Annual Report 2011-2012

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ACN 131 965 707
ABN 69 131 965 707

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About the Report

This report is a summary of the financial and non-financial performance of North Queensland Bulk Ports Corporation Limited (NQBP) during 2011-12.

NQBP is committed to supporting the economic growth of Queensland. By delivering world-class port facilities and excellence in customer service, NQBP defines itself as a principal port authority in Australia. Our skilled leadership team provides support and encouragement to our employees as we work together to achieve the success which characterises NQBP as a visionary organisation.

The aim of this report is to provide our shareholding Ministers and other stakeholders with a relevant and comprehensive source of information about the work we undertake.

This report includes details of NQBP's two wholly owned subsidiaries, Ports Corporation of Queensland Limited (PCQ) and Mackay Ports Limited (MPL). Throughout this report, NQBP represents the entire group.

Year in Review

Highlights

Excellence in Environmental Management

NQBP has continued to demonstrate our commitment to superior environmental management.

In partnership with the developers of proposed new coal terminals at the Ports of Abbot Point and Hay Point, NQBP launched a comprehensive investigation of environmental impacts from port development projects. The Cumulative Impact Assessments (CIA) will help ensure that port development is designed and developed in a manner consistent with environmental best practice and considerate of the outstanding universal values of the Great Barrier Reef World Heritage Area.

In March 2012, NQBP welcomed the opportunity to brief representatives of the United Nations Educational, Scientific and Cultural Organisation (UNESCO). NQBP's Chief Executive Officer (CEO) and key staff briefed the visitors on NQBP's proposed developments and environmental management controls.

The visit enabled the representatives to gain a valuable understanding of NQBP's ongoing careful and sensitive management of the Great Barrier Reef which is incorporated into plans for future development.

Throughout 2011-12 NQBP maintained international accreditation for Environmental Management Systems AS/NZS ISO 14001.

Indigenous Land Use Agreement

In late 2011, NQBP entered into an Indigenous Land Use Agreement with the Juru People which was registered under the *Native Title Act 1993* in May 2012.

The agreement deals comprehensively with ongoing development at the Port of Abbot Point.

Signing of Enterprise Agreement

NQBP's Enterprise Agreement (EA) was approved by Fair Work Australia in March 2012. This was the final step in bringing together the staff of the former MPL with PCQ to form NQBP. The EA process took place over 18 months and was the result of the amalgamation of the two organisations following the 2008 Queensland Government Review of Queensland Ports Management Structure. The single agreement confirms the dynamic future of NQBP with a talented and multi-skilled workforce.

Port of Hay Point – Growing Australia's largest coal port

In October 2011, the Coordinator-General formally announced the proposed Dudgeon Point Coal Terminals Project as a 'significant project' under the *State Development and Public Works Organisation Act 1971*. This proposed $10-12 billion project in the Port of Hay Point will increase port capacity from an existing 130 Mtpa by 180 Mtpa to achieve a combined capacity of 310 Mtpa. Public consultation for the Environmental Impact Statement (EIS) process commenced in May 2012.

The Port of Hay Point Preliminary Ten Year Master Plan was approved by NQBP's Board in March 2012. This plan will guide development at the port over the next five to ten years and recommends the next port expansion occur on port authority land at Dudgeon Point with two new coal terminals proposed.

Record exports for Port of Weipa

NQBP saw a 12% increase in bauxite export tonnages through the port. In 2011-12 24,980,619 tonnes of bauxite left Weipa compared to 22,235,783 tonnes in 2010-11.

In February 2012, a Statement of Proposals (SOP) which identifies matters that will be considered in the new Land Use Plan (LUP) was presented to the public for comment. This SOP, and the public's comments about the SOP, will inform the new LUP for the Port of Weipa. The new LUP will guide future development on NQBP's Strategic Port Land at Weipa.

A draft LUP will be made available for stakeholder review in the next financial year.

Imports increase through the Port of Mackay

The Port of Mackay had a strong year with imports increasing by 18% from 2010-11 to 2011-12, as a result of a significant increase in imports of petroleum products, breakbulk cargo and magnetite.

There was also an increase in other import commodities such as bulk fertilisers and concrete.

Mackay marina breakwater

Over $9 million worth of repairs were completed on the Mackay breakwater, including the marina section of the breakwater following the damage sustained by Cyclone Ului in 2010 allowing the breakwater to be re-opened for public use.

Furthering the future of Abbot Point

The development of terminals T2 and T3 at Abbot Point was furthered through finalising the framework agreements and undertaking a range of planning studies and activities. In cooperation with the T0, T2 and T3 proponents, NQBP is participating in a Cumulative Impact Assessment (CIA) program which will provide an environmental and heritage management standard for all future developments at NQBP ports.

NQBP, together with the State Government, is developing plans for further incremental expansion at the Port of Abbot Point. A high level of interest in future expansion at Abbot Point was identified through a formal Expressions of Interest (EOI) process.

Performance Overview 2011-12

Financial Performance

The successful $1.83 billion lease of the Abbot Point Coal Terminal and the associated repatriation of cash back to the State of Queensland during the 2011-12 financial year, has seen a significant shift of NQBP's financial position as compared to the previous year.

NQBP continues to operate successfully with a strong balance sheet and cash flows from its reduced scale of operations. NQBP generated a profit of $20.8 million after tax but before extraordinary write-offs, exceeding the budget by $5.6 million.

Lower revenues from throughputs as a result of lower than forecast coal tonnages have been offset by strong revenues from non-coal cargoes and property investments.

Extraordinary write-offs of $22.7 million from economic benefit reassessment of certain Abbot Point projects accounted for the after tax loss of $1.9 million. As a result of softening demand for coal export infrastructure, NQBP has scaled back plans for future development at the Port of Abbot Point. NQBP continues to work closely with the proponents for terminals T0, T2 and T3. NQBP, together with the State Government, is developing plans for further incremental expansion at the Port of Abbot Point.

At Hay Point NQBP is also working closely with preferred developers on two new coal terminals at Dudgeon Point.

Financial Summary	Budget 2011-12 $'000	2011-12 $'000	2010-11 $'000
Revenue and income	69,994	69,613	530,850
Expenses (including extra-ordinary write-offs)	56,915	73,226	146,987
Profit (loss) before income tax equivalent expense	13,079	-3,612	383,863
Capital expenditure	38,840	36,848	178,818
Total assets	446,180	414,586	2,130,912
Total liabilities	243,206	181,115	373,357
Net assets	202,974	233,471	1,757,555
Current ratio	1.5	1.5	6.9
Debt/debt plus equity ratio	0.31	0.28	0.04

Operational Performance

As a Government Owned Corporation, this document is part of our performance agreement with our shareholding Ministers. Our performance against the 2011-12 Statement of Corporate Intent (SCI) is summarised below.

Corporate and Operational Performance

Outcome	Results
Strategy 1 Deliver value adding growth for NQBP ports ensuring sustainable returns while minimising risks	
Progress Abbot Point Expansion Projects –	
• T2 and T3	On target per framework agreements
• T4-T9 terminals and Multi Cargo Facility (MCF)	Preferred respondents announced. Project cancelled after Government withdrew support
• Hay Point Master Planning Projects	Preliminary Hay Point Master Plan released
• Mackay Port developments	Development of additional business in progress. Hardstands developed
Seek opportunities to expand existing trades	Throughput ↓ 2.6% 124.4 million tonnes
Tonnage increase target of 18.5% on 2010-11	Coal ↓ 6.2% due to flood affected mines Other commodities ↑ 8.7% due to increase in bauxite and fuel trade
Identify potential new customers and partner with them to establish new business opportunities	New customers identified for Mackay and Abbot Point Active engagement of the North West Minerals Province
Ensure only proposals which provide favourable return for risk and align with business objectives are pursued	Minimum weighted average cost of capital return on all business proposals achieved Port expansion projects align with minimum return framework
Improved Return on Assets (ROA) (excluding MCF write-off)	4.64% versus budget of 6.53%
Net Profit After Tax (NPAT)	*Actual (1.9)m versus budget of 5.6 m
Return on Equity	Actual 9.20% versus budget of 3.82% *NPAT and ROA affected by the $22.7 m write-off of the MCF
Implement pricing reforms	On target with reforms progressively implemented into the 2013 financial year and future years' pricing
Foster a commercially astute organisation which respects our customers' business needs	Introduction of new performance and remuneration framework to incorporate relevant drivers

Outcomes	Results
Strategy 2	Deliver and maintain timely and cost effective port capacity that is fit for purpose
Deliver life cycle asset management	Completed for all ports
Add value to the business outcomes of NQBP's customers	Customer survey – overall high satisfaction ratings

Outcomes	Results
Strategy 3	Deliver sustainable port development, operations and critical incident management capability that minimises environmental and social impacts of NQBP activities and those of our commercial partners
Maintain an effective environmental management system for NQBP ports	ISO accreditation maintained
Facilitate improved environmental performance by NQBP tenants and service providers	Development of a tenancy management framework in conjunction with the Environment and Planning Committee of the Queensland Ports Association
Implement effective strategies to address environmental issues such as greenhouse emissions, global warming and rising sea levels	NQBP's sustainability policy implemented into project planning and execution
Maintain an effective *whole of port* critical incident management capability (environmental emergency, security etc.)	In place
Demonstrate corporate social responsibility through a proactive community relationship program	Participation in events and sponsoring initiatives with a focus on employment, youth, regional development and the environment Engagement via Community Reference Group meetings and community information sessions
Total investment in community support	$0.1m

Outcome	Results
Strategy 4 Deliver leadership and a working environment that enables NQBP employees to excel	
Maintain an effective Safety Management System for NQBP Ports Lost time injury frequency rate/duration rate Number of lost time injuries	Implementation of a Mackay Port User Safety Committee and compliance with *Work Health and Safety Act 2011* 17.87/15.87 3
Ensure all NQBP employees have access to training and development that will enable them to excel - Amount spent	Development programs in place for all employees $0.2 m
Ensure the integration of MPL and PCQ results in an organisation whose structure and culture delivers sustainable gains in efficiency and effectiveness	Single enterprise agreement – March 2012 Roll up of MPL and PCQ 31 March 2012
Enhance NQBP governance by continually improving planning, financial management, project management and performance reporting capability	Integrated business planning process implemented New budget process introduced New governance framework introduced for investments and project oversight
Maintain a cost-effective suite of business systems that enable NQBP to achieve its corporate mission	Approved IT roadmap New HR and payroll system in progress Standard operating environment rolled out
Continually improve NQBP's marketing and corporate relations processes	Branding and corporate communities program in place

Who we are

NQBP is the port authority responsible for five ports with a total asset base of $414 million. NQBP's seaport facilities handle a number of bulk cargoes including coal, bauxite, sugar, molasses, grain, petroleum, fertiliser and general cargo.

As a port authority, NQBP is responsible for:

- strategic port planning
- port business development
- port infrastructure development
- environmental management and marine pollution (within port limits)
- port security and safety
- port efficiency
- maintaining navigable port depths for shipping and
- issuing licences, leases and permits to other organisations for use of port land, infrastructure and facilities. NQBP has a multi-user access policy in place at its ports to facilitate the highest possible utilisation of port infrastructure and greatest possible operational efficiency.

The Environmental Management Systems implemented across each of NQBP's working ports is one of the few in Australia to receive accreditation under the standard AS/NZS ISO14001:2004.

NQBP prepares one- and five-year plans which provide focus and direction to enable NQBP to achieve our vision and continually improve our financial performance.

NQBP reports to two shareholding Ministers – the Treasurer and Minister for Trade and the Minister for Transport and Main Roads.

NQBP is a company under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993* (GOC Act) and a port authority under the *Transport Infrastructure Act 1994*. Under the GOC Act, NQBP's activities are governed by a:

- Statement of Corporate Intent which is an agreement between the organisation's Board and its shareholding Ministers and
- five-year Corporate Plan.

As a GOC, NQBP operates according to commercial principles, raises its own revenue and makes dividend and tax equivalent payments to the Queensland Government.

Our vision

The recognised global leader for bulk ports.

Our mission

NQBP will provide safe, sustainable and competitive seaport services. We will manage our ports in accordance with our values to deliver excellent, commercial and sustainable outcomes for customers, employees, communities and shareholders.

Our values

NQBP is –

Customer focussed

Fostering open, trusting and enduring relationships with our customers for mutual commercial benefit.

Respectful

Respectful and committed to one another and to the communities in which we operate.

Environmentally responsible

Pursuing high standards of environmental performance both of our own activities and those of our commercial partners.

Committed to safety

Striving for zero harm in improving health and safety outcomes.

Innovative

Embracing creativity and innovation to go beyond continuous improvement in achieving our mission.

Courageous in leading change

Being courageous in demonstrating personal and organisational leadership to make the changes needed for our future sustainability.

Chairman's Message

It is always useful in the frenetic pace of developing port infrastructure, growing existing business and looking at the long-term vision for NQBP, to pause and reflect on what has been achieved and ensure priorities are aligned with the short- and long-term strategic plan.

Significant projects such as the development of Dudgeon Point and Abbot Point have occupied a lot of time for key staff as they plan for the rapid growth in coal exports from the Galilee and Bowen Basins.

The construction of Dudgeon Point coal terminals will ensure the Port of Hay Point remains one of the largest coal export ports in the world. Dudgeon Point development forms part of the Hay Point ten-year Master Plan. Public consultation on the $10-12 billion Dudgeon Point Coal Terminals project proposal was undertaken. These planning studies have received significant input from the local community and business interests which will be invaluable in formulating the final plan.

The focus for Abbot Point is on the development of the next three coal terminals at the port: T0, T2 and T3. The development of these terminals will make Abbot Point and Hay Point key international export coal ports. Significant work is also underway at Abbot Point in the development of a long-term master plan for the port and the surrounding precincts. Again, we are working closely with local stakeholders and the State Government in the formulation of these plans.

Considerable effort has been given to the development of long-term dredging strategies for Weipa, including some additional deepening of some port areas. NQBP intends to release the draft Land Use Plan for Weipa for consultation in early September 2012. Following the formal consultation period, NQBP will forward the final Land Use Plan to the Minister for Transport and Main Roads for approval.

