Ports North

ANNUAL REPORT 2010/2011

"Vital to the region's economic future"

Contents

This report communicates our activities and financial performance for the financial year ending 30 June 2011.

This Annual Report fulfils State Government requirements pursuant to section 50 of the *Government Owned Corporations Regulation 2004*.

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

"Sustainably developing and managing strategic infrastructure and land"

About Ports North

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

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.

The marine industry and the industries it supports provide approximately 20,000 jobs, equivalent to 15% of the region's workforce, and contribute in excess of $1.8 billion to the regional economy.

Vital to economic and regional development, marine industries provide 20,000 jobs and contribute in excess of $1.8 billion to regional economy.

Our ports handle bulk shipments of sugar, molasses, silica sand, zinc, fuel, fertiliser, livestock and general cargo.

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

Ports North has a range of strategic land holdings, including approximately 207 hectares of freehold and 801 hectares of leasehold Strategic Port Land and properties across its ports.

The shareholding Ministers are the Honourable Craig Wallace, Minister for Main Roads, Fisheries and Marine Infrastructure and the Honourable Rachel Nolan, Minister for Finance, Natural Resources and The Arts.

Year at a Glance

Financial Summary for the Year Ending 30 June 2011

	2011	2010
Continuing Operations	**$'000**	$'000
Operating Revenue	**35,733**	33,148
Operating Expenditure	**37,181**	25,213
EBIT	**(1,448)**	7,935
Net Profit (Loss)	**(1,121)**	5,633
Total Assets	**289,614**	297,165
Total Liabilities	**27,382**	35,741
Net Assets	**262,232**	261,424
Accounting Rate of Return	**-0.49%**	3.15%
Debt to Equity Ratio	**-**	-
Current Ratio	**6.22**	3.84

Queensland Design Award
Cairns Cruise Liner Terminal ~ Winner of the 'Don Roderick' Architectural Design Award - 2011 Institute of Architecture State Awards

Chairman & Chief Executive Officer Report

Chris Boland
Chief Executive Officer
Ken Chapman
Chairman

FY2011, the second year of operation of the expanded Port Corporation, clearly demonstrated the importance of Ports North to the economic and regional development of Far North Queensland.

While much of the region continues to be adversely impacted by global financial circumstances and the extreme weather events of December 2010 and January 2011, Ports North has played a vital role in driving regional growth, economic diversity and employment.

The ports of Far North Queensland, particularly the Port of Cairns, have always played a valuable role in the region's economy and development, but the past year has reinforced their role.

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

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

Most notably, this year saw the official opening of the new $13.6 million Cairns Cruise Liner Terminal. Already one of Australia's most attractive and busiest regional cruise destinations, the new terminal provides Cairns with a world-class cruise ship terminal and impressive gateway to Far North Queensland. The facility is also providing the city with a popular new function and event centre.

$13.6 million Cairns Cruise Liner Terminal providing world-class facilities for one of Australia's most attractive and busiest destinations

Recognising the growing opportunities and importance of the cruise industry, Ports North also commissioned the development of a Cruise Shipping Industry Strategy. The Strategy will examine opportunities to allow larger vessels to enter the Port of Cairns as well as future demand, the potential for home porting and future infrastructure needs.

The implementation and fast-tracking aspects of development of the Cairns Cityport Masterplan has also enabled Ports North to deliver significant benefits to the region.

Planning and early development work commenced on the Foreshore Redevelopment that will provide Cairns with a major new entertainment, tourism and leisure precinct to rival major city waterfront spaces and transform the city's waterfront.

The $23.3 million project is the largest investment in Cairns Central Business District and tourism industry in many years. Bringing forward the development will support jobs, investment and economic development in Cairns and the region.

The Cairns Marlin Marina and Reef Fleet Terminal remain vital infrastructure for the region's tourism industry, providing 214 berths for a variety of vessels and the gateway to the Great Barrier Reef for more than 665,000 passengers. Further improvements to the Marina are scheduled to commence next year with expressions of interest sought for design and construction works to add a new floating pontoon finger (Finger G) and further berthing capacity with the extension of Finger H.

Gateway to Great Barrier Reef for more than 665,000 passengers.

The ports trade performance remained steady with increases in general cargo, petroleum, liquid petroleum gas (LPG), zinc and lead offsetting lower sugar export volumes through Cairns and Mourilyan.

Ports North continued to progress trade development opportunities for the region throughout the year.

A key element in this strategy was commissioning a major investigation to explore shipping opportunities for the Port of Cairns to position the city as a regional trading hub for Papua New Guinea and the Asia Pacific Region. The investigation will explore the demands for shipping services; potential transport routes and networks; potential Port users and industries and infrastructure needs. This report is due to be released in the second half of 2011.

Demonstrating the strength of the opportunities in Papua New Guinea and the Asia Pacific, Silentworld Shipping has already announced it would commence a weekly shipping service between Cairns and Port Moresby in August 2011.

New shipping service between Cairns and Port Moresby.

The past year saw the opening of the Great Barrier Reef International Marine College providing an excellent facility and support for the maritime industry in the region.

Regional port activities also remain an important focus of the organisation and work on a new Development Plan for the Port of Mourilyan commenced in FY2011. The new Plan will examine long term development options, trade predictions, current and future public use, future berth needs, land transport requirements and environmental issues.

Despite the continuing impact of the global financial environment and the extreme weather effects in December 2010 and January 2011, Ports North business performance has remained strong and steady.

Our operating result for the financial year ended 30 June 2011 shows a net loss of $1.12 million. This compares to a net profit of $5.63 million after tax in the previous year. The net loss in FY2011 includes a one off impairment charge of $10.64 million associated with the Cairns Cruise Liner Terminal. The underlying performance of the company excluding this charge was a profit after tax of $9.52 million.

Ken Chapman
Chairman

Chris Boland
Chief Executive Officer

Our Achievements

- More than 665,000 passengers visit the Great Barrier Reef using the Reef Fleet Terminal.
- $13.6 million Cruise Liner Terminal opens and wins Queensland Architectural Heritage Design Award
- 35 international cruise ships visit Cairns bringing more than 44,000 passengers and crew to the area and adding $4.5 million to the local economy
- Great Barrier Reef International Marine College opens
- Cruise Shipping Industry Strategy commissioned
- $23.3 million redevelopment of Cityport foreshore commenced
- New weekly shipping service between Cairns and Port Moresby announced by Silentworld Shipping
- Papua New Guinea Shipping Study examining expanded trade opportunities commissioned
- Cairns Indigenous Arts Fair relocates to Cairns Cruise Liner Terminal
- Top accreditation of National Clean Marina Program awarded
- New Port Development Plan for the Port of Mouriylan commissioned
- Regional marina study commissioned
- Review of asset strategies for regional ports completed
- Major dredging program undertaken in Karumba

“Major employment and economic contributor to the region”

Our Ports

Port of Cairns

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

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

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

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

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

The Cairns Marlin Marina is a 214 berth marina accommodating a variety of cruising vessels, superyachts and reef vessel operations servicing the Great Barrier Reef.

The Reef Fleet Terminal provides the gateway to the Great Barrier Reef for more than 665,000 passengers that visit the reef from Cairns each year.

The Port of Cairns is home to Cityport; a major urban revitalisation project which delivers an attractive, innovative and safe waterfront precinct that combines world-class marine, tourism, commercial and residential components.

The Port is home to one of Australia's largest fishing fleet and offers extensive and experienced ship building and repair services with a number of slipways and dry docks, up to 3,000 tonne capacity, for a diverse range of ship maintenance requirements.

Port of Cape Flattery

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

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

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 Mourilyan

“Driving regional growth and economical diversity”

Port of Karumba

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

Other facilities in the port provide for general cargo, fuel, fisheries products and the export of live cattle. Karumba also acts as a transhipment port for Mornington Island and other Gulf communities. During periods of road closure freight is barged to Weipa from Karumba.

Port of Mourilyan

The Port of Mourilyan exports raw sugar and molasses from the Innisfail, Babinda, Tully and the Atherton Tableland sugar growing districts.

It comprises onshore sugar and molasses handling and storage facilities and a single sugar loader and associated wharf located within a sheltered natural harbour.

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

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 Skardon River

Skardon River was declared a port in February 2002 to export kaolin. To date, limited shipments of kaolin have been shipped via the port.

Port of Thursday Island

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

The Port’s strategic location means that a number of government agencies, including Customs and Fisheries patrols, are based in Thursday Island.

Ports of Cooktown and Burketown

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

Our Community and Stakeholders

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

During FY2011 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 supported a range of initiatives during FY2011 including:

Ports North supports and participates in community and business initiatives.

- Community and regional festivals and events
- Arts and cultural events
- Charity programs
- School environment and education awards
- Tourism awards and initiatives

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
- Tourism Tropical North Queensland
- Port Advisory Groups in Cairns, Mourilyan, Karumba and Thursday Island
- Port Security Committees
- Environmental Committees
- Super Yacht Group - Great Barrier Reef
- Cairns Chamber of Commerce Resource & Industrial Task Force

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 FY2011.

Flying the flag for the Clean Marina Accreditation are from left: Michael Barnett, Sandy Hapgood, Joey Canuto, Bronwyn Baker, Dave Burgess.

Our People

Ports North has a dedicated workforce of 63 employees spanning across a variety of professional, technical, trade and administrative roles. As a regional organisation we have employees based in Cairns, Mourilyan, Karumba and Thursday Island.

Positive and Productive Workplace

Ports North is seeking to continually improve the workplace and maintain a positive and productive culture which will allow us to attract, develop and retain motivated and capable people. In order for us to achieve this an Employee Survey was undertaken to help identify what is important to our people and how we can use this information to inform improvements within the organisation. Staff response rate to the survey was excellent and sets a good base for the organisation to build on in the future.

Safety Performance

Health and Safety is an area Ports North can celebrate as a strength with no lost time injuries occurring during FY2011. This reinforces our commitment to ensure facilities and services provided by Ports North are safe and secure for employees, customers and community.

Service Commitment

Ports North's commitment to service delivery has been recognised with the Cairns Marlin Marina being awarded Level 3 accreditation under the National Clean Marina's Program. This achievement is a credit to our staff, marina users and the community.

Our Environment

Environmental management is a key focus for Ports North and we are committed to achieving ecologically sustainable operation and development of our Ports. Our approach to environmental management focuses on both regulatory requirements and improving performance through the implementation of best practice environmental management measures and effective community and stakeholder consultation.

Permits and Licences received during FY2011 included:

- Cairns - Long Term Sea Dumping Permit and Long Term Management Plan
- Karumba - a one year Sea Dumping Permit was issued for the 2011 maintenance dredging campaign at the Port of Karumba.

Environmental Management System

The Environmental Management System (EMS) was maintained and high priority initiatives requiring implementation were completed. The underlying aim of the EMS is for continual improvement and continual lowering of environmental risk by analysing how we can undertake our work in a more environmentally responsible manner.

Environmental Monitoring Programs

Ports North continues to implement and maintain established monitoring programs that contribute to our understanding of the environment in which we operate. A summary of outcomes and performance of the programs are outlined on page 24.

“Committed to customers, staff, the community and economic future”

Artist impression of the $23.3 million Cityport Foreshore Redevelopment.

