Upgrade	975	110
	<u>2,103</u>	<u>3,827</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 2021 were:

Mr R Beer	Chair
Ms V Maruna	Director
Ms V Cuda	Director
Mr J Hogg	Director
Ms Julia Leu	Director (term commenced October 2020)
Mr Robin Giason	Director (term commenced October 2020)
Mr M Huelin	Director (term expired September 2020)
Ms T Straguszi	Director (term expired September 2020)

Executives with greatest authority

The names of executives with greatest authority during the year ended 30 June 2021 were:

Mr C Boland	Chief Executive Officer
Ms K Egerton	General Manager Corporate Services
Mr C Tabe	General Manager Finance
Mr S Reardon	General Manager Planning & Infrastructure (commenced October 2020)
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

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. Performance payments are paid to eligible staff, which include management level and executive staff.

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>
	\$	\$	\$	
2021	-	-	-	-
2020	171,230	16,267	1,933,969	10

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.

<i>Specified Directors</i>	<i>Short-term employee benefits</i>	<i>Post employment</i>	<i>Total</i>
Mr R Beer, Chair			
2021	53,504	5,083	58,587
2020	53,504	5,083	58,587
Ms V Maruna, Director			
2021	28,086	2,668	30,754
2020	28,086	2,668	30,754
Ms V Cuda, Director			
2021	28,086	2,668	30,754
2020	26,438	2,512	28,950
Mr J Hogg, Director			
2021	27,064	2,571	29,635
2020	25,750	2,446	28,196
Ms J Leu, Director			
2021	20,626	1,959	22,585
2020	-	-	-
Mr R Giason, Director			
2021	20,626	1,959	22,585
2020	-	-	-
Mr M Huelin, Director			
2021	6,875	653	7,528
2020	27,648	2,627	30,275
Ms T Straguszi, Director			
2021	6,876	653	7,529
2020	27,502	2,613	30,115
Total Remuneration			
2021	191,743	18,214	209,957
2020	188,928	17,948	206,876

Notes to Financial Statements continued

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					
2021	329,851	63,762	-	-	393,613
2020	317,634	65,707	45,333	-	428,674
General Manager Commercial					
2021	236,529	25,961	-	-	262,490
2020	227,769	25,000	-	-	252,769
General Manager Planning & Infrastructure ⁽¹⁾					
2021	159,667	15,747	-	-	175,414
2020	-	-	-	-	-
General Manager Planning & Infrastructure ⁽²⁾					
2021	-	-	-	-	-
2020	223,516	47,169	32,535	-	303,220
General Manager Corporate Services					
2021	226,254	44,179	-	-	270,433
2020	220,193	45,540	31,550	-	297,283
General Manager Finance					
2021	185,426	23,032	-	-	208,458
2020	179,308	23,595	22,857	-	225,760
General Manager Operations					
2021	175,719	20,995	-	-	196,714
2020	166,061	24,675	13,768	-	204,504
Total Remuneration					
2021	1,313,446	193,676	-	-	1,507,122
2020	1,334,481	231,686	146,043	-	1,712,210

(1) Commenced October 2020

(2) Departed June 2020

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

General Manager Operations

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

Other Transactions with Key Management Personnel

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

Notes to Financial Statements continued

Section 4 - Other Information continued

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 current reporting period were:

- the Honourable Cameron Dick MP – Treasurer and Minister for Investment; and
- the Honourable Mark Bailey MP – Minister for Transport and Main Roads

There was no income received, or due and receivable, by the shareholding Ministers 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	2021 \$'000	2020 \$'000
MacDonnells Law	Legal Fees - paid	216	280
	The Company used the legal services of MacDonnells Law, of which Russell Beer, an Independent Director appointed on 01 October 2015, is a former Director and Shareholder and now consultant. 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 2021 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	2021 \$'000	2020 \$'000
Queensland Treasury	Tax equivalents - paid	2,486	4,818
	Tax equivalents (refund)	(1,872)	-
	Rates equivalents - paid	281	276
	Dividends - paid	2,790	-
Queensland Treasury Corporation	Interest (received)	(202)	(874)
Department of Transport & Main Roads	Piloted Ship movements and other ancillary services (received)	(7,364)	(7,926)
	Services & Licences - paid	167	393
Office of State Revenue	Taxes - paid	5,599	646
Q Super	Superannuation contributions - paid	1,170	1,091
Ergon Energy	Electricity supply and ancillary services - paid	3,221	4,097
Other Queensland Government Departments	Property leases and other ancillary services (received)	(1,437)	(1,037)
	Audit and other fees - paid	272	314
Other Non-Departmental Queensland Government entities	Other Services - paid	59	58

Notes to Financial Statements continued

Section 4 - Other Information continued

D2 RELATED PARTY TRANSACTIONS continued

	2021 \$'000	2020 \$'000
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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.

Trade Receivables	62	265
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Outstanding balance arising from purchase of goods and services

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

Trade Payables	-	-
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D3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY

Accounting Standards Early Adopted for 2020-21

No Australian Accounting Standards have been early adopted for 2020-21.

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 2021 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.

Signed in accordance with a resolution of the Directors:

R Beer
Chairman

V Maruna
Deputy Chairperson

Dated at Cairns, 27th August, 2021

Independent Auditor's Report



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:

- gives a true and fair view of the company's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended
- 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 2021, 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 the audit of the financial statements. I addressed these matters in the context of the audit of the financial report as a whole and in forming our opinion. 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 per cent 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">forecasting operating revenueestimating future capital and operating costsdetermining of terminal valuesthe discount rate applied to future cashflows.	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none">Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices.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.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.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.Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.Challenging the reasonableness of key assumptions based on my knowledge of the entity and industry.Verifying the mathematical accuracy of net present value calculations.

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">Identifying the significant parts of assets that have different useful livesEstimating the remaining useful lives of those significant parts.	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none">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.Evaluating remaining useful life estimates for reasonableness with reference to historical disposal rates, condition assessments for older assets, internal consistency.

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 2021 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.

27 August 2021

Bhavik Deoji
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