While coal exports dominate the headlines and consume planning, commercial and engineering resources, the growth in other business areas continues to be impressive. With a 13% increase in imports of petroleum and break bulk cargoes, plus an overall 7% in all products handled, clearly Mackay Port is achieving outstanding results. The Port of Mackay is well on its way to growing from a traditional export port to an import orientated port − servicing the expanding mining development in the region.

I would like to acknowledge the extraordinary work undertaken by all parties in the negotiation of the Enterprise Agreement that involved the amalgamation of three enterprise agreements into one. The goodwill and determination by those involved to succeed is to be commended.

Looking forward

I have already mentioned the preliminary work undertaken in the past 12 months that will underpin the future direction of the business. Following the divestment of Terminal 1 at Abbot Point, NQBP has worked to establish business growth for the Port of Abbot Point to prepare for new opportunities.

Options for the expansion of Abbot Point will be fully assessed taking into account environmental impacts and the most cost effective use of infrastructure funding. To that end, NQBP is working closely with the State Government to ensure there is compatibility with future supply chain infrastructure associated with new mines coming on stream.

As with past developments of ports, there comes great responsibility, especially to the local communities and the environment. NQBP takes these commitments seriously undertaking regular community engagement and consultation.

While continuing coal exports are a major contributor to the state and local economies, there will always be a rigorous evaluation process that will determine if the potential for environmental impacts are acceptable.

The future financing of major projects will require working in partnership with our customers as NQBP's primary focus will be on the planning and development of essential port infrastructure. As we develop the vision for each port we will ensure it aligns with the overall strategic plan of the State Government in its development of supporting infrastructure.

An essential focus of NQBP is to maximise shareholder value in a continual and sustainable way. Key elements of this have included robust pricing, cost management, strict investment analysis, lifecycle asset management and maximising value from the balance sheet.

Continual change in business is inevitable and NQBP is prepared to meet the challenge that change brings, and it is important for all of our customers to know that NQBP has a team with vast experience, knowledge and skills to assist them in their business growth.

Although only in the position of Chairman for a relatively short period, I have come to an early appreciation of the professionalism of my fellow Directors and dedication of a very capable executive and staff. I thank them all sincerely for their assistance and advice.

I particularly wish to pay tribute to my predecessor Leonie Taylor who was Chairman of PCQ and subsequently NQBP for a period of 18 years. In that time she oversaw the merger of MPL and PCQ plus the expansion of coal terminals and growth in business in Mackay. It is by any measure a commendable record.

I trust the 2011-12 Annual Report provides you with an improved understanding and confidence in NQBP.

Peter Milton
Chairman

Board of Directors

Instrumental in the strategic growth of NQBP, our Board and Executive Management Team lead the development and implementation of our long-term planning.

Further details about our Board can be found in the Corporate Governance section of this report, on page 41.

Board of Directors

PETER MILTON
Chairman

First Appointed: NQBP on 31 May 2012

Term of Office – to 30 September 2015

Member Audit and Financial Risk Management Committee
Member Human Resources and Industrial Relations Committee
Member Corporate Governance and Planning Committee

For over 38 years Peter has worked in port and country operations of the grain industry. More recently before his retirement, Peter was Executive Manager for all grain export terminals in Queensland, New South Wales and Victoria. He was responsible for overseeing the expansion of the handling of non-grain bulk commodities in response to the variable grain production in eastern Australia, as well as the development of container loading facilities.

Peter has also been closely involved in port enterprise bargain agreement negotiations which introduced a change in culture with a predominant focus on improved customer service. Peter is also Chairman of Newcastle Agri Terminal.

GRAHAM DAVIES AM

First Appointed: NQBP on 7 May 2009; PCQ on 7 August 2009; MPL on 1 July 1999

Term of Office – to 30 September 2012

Member Human Resources and Industrial Relations Committee

Graham Davies has more than 30 years' experience as a non-executive Director on sugar boards, various companies and co-operatives.

Until 2002, Mr Davies held the position of Chairman of the Mackay Sugar Co-operative for 16 years and in 2011, after ten years, retired as Chairman of the Queensland Rural Adjustment Authority. Mr Davies is a Board Director (Hon.) of the Cerebral Palsy League of Queensland.

Mr Davies owns and operates sugar farms in the Mackay and Burdekin districts and has cattle interests in the Mackay district hinterland. He was appointed a Member of the Order of Australia in June 2011.

JULIE BIGNELL
BA, Grad. Dip. IR/HRM, FAICD

First Appointed: NQBP on 19 June 2009; PCQ on 1 July 2001; MPL on 7 August 2009

Term of Office – to 30 September 2012

Chairman Human Resources and Industrial Relations Committee
Member Corporate Governance and Planning Committee

Julie Bignell is the Branch Secretary of the Central and Southern Queensland Branch of the Australian Services Union, as well as the Assistant General Secretary of Together Queensland. In these roles she has executive responsibility within the union for overseeing the development and implementation of industrial and organising strategies to further the interests of professional, clerical, administrative, customer service and call centre workers in the private and public sectors.

Ms Bignell is also Vice President of the Queensland Council of Unions and a Director of Workplace Health and Safety Queensland.

KASPER KUIPER R.O.N
M. Mariner FG + ext. M, Grad Dip, OSD

First Appointed: NQBP on 19 June 2009; PCQ on 1 July 2001; MPL on 7 August 2009

Term of Office –
to 30 September 2014

Member Audit and Financial Risk Management Committee

Kasper Kuiper‘s expertise in port construction and reclamation includes involvement in some of the largest port and underwater constructions in the world — Saudi Arabia, Kuwait, India, Pakistan and The Netherlands.

He relocated to Brisbane for the construction of the Brisbane International Airport in 1980–1983, and has worked for the Woodside Project in Cape Lambert and Port Headland, Western Australia.

Captain Kuiper is Branch Master for Queensland of the Company of Master Mariners and a member of the Board of Governors and Chairman of the Board of Management of the “Duyfken 1606 Replica Foundation”. He is Honorary Consul of The Netherlands in Queensland and was decorated as a Knight in the Order of Oranje-Nassau by Queen Beatrix of the Netherlands in May 2006.

PETER TAIT
BCom, M Info Systems, FCA GAICD

First Appointed: NQBP on 19 June 2009; PCQ on 7 August 2009; MPL on 1 October 2007

Term of Office –
to 30 September 2014

Member Audit and Financial Risk Management Committee
Member Corporate Governance and Planning Committee

Peter Tait has been practising in chartered accountancy for over 20 years for SH Tait and Co. This large regional practice operates in central Queensland providing accounting, taxation, audit and general business services to a wide range of diverse industries.

Mr Tait is a registered company auditor providing audit services to a variety of unlisted public and private companies. Other areas of work include advising on restructuring, finance applications, succession planning and litigation support, including business valuations.

Dedicating his time and talent to the community, Mr Tait has been Honorary Treasurer of the George Street Neighbourhood Centre Association Inc in Mackay and Honorary Treasurer of Mackay Children’s Contact Service Inc since 2001.

STEPHEN GOLDING AM, RFD
BE, MEngSc, BEcon, Hon FIE Aust, FCILT, FAIM, FITE, FAICD, CPEng, RPEQ

First Appointed: NQBP on 19 June 2009; PCQ on 7 August 2009; MPL on 1 July 2005

Term of Office –
to 30 September 2014

Chairman Corporate Governance and Planning Committee
Member Human Resources and Industrial Relations Committee

Stephen Golding has had a long and distinguished career with the Queensland Department of Main Roads. From 1970 to his retirement in March 2005, Mr Golding held a number of key management positions and in July 2000 was appointed Director-General of Main Roads.

Mr Golding is active in four professional associations including an Honorary Fellow of the Institution of Engineers (Australia) and has served on a number of panels and committees. He is a Director and Chair of Transport Certification Australia Ltd, a Director of Transmax Pty Ltd and a Board Member of Queensland Reconstruction Authority.

He has enjoyed a long career in the Army Reserve enlisting as a private soldier in the Queensland University Regiment in 1963 and retiring in 2004 with the rank of Major General. In June 1998, Mr Golding was appointed a Member of the Order of Australia for outstanding service to the Army Reserve.

ROBYNNE DUDLEY
BBus. FCA

First Appointed: NQBP on 19 June 2009; PCQ on 7 August 2009; MPL on 1 July 1999

Term of Office –
to 30 September 2012

Chairman Audit and Financial Risk Management Committee
Member Corporate Governance and Planning Committee

Robynne Dudley has strong ties with the Mackay business community and is a partner with Shepherd and Dudley Chartered Accountants. She has been an accountant for more than 30 years.

Mrs Dudley holds a Bachelor of Business and is a Fellow of the Institute of Chartered Accountants and a CPA.

Senior Leadership Group

Brad Fish

Chief Executive Officer

Jeff Stewart-Harris

Deputy Chief Executive Officer

Bernie Wilson

Chief Financial Officer

Peter Sinnott

Company Secretary/General Counsel

Martin McAdam

Executive General Manager Major Projects

Port of Hay Point

Situated about 40 kilometres south of Mackay, the Port of Hay Point is one of the largest coal export ports in the world.

The Port of Hay Point comprises two separate coal export terminals:

- Dalrymple Bay Coal Terminal (DBCT) leased from the State Government by DBCT Management Pty Ltd and
- Hay Point Coal Terminal (HPCT) which is owned by BHP Billiton Mitsubishi Alliance and operated by Hay Point Services.

Central Queensland mines are linked to the port terminals through an integrated rail-port network. Both terminals have purpose-built, rail in-loading facilities, onshore stockpile yards and offshore wharves. The offshore wharves are serviced by conveyor systems, supported on jetties, which run out to sea and allow loading in deep water.

The total throughput for the port was 82,883,893 tonnes, comprising 50,843,846 tonnes through DBCT and 32,040,047 tonnes through HPCT. A total of 809 bulk carriers visited the port in 2011-12.

Planning for future port expansion

Investigation of further major expansion of the port has been significantly progressed over the past year. A Port of Hay Point Preliminary Ten Year Master Plan was published in April 2012, detailing recommendations of port master planning carried out over the previous 16 months.

Further studies of the offshore berthing arrangements are continuing to finalise the master plan, with the main body of work being ship simulation studies to determine the optimum wharf alignment for shipping.

Dudgeon Point development

The site recommended for the port expansion in the development master planning studies is on port land at Dudgeon Point, around four kilometres north-west of the existing two coal terminals.

NQBP holds around 1400 hectares of land at Dudgeon Point, principally as freehold. Around half of the site is zoned for port use, with the remainder being designated as buffer land for conservation or general buffer purposes.

Master planning of the site has recommended that two coal terminals with a capacity of up to 180 Mtpa be developed in stages at Dudgeon Point. The expected construction cost of the new terminals is AUD$10-12 billion, to be funded by industry. The project includes up to six rail loops and rail unloading stations, new coal stockyards, up to ten new ship berths, a new rail connection from the Goonyella system to Dudgeon Point, as well as an expansion of the existing Tug Harbour at Half Tide. If approved, construction of the new terminals is expected to commence in late 2013.

The project was designated as a significant project under the *State Development and Public Works Organisation Act 1971* on 27 October 2011, with assessment by an Environmental Impact Statement (EIS). It was made a controlled action under the *Environmental Protection and Biodiversity Conservation Act 1999* on 7 February 2012, with assessment by EIS.

Preliminary environmental studies for the project were commenced by NQBP in 2009, with studies for the EIS commenced in January 2011.

Hay Point dust and noise monitoring

Monthly reports are prepared based on four primary sites located in the surrounding residential areas for continuous dust and noise monitoring, and 19 secondary sites for dust deposition.

The reports provide the results of real time airborne dust, noise and meteorological conditions. During the year NQBP, along with our terminal operators, investigated an expansion of the monitoring program to account for future port growth at Hay Point and Dudgeon Point, as well as capturing activities at the Port of Mackay. This expanded monitoring network is expected to be implemented in the coming year.

Port of Mackay

The Port of Mackay is located five kilometres north of the Mackay central business district. It is a multi cargo port which historically has had close links to the sugar and grain industries in the Mackay region.

It comprises an artificial harbour formed by rock breakwaters. The predominant import cargo is petroleum products and the predominant exports are sugar and grain.

Land areas behind the port accommodate over 100 industrial and commercial businesses with substantial areas of vacant land suitable for further development.

The Port of Mackay handled a total of 216 vessels in 2011-12 carrying the following cargo for import and export.

Cargo	Throughput tonnes 2010-11	Throughput tonnes 2011-12
Tallow	5,677	5,724
Raw sugar	575,522	382,966
Petroleum	1,044,895	1,256,756
Grain - Sorghum	350,056	386,324
Logs	40,114	46,803
Ethanol	3,196	2,102
Fertiliser	44,218	59,972
Molasses	42,505	40,001
Cement	23,032	31,215
Scrap metal	32,729	43,093
Magnetite	35,040	76,935
Other goods	32,854	73,051
Sulphuric acid	7,515	2,498
Refined sugar	312,271	298,941
Machinery	2,000	6,637
Motor vehicles	363	0
Total	**2,551,987**	**2,713,018**

Port of Abbot Point

The Port of Abbot Point is located 25 kilometres north of Bowen and north-east of the Bowen and Galilee coal basins.

The Port of Abbot Point comprises rail in-loading facilities, coal handling and stockpiling areas and a single trestle jetty and conveyor connecting to two offshore berths and two shiploaders, all 2.8 kilometres offshore.

Coal is currently supplied to the Abbot Point Terminal 1 (T1) by rail from the Newlands, Collinsville and Sonoma mines and following the completion of the Goonyella Abbot Point Expansion by QR National earlier this year, also a number of Goonyella customers. Current nominal export capacity from T1 is 50 million tonnes per annum.

T1 is leased from the Queensland Government by Mundra Ports (which forms part of the Adani Group) and is operated by Abbot Point Bulkcoal Terminal.

The Port of Abbot Point achieved throughput this year of 13,602,137 tonnes. A total of 174 bulk carriers visited the port in 2011-12.

Terminal 0 (T0) development

The Adani Group (Adani) is investigating the development of a coal terminal (T0) to the east of the existing Terminal 1, in conjunction with offshore berths. NQBP is assisting Adani in these investigations.

Terminal 2 and Terminal 3 development sites

In April 2010, NQBP awarded BHP Coal Pty Ltd and Hancock Coal Infrastructure Pty Ltd preferred developer status for the development of two separate coal terminals at Abbot Point.