The Cairns Cruise Liner Terminal was selected as the venue when Prince William arrived in Cairns to thank the many volunteers who worked in the aftermath of Cyclone Yasi.

Photo courtesy of Brad Newton, Photographer.

“Critical to Queensland’s export performance, marine industry and tourism success”

The Corporation’s Vision To be a successful, sustainable Port operator and a valued contributor to regional economic growth.

The Corporation’s Mission To grow trade and tourism through the Ports and develop Port assets in a sustainable manner to benefit the region and maximise shareholder value.

The Corporation’s Values

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

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

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

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

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

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

Corporate Objectives

Identify and develop new trade and business opportunities and grow existing business that results in increased profitability/ sustainability without compromising current operations

Manage and develop Port property to maximise long term financial return to the company while contributing to sustainable regional development

Plan, develop and manage Port infrastructure and assets to improve Port efficiency and meet the needs of our customers on a sustainable basis.

Maintain a positive, productive and supportive relationship with stakeholders and community.

Be an employer of choice with a work environment that attracts, develops and retains motivated, capable people who can deliver on our objectives.

Operate a sustainable business that considers financial, environment and social impacts.

Maintain excellence in Corporate Governance with appropriate finance, risk, and corporate governance systems and culture.

Port of Cairns

Port of Cairns

Board of Directors and Corporate Governance

Corporate Governance

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

Shareholders

The Board of Directors is appointed by the Governor in Council and is accountable to The Honourable Craig Wallace, Minister for Main Roads, Fisheries and Marine Infrastructure and The Honourable Rachel Nolan, Minister for Finance, Natural Resources and The Arts for the performance of Ports North.

At 30 June 2011, all shares in Ports North were held by the Minister for Main Roads, Fisheries and Marine Infrastructure and the Minister for Finance, Natural Resources and The Arts on behalf of the Queensland Government. In accordance with the *Auditor General Act 2009* Ports North's, audits were 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 Statement of Corporate Intent and Corporate Plan 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.

"Successful business enterprise"

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 FNQPC's vision and corporate objectives
- evaluating and approving major capital expenditure and business transactions
- ensuring adequate systems exist to monitor:
    - o corporate compliance with legislation and relevant government guidelines and directives;
    - o corporate performance against plans and forecasts; and
    - o long term planning and risk management to ensure sustainable ongoing operations
- ensuring that shareholding Ministers are informed of FNQPC performance against the approved plans as well as material developments likely to impact on the achievement of financial and non financial targets
- appointing the Chief Executive Officer and clearly defining the roles and responsibilities of that position

"Responsible port and land use management"

- approving the appointment of other senior executives and managing succession for all senior positions
- 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

Ken Chapman

MB,BS FAICD FAIM AFRACMA JP

Chairman

Independent Director
Member, Audit and Risk Committee
Member, Human Resources Committee

Ken is the CEO of Skyrail-ITM and Executive Director of the Chapman Group of Companies and has experience as a Director, Chairman and President of a number of Boards and Associations including Chairman of the Far North Queensland Hospital Foundation and a Director of Amalgamated Holdings Limited.

Appointed July 2009

Current term:
1 July 2009– 30 September 2012

(Appointed Chairman from 1 July 2010)

Lorraine Brophy

B. Ec., Grad Dip Teach, Grad Dip Mgmt. FAICD

Deputy Chairperson

Independent Director
Chairperson, Human Resources Committee

Lorraine is the owner and manager of L & M Computer Services and has 14 years experience in the IT industry. Prior to this she was Regional Manager of the Federal Department of Transport and Regional Development for Far North Queensland and has extensive experience in the area of employment and vocational training. Past Board positions include Director of Cairns Region Group Training and L & M Brophy Pty Ltd.

Appointed July 1999

Current term:
1 July 2009 to 30 September 2011

Jodie Siganto

LLM (Syd), CISSP, GAICD

Independent Director

Member, Audit and Risk Committee

Jodie has over 16 years experience as a lawyer, including 3 years international "in-house" experience with global IT companies. Jodie is a Director of Bridge Point Communications, providing IT security and risk consultancy services, and Bridge Point Training (a related company).

Appointed July 2005

Current term:
1 July 2009 to 30 September 2012

Robert Macalister

BA(Hons), PGDip.Sc.,GAICD

Independent Director

Robert is Secretary and CEO of Gulf Savannah Development Incorporated and a Queensland Director for Business Enterprise Centres of Australia. Rob has served on a number of Boards and has diverse regional and international development experience.

Appointed July 2009

Current term:
1 July 2009 – 30 September 2012

John (Jack) Camp

Independent Director

Member, Human Resources Committee

Jack is Chairman of the Electrical Safety Board and has experience as a Director of a number of Boards including the Golden Casket Board. Jack has experience with Trade Union Councils and Executives, both State and National and is a member of the Electrical Trade Union.

Appointed July 2009

Current term:
1 July 2009 – 30 September 2011

Lesley Anderson

B.Comm (Hon), M.Ec (Hon), GAICD

Independent Director

Chairperson, Audit and Risk Committee

Lesley has 18 years experience in Queensland Treasury, including a decade as Insurance Commissioner for Queensland. Lesley is currently the Chairperson of the Audit Committee of the Office of State Revenue, Queensland and an employee of the Territory Insurance Office, Darwin.

Appointed July 2009

Current term:
1 July 2009 – 30 September 2012

Michael Huelin

GAICD

Independent Director

Michael has been a Partner at Williams Graham Carman, Solicitors since 1987. He practices exclusively in the areas of commercial and property law. Michael has been a Director of Advance Cairns since 2008.

Appointed July 2010

Current Term:
1 July 2010– 30 September 2013

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 used:

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

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

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

Board of Directors – professional advice

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

Board of Directors – structure and process

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

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

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

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

The effectiveness of the Board and each of the Board Committees is reviewed annually. The review process for the Board involves an assessment of progress against its principal responsibilities and the preparation of a formal Board Performance Report for consideration by the Board. A similar process has been implemented for each of the Board Committees. The Chairman meets annually with individual Directors to provide constructive feedback on individual's input and to provide a basis for discussion on skills and contribution. 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, and individual level) and performance is measured in achieving the agreed targets.

Risk Management & Compliance

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

The Audit and Risk Committee oversees the implementation of the Risk Management Policy and Risk Management Framework and a strong internal control environment to protect Ports North's interests. Safety and Environmental Management Systems, Financial Risk Policies, Fraud Control and Corruption Policies and Security and Emergency Plans also include structured risk assessments consistent with the Risk Management Framework.

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

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

Port of Cairns

Remuneration

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

Executive remuneration is approved by the Board in accordance with the *Government Owned Corporations Governance Arrangements for Chief and Senior Executives February 2009*.

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:

- strategic alignment which supports the achievement of business objectives
- reward superior performance
- remuneration is competitive within the market 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 staff in eligible positions for superior or outstanding performance. In addition, minimum corporate standards of financial performance will need to be met before any performance payments are made.

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

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

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

Chairperson Lesley Anderson

Members Ken Chapman
Jodie Siganto

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

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

- providing an open atmosphere of communication between firms contracted to perform the internal audit function, the Board of Directors and management
- reviewing FNQPC's annual financial statements
- reviewing Statement of Corporate Intent
- reviewing the adequacy and effectiveness of internal control procedures including the fraud control framework
- reviewing external audit plan and provision of input on areas of focus
- reviewing the appointment, annual evaluation, oversight and establishment of the charter for the internal auditor
- reviewing the resources, performance and scope of work of the internal audit function.
- reviewing the effectiveness of the internal and external audit processes
- reviewing changes in accounting policies and the effects of these changes
- reviewing with management, the external auditor or legal representatives, any significant issues that may materially affect the financial position or operating results
- reviewing the risk management processes and progress in implementing agreed risk management strategies
- reviewing compliance with legislative and statutory requirements and internal policies and procedures
- reviewing the ARC's charter and updating as required

Human Resources Committee

Chairperson Lorraine Brophy

Members Ken Chapman
Jack Camp

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

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

- reviewing and approving employee/industrial relations strategies, including the enterprise bargaining agreement
- guiding the planning and implementation of organisational development and change programs
- reviewing and approving remuneration strategy, policies and practices
- reviewing and approving senior executive recruitment and appointments
- liaising with State Government departments and agencies, as necessary, or refer matters to the board of FNQPC as appropriate
- considering any other human resource, or industrial relations matter that may be referred to the Committee by the Board
- conducting an annual performance and development review of the Chief Executive Officer

Meetings Attended FY2011

Directors	Board Meetings	Audit & Risk Committee Meetings	Human Resources Committee Meetings
	9 in total	*4 in total*	*5 in total*
K Chapman	9	4	5
L Brophy	8	-	5
J Siganto	9	4	-
L Anderson	7	4	-
J Camp	8	-	5
R Macalister	8	-	-
M Huelin	9	-	-

Summary of Directions and Notifications Received Under the *Government Owned Corporations Act 1993*

No directions or notifications were received under Section 114 or Section 115 of the *Government Owned Corporations Act* during the year.

Summary of Overseas Travel

Overseas travel undertaken by the Directors, Officers or Associates during the year:

May 2011

- Travel to Madang, Papua New Guinea by the General Manager Operations and the Business Development Manager to attend the 27th Papua New Guinea Australia Business Forum 2011. Ports North was invited to present a paper on Sustainable Relationships which was presented by the General Manager Operations. Both Managers also furthered business development opportunities.

Interests in Associated Companies

Ports North holds a 50% shareholding in Advance Cairns Limited which is involved in regional economic development and was incorporated in October 2001.

Senior Management Team

Chris Boland

Chief Executive Officer

Michael Colleton

General Manager Commercial

Insurance, Governance, Company Secretary, Commercial Business and Property

Kerry Egerton

General Manager Corporate Services

Human Resources, Safety, Information Systems, Procurement, Administration, Communications, Media, Community and Public Relations

Nick Good

Chief Financial Officer

Financial Management, Accounting, Risk Management

Michael Barnett

General Manager Operations

Port Operations, Security Management, Environmental Management, Trade Development

Alan Vico

General Manager Planning and Projects

Engineering, Capital Works, Major Projects and Surveying

Warren Olsen

Manager Assets

Asset Strategy and Maintenance, Dredging, Contract Management

From left to right:
Alan Vico, Michael Colleton, Warren Olsen, Chris Boland,Kerry Egerton, Michael Barnett and Nick Good.

Key Performance Indicators

General

The operating result after tax for the year ended 30 June 2011 was a loss of $1.12 million. This compares with a profit of $5.63 million in the prior year which was the first year of operation following the sale of Cairns Airport.

Earnings before interest and taxes for continuing operations, was a loss of $1.45 million for the year ended 30 June 2011 compared to a profit of $7.94 million in the prior year.

The above profit measures both show a loss because of the impact of a one off impairment charge of $10.64 million associated with Cairns Cruise Liner Terminal. Ports North's underlying business remains profitable.

Statement of Financial Position

Contributed Equity as at 30 June 2010 was $207.07 million compared to $205.07 million for the prior year. The increase was due to a $2.0 million equity injection from shareholders during the year.

Capital expenditure for the year ended 30 June 2011 was $7.87 million, compared to $8.26 million in the prior year.

Investment property value remained unchanged overall during the year, this reflects conditions in the Cairns property market.

Accumulated surplus reduced to $35.75 million at 30 June 2011.

Dividends

There is no provision for dividend included in the Statement of Financial Position as the Company made a loss for the year ended 30 June 2011. The prior year included a provision for dividend of $3.87 million.

Current Ratio

The current ratio at 30 June 2011 is 6.22 compared with 3.84 in the prior year. The recorded current ratio is traditionally diluted by the dividend provision, however as the company made a loss there is no dividend provision at 30 June 2011.

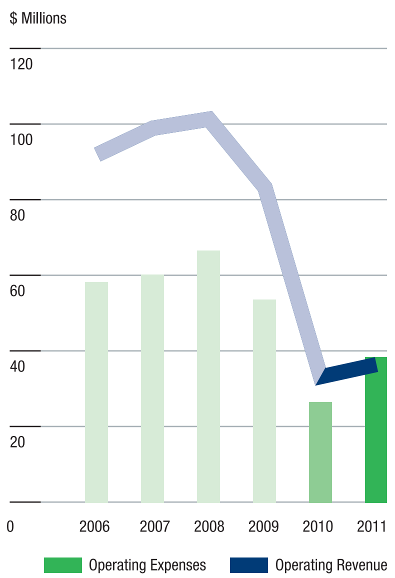
Debt to Equity Ratio

The Company had nil debt as at 30 June 2011.

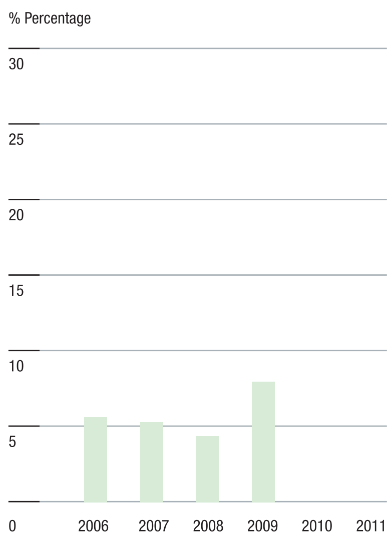
Interest Cover Ratio

There was nil interest expense incurred during the year.

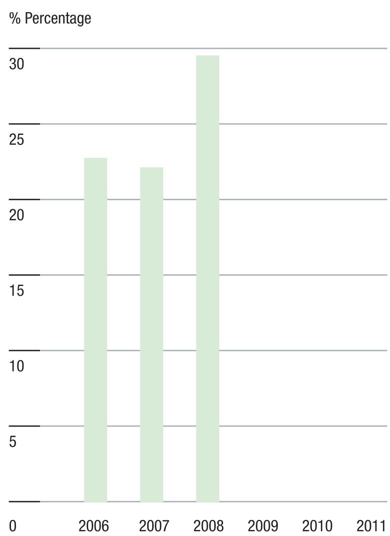
Operating Revenue & Expenditure



Interest Cover Ratio



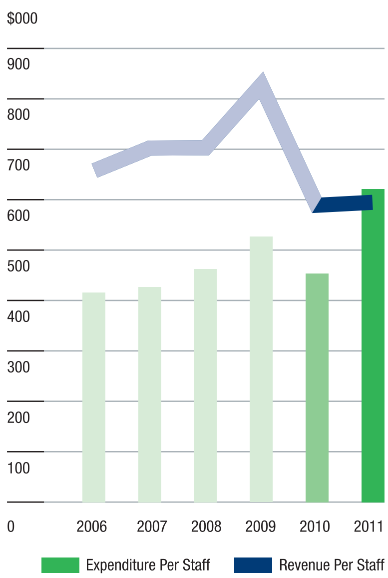
Debt Equity Ratio



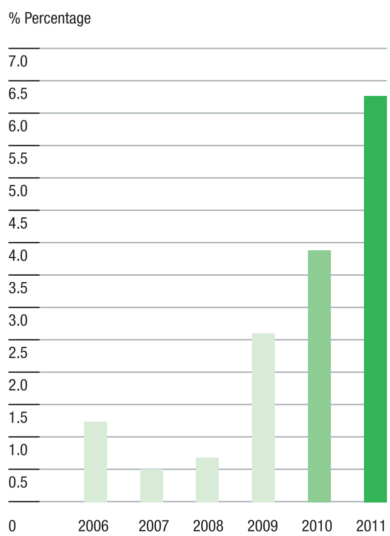
Note: Sale of Cairns Airport occurred in 2009.

Trinity Inlet

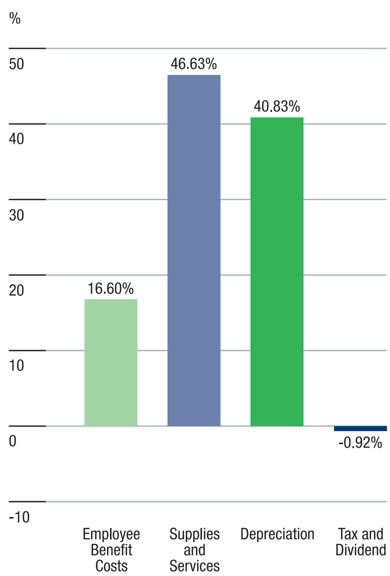
Revenue & Expenditure Per Staff



Current Ratio



Expense Allocation



Note: Sale of Cairns Airport occurred in 2009.

Port Results

Port of Thursday Island

Port of Cairns Results

Revenue from Cairns Port activities was $ 23.71 million for the year ended 30 June 2011 which represents a slight increase on the previous year. This reflected an increase in property related revenues.

Operating expenses were $30.33 million for the year ended 30 June 2011, this included a one off impairment charge of $10.64 million relating to the Cairns Cruise Liner Terminal.

Earnings before interest and taxes associated with Cairns Port operations were a loss of $6.62 million to the consolidated result. This included the $10.64 million impairment charge referred to above.

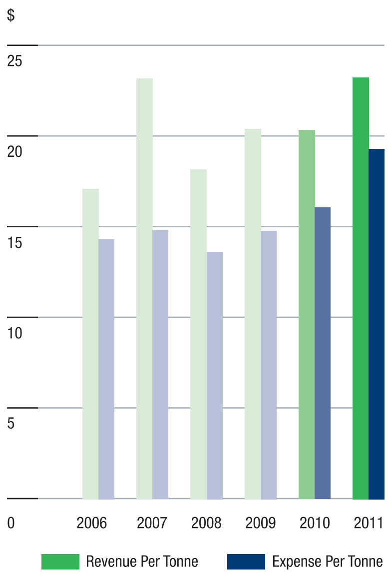
Regional Ports Results

Revenue from Regional Ports activities was $8.77 million for the year ended 30 June 2011. This was down on last year due to reduced income from dredging cost recovery at Karumba. Higher delivery in the previous year resulted in reduced activity in the 2010/11 financial year.

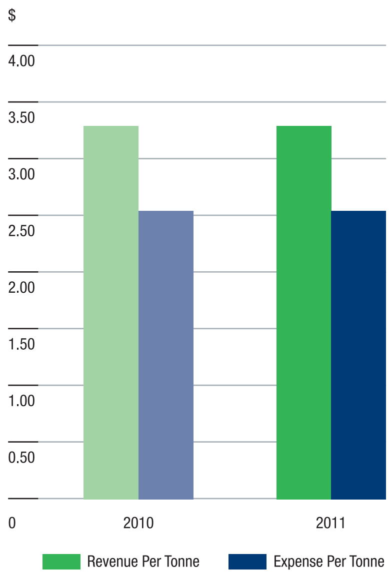
Operating expenditure of $5.67 million was similarly down due to lower costs associated with Karumba dredging.

Earnings before interest and taxes associated with Regional Ports operations contributed $3.10 million to the consolidated result.

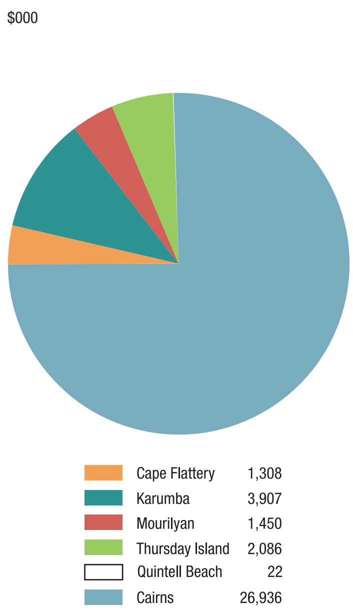
Port of Cairns Revenue & Expenditure Per Tonne



Regional Ports Revenue & Expenditure Per Tonne



Revenue By Port



Note: Sale of Cairns Airport occurred in 2009.

Port of Cairns Cargo Movements (Tonnes)

	EXPORTS					IMPORTS					
Year	Sugar	Molasses	Petroleum Products	Other	Total Exports	Petroleum Products	Fertiliser	LPG	Other	Total Imports	Total Cargo
FY2007	166,450	40,711	34,608	164,404	406,173	558,652	54,419	18,539	46,487	678,097	1,084,271
FY2008	289,123	44,412	26,439	180,846	540,820	546,887	41,354	18,719	43,964	650,924	1,191,744
FY2009	221,546	42,539	18,033	151,352	433,470	537,504	35,684	20,682	59,134	653,004	1,086,474
FY2010	297,115	41,411	13,359	133,280	485,166	499,335	65,776	20,572	35,566	621,249	1,106,415
FY2011	**197,024**	**50,036**	**7,334**	**142,952**	**397,346**	**528,146**	**26,173**	**16,893**	**56,729**	**627,941**	**1,025,287**
Average Annual Growth											
1 Year	-33.69%	20.83%	-45.10%	7.26%	-18.1%	5.77%	60.21%	-17.89%	59.50%	1.08%	-7.33%
5 years	-3.67%	-0.33%	-15.78%	-2.62%	-3.83%	-0.66%	-7.65%	-0.29%	7.34%	-0.60%	-1.99%

Regional Ports Cargo Movements (Tonnes)

	EXPORTS							IMPORTS		
Year	Sugar	Molasses	Lead/Zinc	Silica Sand	Livestock	Other	Total Exports	Other	Total Imports	Total Cargo
FY2010	465,500	50,942	636,000	1,730,060	10,131	11,081	2,903,714	72,065	72,065	2,975,779
FY2011	**435,868**	**70,080**	**949,495**	**2,026,120**	**8,233**	**18,288**	**3,508,084**	**66,190**	**66,190**	**3,574,274**