During the year both entities progressed their feasibility studies for these developments. Framework agreements between NQBP and each entity guide the planning and proposed development of these terminals and commercial arrangements apply.

Port of Weipa

The Port of Weipa is located on the north-west coast of Cape York Peninsula. The port primarily facilitates the export of bauxite from the Rio Tinto Alcan (RTA) mines. RTA also operates the bauxite loading facilities.

The Port of Weipa has onshore bauxite handling, processing and stockpiling facilities and conveyors running to Lorim Point wharf for shiploading. There are also general purpose and fuel wharves at Weipa and stockyards for live cattle export through the port.

In 2011-12, the Port of Weipa handled 475 ships, carrying 24,980,619 tonnes of bauxite, 63,614 tonnes of fuel and 48,290 tonnes of general cargo.

South of Embley project

RTA is conducting studies in relation to its Weipa bauxite mining lease in an area south of the Embley River.

The South of Embley project could extend the life of the Weipa mine by up to 40 years depending on production rates. This project will progressively replace the reducing volumes of bauxite currently being mined at the East Weipa mining area. RTA will take a staged approach to production resulting in potentially 50 million dry product tonnes per annum.

The South of Embley project will include new mining areas, new mine infrastructure, power station, barge and ferry facilities, ship loading facilities and an access road. Construction is expected to commence during 2012-13, depending on regulatory and internal approvals.

Social Performance

Our objectives	Indicators	2011-12 NQBP Group
Our workforce profile	Number of employees	119
	Employee turnover	19%
Valuing diversity NQBP is committed to the principles of Equal Employment Opportunity (EEO) and the values of merit, equity and impartiality in recruitment and selection. We exercise impartiality in all areas of employment.	Percentage of women on the Board	42%
	Percentage of women in the workforce	46%
	Percentage of women in the leadership team	15%
	Percentage of women in middle management	21%
	Percentage of women covered by the enterprise agreement (all employees covered under the agreement)	60%
	Number of formal EEO complaints reported to management	0
	Number of formal harassment complaints reported to management	2
	Number of days lost through industrial disputes	0
Understanding what our employees value most	• Conduct regular staff briefing sessions	
	• Regular discussions and reaffirmation of NQBP's core values with all employees	
	• Leadership team performance indicators include the corporate values	

Developing our people NQBP is committed to the professional and personal development of our people	Training expenditure total	$205,321
	Training expenditure per employee	$1,785
	Training expenditure as a percentage of base salaries paid	1.98%
	Number of employees receiving support for accredited courses	12
	Percentage of employees rated "good performer" or above in their annual performance review	98%
Health, safety and wellbeing NQBP is committed to providing and maintaining a safe and healthy working environment for all employees, visitors and members of the public	Number of Lost Time Injuries	3
	Lost Time Injury frequency rate	17.87
	Percentage of eligible employees who participated in an annual health check	17%
	Percentage of eligible employees who participated in gym membership reimbursement	15%
	Number of health and safety committee members who are employee representatives	9
Our Community Our aim is to become a role-model corporate citizen	Amount spent on community support (donations, sponsorships)	$119,866
	Amount spent on community support as a percentage of pre-tax profit, less impairment losses/write offs	0.6%

Human Resources Performance

One team

The past year has seen the final processes put in place to create a business with one set of common people goals and employment conditions. The culmination of the first NQBP Enterprise Agreement being reached confirms our strong focus on building one culture and unifying processes and systems. Considerable effort and progress has been realised in how we work towards and reach our corporate objectives through our people.

Developing staff for business performance

Creating desire in the business to succeed is important in everything NQBP does, particularly in our work both internally and externally. NQBP is extending its performance management processes which aim to align business goals with the individual achievement of performance targets.

Improvement of people skills, competencies and knowledge is a key factor in our ability to meet our customers' requirements and deliver value to our shareholders. For this reason, NQBP has continued to drive and encourage employee development to ensure it reinforces its 'bench strength' to meet a changing and challenging work environment.

A working environment that underpins performance

NQBP knows that to get the best business outcomes for its shareholders, our people benefit from working in an environment that supports initiative, innovation and the pursuit of performance. Human Resources policies, procedures and practices are regularly reviewed to ensure they meet the ongoing needs of the business. Of particular focus was to address any anomalies that may have existed between the previous merged businesses.

NQBP believes that to create a sustainable work culture that delivers results, employees need to maintain respect for each other as they go about their daily tasks. Respect is also achieved by ensuring the workplace is absent from discriminatory practices and harassment and bullying behaviours.

To do this, NQBP:

- provides awareness of NQBP's values of respect for each other and ensures any people issues are promptly resolved
- selects the best people for positions through non-discriminatory recruitment processes
- provides induction training for new staff and ongoing access to training and development opportunities for all staff and
- includes wellness activities (such as the provision of flu vaccinations and health checks), and offers flexible working arrangements for improved work-life balance.

Health and Safety

NQBP has excellent safety performance across all of its work sites. We have a corporate goal of zero injuries and to achieve this goal, NQBP has developed a safety education and awareness campaign across the business. The recognition by all NQBP staff of the importance of safe practices in the workplace is a major contributing factor that allows NQBP to set high standards for performance.

Health and safety approach and initiatives

NQBP's health and safety focus is directed at ensuring members of staff, as well as external stakeholders, have confidence in the safety management systems when visiting NQBP workplaces.

NQBP has spent this year striving to meet the Australian/New Zealand Standard AS/NZS 4801:2001 Occupational Health and Safety (OHS) Management System. This OHS Management System ensures policies and procedures are in place to effectively manage health and safety in the workplace and to ensure legislative and policy requirements are met.

NQBP has maintained the use of a risk-based management approach to identify potential workplace risks, implementing appropriate controls where task redesign cannot eliminate the risk.

The annual audit of NQBP work sites confirmed that the workplaces were being well managed to achieve a high standard and were compliant with the *Workplace Health and Safety Act 1995* and the *Work Health and Safety Act 2011* which came into effect from 1 January 2012.

The introduction of the *Work Health and Safety Act 2011* has placed an even greater responsibility on all NQBP staff to ensure safety is regarded as a key factor in approaching all tasks where injury is possible.

Initiatives designed to meet safety compliance include:

- a total review of all standard operating procedures
- updating the NQBP workplace health and safety management system to conform with the legislation introduced in January 2012
- implementing a monthly Mackay Port Users Safety Committee involving safety representatives from port users and facility operators
- introducing additional staff medicals including hearing tests for those undertaking tasks in noisy environments and skin cancer checks
- maintaining the integrated SecureSafe Program that provides the direction for ongoing safety initiatives and system compliance
- arranging for the NQBP Workplace Health and Safety Supervisor to regularly attend the Brisbane corporate office to foster a culture of safety and offer specialist safety advice and
- site-specific workplace health and safety and environment committees meet regularly to discuss safety issues and to monitor progress of those concerns previously identified.

Environment and Sustainability Performance

Environmental approach

NQBP is committed to a sustainable and responsible environmental approach that seeks to, where possible, prevent, reduce and manage its impact on the environment.

Our Environment Policy, together with our Sustainability Policy, defines our commitment to sustainable development and minimising our ecological footprint across our business. Our policies are communicated to all employees and contractors through a continual program of staff training and development of environmental management plans.

Environmental management

ISO 14001 Certification

ISO 14001 is an internationally recognised standard for environmental management and is a guide to administer strategies to minimise environmental impacts, while ensuring legislative compliance and promoting continual improvement in environmental performance.

NQBP has maintained accreditation for Environmental Management Systems AS/NZS ISO 14001, which demonstrate the organisation's sound environmental performance.

Port of Weipa

In January 2012, the Federal Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) approved the NQBP Long-Term Dredge Management Plan (LTDMP). This plan consolidated three existing management plans for dredging in Weipa over a ten-year period.

Weipa maintenance dredging occurred from 9 to 27 October 2011, with no breaches to licence conditions. As part of port health monitoring, NQBP monitors the seagrass communities around the port through Photosynthetically Active Radiation (PAR) sensors installed at seagrass meadows. To enhance the reliability and accuracy of the information gathered from this research project, NQBP installed an additional three PAR sensors as part of the Port of Weipa Intensive Monitoring Program.

NQBP, together with Rio Tinto Alcan, Maritime Safety Queensland and OMC International, commissioned a study to determine the optimum sailing draft to get maximum benefit from the Dynamic Under Keel Clearance (DUKC) technology employed by modern vessels entering the Port of Weipa. The study identified that to operate more efficiently, further development of the shipping channel was necessary. NQBP has obtained all necessary environmental approvals and permits to enable capital dredging to occur in the second half of 2012.

Port of Abbot Point

NQBP upgraded the Bowen wharf to facilitate two new tugs for the Port of Abbot Point. State environmental approvals were gained for the fender upgrades and associated works.

NQBP is preparing a Public Environment Report (PER) for the capital dredging proposed for the T0, T2 and T3 offshore berths and apron area at Abbot Point, in accordance with the requirements of the Federal *Environment Protection and Biodiversity Conservation Act 1999*. The PER is due to be issued for public consultation in the second half of 2012.

A Technical Advisory Consultative Committee (TACC) has been established for the Port of Abbot Point as a mechanism to consult with stakeholders and regulators on NQBP dredging projects. The committee, which has been formed to comply with the requirements of the National Assessment Guidelines for Dredging (2009), comprises representatives from Federal, State and Local Governments, the fishing industry, general community, conservation groups and proponents. A meeting of the TACC occurred in Bowen on 22 May 2012 and provided the group with details on the proposed T0, T2, T3 capital dredging project. Further meetings are proposed for the second half of 2012.

Abbot Point Cumulative Impact Assessment (CIA)

NQBP, together with Adani, Hancock Coal Infrastructure Pty Ltd and BHP Coal Pty Ltd, is undertaking a new environmental initiative as part of best practice in environmental and world heritage management. All four organisations have come together to undertake a comprehensive investigation of environmental impacts from their proposed projects at the port through a Cumulative Impact Assessment (CIA).

The CIA will be wide ranging and involve detailed studies, including:

- shipping
- marine water quality
- dredge plume modelling
- operational noise
- groundwater
- wetland hydrology and water quality
- underwater noise
- visual amenity
- lighting
- dust
- climate change
- coastal hydrodynamics
- fishing
- joint offsets strategy and
- species and habitat assessment.

The studies being conducted by recognised scientific experts in their fields will be independently reviewed and then consolidated into one overall synthesis report. The draft report is expected to be finalised in late 2012 and will provide the basis for a joint management framework for ongoing environmental management of the Port of Abbot Point.

Port of Mackay

NQBP continues to set the industry standard for environmental management of our maintenance dredging programs. In December 2011, a ten-year Sea Dumping Permit was approved by SEWPaC for the Port of Mackay and the Long-Term Dredge Management Plan endorsed.

UniQuest, a branch of the University of Queensland, has completed a feasibility study to explore the options for Renewable Energy at the Port of Mackay. In the current climate, solar power provides the most readily implemented source of alternative energy at the port and will be considered in future port infrastructure expansion or development projects.

A major upgrade of the Port of Mackay stormwater system commenced in May 2012. The installation of advanced gross pollutant traps will not only capture solids and debris, but also effectively remove up to 91% of suspended solids and up to 97% of free oils and grease. The traps will also offer greater control of stormwater flows throughout some parts of the port.

Port of Hay Point

An extensive investigation of accumulated sediment in the navigational areas of the port was commenced. The areas include the Half Tide Tug Harbour, terminal berth pockets, apron areas and the departure path. The study will provide valuable information on the quality of sediments in the port and support the development of a Port of Hay Point Maintenance Dredge Management Plan. The experimental design for this study is presented in the form of a Sampling and Analysis Plan which has been approved by the Great Barrier Reef Marine Park Authority (GBRMPA).

NQBP is undertaking a review of the existing port noise and dust monitoring program to consider proposed future development at Dudgeon Point, and potentially expanding the program north to include the Port of Mackay.

The water quality monitoring program was expanded to include Wentzels Road Dam, which supplies water for dust suppression to terminal operators during dry periods.

Programs and initiatives

EcoPorts Program

The EcoPorts Program is a practical action plan to achieve NQBP’s long-term environmental goals and commitments. The program is updated and assessed annually.

NQBP addresses all significant environmental risks within all areas of operations and within each port through the EcoPorts program. Issues and actions are documented and monitored to ensure the short- and long-term sustainability of our ports. The EcoPorts 2011-12 program included 92 actions that are in progress or completed.

Port environmental monitoring programs

NQBP has a comprehensive program of environmental monitoring which is reviewed annually. It is developed on a port-by-port basis to ensure environmental issues in each port are being adequately monitored.

The following provides a summary of some of the monitoring being carried out at our ports:

- long-term seagrass monitoring in the Port of Weipa
- seagrass and coral monitoring at the Port of Hay Point to monitor and support expansion projects
- seagrass and marine fauna monitoring at the Port of Abbot Point to monitor and support expansion projects
- beach coal survey at the Port of Hay Point
- sediment sampling to support dredging activities
- air and noise monitoring at the Port of Hay Point
- water quality monitoring at the Port of Mackay and other project specific ports and
- baseline monitoring where appropriate.

Environmental sustainability

Greenhouse gas reduction

NQBP continues to monitor and report greenhouse gas emissions, promote awareness and education, reduce energy usage and greenhouse gas emissions and ensure compliance with policy and legislation.

NQBP's greenhouse emissions for 2011-12 are reported in Table 1.

Table 1 – NQBP greenhouse gas emissions[1] in tonnes of $CO_{2\ equiv}$

Source	2010-11	Estimated 2011-12	Purchased carbon offsets
Port operations and management			
Electricity for power and lighting	1,288	1151	-
Electricity, gas and fuel for Abbot Point construction camp at Merinda	3,224	987	-
Fuel for fleet vehicles	156	94	-
Fuel for hire cars	22	16	-
Fuel for boats, mowers, plant	98	58	-
Fuel in flights[2]	251	269	-
Fuel for dredging (Mackay)	0	0	-
Vegetation impacts/benefits			
Vegetation clearing at Abbot Point for X50 expansion construction project[3]	0	0	-
Estimated greenhouse gas take up through NQBP vegetation sequestration[4]	-1,325	-1,266	-
Total NQBP emissions	**3,714**	**1,309**	**0**

Table notes –

1. Calculations based on DERM Ecobiz converter (November 2011).
2. Carbon offsets purchased from July 2011 to March 2012 for some air travel (41.3 tonnes of CO_2 equivalent).
3. Emissions for tree clearing are an estimate only based on 50t CO_2 – equivalent per hectare.
4. Based on revegetation previously planted at Hay Point. Sequestration reportable extent reduced for 2011-12 based on the age of plantings.