Port of Cairns Vessels Arrivals

		FY2011	FY2010	FY2009	FY2008	FY2007	FY2006
BULK TRADING VESSELS							
Petroleum		**38**	41	42	47	40	45
LPG		**18**	26	28	25	26	28
Sugar	- *Cairns*	**10**	12	9	12	7	10
	- *Mourilyan*	**13**	13				
Fertiliser		**7**	9	7	8	7	7
Molasses	- *Cairns*	**5**	5	5	6	4	5
	- *Mourilyan*	**10**	6				
Silica Sand		**39**	34				
Livestock	- *Karumba*	**10**	12				
	- *Mourilyan*	**2**	5				
Other		**-**	-	-	-	-	1
Sub Total Bulk		**152**	163	91	98	84	96
OTHER TRADING VESSELS							
General Cargo	- *Cairns*	**316**	211	164	251	254	231
	- *Regional Ports*	**739**	657				
Barges	- *Cairns*	**276**	205	290	330	236	279
	- *Regional Ports*	**420**	412				
Sub Total Trading		**1,751**	1,485	454	581	490	510
CRUISE VESSELS							
Cruise Vessels	- *International*	**35**	39	41	38	35	33
	- *Domestic*	**94**	97	105	161	204	202
Sub Total Cruise		**129**	136	146	199	239	235
OTHER VESSELS							
Fishing		**1,347**	1,368	1,713	1,766	1,961	1,979
Navy		**23**	21	27	67	58	65
Tugs and Slipping		**98**	87	77			
Sub Total Other		**1,468**	1,476	1,817	1,833	2,019	2,044
TOTAL		**3,500**	3,260	2,508	2,711	2,832	2,885

Environmental Monitoring Programs - Achievements

Initiative	Summary
General Environmental Monitoring	**Long Term Seagrass Monitoring** Reports were received from the Department of Employment, Economic Development and Innovation (DEEDI) and Fisheries Queensland – for the following surveys; October 2010 ~ Cairns Confirmed that the density and distribution of seagrass meadows within Trinity Bay had declined significantly due to regional climate variations and influence of the 2009 and 2010 wet seasons. November 2010 ~ Karumba Identified that seagrass meadows remained in a healthy and productive state. November 2010 ~ Mourilyan Confirmed the continuation of a significant decline in health of seagrass meadows at Mourilyan, with one small patch of seagrass remaining and in poor condition. Assessment of potential causes by DEEDI has indicated that broader catchment water quality issues as a potential factor, with no impacts from port operations or maintenance activities being implicated. **Sediment Quality Analysis Plan** Implementation of the final stages of the 2010, and commencement of the 2011 Sediment Analysis Plans at Cairns were enacted during the period, with sampling completed for a range of parameters. A general improvement in sediment quality was observed in both years when compared to historical records for our maintenance dredging areas and material was assessed as suitable for continuation of at sea disposal. **Trinity Inlet Water Quality** Routine water quality sampling at Ports North's facilities in Trinity Inlet continued on a quarterly frequency, with no significant water quality issues or results identified that required further investigation.
Pest Animals and Weeds	**Bio-Security** Our staff facilitated access by Australian Quarantine & Inspection Services (AQIS) and Bio-Security Queensland for surveillance programmes including those for Asian Honey Bee and Mosquitoes. Outcomes of these surveys were provided to port tenants by AQIS to assist in the management of risks associated with introduced species at the port. **Marine Pests** An established quarterly settlement plate system for detection of juvenile marine pests was maintained, and no marine pests were detected during the year. Similarly, marine pest species were not detected during implementation of the annual sediment analysis plan. **Weeds - Karumba** Our control program for regrowth Rubber Vine and Chinee Apple on 49 hectares of vacant port land at Karumba continued.
Waste and Recycling	Implementation of the Queensland State Government Recycling Policy for Buildings and Infrastructure was completed for the Cairns Cruise Liner Terminal and the Great Barrier Reef International Marine College projects, achieving significant diversion of resources from landfill. Improved recyclable reception facilities were installed at Cairns Marlin Marina to assist marina and reef fleet operators to improve management of waste. Waste oil collection facilities were maintained at our wharf and marina facilities at Cairns and the Regional Ports.

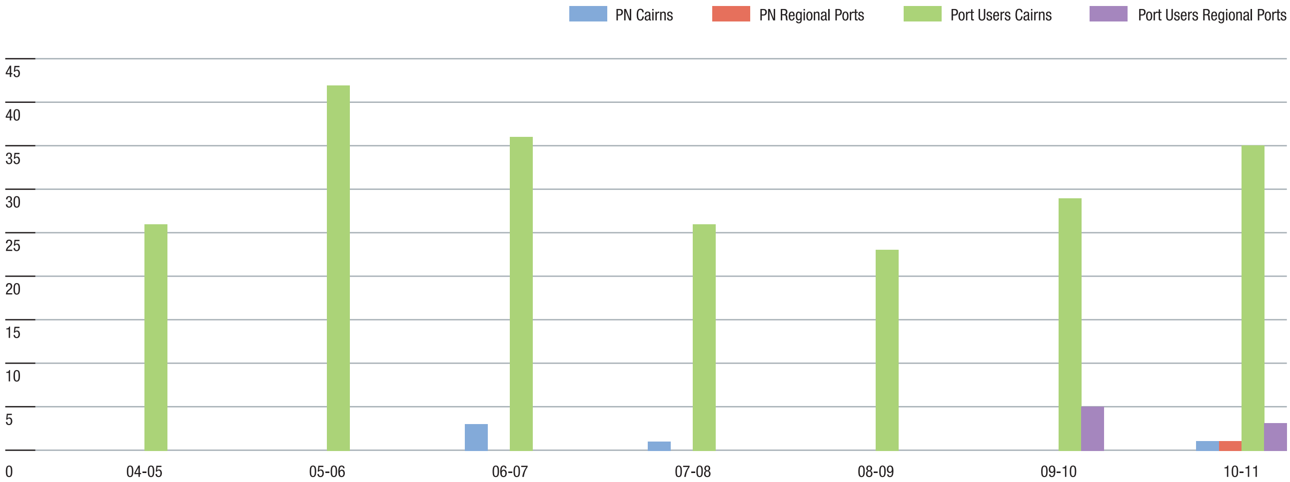
Environmental Incidents

A total of 40 environmental incidents were recorded on Strategic Port Land during FY2011.

2 were related to Ports North activities and 38 were attributed to operational spills or discharge due to tenants, contractors or customers using port facilities.

Total Environmental Incidents

(Ports North and Others on Strategic Port Land)



Horn Island

Summary of Statement of Corporate Intent 2010/2011

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

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

Strategies	Achievements
Understand market drivers and customer requirements to identify new trade and business opportunities. Grow existing trade and develop new business.	• Ports North is working with Chamber of Commerce and Advance Cairns to develop new shipping services to PNG. A new shipping service to PNG has been announced to commence in August 2011. • Ports North is working with Tourism Tropical North Queensland to target additional cruise shipping visits and home porting opportunities for Cairns. • Ports North has commenced the development of the Cruise Ship Industry Strategy. • Ports North has completed a review of potential mining developments that may result in exports from the Cairns and Mourilyan Ports.
Understand property market drivers and demand. Develop property plans and deliver strategy to maximize property value. Effectively manage property portfolio.	• Ports North continues to work closely with the Cairns Regional Council and provides inputs into the Cairns Entertainment Precinct Project. Ports North has issued draft legal documents for the leasing of the Entertainment Precinct to the Cairns Regional Council. • Construction of the Great Barrier Reef International Marine College is completed. Ports North was project managing this development under agreement with the Department of Education and Training (DET). • A feasibility study has been completed to assess potential for marina developments in regional ports of Karumba, Mourilyan, Cooktown and Thursday Island. • Draft Mourilyan Development Plan has been completed for stakeholder consultation.
Maintain port infrastructure in a safe and cost effective condition. Identify and develop strategic plans for future port developments to meet trade growth in a sustainable manner.	• Ports North is assessing asset conditions and examining more effective management approaches for the Regional Ports. • A full review of asset strategies has been completed for Thursday Island prior to committment to major concrete repair works. • Investigation of port infrastructure to meet PNG Shipping Service needs has been completed as part of the PNG Shipping Strategy. • Design of the Cityport foreshore works has progressed and the concept design finalised. • Mourilyan Development Plan finalised for stakeholder consultation. • Regional Marina Study has been completed. • Mourilyan Development Plan completed for public consultation.
Support investment in key infrastructure needed by the industry within the region. Deliver on port infrastructure projects.	• Cairns Cruise Liner Terminal development was completed within budget. • Great Barrier Reef International Marine College delivered on time and within budget. • Channel alignment in Karumba has been reviewed to target a lower dredging cost solution. A new channel alignment has been approved by the Regional Harbour Master and a new channel design approved by the environmental agencies. The annual Karumba dredging has been completed. • Marina expansion approvals in place.

Strategies	Achievements
Engage stakeholders and community on port operations and developments. Contribute to and support the communities in which the ports operate	• Relationships with key stakeholders are being developed in the Regional Ports through Port Advisory Group meetings and the engagement of local port stakeholders. Directors held Port inspections, stakeholder meetings and Board meetings in Innisfail, Karumba and Thursday Island. • Active participation in the Cairns Superyacht Cluster, Tourism Tropical North Queensland, Chamber of Commerce Resource & Mining Taskforce and Advance Cairns. • Effective working relationship with the Cairns Regional Council, including involvement in the Cairns Central Business District Steering Committee and ongoing consultation relating to planning issues impacting the Port. • Sponsorship program in place. • High quality website with regular updates is in place. • Communications Strategy in place with proactive media releases and events.
Attract, develop and retain motivated employees	• Human Resource Management Plan developed and progressively implemented. Ports North's Enterprise Agreement in place and operating effectively. • Negotiations for the new Enterprise Agreement have progressed with target completion prior to the end of July 2011. • Ports North's Staff Performance and Development Reviews completed for all staff. • Effective Safety Management System operational.
Implement strategies that support sustainable port operations and development. Identify and implement initiatives that promote excellence within environmental management.	• The Environmental Management Systems for the Regional Ports and Port of Cairns are being progressively integrated and reflected in other business systems. • Sustainability initiatives incorporated into all new design developments.
Establish best practice Corporate Governance System. Maintain robust business and financial management and reporting system. Maintain effective risk management.	• Ports North's Risk Management Framework is in place and operational. • Consistent with the Risk Management Framework the Board receives quarterly updates outlining the status of the Risk Management System and an update of the key strategic risks. • A full review of Ports North's risk management system has been completed and key strategic risks have been adopted by the Board. • Emergency Management Plans are in place with an exercise program implemented. • Effective security plans are in place with an exercise and audit program. • A review of the Ports North Policy Framework has been completed, with revised Policy review and communication and education strategies implemented. • A review of the Corporate Governance Framework has been completed, including updated Board Charter to reflect current corporate governance guidelines, and Board and Director development and evaluation. • Finance Management Practice Framework is in place, with monthly review of financial performance by the Board. Variances and emerging issues identified and actioned. • Business Plans are in place and financial reporting processes have been developed to reflect the expanded Port responsibility.


Port of Cape Flattery

ANNUAL DIRECTORS' REPORT AND FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

CONTENTS

PURPOSE AND SCOPE

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

These financial statements of the Company as at and for the year ended 30 June 2011 provide information relating to the financial position as at 30 June 2011 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, the Minister for Main Roads, Fisheries and Marine Infrastructure and the Minister for Finance, Natural Resources and the Arts
  - 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.

Amount shown in these financial statements may not add to the correct subtotals for totals due to rounding.

PRINCIPAL PLACE OF BUSINESS

Corner of Grafton and Hartley Streets
Cairns, Queensland, Australia

PO Box 594
Cairns, Queensland, 4870

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011

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 2011 and the auditor's report thereon.

DIRECTORS

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

Name and qualifications	Experience and special responsibilities
Ken Chapman MB, BS FAICD FAIM AFRACMA JP *Chairman* Independent Director Member, Audit and Risk Committee Member, Human Resources Committee	Ken is the CEO of Skyrail-ITM and Executive Director of the Chapman Group of Companies and has experience as a Director, Chairman and President of a number of Boards and Associations including Chairman of the Far North Queensland Hospital Foundation and a Director of Amalgamated Holdings Limited. Appointed July 2009 Current term: 1 July 2009 – 30 September 2012 (Appointed Chairman from 1 July 2010)
Jodie Siganto LLM (Syd), CISSP, GAICD *Independent Director* Member, Audit and Risk Committee	Jodie has over 16 years experience as a lawyer, including 3 years international "in-house" experience with global IT companies. Jodie is a Director of Bridge Point Communications, providing IT security and risk consultancy services, and Bridge Point Training (a related company). Appointed July 2005 Current term: 30 September 2007 to 30 September 2012
Lorraine Brophy B. Ec., Grad Dip Teach, Grad Dip Mgmt. FAICD *Independent Director* Chairperson, Human Resources Committee	Lorraine is the owner and manager of L & M Computer Services and has 14 years experience in the IT industry. Prior to this she was Regional Manager of the Federal Department of Transport and Regional Development for Far North Queensland and has extensive experience in the area of employment and vocational training. Past Board positions include Director of Cairns Region Group Training and L & M Brophy Pty Ltd. Appointed July 1999 Current term: 1 July 2008 to 30 September 2011
Robert Macalister BA (Hons), PGDip.Sc., GAICD *Independent Director*	Robert is Secretary and CEO of Gulf Savannah Development Incorporated and a Queensland Director for Business Enterprise Centres of Australia. Rob has served on a number of Boards and has diverse regional and international development experience. Appointed July 2009 Current term: 1 July 2009 – 30 September 2012
John (Jack) Camp *Independent Director* Member, Human Resources Committee	Jack is Chairman of the Electrical Safety Board and has experience as a Director of a number of Boards including the Golden Casket Board. Jack has experience with Trade Union Councils and Executives, both State and National and is a member of the Electrical Trade Union. Appointed July 2009 Current term: 1 July 2009 – 30 September 2011
Lesley Anderson B.Comm (Hon); M. Ec (Hon); GAICD *Independent Director* Chairperson, Audit and Risk Committee	Lesley has 18 years experience in Queensland Treasury, including a decade as Insurance Commissioner for Queensland. Lesley is currently the Chairperson of the Audit Committee of the Office of State Revenue, Queensland and an employee of the Territory Insurance Office, Darwin. Appointed July 2009 Current term: 1 July 2009 – 30 September 2012
Michael Huelin GAICD *Independent Director*	Michael has been a Partner at Williams Graham Carman, Solicitors since 1987. He practices exclusively in the areas of commercial and property law. Michael has been a Director of Advance Cairns since 2008. Appointed July 2010 Current term: 1 July 2010 – 30 September 2013

COMPANY SECRETARY

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

Chris Boland BE (Hon), GAICD

Chris has over 26 years of experience in engineering and port management. Chris is currently Chief Executive Officer of Ports North, having previously held the position of General Manager of the Seaport business unit for 7 years.

Michael Colleton BCom CPA

Michael has over 21 years experience in finance and commercial roles in the government sector. Michael is currently General Manager Commercial of Ports North, having held several management roles with the Ports North organisation for 11 years.

DIRECTORS' MEETINGS

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

Directors	Board Meetings	Audit & Risk Committee Meetings	Human Resource Committee Meetings
Meetings held during the year	9	4	5
Mr K Chapman	9	4	5
Ms LF Brophy	8	-	5
Ms J Siganto	9	4	-
Ms L Anderson	7	4	-
Mr J Camp	8	-	5
Mr R Macalister	8	-	-
Mr M Huelin	9	-	-

PRINCIPAL ACTIVITIES

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

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

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

OPERATING AND FINANCIAL REVIEW

The Company's net loss for the year after income tax was $1.121 million. This compares to a net profit of $5.633 million in the previous financial year.

DIVIDENDS

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

	2011 $'000	2010 $'000
Paid from prior years profits	3,872	-
Dividends Declared	-	3,872

EVENTS SUBSEQUENT TO REPORTING DATE

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

LIKELY DEVELOPMENTS

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

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

ENVIRONMENTAL REGULATION

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

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

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

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

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

Compliance with the requirements of environmental regulations and specific requirements of site environmental licences was substantially achieved across all operations with no instances of non-compliance in relation to licence requirements noted.

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 $134,365.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 34 and forms part of the directors' report for the financial year ended 30 June 2011.

ROUNDING OFF

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

This report is made with a resolution of the directors:

Chairman

Dated at Cairns this 26th day of August 2011

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF FAR NORTH QUEENSLAND PORTS CORPORATION LIMITED

To the Directors of Far North Queensland Ports Corporation Limited.

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

Independence Declaration

As lead auditor for the audit of Far North Queensland Ports Corporation Limited for the year ended 30 June 2011, 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.

J. ZABALA FCA

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

26 August 2011

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Company 2011 $'000	2010 $'000
INCOME FROM CONTINUING OPERATIONS			
Revenue			
Rentals and leases		8,573	7,822
Charges for use of facilities		11,537	10,587
Charges for services		12,261	12,835
Grants and other contributions	2(a)	-	255
Finance Income	2(b)	2,989	608
Other revenue	2(c)	348	441
Gain on sale of property plant and equipment	2(i)	25	-
		35,733	32,548
Gains			
Fair value adjustment to investment property	10	-	600
Total Income from Continuing Operations		35,733	33,148
EXPENSES FROM CONTINUING OPERATIONS			
Expenses			
Supplies and services	2(d)	16,662	15,911
Employee expenses	2(e)	5,931	5,366
Depreciation	9	3,900	3,889
Loss on sale of property plant and equipment	2(i)	-	6
Impairment losses	2(f)	10,688	41
Total Expenses from Continuing Operations		37,181	25,213
Operating Result from Continuing Operations before Income tax (equivalent) expense		(1,448)	7,935
Income tax equivalent expense/(benefit)	3	(327)	2,302
Operating Result for the year		(1,121)	5,633
Other Comprehensive Income			
Increase/(decrease) in asset revaluation surplus	25	102	24
Other deferred tax adjustments		(31)	(7)
Other Comprehensive Income for the period, net of income tax		71	17
Total Comprehensive Income for the year		(1,050)	5,650

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Company 2011 $'000	Company 2010 $'000
Assets			
Cash and cash equivalents	5	58,292	59,344
Trade and other receivables	6	5,647	5,227
Current tax asset	11(a)	-	474
Inventories	7	47	26
Other	8	239	181
Total current assets		64,225	65,252
Property, plant and equipment	9	92,024	98,887
Investment property	10	133,365	133,026
Total non-current assets		225,389	231,913
Total assets		289,614	297,165
Liabilities			
Trade and other payables	12	5,384	9,632
Current tax liabilities		921	-
Provisions	13	2,221	5,810
Other	14	1,803	1,568
Total current liabilities		10,329	17,010
Deferred tax liabilities	11(b)	16,843	18,477
Provisions	13	210	254
Total non-current liabilities		17,053	18,731
Total liabilities		27,382	35,741
Net assets		262,232	261,424
Equity			
Contributed equity	15	207,073	205,073
Asset Revaluation Surplus	25	19,413	19,484
Accumulated Surplus		35,746	36,867
Total equity		262,232	261,424

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Contributed Equity $'000	Asset Revaluation $'000	Accumulated Surplus $'000	Total $'000
Balance at 1 July 2010		205,073	19,484	36,867	261,424
Operating Result from Continuing Operations		-	-	(1,121)	(1,121)
Total Other Comprehensive Income		-	(71)	-	(71)
Transactions with owners, recorded directly in equity					
Equity injection	15	2,000	-	-	2,000
Dividends		-	-	-	-
Balance at 30 June 2011		**207,073**	**19,413**	**35,746**	**262,232**

	Note	Contributed Equity $'000	Asset Revaluation $'000	Accumulated Surplus $'000	Total $'000
Balance at 1 July 2009		132,010	19,501	35,106	186,617
Operating Result from Continuing Operations		-	-	5,633	5,633
Total Other Comprehensive Income		-	(17)	-	(17)
Transactions with owners, recorded directly in equity					
Equity injection	15	73,063	-	-	73,063
Dividends	4	-	-	(3,872)	(3,872)
Balance at 30 June 2010		205,073	19,484	36,867	261,424

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Company 2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		38,489	30,919
Payments to suppliers and employees		(31,827)	(16,705)
Interest received		3,015	530
GST received from customers		3,347	3,112
GST paid to suppliers		(4,144)	(1,861)
GST received from Australian Tax Office		4,020	1,759
GST paid to Australian Tax Office		(3,249)	(3,186)
Income Tax (equivalent) received		119	2,625
Net cash provided by (used in) operating activities	23	9,770	17,193
Cash flows from investing activities			
Sales of property, plant and equipment and investment property		69	178
Payments for property, plant and equipment and investment property		(9,019)	(7,917)
Net cash provided by (used in) investing activities		(8,950)	(7,739)
Cash flows from financing activities			
Equity injections		2,000	40,826
Dividends paid		(3,872)	-
Net cash provided by (used in) financing activities		(1,872)	40,826
Net increase/(decrease) in cash		(1,052)	50,280
Cash and cash equivalents at the beginning of the financial year		59,344	9,064
Cash and cash equivalents at the end of the financial year	5	58,292	59,344

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), other authoritative pronouncements of the *Australian Accounting Standards Board and the Corporations Act 2001* and *Government Owned Corporations Act 1993 (GOC Act)* (including amendments).

The Company has complied with the requirements of accountability and financial reporting framework set out under the *Corporations Act 2001*.

The Company had no subsidiaries during the year.

With respect to compliance with Australian Accounting Standards and Interpretations, Ports North has applied those requirements applicable to Government Owned Corporations, as Ports North is a Government Owned Corporation. Except where stated, the historical cost convention is used.

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

(ii) Basis of measurement

The financial report has been prepared on the historical cost basis except for the following:

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

(iii) Functional and presentation currency

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

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

(iv) Use of estimates and judgements

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

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

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

Note 10 – valuation of investment property

Note 13 – provision for long service leave

(v) Changes in accounting policies

The company did not voluntarily change any of its accounting policies during 2010-11.

(b) Revenue recognition

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

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

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

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

All revenue is stated net of goods and services tax.

(c) Government Grants

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

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

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

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

Leased assets

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

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

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

(e) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

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

(f) Income tax (equivalent)

Ports North is exempt from income tax. However, pursuant to Section 155 of the *Government Owned Corporations Act 1993*, Ports North is liable for income tax equivalents.

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

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

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

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

(g) Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

Recognition

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

Classification

Financial instruments comprise of the following:

- Cash and cash equivalents
- Receivables – held at amortised cost
- Payables – held at amortised cost

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

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

(i) Acquisitions of Assets

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

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

(j) Property, plant and equipment

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

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.