Emissions from NQBP contractors

NQBP uses contractors to manage some of its activities. These contractors are likely to report any greenhouse emissions from their activities separately in their own reporting. For transparency, these emissions are detailed below in Table 2. NQBP has not sought to offset these emissions.

Table 2 – NQBP contractor greenhouse emissions in tonnes of $CO_{2\ equiv}$

Source	2010-11	2011-12
Abbot Point Coal Terminal (operated by Abbot Point Bulkcoal Pty Ltd)	29,455	0
Hay Point quarantine waste facility[5] (operated by JJ Richards)	165	136
Dredging and bed levelling (operated by various contractors)[6]	1,521	1,188
Total contractor emissions	**31,141**	**1,324**

Table notes –

5. Includes gas consumption, but excludes any fuel used in road transport vehicles and electricity.
6. Includes Weipa dredging only.

Table 3 – Water usage in kilolitres across NQBP Ports[7]

Port	2010-11	2011-12
Bowen	747	833
Abbot Point (X50)	11	0
Hay Point[8]	18	60
Mackay	198,405	150,611
Total	**199,181**	**151,504**

Table notes –

7. Water usage in the Brisbane and Mackay offices is not metered separately to other users in a high rise building. However, usage is expected to be low.
8. Water usage does not include quarantine waste facility.

The threshold for greenhouse gas reporting under Federal legislation is 25,000 tonnes $CO_{2\ equiv}$ although it is expected that the emissions from the Abbot Point Coal Terminal will be reported by the terminal operator under the National Greenhouse and Energy Reporting System.

Emissions from dredging and bed levelling undertaken by external contractors is relatively low as no capital dredging was carried out in the year.

Water management

NQBP's water usage is largely confined to public amenities, including boat ramps, jetties, offices and workplaces.

NQBP supplies water to port tenants and visiting ships. Table 3 summarises NQBP's water usage across NQBP ports.

Sustainable design

NQBP's Brisbane corporate office is relocating in 2012-13. As part of the concept and planning for this relocation, this project considered the application of principles of energy efficiencies and greenhouse gas reductions.

Waste management

The amount of paper recycled in the Brisbane office for 2011-12 was .945 tonnes, compared with 2.48 tonnes in 2010-11. NQBP promotes the minimisation of paper use which can be attributed to an overall reduction in paper use.

NQBP has effectively reduced paper usage for recycling by 40% from last year and has saved 2.36 tonnes of carbon equivalent emissions.

At the Mackay office, paper is recycled with other cardboard and paper products, or reused in gardens as mulch.

In our corporate offices, most ports and project offices, NQBP uses Reflex recycled Australian paper which has 50% recycled content. This paper is sourced from Australian paper mills which are certified under AS/NZS ISO 9001 for Quality Management and AS/NZS ISO14001 for Environment Management.

Environmental improvement

Each year, NQBP carries out environmental improvement projects. These vary each year and include projects such as support of Clean Up Australia Day activities, seagrass monitoring and mapping, water quality testing, noise and dust assessments, beach coal surveys, marine pest monitoring and weed management strategies.

National ship exhaust emissions study

NQBP is co-sponsoring a national initiative, the National Ship Exhaust Emissions Study, which is being undertaken by the Australian Maritime College. Emissions from ships at each of Australia's Ports will be summarised and compared at a regional level with other industry emissions.

Queensland tenancy management paper

In consultation with the Queensland Ports Association Environment and Planning Committee, NQBP led the development of a background paper and subsequent discussion paper, to provide a synopsis on the current mechanisms and options for tenancy environmental management in Queensland Ports. The intent is to progress port-specific tenancy management guidelines.

Great Barrier Reef Marine Park Authority – Reef Guardian Program

One broad program NQBP has some involvement in, is the Great Barrier Reef Marine Park Authority's Reef Guardian Program. This program aims to educate students and the wider community about the protection of the environment and the Great Barrier Reef.

NQBP offered a number of grants to Reef Guardian Schools in our port communities. These schools were encouraged to apply for an NQBP grant to enable them to fund an environmental initiative at their school. These included, for example, setting up a compost system, purchasing water quality monitoring kits or solar panels, and implementing recycling, plant vegetable or traditional bush gardens.

Reef Catchments (Mackay Whitsunday Isaac) Limited – Healthy Waterways Alliance

NQBP is a member of the Healthy Waterways Alliance which was formed two years ago by Reef Catchments.

This membership represents NQBP's commitment to developing new partnerships with regional environmental activities related to water quality and aquatic ecosystem health activities.

As part of our engagement with local community environmental projects, NQBP sponsored the Business Urban Awards for the Healthy Waterways Alliance (Mackay Whitsunday Isaac) Awards 2012. These awards honour the hard work of individuals, community groups, schools, businesses and government to enrich the health of our precious waterways and the Great Barrier Reef.

Marine turtles

NQBP is sponsoring an innovative turtle monitoring program through the Queens Beach Action Group (QBAG) in Bowen. This sponsorship will allow the behaviour of turtles to be monitored via satellite from a transponder attached to a turtle.

According to QBAG, Queens Beach is a well-known nesting site for sea turtles and this was confirmed by a monitoring program which began in 2005.

Corporate Governance

Corporate structure

In late 2008, the Queensland Government announced a review of the Queensland Port Network Structure. As a result of that review, a new company, NQBP, was formed and on 2 July 2009, Ports Corporation Queensland Limited (PCQ) and Mackay Ports Limited (MPL) became wholly owned subsidiaries of NQBP. NQBP is a company Government Owned Corporation (GOC) incorporated under the *Corporations Act 2001* and subject to the requirements of the *Government Owned Corporations Act 1993* (GOC Act). PCQ and MPL are companies incorporated under the Corporations Act and are also subject to the GOC Act as subsidiaries of a GOC.

The Queensland Government is the owner of all shares in NQBP which are held by two shareholding Ministers: the Treasurer and Minister for Trade and the Minister for Transport and Main Roads. NQBP owns all of the shares in PCQ and MPL. All of the assets and liabilities of PCQ and MPL were effectively transferred to NQBP on 31 March 2012 under the Government Owned Corporations (NQBP Amalgamation) Regulation 2012.

Corporate governance practices

The three companies in the NQBP Group, being NQBP, PCQ and MPL, have the same Board of Directors (the group being referred to in this section as NQBP). At NQBP our Board of Directors is responsible for the corporate governance of the organisation and is accountable to the shareholding Ministers for NQBP's performance.

Corporate governance at NQBP encompasses a number of functions including authority, accountabilities, risk management, leadership, performance monitoring and internal control systems. Our Board recognises the importance of applying effective corporate governance practices and is committed to a high level of integrity throughout its operations.

To this end, the Board has adopted the governance principles set out in the Queensland Government's Corporate Governance Guidelines for GOCs (Government Governance Guidelines), and this is contained in NQBP's *Governance Policy.* This policy is reviewed on an annual basis to improve, where appropriate, NQBP's compliance with these Guidelines.

A copy of NQBP's *Governance Policy* is included on NQBP's website, with the key aspects of this policy described within this section.

Board of Directors

Details of our Board, including their terms of office as well as their skills, experience and expertise, are outlined on pages 15 and 68 of this report.

Appointment

Directors of NQBP are appointed by the Governor-in-Council. PCQ and MPL have the same directors as NQBP. All of the directors are non-executive directors. The Board assesses the independence of each of the directors on a regular basis.

Directors are subject to NQBP's policy on *Disclosure and Conflicts of Interests* and the *Code of Conduct* and are required to disclose potential or actual conflicts of interest as soon as they arise. If a director discloses a conflict of interest regarding a matter that is considered material by the Board, that director will not participate in any discussion or decision making on that matter.

The independence of directors is a key issue in ensuring the Board exercises independent judgement. At NQBP, materiality in relation to the independence of directors is assessed on a case-by-case basis, taking into account the particular circumstances.

NQBP's *Governance Procedure* sets out some assessment criteria to provide the Board with guidance on the assessment of director independence. This includes taking account of relationships that the director currently has, or had in the past, with NQBP or any organisation with which it does business.

Although NQBP does not have any fixed materiality thresholds in place to determine whether a conflict of a director exists, (a departure from the Government Governance Guidelines notified to the Office of Government Owned Corporations [OGOC] and the Department of Transport and Main Roads [DTMR]), the Board has comprehensive criteria which are applied on a case by case basis, to determine any potential conflict situation. The Board considers that the process adopted by the Board as outlined above provides an effective way to comprehensively assess director independence.

All of the directors are considered by each Board to be independent.

Role of the Board

A Board Charter is in place that sets out the key roles and functions of our Board. A copy of the charter is included on NQBP's website.

The collective role of our Board is to:

- set corporate direction and goals
- oversee the plans of management to achieve these goals and
- review progress at regular intervals.

The Board's functions include:

- responsibility for NQBP's commercial policy and management
- ensuring that, as far as possible, NQBP achieves and acts in accordance with its Statement of Corporate Intent (SCI)
- accounting to NQBP's shareholders for its performance as required by the GOC Act and other laws applying to NQBP and
- ensuring that NQBP otherwise performs its functions in a proper, effective and efficient way.

As the NQBP companies are incorporated under the *Corporations Act 2001,* the statutory duties imposed on directors under that legislation also apply to our Board. The Board has observed the terms of its Charter and has had due regard to relevant legislation, relevant binding policies of the Queensland Government, as well as NQBP's policies.

The Board has delegated various functions to management but has reserved certain matters to the Board. This allocation of responsibility is set out in an Instrument of Delegation approved by the Board.

Board meetings

The Board meets monthly (except in December), and in addition to this, they meet at other times should the need arise. This financial year the Board met 15 times. Directors also met for committee meetings and to discuss strategic planning.

The Chairman and the Chief Executive Officer meet prior to each Board meeting to discuss current issues as well as the agenda, which includes the following:

- monthly reports on non-financial performance
- monthly financial performance reports
- commercial and governance decisions requiring a Board resolution and
- performance reports for commercial projects.

Key stakeholders and shareholder representatives are regularly invited to attend an informal lunch which is held after the scheduled Board meetings. This provides an opportunity for the directors to discuss relevant port-industry topics, while also developing and maintaining important relationships.

Membership of the Board

Collectively, members of the Board should possess:

- a thorough understanding of the core activities of NQBP and the environment in which it operates to make informed decisions
- a commitment to the continual improvement of NQBP operations, strategic direction and policy framework
- strong business acumen, management skills and financial and operational reporting
- a high level of understanding of best practice employee relations, industrial relations and remuneration and motivation concepts
- an inquiring attitude, objectivity and independence and
- a strong, demonstrated sense of probity and ethical conduct.

The directors provide a broad range of skills and experience covering maritime operations, finance and accounting, engineering, regional matters, agriculture, transport and industrial relations.

Director induction and education

A comprehensive induction is carried out for new directors, whereby they are familiarised with their responsibilities as a director, as well as key corporate documents such as the Board Charter, Code of Conduct, Committee Charters and other applicable NQBP policies. This is supplemented by inductions provided to new members on committees as well.

A Directors' Handbook provides directors with a detailed overview of corporate and government policies, the role and strategic direction of our organisation and a detailed briefing on each of the NQBP ports and the key commodities handled at each port.

Directors are required to acquire and maintain the skills and knowledge to perform their role as a NQBP director. Each director has a duty to comply with the law and binding government and NQBP policies.

The Board supports the ongoing development of individual directors as appropriate, so that the Board has the skills and knowledge to effectively perform its role in relation to NQBP. Annual training is provided to the Board on key areas such as competition law, environmental and safety laws as well as conflicts of interest.

Directors are also kept advised of the various workshops, seminars and conferences on offer to update their skills and knowledge so that they can undertake their role effectively. The Board has also approved a training plan for directors to assist in this process.

Independent advice and access to information

It is the Board's policy (in the Board Charter and each Committee Charter) that directors are able to seek independent professional advice at NQBP's expense to assist in the performance of their duties. In addition, directors must be provided with all necessary access to internal documents, reports and records in pursuit of its mandate.

The Chairman has regular briefings from the Chief Executive Officer and also with managers as required, on all relevant aspects of our activities and performance. Detailed verbal and written briefings on various issues are provided to the Chairman and/or Board as necessary.

Ethical behaviour and decision making

NQBP is committed to promoting ethical decision making. Our business is dependent on good relationships and fair treatment of our customers, employees and the public, with due consideration of the operating requirements of the business.

These principles are contained in various NQBP policies which apply to directors and all NQBP employees and include the *Code of Conduct, Trading (Securities) Policy*, the policy *on Disclosure and Conflicts of Interest* as well as the *Integrity Framework Policy (Official Misconduct and Public Interest Disclosures*) and the *Whistleblower Protection Policy.*

These policies require directors and employees to disclose potential or actual conflicts of interest as soon as they arise, so that the issue can be reviewed and managed in an appropriate and transparent way to promote integrity within NQBP's operations. These policies also require directors and employees to act honestly and comply with the law and to restrict share trading activities where inside information is an issue.

From 1 January 2010, NQBP came within the jurisdiction of the Crime and Misconduct Commission (CMC), and is now required to report any "official misconduct" by NQBP staff to the CMC.

In addition, directors and employees are required to protect NQBP's interests in any actions which may affect NQBP's business, as well as NQBP's confidential information and intellectual property.

The *Code of Conduct, Integrity Framework Policy (Official Misconduct and Public Interest Disclosures), Whistleblower Protection Policy* and *Fraud Control Policy* outline a process for the investigation of allegations of official misconduct and fraud. Copies of these polices are included on NQBP's website.

Communications with shareholding Ministers

The key disclosure requirements under the GOC Act require NQBP to reasonably inform shareholding Ministers about its operations and financial matters, as well as material risk factors.

Regular communications are initiated with key stakeholders, including shareholding Ministers and government representatives. Detailed quarterly reports are provided to shareholding Ministers and their representatives, as well as individual ministerial briefings on specific issues.

The Chairman and the Chief Executive Officer meet with shareholding Ministers and their representatives on a regular basis. NQBP management also meets with representatives of OGOC and DTMR to update them on relevant issues.

NQBP's policies do not prescribe the type and level of disclosure to shareholding Ministers. The Board and NQBP management team exercise their judgement on a case-by-case basis as to what matters should be disclosed in order to comply with the GOC Act disclosure requirements.

Review of Board performance

As noted above, NQBP has a *Governance Policy* in place, and this document outlines the process for evaluation of Board and Committee performance, reflecting the requirements of the Government Governance Guidelines.

NQBP policy requires that a review of Board performance is conducted annually, with an external review usually undertaken every two years.

The Corporate Governance and Planning Committee is the relevant committee to review and make recommendations to the Board in relation to improvement of Board processes. In September 2011, an internal review of NQBP Board performance was undertaken.

NQBP policy also requires that directors' skills and competencies be reviewed on an annual basis. The Human Resources and Industrial Relations Committee is the relevant Committee that reviews development needs and opportunities in relation to directors.

In addition, each committee (in accordance with their charters) addresses competency and performance issues at least annually, as well as their information needs. The Board then reviews the performance of each committee on an annual basis. This was undertaken in May and June 2012.

Shareholding Ministers are informed of any key issues arising out of the performance reviews. The Chairman will also raise any material concerns about Board performance directly with the shareholding Ministers if required.

Remuneration arrangements for directors

Remuneration for directors is determined by the Queensland Government. Details of the remuneration paid to directors are contained in the Notes to the Financial Statements on page 111. This amount excludes travel and associated expenses incurred in the course of undertaking their duties. Directors do not receive performance-related payments. Directors do not receive retirement benefits other than the compulsory superannuation required under the *Superannuation Guarantee (Administration) Act 1992.*

Appointment of Chief Executive Officer and senior executives

The Chief Executive Officer and senior executives are appointed in accordance with the GOC Act by the Board. The appointment of the Chief Executive Officer also requires the prior written approval of the shareholding Ministers. For the GOC Board to appoint a senior executive, the Board must follow the processes set out in relevant Queensland Government policies and advise shareholding Ministers of the details of the appointments.

Remuneration arrangements for management and employees

The Chairman reviews the performance of the Chief Executive Officer and reports to the Board through the Human Resources and Industrial Relations Committee.

The Chief Executive Officer is appointed by an outer limit employment agreement which expires on 1 July 2014 with severance payments agreed to be two weeks superannuable salary for each year of recognised service. Other senior executives are appointed on outer limit employment agreements and senior managers are employed on tenured employment agreements and have as a minimum entitlement, a redundancy payments of two weeks ordinary pay for each completed year of service.

Remuneration recommendations for executives are reviewed annually by the Human Resources and Industrial Relations Committee, before consideration and approval by the Board. Remuneration for executives in 2011–12 was determined in accordance with the Queensland Government's Government Owned Corporations Governance Arrangements for Chief and Senior Executives, as reflected in NQBP's policies and procedures: Chief and Senior Executives – Remuneration and Chief and Senior Executives – Performance Pay.

Details of the remuneration paid to NQBP's senior executives are contained in the Notes to the Financial Statements on page 112.

The Board keeps shareholding Ministers informed of the remuneration arrangements of senior executives on a regular basis. This advice is provided in writing and details the nature and amount of the remuneration and the way in which the remuneration has been determined.

The Board is required to submit any significant amendments or variations to NQBP's remuneration policies to shareholding Ministers.

Review of performance for management and employees

The Chief Executive Officer participates in a performance pay scheme with agreed targets of profit, operational and environmental performance set by the Board.

NQBP operates a performance pay scheme for senior executives. The performance pay comprises two components:

- 70% based on group performance; and
- 30% based on individual performance.

The following pre-agreed (at the start of the financial year) performance criteria is used to determine the level of the group component of the payment.

Performance indicator	Weighting for management bonus
Deliver a value adding growth for NQBP ports ensuring sustainable returns while minimising risk	**25%**
Deliver and maintain timely and cost effective port capacity that is fit for purpose	**20%**
Deliver sustainable port development and operations and critical incident management capability that minimises environmental and social impacts of NQBP activities and those of our commercial partners	**15%**
Deliver leadership and a working environment that enables NQBP employees to excel	**25%**
Financial targets	**15%**
Total	**100%**

The recommended payments are determined by the Board after the end of the financial year and paid and reported to shareholding Ministers in accordance with current guidelines. The proposed performance payments for the 2011-12 year were approved by the Board but have not as yet been paid. The 2010-11 year performance payments were paid in September 2011.

The performance pay scheme applicable to other employees is based on pre-set individual targets that are linked to the individual's position description and their required contributions to the current goals and objectives of their section.

The scheme was not mandatory and involves a performance payment pool for the 2011-12 financial year of 6% of the salaries of participants. Individual payments are up to a maximum 7.5% of a participant's base salary. Not all of the 6% pool was distributed relating to the 2010-11 year.

Relevant remuneration policies are disclosed on NQBP's website and are listed on page 47 of this report.

Board committees

During the 2011-12 financial year there were three Board committees to assist the Board in discharging its duties. Each of these committees has a charter in place that sets out their role.

A copy of these charters is included on NQBP's website.

A general description of the role and achievements of our three committees is outlined below. Details of the qualifications of members of each of the three committees, along with the number of meetings held by the committees and names of attendees, are included on pages 69 through to 74 respectively of this report.

Audit and Financial Risk Management Committee

Chairman: Robynne Dudley

Members: Leonie Taylor*, Peter Tait, Kasper Kuiper, Peter Milton**

* Leonie Taylor resigned on 30 May 2012

** Peter Milton was appointed to the Committee on 26 June 2012

Secretary: Bernie Wilson (Chief Financial Officer)

NQBP's Audit and Financial Risk Management Committee (AFRMC) provides independent and expert advice and support to assist the Board to discharge its financial and risk management responsibilities.

The committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within NQBP, or the reporting lines and responsibilities of either internal audit or external audit functions. The AFRMC is empowered only to make recommendations to the Board and does not have power to make decisions in its own right.

The AFRMC:

- monitors external reporting requirements
- reviews the annual budget and five year projections and financial risk management policies before consideration by the Board
- reviews the annual financial statements before final sign-off by the Board
- oversees all internal audit functions, and reviews findings, recommendations and the implementation progress
- reviews reports and other information from the Auditor-General
- monitors the internal control and financial risk management environment within the organisation and
- monitors matters and transactions which may have a material effect on the financial position of NQBP.

The membership of the committee consists of at least three directors appointed by the Board. NQBP's Board Chairman may be appointed to the committee, but may not sit as the Chairman of the committee. To maintain independence, the membership of the committee will not include representatives from internal audit, or the Queensland Audit Office (QAO), although those representatives may be invited to attend committee meetings at the discretion of the committee.

The charter of the AFRMC is supplied to newly appointed Directors to the Board as part of their general induction. The AFRMC Chairman is to make sure that, on appointment as a new member to the committee, the appointee is familiar with the current charter of the committee and is briefed on key current issues.

The committee has observed the terms of its charter and had due regard to relevant financial legislation and standards, and relevant binding policy of the State Government, as well as NQBP policies.
The Board considers the effectiveness of AFRMC meetings, the appropriateness of its charter and the composition of the committee on an annual basis.

Achievements in 2011-12
In addition to key standing items during the 2011-12 financial year, the AFRMC also considered the following key matters:

- sale of Terminal 1 at Abbot Point
- GST issues associated with Merinda Camp
- port rehabilitation obligations
- records management and Right To Information (RTI) recommendations
- agency self audit of RTI and privacy
- NQBP essential business and future business plan
- Deloitte fraud risk assessment and
- roll-up of PCQ and MPL.

Human Resources and Industrial Relations Committee
Chairman: Julie Bignell

Members: Leonie Taylor*, Graham Davies, Stephen Golding, Peter Milton**

* Leonie Taylor resigned on 30 May 2012

** Peter Milton was appointed to the Committee on 26 June 2012

Secretary: Jeff Stewart-Harris (Deputy Chief Executive Officer)

NQBP's Human Resources and Industrial Relations Committee (HRIRC) provides independent and expert advice to assist the Board to discharge its employee and industrial relations responsibilities.

The committee does not replace or replicate established management responsibilities and delegations or the responsibilities of other executive management groups within NQBP. The HRIRC is only empowered to make recommendations to the Board and does not have power to make decisions in its own right.

The HRIRC:

- reviews NQBP's human resource and industrial relations policies
- annually reviews the Chief Executive Officer's remuneration package and proposals by the Chief Executive Officer in relation to the remuneration packages of NQBP's senior executives
- evaluates Chief Executive Officer and senior management performance and the appropriateness of performance pay schemes including the targets and criteria for assessment
- reviews the appropriateness of NQBP's industrial agreements and reviews proposals for change considering binding government policy and effectiveness in enhancing the achievement of NQBP's objectives through its award and non-award employees
- considers directors' and officers' liability issues and the mechanisms to mitigate risks
- studies current industry practices in relation to employee management, remuneration and industrial relations environment as it applies to NQBP and its customers
- reviews any re-organisational proposal where it entails forced redundancies or the diminishing of employee benefits
- reviews the appropriateness of succession plans
- evaluates or audits NQBP's handling of conflict of interest issues and
- reviews the appropriateness of NQBP's Employment and Industrial Relations Plan.

The committee consists of at least three directors appointed by the Board. NQBP's Board Chairman may be appointed to the committee but may not sit as the Chairman of the committee. The charter of the HRIRC is supplied to newly appointed directors as part of their general induction. The HRIRC Chairman is to make sure that, on appointment to the committee, the appointee is familiar with the current charter of the committee and is briefed on key current issues.

The committee has observed the terms of its charter and had due regard to industrial and other relevant legislation, relevant binding policy of the State Government, as well as NQBP's policies.

The Board considers the effectiveness of HRIRC meetings, the appropriateness of its charter and the composition of the committee on an annual basis.

Achievements in 2011-12

During the 2011-12 financial year, the key matters considered by the HRIRC included:

- assisting in the review of HR/IR issues associated with the establishment of NQBP, including the finalisation and implementation of the NQBP Enterprise Agreement
- reviewing and making recommendations to the Board in relation to key HRIR policies
- continuing the process of implementation of diversity in the workplace through HR policies, systems and process incorporating diversity targets, staff development programs and succession planning
- investigating the feasibility and value of organisational cultural enhancement programs in the areas of risk management, compliance and alignment of culture to strategy
- undertaking a review of the senior management team performance
- reviewing non-executive salary arrangements
- reviewing and making recommendations to the Board in relation to the Employment and Industrial Relations Plan, and
- monitoring the HRIR related key risks.

Corporate Governance and Planning Committee

Chairman: Stephen Golding

Members: Leonie Taylor*, Julie Bignell, Robynne Dudley, Peter Tait and Peter Milton

* Leonie Taylor resigned on 30 May 2012

** Peter Milton was appointed to the Committee on 26 June 2012

Secretary: Peter Sinnott (Company Secretary/General Counsel from 9 January 2012)

Susan Campbell (Company Secretary/ General Counsel until 28 October 2012)

The Corporate Governance and Planning Committee (CGAPC) has been established to provide independent and expert advice to assist the Board to discharge its corporate governance and strategic planning responsibilities. The committee does not replace or replicate established management responsibilities and delegations or the responsibilities of other executive management groups within NQBP.

The CGAPC is only empowered to make recommendations to the Board and does not have power to make decisions in its own right.

The CGAPC:

- reports to the Board on the adequacy of the corporate governance system
- monitors NQBP's adherence to policies related to corporate governance and instilling a culture of compliance
- reviews pricing proposals and commercial negotiating frameworks which impact on NQBP's return
- monitors the risk management systems
- reports to the Board on the adequacy of the planning system as proposed by the Chief Executive Officer and the content of strategic and corporate plans and where required their suitability for circulation to shareholding Ministers
- articulates information gained from individual Board members to assist the Chief Executive Officer in developing NQBP's plans and
- requests the Chief Executive Officer to consider or further consider any strategic issue relevant to NQBP.

The membership of the committee consists of at least three directors appointed by the Board. NQBP's Board Chairman may be appointed to the committee but may not sit as the Chairman of the committee. The charter of the CGAPC is supplied to newly appointed NQBP directors as part of their general induction.

The CGAPC Chairman is to make sure that, on appointment to the committee, the appointee is familiar with the current charter of the committee and is briefed on key current issues.

Achievements in 2011-12

During the 2011-12 financial year, the key matters considered by the CGAPC included:

- updates to the Board Charter to include the Effective Governance recommendation to include a clear statement describing the delineation of board versus management roles
- reviewing iPads in relation to personal annotations to electronic board papers, security risks and the *Public Records Act 2002*
- reviewing continual development of information technology functions and systems
- reviewing potential delivery structures for the Abbot Point Multi Cargo Facility
- continually reviewing the development of risk management systems and reports

- reviewing the Statement of Corporate Intent 2012-13, Corporate Plan 2012-13 to 2016-17 and Strategic Plan 2012
- introducing Peter Tait to the committee to increase the skills range
- consideration of the strategic planning framework and the Board's role in strategic preparation, planning and implementation
- reviewing high level governance issues with respect to major projects
- updating the Committee Charter and
- reviewing relevant policies.

The committee has observed the terms of its charter and had due regard to relevant legislation, relevant binding policy of the State Government and NQBP policies, as well as contemporary planning processes. The Board considers the effectiveness of CGAPC meetings, the appropriateness of its charter and the composition of the committee on an annual basis.

Risk Management

NQBP will take a proactive and well informed approach to risk management and has a risk management policy and manual (risk management framework) that provides the strategic direction for risk management. The Board approved a revised risk management framework in April 2012.

Risk management for NQBP involves the culture, processes and structures that are directed towards realising potential opportunities, while managing adverse effects. Risk management is the responsibility of all employees of NQBP.

In order to meet strategic objectives, the risk management framework is designed to apply systematic and consistent risk management methodologies across NQBP in order to identify critical risk exposures as well as to focus on improving capabilities for predicting and managing uncertainties.

The framework enables NQBP to:

- identify, assess, evaluate, prioritise and manage risk across the organisation
- create value to the organisation through informed decision making and the effective allocation of resources and
- build a risk aware culture with risk embedded into day to day activities.