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

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

Buildings	40 years
Wharves, harbours and facilities	15 - 60 years
Channels and swing basins	20 - 40 years
Access roads and car parks	15 - 60 years
Plant and equipment - infrastructure	10 - 40 years
Plant and equipment - other	0.5 - 25 years
Other	35 years

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of 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 retained profits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investment property

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

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

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

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

(l) Inventories

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

(m) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June. Increases in the provision for impairment are based on loss events as disclosed in notes 6 and 16.

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

(n) Impairment

(i) Financial assets

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

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

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

(ii) Non-financial assets

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

(o) Impairment of Non-current Assets

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short-term employee benefits

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

(ii) Long-term employee benefits

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

(iii) Termination benefits

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

(q) Provisions

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

(r) Payables

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

(s) Goods and Services Tax

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

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

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

(t) Superannuation arrangements

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

(u) Comparatives

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

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

- AASB 2010-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2013 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 124 Related Party Disclosures (revised 2009) amends the definition of a related party. The IASB made the definition symmetrical to ensure that if one entity is identified as a related party in another entity's financial statements, then the other entity also will be a related party in the first entity's financial statements. The revised standard will become mandatory for the Company's 30 June 2012 financial statements and is not expected to have a significant impact on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations not yet adopted continued

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023, & 1038 and Interpretations 10 & 12) become effective from reporting periods beginning on or after 1 January 2013 published on 7 December 2009, is part of phase I of the IASB's comprehensive project to replace AASB 139. It deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements of AASB 139 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised costs and fair value. The standard eliminates the existing AASB 139 categories of held to maturity, available for sale and loans and receivables. The standard will become mandatory for the Company's 30 June 2014 financial statements. The Company has not evaluated the potential effect of this standard. Given the nature of the Company's operations, this standard is not expected to have a significant impact on the Company's financial statements.
- AASB 112 Income Taxes and AASB 1020-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets arising from AASB 112 and AASB 140 become effective from reporting periods beginning on or after 1 January 2012 published on 10 December 2010 is part of IASB's comprehensive project to amend AASB 112. It deals with measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property. Under AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The company does not plan to adopt this standard early and the extent of the impact has not been determined. The standard will become mandatory for the Company's 30 June 2013 financial statements.
- AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets arising from AASB 1 and AASB 7 become effective from reporting periods beginning on or after 1 July 2011 published on 10 November 2010. It deals with the additional disclosure requirements in relation to transfers of financial assets, including the nature of the financial assets involved and the risks associated with them. The standard requires such disclosure to enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in derecognised financial assets.This standard will become mandatory for the Company's 30 June 2012 financial statements. The Company has not evaluated the potential effect of this standard. Given the nature of the Company's operations, this standard is not expected to have a significant impact on the Company's financial statements.

		Company	
		2011	2010
	Note	$'000	$'000

NOTE 2 PROFIT FROM CONTINUING ACTIVITIES

Operating result before income tax includes the following specific items:

Revenue

	Note	2011 $'000	2010 $'000
(a) Grant and other contributions			
Grants		-	255
(b) Finance income			
Interest received		2,989	608
(c) Other Income			
Insurance proceeds		101	27
Sundry income		247	414
		348	441

Expenses

	Note	2011 $'000	2010 $'000
(d) Supplies and Services			
Consultants and Contractors		6,844	7,961
Supplies and Consumables		3,432	3,183
Electricity		3,625	3,088
Rates, Utilities and Land Tax		2,761	1,679
		16,662	15,911

NOTE 2 PROFIT FROM CONTINUING ACTIVITIES (CONTINUED)

	Note	Company 2011 $'000	Company 2010 $'000
(e) Employee Expenses			
Wages and Salaries		4,171	3,872
Directors Fees		149	152
Wage and Salary On-Costs		1,425	1,148
Other employee costs and benefits		156	194
		5,931	5,366
(f) Impairment losses			
Buildings		5,364	-
Wharves, harbours and facilities		604	-
Channels and swing basins		-	-
Access roads and carparks		1,577	-
Plant and equipment – infrastructure		3,143	-
Work in progress		-	41
		10,688	41
(g) Auditors remuneration included in supplies and services			
Queensland Audit Office		51	50
Remuneration for audit of the financial statements		51	50
(h) Depreciation			
Buildings		192	192
Wharves, harbours and facilities		1,135	1,131
Channels and swing basins		1,223	1,223
Access roads and carparks		378	318
Plant and equipment – infrastructure		469	485
Plant and equipment – other		478	521
Other		25	19
		3,900	3,889
(i) Gain/(Loss) on sale of property plant and equipment			
Proceeds on sale of property plant and equipment		69	178
Carrying value of property plant and equipment sold		(144)	(222)
Asset Revaluation Surplus attributable to sale of property plant and equipment		102	38
		25	(6)

		Company	
		2011	2010
	Note	$'000	$'000
NOTE 3 INCOME TAX			
(a) Income tax expense			
Current tax		1,313	(116)
Deferred tax		(1,634)	2,418
Under/(over) provision in prior years		(6)	-
		(327)	2,302
Deferred income tax expense / (revenue) included in income tax expense comprises:			
Decrease / (increase) in deferred tax assets	11	880	(1,526)
Increase / (decrease) in deferred tax liabilities		(2,514)	3,944
		(1,634)	2,418
Income tax from continuing operations		(327)	2,302
(b) Numerical reconciliation of income tax expense to prima facie income tax payable			
Profit from continuing operations before income tax expense		(1,448)	7,935
Tax at the Australian tax rate of 30% (2010: 30%)		(434)	2,380
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:			
Impairment		237	12
Entertainment		6	5
Depreciation adjustments		(108)	16
Investment allowance		-	(6)
Sundry items		(22)	11
Research & Development Refund		-	(116)
Under/(over) provision in prior years		(6)	-
Income tax expense		(327)	2,302
(c) Income tax expense recognised directly in equity			
Revaluation of property, plant and equipment	25	31	7
NOTE 4 DIVIDENDS			
Dividend provided for in respect of the year ended 30 June 2011		-	-
Dividend paid in respect of the year ended 30 June 2010		-	3,872
		-	3,872
NOTE 5 CASH AND CASH EQUIVALENTS			
Cash at bank and in hand		2,384	1,608
Deposits at call		55,908	57,736
		58,292	59,344
NOTE 6 TRADE AND OTHER RECEIVABLES			
Trade receivables		5,269	3,428
Provision for impaired receivables		(511)	(50)
		4,758	3,378
Other receivables		889	1,849
		5,647	5,227
Movements in the allowance of provision for impairment			
Balance at the beginning of the year		50	50
Impairment loss recognised/(reversed)		461	-
Balance at the end of the year		511	50

During the year, an impairment loss was recognised in relation to unrecoverable charges. The Company's provision for impairment represents approximately 9.7% of trade receivables (2010: 1.4%).

	Company 2011 $'000	Company 2010 $'000
NOTE 7 INVENTORIES		
Consumables and spare parts	47	26
NOTE 8 OTHER ASSETS		
Current		
Prepayments	239	181
NOTE 9 PROPERTY, PLANT AND EQUIPMENT		
Freehold land		
At valuation	25,105	25,105
Buildings		
At valuation	18,795	14,094
Accumulated depreciation	(6,398)	(6,576)
Accumulated impairment	(9,504)	(4,370)
Carrying amount	2,893	3,148
Wharves, harbours and facilities		
At valuation	170,459	169,876
Accumulated depreciation	(75,285)	(74,150)
Accumulated impairment	(69,515)	(68,911)
Carrying amount	25,659	26,815
Channels and swing basins		
At valuation	51,792	51,792
Accumulated depreciation	(15,919)	(14,696)
Accumulated impairment	(15,060)	(15,060)
Carrying amount	20,813	22,036
Access roads and carparks		
At valuation	35,426	33,311
Accumulated depreciation	(5,155)	(4,801)
Accumulated impairment	(22,830)	(21,272)
Carrying amount	7,441	7,238
Plant and equipment – infrastructure		
At valuation	30,420	28,379
Accumulated depreciation	(13,002)	(13,298)
Accumulated impairment	(14,402)	(11,599)
Carrying amount	3,016	3,482
Plant and equipment – other		
At valuation	8,754	8,300
Accumulated depreciation	(6,362)	(6,170)
Accumulated impairment	(32)	(32)
Carrying amount	2,360	2,098
Other		
At cost	1,644	1,234
Accumulated depreciation	(101)	(72)
Carrying amount	1,543	1,162
Work in progress		
At cost	3,358	8,011
Accumulated impairment	(164)	(208)
	3,194	7,803
Total property, plant and equipment	92,024	98,887

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

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

2011	Opening balance $'000	Contribution by owners $'000	Additions $'000	Disposals $'000	Revaluations $'000	Depreciation $'000	Impairment $'000	Transfers $'000	Closing balance $'000
Freehold land	25,105	-	-	-	-	-	-	-	25,105
Buildings	3,148	-	2,533	(56)	-	(192)	(5,364)	2,824	2,893
Wharves, harbours and facilities	26,815	-	263	-	-	(1,135)	(604)	320	25,659
Channels and swing basins	22,036	-	-	-	-	(1,223)	-	-	20,813
Access roads and carparks	7,238	-	1,086	(2)	-	(378)	(1,577)	1,074	7,440
Plant & Equipment – Infrastructure	3,482	-	1,503	(11)	-	(469)	(3,143)	1,654	3,016
Plant & Equipment – Other	2,098	-	542	(75)	-	(478)	-	273	2,360
Other	1,162	-	242	-	-	(25)	-	164	1,543
Work in progress	7,803	-	1,700	-	-	-	-	(6,309)	3,194
	98,887	-	7,869	(144)	-	(3,900)	(10,688)	-	92,024

2010	Opening balance $'000	Contribution by owners $'000	Additions $'000	Disposals $'000	Revaluations $'000	Depreciation $'000	Impairment $'000	Transfers $'000	Closing balance $'000
Freehold land	15,770	12,168	-	-	-	-	-	(2,833)	25,105
Buildings	1,933	1,329	68	(17)	-	(192)	-	27	3,148
Wharves, harbours and facilities	20,021	7,835	-	-	-	(1,131)	-	90	26,815
Channels and swing basins	10,235	13,024	-	-	-	(1,223)	-		22,036
Access roads and carparks	6,429	200	-	(1)	-	(318)	-	928	7,238
Plant & Equipment – Infrastructure	2,991	864	7	(19)	-	(485)	-	124	3,482
Plant & Equipment – Other	2,132	143	503	(159)	-	(521)	-	-	2,098
Other	760	2	419	-	-	(19)	-	-	1,162
Work in progress	1,823	212	7,258	(93)	-	-	(41)	(1,356)	7,803
Transfer to investment property	-	-	-	-	-	-	-	3,020	-
	62,094	35,777	8,255	(289)	-	(3,889)	(41)	-	98,887

Valuation of property, plant and equipment

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

Land

On 30 June 2009, land held by the company were valued by independent valuer Rushton AssetVal. The fair value of land is based on current market value.

At 30 June 2011 the directors reviewed the key assumptions made by the valuers at 30 June 2009 along with additions and disposals since that valuation. They have concluded, with reference to an assessment made by Herron Todd White, Approved Valuers, that these assumptions remain materially unchanged, and are satisfied that the carrying value does not exceed the fair value amount at 30 June 2011.

Buildings

On 30 June 2009, buildings held by the company were valued by independent valuer Rushton AssetVal. The fair value of buildings is based on their depreciated replacement cost.

At 30 June 2011 the directors reviewed the key assumptions made by the valuers at 30 June 2009 along with additions and disposals since that valuation. They have concluded, with reference to an assessment made by Herron Todd White, Approved Valuers, that these assumptions remain materially unchanged, and are satisfied that the carrying value does not exceed the fair value amount at 30 June 2011.

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

On 30 June 2009, the above infrastructure classes held by the company were valued by independent valuer Rushton AssetVal. The fair value of infrastructure is based on their depreciated replacement cost.

At 30 June 2011 the directors reviewed the key assumptions made by the valuers at 30 June 2009 along with additions and disposals since that valuation. They have concluded, with reference to an assessment made by Herron Todd White, Approved Valuers, that these assumptions remain materially unchanged, and are satisfied that the carrying value does not exceed the fair value amount at 30 June 2011.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Plant and Equipment – Infrastructure and Other

On 30 June 2009, plant and equipment held by the company were valued by independent valuer Rushton AssetVal. The fair value of plant and equipment is based on their depreciated replacement cost.

At 30 June 2011 the directors reviewed the key assumptions made by the valuers at 30 June 2009 along with additions and disposals since that valuation. They have concluded, with reference to an assessment made by Herron Todd White, Approved Valuers, that these assumptions remain materially unchanged, and are satisfied that the carrying value does not exceed the fair value amount at 30 June 2011.

Other

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

Impairment losses

The recoverable amount estimation for the Port operations was based on a value in use calculation and was determined at the cash-generating unit level. An impairment of $10,688,463 was recognised during the year. (2010: $41,372). Value-in-use was based on management's most recent cash flow forecasts over five years, using a terminal growth rate of 3% (2010: 3%) and a discount rate of 11% (2010: 11%) which is the industry average adjusted to reflect the risks specific to the various CGUs.

NOTE 10 INVESTMENT PROPERTY

	Note	Company 2011 $'000	Company 2010 $'000
Land – at independent valuation		12,259	12,259
Buildings – at independent valuation		111,183	111,183
Work in Progress		9,923	9,584
Total		133,365	133,026
At fair value			
Balance at the beginning of the year		133,026	129,337
Additions		341	82
Disposals		(2)	(13)
Transfer to/from property, plant & equipment		-	3,020
Net gain/(loss) from fair value adjustment		-	600
Balance at the end of the year		133,365	133,026
Amounts recognised in statement of comprehensive income for investment property			
Rental income		7,933	6,893
Direct operating expenses from property generating rental income		(2,667)	(1,691)
		5,266	5,202

Valuation basis

The basis of valuation of investment property is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2011 and 2010 valuations were adopted by directors after taking advice from appropriately qualified external valuers with experience in the Cairns property market. Changes in fair values are recorded in the statement of comprehensive income.

Leasing arrangements

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

NOTE 11 TAX ASSETS AND LIABILITIES

(a) Current tax assets and liabilities

The Company operates in one tax jurisdiction. The current tax asset for the Company of $ nil (2010: $0.474 million) represents the net amount of income taxes recoverable in respect of prior period that arise from the payment of tax in excess of the amounts due.

NOTE 11 TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Recognised deferred tax assets and liabilities

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

	Assets Company		Liabilities Company		Net Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Amounts recognised in statement of comprehensive income						
Deferred capital gain	-	-	(686)	(686)	(686)	(686)
Inventories	-	-	(14)	(8)	(14)	(8)
Investment property	-	-	(27,923)	(25,434)	(27,923)	(25,434)
Property, plant and equipment	-	-	19,438	14,459	19,438	14,459
Provision for impairment (receivables)	153	15	-	-	153	15
Provisions:						
Annual leave	190	184	-	-	190	184
Long service leave	271	225	-	-	271	225
Rostered days off	11	7	-	-	11	7
Tax losses carried forward	-	1,065	-	-	-	1,065
Other items	37	46	-	-	37	46
	662	1,542	(9,185)	(11,669)	(8,523)	(10,127)
Amounts recognised in equity						
Revaluation of property, plant and equipment	-	-	(8,320)	(8,350)	(8,320)	(8,350)
Tax assets (liabilities)	662	1,542	(17,505)	(20,019)	(16,843)	(18,477)
Set off of tax	(662)	(1,542)	662	1,542	-	-
Net tax assets/(liabilities)	-	-	(16,843)	(18,477)	(16,843)	(18,477)

(c) Unrecognised deferred tax assets and liabilities

At 30 June 2011 and 30 June 2010 the Company had no unrecognised deferred tax assets and liabilities.

NOTE 12 TRADE AND OTHER PAYABLES

	Note	Company 2011 $'000	Company 2010 $'000
Trade payables		523	1,054
Other payables and accruals		4,191	7,940
Employee benefits		670	638
		5,384	9,632

An accrual has been recognised for benefits relating to annual leave and rostered leave for employees. The measurement and recognition criteria for employee benefits are as described in Note 1(p).

NOTE 13 PROVISIONS

	2011 $'000	2010 $'000
Current		
Long Service Leave	692	494
Dividend	-	3,872
Green and Fitzroy Island Jetty maintenance	1,529	1,444
	2,221	5,810
Non-current		
Provision for long service leave	210	254
	2,431	6,064

Provision for long service leave

A provision has been recognised for long service leave for employees eligible for long service leave with less than 10 years of service. The measurement and recognition criteria for employee benefits are as described in Note 1(p).

NOTE 13 PROVISIONS (CONTINUED)

Dividend

No provision has been made in relation to the Company's financial performance for the year ended 30 June 2011. (2010: $3.872m).

Green and Fitzroy Island Jetty maintenance

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

Movements in provisions

2011	Long service leave $'000	Dividend $'000	Jetty maintenance $'000	Total $'000
Balance at the beginning of the year	748	3,872	1,444	6,064
Additional provisions	177	-	206	383
Amounts used / paid	(23)	(3,872)	(121)	(4,016)
Balance at the end of the year	902	-	1,529	2,431
2010				
Balance at the beginning of the year	795	-	1,357	2,152
Additional provisions	36	3,872	169	4,077
Amounts used / paid	(83)	-	(82)	(165)
Balance at the end of the year	748	3,872	1,444	6,064

	Company 2011 $'000	Company 2010 $'000
NOTE 14 OTHER LIABILITIES		
Income received in advance	1,769	1,534
Refundable deposits	34	34
	1,803	1,568
NOTE 15 CONTRIBUTED EQUITY		
Share capital		
Ordinary shares of $1 each, fully paid	207,073	205,073
Movements:		
Balance at the beginning of the year		
205,073,278 shares (2010: 132,010,098 shares)	205,073	132,010
Issue of shares		
2,000,000 shares (2010: 73,063,180)	2,000	73,063
Balance at the end of the year		
207,073,278 shares (2010: 205,073,278 shares)	207,073	205,073

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

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

Issue of shares

During the year the State of Queensland provided further equity funding of $2 million to the Company. This contribution by owners (the State of Queensland) is represented by an issue of share capital, with 2,000,000 shares issued to each shareholding Minister on behalf of the State of Queensland. The shares have been issued in accordance with the *Corporations Act 2001*.

NOTE 16 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

(a) Credit risk

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

Approximately 24% (2010: 24%) of sales revenue is primarily from property rentals, all properties held for rental are covered by lease agreements.

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

Exposure to credit risk

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

		Company	
	Note	2011 $'000	2010 $'000
Financial assets			
Cash and cash equivalents	5	58,292	59,344
Trade and other receivables	6	5,647	5,227
		63,939	64,571

Impairment losses

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

	Company		Company	
	Gross 2011 $'000	Impairment 2011 $'000	Gross 2010 $'000	Impairment 2010 $'000
Not past due	3,321	(112)	4,212	-
Past due 0-30 days	860	(52)	493	-
Past due 31-120 days	707	(119)	311	(50)
Past due 121 days and later	1,270	(228)	261	-
	6,158	(511)	5,277	(50)

NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

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

The following table sets out the liquidity risk of financial liabilities held by the Company. It represents the contractual maturity of financial liabilities including estimated interest payments. The table also indicates the periods in which the cash flows associated with principal and interest amounts of borrowings held at balance date are expected to occur.

		Payable in:			
	Note	1 year or less $'000	1-5 years $'000	More than 5 years $'000	Total $'000
30 June 2011					
Financial liabilities					
Trade and other payables	12	5,384	-	-	5,384
30 June 2010					
Financial liabilities					
Trade and other payables	12	9,632	-	-	9,632

(c) Capital Risk Management

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

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

Capital Structure

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

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

(d) Market Risk

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

Interest rate risk

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

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

		Company	
		2011 $'000	2010 $'000
Variable rate instruments			
Financial assets	5	43,233	43,344
Fixed rate instruments			
Financial assets	5	15,059	16,000

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

NOTE 16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity

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

	Carrying Amount	-1% Interest Rate		+1% Interest Rate	
		Net Profit	Equity	Net Profit	Equity
	$'000	$'000	$'000	$'000	$'000
2011					
Cash	58,292	(408)	(82)	408	82
2010					
Cash	59,344	(415)	(83)	415	83

Net fair value of financial assets and liabilities

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

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

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

(e) Operational risk

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

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

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

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

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

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The names of persons who were directors of Far North Queensland Ports Corporation Limited at anytime during the year ended 30 June 2011 were:

Mr K Chapman	Chairman
Ms LF Brophy	Deputy
Ms JJ Siganto	Director
Mr J Camp	Director
Ms L Anderson	Director
Mr R Macalister	Director
Mr M Huelin	Director

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Executives with greatest authority

The names of executives with greatest authority during the year ended 30 June 2011 were:

Mr CJ Boland	Chief Executive Officer
Mr MH Colleton	General Manager Commercial
Ms KP Egerton	General Manager Corporate Services
Mr AG Vico	General Manager Planning & Projects
Mr MA Barnett	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:

- The contribution to the achievement of the Company's vision and corporate objectives;
- The promotion of sustained superior performance;
- Remuneration is to be competitive within the labour markets in which the Company operates;
- Transparency and fairness is to be achieved by recognising legitimate differences in roles and in an individual's contribution; and
- The policies are able to withstand scrutiny from all stakeholders.

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

Performance payments

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

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

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

Director and executive remuneration

Specified directors

Specified Directors are only remunerated by the Company.