Risk management is an integral part of good business management.

Under the revised framework, senior management continue to be responsible for identifying changes in the business environment that may generate new risks or require a change to risk rankings or controls. The organisation's risk profile is under constant review by the NQBP leadership team and the Board.

The risk management framework, including detailed procedures for risk management, are documented in a risk management manual that has been developed based on the Australian and New Zealand Standard for risk management, AS/NZS ISO 31000:2009. This risk management framework has been integrated with NQBP's other policies and management systems. The risk management framework has been aligned with corporate and operational objectives through active consideration of business risks in strategic planning activities.

The risk management framework is supported by an assurance program of regular internal and external audits of various aspects of the business, such as legal compliance, projects, asset management, human resources, environment, health and safety, emergency planning, business continuity planning, and information management.

Risks are managed through a detailed process of identification and quantification of the risks, followed by determination of appropriate and cost-effective risk controls. Control measures are then implemented to mitigate the risk to acceptable levels. Identified risks are ranked to ensure appropriate attention to the higher risks of the business.

For major projects, comprehensive risk workshops are held with multi-disciplinary teams to identify risks and to determine appropriate controls.

Individual risks and controls are documented in a risk register. Each risk is assigned to a senior manager for implementation of risk treatment strategies and controls. Each risk is also assigned to a Board committee for oversight. The Board committees review their assigned risks on a three-monthly basis.

The risk management framework that NQBP has in place now, as well as its predecessor, has operated efficiently and effectively during the year. Internal compliance controls were in place to implement Board policies. Scheduled audits to ensure compliance with approvals and project management plans have been carried out during the year. There were no material breaches of risk management or compliance policies during 2011-12.

NQBP's website includes a copy of NQBP's Risk Management Policy.

Legal compliance

NQBP's legal compliance framework is designed to ensure that NQBP employees remain up to date and aware of the key legal requirements under Federal and State laws, regulations, policies and guidelines that impact on NQBP's business.

NQBP's compliance approach is to assign compliance of a statutory requirement to the relevant business unit within NQBP, which then has accountability within the scope of the particular statutory requirement, as that business unit is best equipped to identify and address compliance issues.

Regular legal updates are provided to all NQBP group staff on key legislative changes.

Internal Audit

NQBP has contracted out its internal audit function to Deloitte Australia for 2010-11 to 2012-13 inclusive. The role of internal audit is to assist the Board of Directors and management in the effective discharge of their responsibilities. Internal audit activities are conducted in accordance with the Internal Audit Charter and contract for audit services.

These include:

- completing an overall risk assessment and appraisal in formulating the audit plan, having regard to the audit criteria identified for each risk category as documented in the risk manual
- providing impartial and independent advice on whether activities are effectively and economically managed
- providing advice on any deficiencies identified and recommending remedial action
- evaluating compliance with relevant legislation and policies and
- determining effectiveness of financial and operational practices and systems in meeting goals.

The 2011-12 audit program included reviews of:

- contract management
- revenue processes
- records management information standards
- follow up of prior audit results and
- financial statement review.

Additional Information

Capital Structure

The Capital Structure policy outlines the NQBP group policy for the determination of its appropriate capital structure range. In establishing its capital structure range and positioning the balance sheet at a target debt to debt plus equity level, we have two objectives:

- establish the capital structure to minimise its cost of capital while maintaining an appropriate credit rating and
- maintain flexibility for current and future infrastructure opportunities.

Dividend policy

The NQBP dividend policy takes into account the return its shareholders expect on their investments, along with the funding of future capital requirements and maintenance of the group's approved capital structure.

The directors of NQBP have not recommended a dividend payment this year due to the losses in NQBP as a result of asset write-offs from scaled down activities at Abbot Point.

Investments policy

Cash at bank or on hand, not currently required by NQBP, is invested in Board-approved investments in the Queensland Treasury Corporation (QTC) Cash Fund. NQBP monitors cash flows daily and invests any surplus funds. Comprehensive internal controls are maintained in relation to investments.

Foreign exchange and derivative policy

NQBP seeks to have all agreements, tenders and contracts denominated in Australian dollars. Every month the Board is advised on any Foreign Exchange (FX) exposure or derivative transactions exceeding $100,000 and whether the exposures are hedged or unhedged. Full details of any hedges placed, or derivative transactions completed since the last Board meeting, are also advised to the Board monthly. All FX exposures greater than $1 million are hedged unless the Board explicitly determines otherwise.

General borrowing policy

An estimated borrowing requirement for the succeeding year is included in the Statement of Corporate Intent.

NQBP works closely with QTC to obtain state borrowing approval. In accordance with Government policy, NQBP borrows from QTC for ordinary requirements.

Government policies applicable to NQBP

NQBP is to comply with the following Government policies in addition to State and Federal legislative requirements.

- *Biannual Reporting: Guidelines for the Preparation of Interim Reports (2009)*
- *Code of Practice for Government Owned Corporations Financial Arrangements (2009)*
- *Community Service Obligations – A Policy Framework (1999)*
- *Corporate Entertainment and Hospitality Guidelines (2008)*
- *Corporate Governance Guidelines for Government Owned Corporations (2009)*
- *Cost of Capital Principles – Government Owned Corporations (2006)*
- *Government Owned Corporations Air Travel Policy (2009)*
- *Government Owned Corporations Bargaining Guidelines (2010)*
- *Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009)*
- *Government Owned Corporations Guidelines for the Preparation of Statements of Corporate Intent and Corporate Plans (2010)*
- *Government Owned Corporations Release of Information Arrangements (2009)*
- *Government Owned Corporation Subsidiaries - Key Shareholder Requirements for Constitutions (2006)*
- *Government Owned Corporations Wages Policy (2010)*
- *Guidance for Chief Executive Officers - Agreement Making and Industrial Relations in Government Owned Corporations (2010)*
- *Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (2009)*
- *Guidelines for Export of Services by Government Owned Corporations (2001)*
- *Guidelines for Preparing Forecast Reports (2010)*
- *Investment Guidelines for Government Owned Corporations (2009)*
- *Local Industry Policy: A Fair Go for Local Industry (2008)*

- *Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations (2009)*
- *Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (2009)*
- *Purchasing Carbon Offsets for Queensland Government Air Travel (2008)*
- *QFleet ClimateSmart Policy (2008)*
- *Queensland Code of Practice for the Building and Construction Industry (2009)*
- *Sport and Recreation Sponsorship Policy (2009)*
- *State Procurement Policy (2008)*
- *Guidelines for the Issue of Harbour Towage Licences (2002)*
- *Queensland Port Government Owned Corporations - Local Government General Rates Equivalents Regime: Guidelines for Assessment, Collection and Payment (2000)*
- *Transport Portfolio Code of Practice for Closed Circuit Television Systems (2007)*

There were no commercial impacts of major significance identified by NQBP in adopting any revised policy positions. The implementation of the Right to Information Arrangements resulted in NQBP needing ongoing resources directed to this activity.

Summary of directions and notifications given to the Board by NQBP's shareholding Ministers

There were no directions or notifications issued by shareholding Ministers under the GOC Act for the 2011-12 financial year.

Community service obligations (CSO)

There were no Community Service Obligations identified during 2011-12.

Employment and Industrial Relations Plan

NQBP's Employment and Industrial Relations Plan 2011-12 establishes the corporation's intent with respect to directors' and staff remuneration and employment conditions and human resource priorities such as staff attraction and retention initiatives. Achievements and delivery of the plan are summarised throughout this report.

Corporate entertainment and hospitality

NQBP did not hold any events throughout 2011-12 that were over $5,000.

Right to Information

NQBP received six requests for information under the *Right to Information Act 2009* during 2011-12. Three of these were completed, two are under review by the Office of the Information Commissioner and one was non-compliant.

Statement of Corporate Intent

NQBP's SCI for 2011-12 is summarised on pages 6 to 8 of this report.

Financial Performance 2011-12

North Queensland Bulk Ports Corporation Limited ACN 136 880 218

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Directors' Report

For the year ended 30 June 2012

The Board of Directors of North Queensland Bulk Ports Corporation Limited (NQBP) present their report of NQBP and the entity (the Group) for the year ended 30 June 2012.

Directors

The names of the directors in office at any time during or since the end of the year are:

Ms Leonie Taylor
Mr Peter Milton
Mr Graham Davies
Ms Julie Bignell
Ms Robynne Dudley
Mr Stephen Golding
Mr Kasper Kuiper
Mr Peter Tait

Review of Operations

NQBP was formed on 7 May 2009 and became the holding company for the wholly owned subsidiaries of Ports Corporation of Queensland Limited (PCQ) and Mackay Ports Limited (MPL) on 2 July 2009.

NQBP is a public company incorporated under the *Corporations Act 2001*. It is also a Government Owned Corporation (GOC) under the Queensland *Government Owned Corporations Act 1993* and a Port Authority under the *Transport Infrastructure Act 1994*. Each of the subsidiaries, PCQ and MPL, is a public company incorporated under the *Corporations Act 2001* and are subsidiaries of a GOC under the *Government Owned Corporations Act 1993*.

The 2011-12 financial year saw NQBP complete the integration of MPL and PCQ. As at 31 March 2012, all assets and liabilities of these entities were transferred to NQBP. As at 30 June 2012, both MPL and PCQ remained as companies with nil assets and liabilities.

At Abbot Point, NQBP continues to work with BHP Coal Pty Ltd and Hancock Coal Infrastructure Pty Ltd on the development of T2 and T3 Terminals to increase coal throughput capacity at Abbot Point. During the year both entities progressed their feasibility studies for these developments.

Terminal 1 (T1) has been successfully leased to Mundra Ports (which forms part of the Adani Group). NQBP is assisting the Adani Group with investigations into the feasibility of developing a coal terminal to the east of T1.

At Hay Point, NQBP has been progressing with its investigation work on further major expansion of the port. As part of this investigation, a Preliminary Ten Year Master Plan was published in April 2012, detailing recommendations of port master planning carried out over the previous 16 months. Further studies of the offshore berthing arrangements are continuing to finalise the master plan, with the main body of work being ship simulation studies to determine the optimum wharf alignment for shipping.

As a result of softening demand for coal export infrastructure, NQBP has scaled back plans for future development at the Port of Abbot Point. There remains a strong interest amongst industry members in new incremental export capacity at Abbot Point. NQBP will work with Government and proponents to explore alternative options for incremental expansion of Abbot Point's coal handling facilities.

A Common User Infrastructure (CUI) group was formed in January 2012 to assess CUI needs for the T0, T2 and T3 proponents. In consultation with proponents, NQBP has prepared preliminary needs assessments for power, water, communications, roads and rail accesses, construction camps, tug shelters, laydown areas and general site coordination issues.

Abnormal wet weather conditions in the second half of the 2011 year continue to hamper production for coal miners into the 2012 year and have reduced coal exports out of Abbot Point and Hay Point by 17%.

Operating Results

The loss of the consolidated NQBP Group for the financial year after providing for income tax equivalents amounted to $1.9 million. The main factor driving the loss is the abnormal write-offs due to scaled back activities at Abbot Point of $22.7 million. Excluding this write-off, the profit was $20.8 million.

The Group has ensured the sustainable operation and development of the ports through a structured and cost effective environmental management, monitoring and improvement program which reflects a strong commitment to best practice, effective community consultation and environmental protection. The Group maintained external certification of its Environmental Management System for the Ports of Hay Point, Abbot Point, Mackay and Weipa to AS/NZS ISO14001:2004.

Principal Activities

During the year the principal continuing activities of entities within the Group consisted of:

(a) port operation and management

(b) strategic port planning and port infrastructure development and

(c) trade facilitation and port marketing.

Dividends

A dividend of $231.4 million and capital repatriation of $1,534 million was paid during the year as recommended by the Board as at 30 June 2011.

The directors of NQBP have not recommended a dividend payment this year due to the losses in NQBP as a result of asset write-offs from scaled down activities at Abbot Point.

No options over issued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Significant Changes in the State of Affairs

Changes in the economic climate during the year have led to uncertainty with regard to the economic viability and willingness of Government and customers to fund projects. NQBP therefore undertook an assessment to determine whether capital work in progress in relation to the Multi Cargo Facility (MCF) and Abbot Point T4-T9 projects would continue to produce economic benefits for NQBP. The outcome of this assessment was the write-off for accounting purpose of $22.7 million of works associated with these projects.

NQBP has therefore focused its attention on the delivery of T0, T2 and T3 Terminals at Abbot Point and the delivery of two new coal terminals at Dudgeon Point situated within the Port of Hay Point. NQBP continues to work with the State Government on the various options for the continued development of marine infrastructure at Abbot Point.

Consistent with the Government's drive for improved cost management and operational efficiency, NQBP has initiated a cost management and value management initiative. The cost management initiative seeks to capture and bank cost savings in the current financial year having regard to ensuring no detrimental impact on service delivery to our customers. The value management initiative takes a longer term view and looks to drive improved bottom line performance through considering operational efficiencies and revenue generating opportunities.

These initiatives are being actively managed by NQBP's Senior Leadership Group and closely monitored by the NQBP Board to ensure sustainable value is delivered to our shareholders.

Matters Subsequent to the End of the Financial Year

Sale of Merinda Workers Camp

In 2011, the Board approved the sale of the Merinda Workers Camp located at Merinda. A sale contract has been signed with a buyer, subject to a number of pre-conditions being met and is expected to be completed by the end of December 2012. Management considers that the criteria to reclassify the relevant non-current assets or disposal group as 'held for sale' in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* has been met.

Likely Developments and Expected Results of Operations

Abbot Point

Terminal 0 (T0) Development Site

Since obtaining a 99-year lease of the X50 Abbot Point Coal Terminal (T1), Adani has identified the need to increase terminal capacity. Adani is proposing an expansion of at least 35 Mtpa of the existing terminal (T1), along with an additional two offshore berths. This project is now in the pre-feasibility phase and an Environmental Impact Statement is being prepared for the project.

Terminal 2 and Terminal 3 (T2-T3) Development Sites

NQBP is currently working to progress its plans for two additional tranches of coal export capacity at the Port of Abbot Point. These tranches are termed the T2 and T3 projects. The Preferred Developers, Hancock Coal Infrastructure Pty Ltd and BHP Coal Pty Ltd, are currently working with NQBP to finalise agreements to progress the projects.

Dudgeon Point

Plans are progressing for the proposed Dudgeon Point Coal Terminals Project. This expansion at the Port of Hay Point involves developing two new coal terminals in the port, with an estimated capacity of up to 180 Mtpa. Dudgeon Point Project Management Pty Ltd and Adani Mining Pty Ltd (Adani Group) are the preferred proponents for the development of new coal export infrastructure at Dudgeon Point.

NQBP, as lead proponent for the proposed project, is continuing with extensive planning studies for this development. NQBP holds around 1400 hectares at Dudgeon Point, principally as freehold land. Around half of the site is zoned for port use and the remainder is being retained by NQBP for environmental or general buffer purposes.

The expected construction cost of the new terminals is approximately $10 to $12 billion, to be funded by industry. The project is expected to include new coal stockyards, up to eight new ship berths, a new rail connection from the Goonyella system to Dudgeon Point, as well as an expansion of the existing Tug Harbour at Half Tide.

Environmental Regulation

NQBP is subject to significant environmental regulation in respect to its activities.

Dredging

Dredging was carried out in the port of Weipa during the year, in accordance with approvals obtained under the Commonwealth's *Environment Protection (Sea Dumping) Act 1981* and Queensland's *Sustainable Planning Act 1997.* NQBP, together with Rio Tinto Alcan, Maritime Safety Queensland and OMC International, commissioned a study to determine the optimum sailing draft to get maximum benefit from the Dynamic Under Keel Clearance (DUKC) technology employed by modern vessels entering the Port of Weipa. The study identified that to operate more efficiently, further development of the shipping channel was necessary. NQBP has obtained all necessary environmental approvals and permits to enable capital dredging to occur in the second half of 2012.

NQBP is preparing a Public Environment Report (PER) for the capital dredging proposed for the T0, T2 and T3 offshore berths and apron area at Abbot Point, in accordance with the requirements of the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999.* Approvals will be sought under this legislation, as well as the *Environment Protection (Sea Dumping) Act 1981, Great Barrier Reef Marine Parks Act 1975* and Queensland's *Sustainable Planning Act 1997.* Approvals are anticipated to be received in the first quarter 2013 and dredging currently targeted to be conducted in the second half of 2013.

NQBP is also undertaking preliminary investigations on sediment accumulation and quality at the Port of Hay Point, to support the development of a Port of Hay Point Maintenance Dredging Management Plan under the *Environment Protection (Sea Dumping) Act 1981*. The experimental design for this study is presented in the form of a Sampling and Analysis Plan which has been approved by the Great Barrier Reef Marine Park Authority (GBRMPA).

NQBP holds a Ten Year Sea Dumping Permit and Long-Term Dredge Management Plan for the Port of Mackay, as approved under the *Environment Protection (Sea Dumping) Act 1981.* State permits have also been obtained for this port.

Port Operations and Development

Project development in the Port of Abbot Point includes the T0, T2 and T3 expansions which comprise capital dredging (as detailed above) and onshore development and offshore infrastructure. Apart from the capital dredging component, each project proponent, that is Adani, BHP Coal Pty Ltd and Hancock Coal Infrastructure Pty Ltd, is undertaking their own independent environmental assessments under the *Environment Protection and Biodiversity Conservation Act 1999*, to obtain the approvals required to carry out the expansion works.

NQBP, together with the aforementioned proponents, is undertaking a new environmental initiative as part of best practice in environmental design and management. All four organisations have come together to undertake a comprehensive investigation of environmental impacts from their proposed projects at the port through a Cumulative Impact Assessment (CIA). The studies being conducted by recognised scientific experts in their fields, will be independently reviewed and then consolidated into one overall synthesis report. The Commonwealth regulators have been working with the CIA group on the scope and assessment work to date, and it is anticipated that a Joint Environmental Management Framework will be developed for whole of port monitoring and management of major projects. The information from the CIA synthesis will be incorporated into the individual environmental assessments of each proponent for their project approvals.

NQBP is working with the port proponents on Common User Infrastructure and also planning for future expansion of the port. Should these projects proceed, approvals will be obtained under Commonwealth and State legislation as appropriate.

Breaches of Approval Conditions

No actions were commenced by statutory agencies against the NQBP Group for possible breaches of approval conditions. Through its own monitoring and auditing processes, the Group identified the following non-compliances. No environmental harm was identified from any of the non-compliances, and no enforcement style action has been taken by any regulatory authority against NQBP for the non-compliance.

For NQBP:
During the onshore geotechnical investigations for the Abbot Point MCF Project, maintenance grading was mistakenly performed on a beach access track which resulted in some clearing of remnant vegetation without a permit. The Department of Environment and Resource Management (DERM) was notified of the non-compliance and advised that no further action will be taken subsequent to remedial measures being implemented by NQBP. Potential impacts to cultural heritage were also investigated in conjunction with the Traditional Owners, the Juru people, and any issues associated with the work were resolved.

Information on Directors

Name and qualifications	Experience, special responsibilities and other directorships
LEONIE TAYLOR **Chairman** BBus, FCA, CFP, FAICD, FTIA First Appointed: NQBP on 7 May 2009; PCQ on 1 July 1994; MPL on 7 August 2009 Term of Office – resigned 30 May 2012 Appointed as Chairman of the Board of: NQBP on 19 June 2009; PCQ on 1 July 1999; MPL on 7 August 2009 *Member Audit and Financial Risk Management Committee* *Member Human Resources and Industrial Relations Committee* *Member Corporate Governance and Planning Committee*	From 1999 until May 2012, Leonie Taylor was the Chairman of the NQBP group of companies and Chairman of PCQ. The Partner-In-Charge of Corporate Governance and Quality Accreditation at leading Brisbane financial and accounting firm Bentleys, Ms Taylor specialises in providing tax and business advice to Queensland businesses. She assists businesses with management and corporate governance issues and is well versed in all facets of financial management and the Australian tax regime. Ms Taylor holds a Bachelor of Business and is a Fellow of the Institute of Chartered Accountants, The Taxation Institute of Australia and The Institute of Company Directors.
PETER MILTON **Chairman** First Appointed: NQBP on 31 May 2012 Term of Office – to 30 September 2015 *Member Audit and Financial Risk Management Committee* *Member Human Resources and Industrial Relations Committee* *Member Corporate Governance and Planning Committee*	For over 38 years Peter has worked in port and country operations of the grain industry. More recently before his retirement, Peter was Executive Manager for all grain export terminals in Queensland, New South Wales and Victoria. He was responsible for overseeing the expansion of the handling of non-grain bulk commodities in response to the variable grain production in eastern Australia, as well as the development of container loading facilities. Peter has also been closely involved in port enterprise bargain agreement negotiations which introduced a change in culture with a predominant focus on improved customer service. Peter is also Chairman of Newcastle Agri Terminal.

Name and qualifications	Experience, special responsibilities and other directorships
GRAHAM DAVIES AM First Appointed: NQBP on 7 May 2009; PCQ on 7 August 2009; MPL on 1 July 1999 Term of Office – to 30 September 2012 *Member Human Resources and Industrial Relations Committee*	Graham Davies has more than 30 years' experience as a non-executive Director on sugar boards, various companies and co-operatives. Until 2002, Mr Davies held the position of Chairman of the Mackay Sugar Co-operative for 16 years and in 2011, after ten years, retired as Chairman of the Queensland Rural Adjustment Authority. Mr Davies is a Board Director (Hon.) of the Cerebral Palsy League of Queensland. Mr Davies owns and operates sugar farms in the Mackay and Burdekin districts and has cattle interests in the Mackay district hinterland. He was appointed a Member of the Order of Australia in June 2011.
JULIE BIGNELL BA, Grad. Dip. IR/HRM, FAICD First Appointed: NQBP on 19 June 2009; PCQ on 1 July 2001; MPL on 7 August 2009 Term of Office – to 30 September 2012 *Chairman Human Resources and Industrial Relations Committee* *Member Corporate Governance and Planning Committee*	Julie Bignell is the Branch Secretary of the Central and Southern Queensland Branch of the Australian Services Union, as well as the Assistant General Secretary of Together Queensland. In these roles she has executive responsibility within the union for overseeing the development and implementation of industrial and organising strategies to further the interests of professional, clerical, administrative, customer service and call centre workers in the private and public sectors. Ms Bignell is also Vice President of the Queensland Council of Unions and a Director of Workplace Health and Safety Queensland.

Name and qualifications	Experience, special responsibilities and other directorships
KASPER KUIPER R.O.N M. Mariner FG + ext. M, Grad Dip, OSD First Appointed: NQBP on 19 June 2009; PCQ on 1 July 2001; MPL on 7 August 2009 Term of Office – to 30 September 2014 *Member Audit and Financial Risk Management Committee*	Kasper Kuiper's expertise in port construction and reclamation includes involvement in some of the largest port and underwater constructions in the world — Saudi Arabia, Kuwait, India, Pakistan and The Netherlands. He relocated to Brisbane for the construction of the Brisbane International Airport in 1980–1983, and has worked for the Woodside Project in Cape Lambert and Port Headland, Western Australia. Captain Kuiper is Branch Master for Queensland of the Company of Master Mariners and a member of the Board of Governors and Chairman of the Board of Management of the "Duyfken 1606 Replica Foundation". He is Honorary Consul of The Netherlands in Queensland and was decorated as a Knight in the Order of Oranje-Nassau by Queen Beatrix of the Netherlands in May 2006.
PETER TAIT BCom, M Info Systems, FCA GAICD First Appointed: NQBP on 19 June 2009; PCQ on 7 August 2009; MPL on 1 October 2007 Term of Office – to 30 September 2014 *Member Audit and Financial Risk Management Committee* *Member Corporate Governance and Planning Committee*	Peter Tait has been practising in chartered accountancy for over 20 years for SH Tait and Co. This large regional practice operates in central Queensland providing accounting, taxation, audit and general business services to a wide range of diverse industries. Mr Tait is a registered company auditor providing audit services to a variety of unlisted public and private companies. Other areas of work include advising on restructuring, finance applications, succession planning and litigation support, including business valuations. Dedicating his time and talent to the community, Mr Tait has been Honorary Treasurer of the George Street Neighbourhood Centre Association Inc in Mackay and Honorary Treasurer of Mackay Children's Contact Service Inc since 2001.

Name and qualifications	Experience, special responsibilities and other directorships
STEPHEN GOLDING AM, RFD BE, MEngSc, BEcon, Hon FIE Aust, FCILT, FAIM, FITE, FAICD, CPEng, RPEQ First Appointed: NQBP on 19 June 2009; PCQ on 7 August 2009; MPL on 1 July 2005 Term of Office – to 30 September 2014 *Chairman Corporate Governance and Planning Committee* *Member Human Resources and Industrial Relations Committee*	Stephen Golding has had a long and distinguished career with the Queensland Department of Main Roads. From 1970 to his retirement in March 2005, Mr Golding held a number of key management positions and in July 2000 was appointed Director-General of Main Roads. Mr Golding is active in four professional associations including an Honorary Fellow of the Institution of Engineers (Australia) and has served on a number of panels and committees. He is a Director and Chair of Transport Certification Australia Ltd, a Director of Transmax Pty Ltd and a Board Member of Queensland Reconstruction Authority. He has enjoyed a long career in the Army Reserve enlisting as a private soldier in the Queensland University Regiment in 1963 and retiring in 2004 with the rank of Major General. In June 1998, Mr Golding was appointed a Member of the Order of Australia for outstanding service to the Army Reserve.
ROBYNNE DUDLEY BBus. FCA First Appointed: NQBP on 19 June 2009; PCQ on 7 August 2009; MPL on 1 July 1999 Term of Office – to 30 September 2012 *Chairman Audit and Financial Risk Management Committee* *Member Corporate Governance and Planning Committee*	Robynne Dudley has strong ties with the Mackay business community and is a partner with Shepherd and Dudley Chartered Accountants. She has been an accountant for more than 30 years. Mrs Dudley holds a Bachelor of Business and is a Fellow of the Institute of Chartered Accountants and a CPA.

Appointment dates for PCQ and MPL relate to the entity or its predecessor.

Company Secretary

Name and qualifications	Experience, special responsibilities and other directorships
Peter Sinnott BCom, LLB (Hons), MFM Commenced: NQBP, MPL and PCQ on 9 January 2012	Prior to joining NQBP, Peter Sinnott was Legal Director at Rio Tinto Alcan. Mr Sinnott has over 20 years' experience in private practice and corporate in-house roles, specialising in commercial and corporate law. Peter was formerly a Senior Associate/Special Counsel at international law firm Minter Ellison.
Tina Marsh Appointed: NQBP on 1 July 2009; PCQ on 1 July 2007; MPL on 1 July 2009	Tina Marsh has a 19 year history with the Group, and in addition to holding the Assistant Company Secretary position, is extensively involved in the corporate administration of NQBP.

Meetings of Directors in 2011-12

The number of meetings of directors for NQBP and its subsidiary companies (including meetings of committees of directors) held during the year, and the number of meetings attended by each director, were as follows:

	Board Meetings					
	NQBP		PCQ		MPL	
Director	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
L Taylor[1] **Chairman**	14	12	14	12	14	12
P Milton[2] **Chairman**	1	1	1	1	1	1
J Bignell	15	12	15	12	15	12
G Davies	15	15	15	15	15	15
R Dudley	15	11	15	11	15	11
S Golding	15	15	15	15	15	15
K Kuiper	15	14	15	14	15	14
P Tait	15	14	15	14	15	14

Notes –

1. Leonie Taylor resigned as Chairman on 30 May 2012.
2. Peter Milton commenced as Chairman on 31 May 2012.

	Committee Meetings					
	Audit and Financial Risk Management Committee		Corporate Governance and Planning Committee		Human Resources and Industrial Relations Committee	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
L Taylor[3] **Chairman**	4	4	4	4	3	3
P Milton[4] **Chairman**	0	0	1	1	1	1
G Davies	0	0	1	0	4	2
K Kuiper	4	4	1	1	0	0
J Bignell	0	0	5	3	4	4
R Dudley	4	3	5	5	0	0
S Golding	0	0	5	5	4	4
P Tait	4	4	5	4	0	0

Notes –

3. Leonie Taylor resigned as Chairman on 30 May 2012.
4. Peter Milton commenced as Chairman on 31 May 2012.

Deeds of Indemnity and Insurance

The constitution of each of NQBP, PCQ and MPL provides that, to the extent permitted by law:

- each such company must indemnify every person who is, or has been, a director or secretary of that company against any liability incurred by that person as a director or secretary
- each such company may make a payment in respect of legal costs incurred in defending an action for a liability incurred by that person as a director or secretary and
- each such company may pay a premium to insure a director or secretary against certain liability incurred by the director or secretary acting in that capacity.