	Short-term employee benefits	Post employment	Other long-term benefits	Termination benefits	Other benefits	Total
Mr K Chapman - Chairman						
2011	46,392	4,175	-	-	-	50,567
2010	18,629	1,677	-	-	236	20,542
Ms LF Brophy - Deputy						
2011	23,058	2,075	-	-	-	25,133
2010	18,359	1,615	-	-	191	20,165
Ms JJ Siganto - Director						
2011	22,501	2,025	-	-	-	24,526
2010	17,818	1,604	-	-	866	20,288
Mr M Huelin - Director						
2011	20,832	1,875	-	-	-	22,707
2010	-	-	-	-	-	-
Mr R Macalister - Director						
2011	20,832	1,875	-	-	-	22,707
2010	16,196	1,458	-	-	37	17,691
Mr J Camp – Director						
2011	22,501	2,025	-	-	-	24,526
2010	17,007	1,531	-	-	906	19,444

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Director and executive remuneration (continued)

Ms L Anderson - Director						
2011	23,058	2,075	-	-	-	25,133
2010	17,818	1,604	-	-	701	20,123
Mr CH Skarott - Chairman						
2011	-	-	-	-	-	-
2010	38,393	3,455	-	-	3,556	45,404
Total remuneration						
2011	179,174	16,126	-	-	-	195,299
2010	144,220	12,944	-	-	6,493	163,657

Specified executives

	Short-term employee benefits	Post employment	Other long-term benefits	Termination benefits	Other benefits	Total
Chief Executive Officer						
2011	227,645	49,253	-	-	-	276,898
2010	200,646	47,275	-	-	-	247,921
General Manager Commercial						
2011	178,566	52,672	-	-	-	231,238
2010	148,200	63,303	-	-	-	211,503
General Manager Corporate Services						
2011	165,174	30,545	-	-	-	195,719
2010	145,771	28,844	-	-	-	174,615
General Manager Planning & Projects						
2011	155,987	29,258	-	-	-	185,245
2010	142,254	28,150	-	-	-	170,404
General Manager Operations						
2011	152,095	29,273	-	-	-	181,368
2010	141,890	28,078	-	-	-	169,968
Total remuneration						
2011	879,467	191,001	-	-	-	1,070,468
2010	778,761	195,650	-	-	-	974,411

Service agreements

Chief Executive Officer

- Term of agreement – 3 years expiring 15 September 2012
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 33 weeks

General Manager Commercial

- Term of agreement – 3 years expiring 25 February 2013
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 28 weeks

General Manager Corporate Services

- Term of agreement – 2 years expiring 22 November 2012
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 25 weeks

General Manager Planning & Projects

- Term of agreement – 3 years expiring 25 February 2013
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 28 weeks

General Manager Operations

- Term of agreement – 3 years expiring 25 February 2013
- Payment of separation benefit, other than for gross misconduct, equal to the base salary for 28 weeks

NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Aggregate at-risk performance incentive remuneration

Year paid	Aggregate performance bonus paid $	Post Employment $	Total salaries paid to employees receiving performance bonuses $	Number of employees receiving performance bonuses $
2011	143,255	12,893	1,856,021	14
2010	132,116	11,890	1,975,756	11

The performance bonus payments were approved for payment by the Human Resources Committee at its meeting on 11 November 2010 under delegation from the Board of Directors issued at its meeting on 13 October 2010.

	Company 2011 $'000	Company 2010 $'000
NOTE 18 COMMITMENTS		
Capital commitments (property, plant and equipment)		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	1,445	9,513
Later than one year but not later than five years	45	-
	1,490	9,513
Other expenditure commitments		
Contracted for at reporting date but not recognised as liabilities:		
Within one year	6,720	3,208
Later than one year but not later than five years	997	242
	7,717	3,450

NOTE 19 RELATED PARTY TRANSACTIONS

Transactions with entities controlled by the State of Queensland

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

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

Entity	Services	Company 2011 $'000	Company 2010 $'000
Queensland Treasury	Dividend (paid)	(3,872)	-
	Tax equivalents (paid)/received	119	2,625
	Rates equivalents (paid)	(216)	(209)
Queensland Treasury Corporation	Interest (received)	2,008	411
Queensland Transport	Registration marine (paid)	(7)	(8)
	Registration vehicle (paid)	(15)	(13)
	Lease rentals (paid)	(28)	(8)
	Survey work (paid)	(16)	-
Port of Brisbane Corporation Ltd.	Channel dredging (paid)	(2,476)	(2,052)
	Maritime security identification cards (paid)	(1)	(9)
Port of Brisbane Pty Ltd.	Channel dredging (paid)	(2,503)	-
	Maritime security identification cards (paid)	(7)	-

NOTE 19 RELATED PARTY TRANSACTIONS (CONTINUED)

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

		Company	
		2011	2010
		$'000	$'000
Entity	**Services**		
Office of State Revenue	Land tax (paid)	(1,395)	(1,632)
	Payroll tax (paid)	(271)	(263)
	Superannuation contributions (paid)	(524)	(513)
Maritime Safety Queensland	Pilotage transfer services (received)	338	330
	Lease rental (received)	25	19
	Electricity services (received)	148	141
	Ancillary services (received)	26	-
Ergon Energy	Electricity supply and ancillary services (paid)	(4,625)	(3,350)
Queensland Audit Office	Audit fees (paid)	(54)	(153)
Dept of Primary Industries	Lease rentals (received)	288	297
	Electricity services (received)	93	89
Department of Housing	Lease rentals (received)	84	102
Queensland Police Service	Lease rentals (received)	20	16
	Maritime services (received)	3	3
Dept of Tourism, Regional Development & Industry	Lease rentals (received)	179	141
State Library of Queensland (Indigenous Library Services)	Lease rentals (received)	57	62
Department of Environment and Resource Management (Natural Resource & Water)	Annual rental fee for perpetual lease (paid)	(17)	(4)
	Registration & Application fees (paid)	(8)	(39)
Workcover Qld	Workcover premium (paid)	(45)	(49)
Citec	Property, vehicle, company searches (paid)	(7)	(9)
Department of Community Safety (Qld Fire and Rescue Service)	Annual fees/false alarm calls	(21)	(16)
Department of Employment and Industrial Relations	Plant registration	(1)	(1)
Department of Education and Training	Electricity services (received)	26	-
	Great Barrier Reef International Marine Training Centre (received)	7,368	-
Department of Public Works	Electricity services (received)	10	8
	Vehicles leases (paid)	(31)	(27)
Department of Employment Economic Development and Innovation	Shipping Study (received)	55	-
	Seagrass monitoring (paid)	(72)	(116)
	Licence fees (paid)	(17)	-

NOTE 20 CLAIM FOR NATIVE TITLE

The Company has been a respondent to two native title claims over land on the eastern side of Trinity Inlet ('the Yarrabah Claims'). One claim originally incorporated Trinity Inlet but has since been amended to exclude areas below high water mark. As a result, neither claim covers areas over which the Company has an interest. The Company has, therefore, now withdrawn as a party to the Claims on the basis that any consent determination agreed to by the State will record that recognised native title will be subject to the laws of the Commonwealth and the State.

NOTE 21 INVESTMENT IN ASSOCIATES

Investments in associates have not been accounted for using the equity method of accounting on the basis of materiality. Directors believe that cost is a better indicator of the carrying value of this investment at 30 June 2010. Information relating to investments in associates is set out below.

		Ownership interest		Carrying value	
		2011	2010	2011	2010
Name of company	**Principal activity**	%	%	$	$
Advance Cairns Limited (Incorporated in Australia)	Regional economic development	50	50	1	1

	Company	
	2011	2010
	$'000	$'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the year	1	1
Investment in associates	-	-
Carrying amount at the end of the year	1	1

NOTE 22 LEASING ACTIVITIES

General description of leasing arrangements

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

	Company	
	2011	2010
	$'000	$'000

Contingent rental recognised as revenue

Rentals and leases disclosed in the statement of comprehensive income include the following amounts of contingent rent for continuing operations:

Contingent rent	205	421

Lease commitments receivable at balance date

Receivables disclosed in note 6 include the following lease commitments receivable:

Lease commitments receivable	2,289	1,587

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	8,453	9,272
Later than one year but not later than five years	27,732	29,948
Later than five years	137,058	141,253
	173,243	180,473

NOTE 23 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Company 2011 $'000	Company 2010 $'000
Operating surplus/(deficit)	(1,121)	5,633
Adjustments for:		
Loss on disposal of non-current assets – continuing operations	(25)	6
Depreciation expense	3,900	3,889
Impairment expense	10,688	41
Fair value adjustment to investment property	-	(600)
Changes in assets and liabilities	13,442	8,969
Change in trade and other receivables	(420)	(1,964)
Change in inventories	(21)	17
Change in other assets	(57)	(34)
Change in deferred tax assets	881	2,140
Change in trade and other payables	(3,474)	4,539
Change in current tax liabilities	1,395	2,509
Change in provisions	270	20
Change in other liabilities	237	719
Change in deferred tax liabilities	(2,483)	278
Net cash flows from operating activities	9,770	17,193

NOTE 24 EVENTS AFTER BALANCE SHEET DATE

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

NOTE 25 ASSET REVALUATION SURPLUS BY CLASS

2011	Opening Balance	Revaluation reversal through sale	Other deferred tax adjustments	Closing balance
Freehold land	6,198	(61)	18	6,155
Buildings	331			331
Wharves, harbours & facilities	3,756			3,756
Channels & swing basins	5,085			5,085
Access roads & carparks	3,430	(2)	1	3,429
Plant & Equipment – Infrastructure	426	(39)	12	399
Plant & Equipment – Other	166			166
Other	92			92
Total	19,484	(102)	31	19,413

2010				
Freehold land	6,198	-	-	6,198
Buildings	331	-	-	331
Wharves, harbours & facilities	3,756	-	-	3,756
Channels & swing basins	5,085	-	-	5,085
Access roads & carparks	3,430	-	-	3,430
Plant & Equipment – Infrastructure	443	(24)	7	426
Plant & Equipment – Other	166	-	-	166
Other	92	-	-	92
Total	19,501	(24)	7	19,484

NOTE 26 SEGMENT REPORTING

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

NOTE 27 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Ports North has no contingent assets and liabilities at 30 June 2011.

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 12 to 51, 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 2011 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:

K Chapman

Chairman

L F Brophy

Director

Dated at Cairns, 26 August 2011

INDEPENDENT AUDITOR'S REPORT

To the Members of Far North Queensland Ports Corporation Limited

Report on the Financial Report

I have audited the accompanying financial report of Far North Queensland Ports Corporation Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

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

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

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

AUDITOR'S OPINION

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

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and its performance for the year ended on that date; and

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

J ZABALA FCA

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

26 August 2011

Five Year Summary - Continuing Operations

	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006
FINANCE						
Revenue From Ordinary Activities ($'000)	35,733	33,148	34,231	100,365	97,996	90,997
Expenditure on Ordinary Activities ($'000)	37,181	25,213	27,392	65,194	58,834	57,118
EBIT ($'000)	(1,448)	7,935	6,839	34,860	38,569	33,659
Net Profit / (Loss) from Ordinary Operations ($'000)	(1,121)	5,633	(2,231)	18,159	21,373	18,867
Net Profit from Discontinued (Airport) Operations ($'000)	-	-	114,344	-	-	-
Capital Expenditure ($'000)	7,869	8,255	76,189	43,875	50,380	55,704
Accounting Rate of Return	(0.49%)	3.15%	3.10%	5.80%	6.88%	6.29%
CARGO STATISTICS						
Imports (tonnes)	694,131	693,314	653,004	650,924	663,976	645,171
Exports (tonnes)	3,905,430	3,388,879	433,470	540,820	401,108	487,541
Total (tonnes)	4,599,561	4,082,193	1,086,474	1,191,744	1,065,084	1,132,712
SHIPPING ARRIVALS						
Total Shipping Arrivals	3,500	3,260	2,508	2,711	2,832	2,885

Ports North