Each of NQBP, PCQ and MPL entered into a separate Deed of Indemnity for the benefit of persons who are or become Directors, Secretaries, CEO and certain other key decision making persons of any of those companies ("Officers") during the term of the Deed. Under this Indemnity, each of NQBP, PCQ and MPL agrees to indemnify such persons against any liabilities (including costs and expenses) incurred by such persons as an Officer during the term of the Indemnity. The Indemnity operates until revoked by the relevant Board.

The Indemnity does not apply in respect of:

- any liability to NQBP, PCQ or MPL (as applicable) or to any subsidiary of those companies
- any liability which arises out of the conduct by the Officer involving lack of good faith
- any liability which is not permitted to be indemnified under the *Corporations Act 2001* (Cth), the *Competition and Consumer Act 2010* (Cth) and any other applicable law and
- any liability where, and to the extent that the Officer is indemnified under a policy of insurance or otherwise.

Repayment obligations apply if NQBP, PCQ and/or MPL (as applicable) has paid an amount to an Officer under the Indemnity, and the Officer is no longer entitled to be indemnified.

Each of NQBP, PCQ and MPL is required to effect insurance in relation to these liabilities, except for liabilities arising out of wilful breach of duty or the breach of certain provisions of the *Corporations Act 2001* (Cth).

No liability has arisen under these Indemnities as at the date of this report.

The Group has not entered into any agreement to indemnify its auditors.

Contract of Insurance

The Group has paid a premium in respect of a contract insuring the directors and officers of each of NQBP, MPL and PCQ against liabilities.

Proceedings on Behalf of the Group

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

No proceedings have been brought or intervened in on behalf of any of NQBP, PCQ and MPL with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

Non-Audit Services

The Group's auditor has not provided the Group any non-audit services.

Rounding of Amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 77.

This report is signed in accordance with a resolution of directors.

Peter Milton
Chairman
North Queensland Bulk Ports Corporation Limited

31 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of North Queensland Bulk Ports Corporation Limited

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

Independence Declaration

As lead auditor for the audit of North Queensland Bulk Ports Corporation Limited for the year ended 30 June 2012, 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.

QUEENSLAND
30 AUG 2012
AUDIT OFFICE

M R HYMAN CA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Statement of Comprehensive Income
For the year 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Income from operations					
Revenue	6	68,002	159, 355	61,443	49, 932
Other income	6	1,611	371,495	103	348, 992
Expenses from operations					
Repairs and maintenance		5,723	51,341	1,202	158
Depreciation and amortisation expenses	7	6,374	17,964	1,846	24
Employee benefits expenses		13,827	12,122	11,008	4,235
Finance costs	7	4,299	13,846	1,071	66
Impairment losses/write-offs	7	23,257	19,539	52,134	105,007
Cost of sale of non current assets		80	17,637	66	17, 637
Property expenses		4,850	5,450	2,077	525
Consultancies		1,863	1,104	1,164	19
Land tax		4, 118	1,918	1, 129	-
Other expenses		4,746	2,293	1,036	1,098
Quarantine waste expenses		826	906	201	-
Insurance		985	799	1,007	800
Dynamic under keel clearance expenses		842	848	203	-
Travelling expenses		711	600	499	297
Legal expenses		391	330	243	12
Promotional expenses		333	290	179	82
Profit before income tax		(3,612)	383, 863	(13,519)	268, 964
Income tax refund/(expense)	8	1, 723	71, 064	4,590	(4,976)
Profit from continuing operations		(1,889)	454, 927	(8,929)	263,988
Profit (loss) from discontinued operations		-	-	-	-
Profit for the year		(1,889)	454, 927	(8,929)	263,989
Other comprehensive income					
Other comprehensive income for the year, net of tax	20	22, 623	75, 291	30, 924	-
Total comprehensive income for the year		20,734	530, 218	21,994	263,989

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

Statement of Financial Position
As at 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	64, 886	1,812,409	64, 886	1,812,409
Trade and other receivables	10	13, 427	20, 654	13, 427	10,362
Inventories	11	1, 056	1, 164	1, 056	-
Other current assets	12	424	335	424	218
		79, 793	1,834,562	79, 793	1,822,989
Assets classified as held for sale	13	1, 249	1, 700	1, 249	-
Total current assets		81, 042	1,836,262	81, 042	1,822,989
Non-current assets					
Receivables	10	3, 686	4, 147	3, 686	-
Inter-company loans	10	-	-	-	108, 662
Investments in subsidiaries	22	-	-	-	117, 120
Property, plant and equipment	15	289, 174	250, 561	289, 174	837
Investment properties	14	40, 684	39, 942	40, 684	-
Total non-current assets		333, 544	294, 650	333, 544	226, 619
Total assets		414, 586	2,130,912	414, 586	2,049,608
LIABILITIES					
Current					
Trade and other payables	16	42, 598	41, 133	42, 598	22, 876
Current income tax equivalent liabilities		7, 471	2, 302	7, 471	2, 302
Provisions	18	2, 400	222, 446	2, 400	221, 222
Total current liabilities		52, 469	265, 881	52, 469	246, 400
Non-current					
Trade and other payables	16	787	795	787	789
Interest-bearing liabilities	17	90, 218	67, 218	90, 218	67, 218
Deferred income tax equivalent liabilities(assets)	8	37, 495	38, 126	37, 495	30
Provisions	18	146	1, 337	146	93
Total non-current liabilities		128, 646	107, 476	128, 646	68, 130
Total liabilities		181, 115	373, 357	181, 115	314, 530
Net assets		233, 471	1,757,555	233, 471	1,735,078
EQUITY					
Issued capital	19	161, 295	1,187,080	161, 295	1,676,680
Other reserves	20	87, 005	64, 382	30, 924	-
Retained earnings	21	(14,829)	506, 093	41, 252	58, 398
Capital and reserves attributable to owners of NQBP		233, 471	1,757,555	233, 471	1,735,078
Non-controlling interests			-		-
Total equity		233, 471	1,757,555	233, 471	1,735,078

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 2012

	Note	Issued capital $'000	Retained earnings $'000	Revaluation surplus $'000	Total $'000
CONSOLIDATED ENTITY					
Total comprehensive income for the year					
Net profit for the year	21	-	454,927	-	454,927
Other comprehensive income					
Increase/(decrease) in asset revaluation surplus	20	-	-	75,291	75,291
Total comprehensive income for the year		-	454,927	75,291	530,218
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	19	914,953	-	-	914,953
Transfer from/(to) equity	20,21	-	265,380	(265,380)	-
Dividends provided for or paid	21	-	(220,300)	-	(220,300)
Transfer of equity to shareholder	19	(225)	-	-	(225)
		914,728	45,080	(265,380)	694,428
At 30 June 2011		1,187,080	506,093	64,382	1,757,555
Total comprehensive income for the year					
Net profit/(loss) for the year	21	-	(1,889)	-	(1,889)
Total comprehensive income for the year		-	(1,889)	-	(1,889)
Total other comprehensive income					
Increase/(decrease) in asset revaluation surplus		-	-	22,623	22,623
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	19	(1,534,449)	-	-	(1,534,449)
Transfer from/(to) equity	19,21	508,664	(508,664)	-	-
Dividends provided for or paid	21	-	(11,070)	-	(11,070)
Prior year adjustment	21	-	701	-	701
		(1,025,785)	(519,033)	22,623	(1,522,195)
At 30 June 2012		161,295	(14,829)	87,005	233,471

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the Year Ended 30 June 2012

	Note	Issued capital $'000	Retained earnings $'000	Revaluation surplus $'000	Total $'000
Parent					
Total comprehensive income for the year					
Net profit for the year	21	-	263,988	-	263,988
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	263,988	-	263,988
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	5,19	1,404,553	-	-	1,404,553
Dividends provided for or paid	21	-	(220,300)	-	(220,300)
Transfer of equity to shareholder	19	(225)	-	-	(225)
		1,404,328	(220,300)	-	1,184,028
At 30 June 2011		1,676,680	58,398	-	1,735,078
Total comprehensive income for the year					
Net profit/(loss) for the year	21	-	(8,929)	-	(8,929)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	(8,929)	-	(8,929)
Total other comprehensive income					
Increase/(decrease) in asset revaluation surplus		-	-	30,924	30,924
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	5,19	(1,515,385)	-	-	(1,515,385)
Transfer from/(to) equity	19,21	-	2,152	-	2,152
Dividends provided for or paid	21	-	(11,070)	-	(11,070)
Prior year adjustments	21	-	701	-	701
		(1,515,385)	(8,217)	30,924	(1,492,678)
At 30 June 2012		161,295	41,252	30,924	233,471

The accompanying notes form part of these financial statements.

Statement of Cash flows
for the Year Ended 30 June 2012

		Consolidated		Parent	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash receipts from customers		68,219	152,529	47,846	46, 258
Cash paid to suppliers and employees		(34,195)	(81,944)	(43,526)	(9,445)
GST refund by (remitted to) ATO		(3,459)	(1,018)	(3,459)	(1,920)
Interest paid/received		(593)	(13,846)	2,638	(66)
Income tax equivalents received (paid)		(3,434)	320	(3,434)	(291)
Net cash inflow/(outflow) from operating activities	23 (ii)	26, 538	56, 041	65	34, 536
Cash flows from investing activities					
Interest received		-	2,126	-	169
Purchase of property, plant and equipment		(36,849)	(190,697)	(5,711)	-
Purchase of investment property		-	-	-	-
Stamp duty paid		-	(78,824)	-	(78,824)
Proceeds from sale of property, plant and equipment		5,277	1,829,000	612	1,829,000
Proceeds from sale of fixed assets		-	482	-	-
Loans to related parties		-	-	-	(39,618)
Net cash inflow/(outflow) from investing activities		(31,572)	1,562,087	(5,099)	1,710,727
Cash flows from financing activities					
Proceeds returned to shareholders		(1,534,449)	-	(1,534,449)	-
Proceeds from borrowings		23,330	194,353	23,330	67, 218
Dividends paid to company shareholders		(231,370)	(13,632)	(231,370)	(13,632)
Net cash inflow/(outflow) from financing activities		(1,742,489)	180,721	(1,742,489)	53,586
Net increase (decrease) in cash and cash equivalents		(1,747,523)	1,798,849	(1,747,523)	1,798,849
Cash and cash equivalents at beginning of period		1,812,409	13,560	1,812,409	13,560
Cash and cash equivalents at end of period	9	64,886	1,812,409	64,886	1,812,409

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

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2012

1. Corporate Information

North Queensland Bulk Ports Corporation Limited (NQBP) was declared a Company Government Owned Corporation on 19 June 2009 under the provisions of the *Government Owned Corporations Act 1993* and related Regulations, having been originally established on 7 May 2009.

NQBP is a public company limited by shares, incorporated under the *Corporations Act 2001* and domiciled in Australia.

The company's issued capital is controlled by the State of Queensland (the ultimate parent entity). NQBP's registered office is:

Level 1 Wellington House
181 Victoria Street
Mackay Qld 4740

The directors of NQBP, PCQ and MPL have resolved to take advantage of the relief offered by ASIC Class Order 98/1418. Under Class Order 98/1418, PCQ and MPL are relieved from preparing, having audited, lodging and distributing financial reports under the *Corporations Act 2001*.

To satisfy the conditions of the Class Order, each member of the Group entered into a Deed of Cross Guarantee on 9 June 2010 (Deed). The effect of the Deed is that each member of the Group has guaranteed the payment of any debt owed to a creditor of the group in accordance with the Deed. The Deed becomes enforceable in respect of the debt of a member of the Group:

– upon the winding up of the member of the Group where that member is insolvent, has applied to the court to be wound up, upon the report of ASIC that the company cannot pay its debts or under a voluntary winding up; or

– in any other case - if six months after a resolution or order for the winding up of the member of the Group any debt of a creditor of the member of the Group has not been paid in full.

As a result of the Government Owned Corporations (NQBP Amalgamation) Regulation 2012 and designations signed by relevant Government Ministers, the assets and liabilities of Ports Corporation of Queensland Limited and Mackay Ports Limited were transferred from these subsidiaries to the parent entity, North Queensland Bulk Ports Corporation Limited, on 31 March 2012. Refer to Note 28 Related Party Transactions for further details surrounding the transfer of the subsidiaries' assets and liabilities.

Further, as a result of the above amalgamation, all employees were transferred from PCQ and MPL during November 2011 to the parent entity NQBP.

NQBP is required to comply with the requirements of the *Corporations Act 2001*. Under the terms of Section 118 of the *Government Owned Corporations Act 1993*, specified sections of the *Financial Accountability Act 2009* apply as if NQBP were a statutory body. From 1 July 2009, NQBP is responsible as a Port Authority under the *Transport Infrastructure Act 1994* for the management and control of the following prescribed ports:

- Weipa
- Abbot Point
- Mackay
- Hay Point
- Maryborough

2. Summary of Significant Accounting Policies

i) Basis of Preparation

General

The consolidated financial statements include the financial statements of NQBP, and the consolidated financial statements of NQBP and its subsidiaries PCQ and MPL. The statements are general purpose in nature and reflect the whole of the financial activities of the Group.

The financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with applicable provisions of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*. NQBP is a for profit entity for the purpose of preparing the financial statements.

The accounts of the subsidiaries are prepared using the same reporting period as the parent company and using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intergroup transactions have been eliminated in full.

The financial report has been prepared on an accrual basis using the historical cost convention except where specifically stated.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

The financial statements were authorised for issue by the Board on 31 August 2012.

ii) Recognition of Revenue and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is only recognised where control of the right to be compensated and the stage of completion can be reliably measured. Where the contract outcome cannot be reliably measured, revenue is only recognised to the extent that costs have been incurred.

Revenue received in advance is recognised in the Statement of Financial Position (refer Note 16) and is recognised in the Statement of Financial Performance when derived.

An expense is recognised to the extent that it is probable that the consumption or loss of future economic benefits has occurred and the expenditure can be reliably measured.

Revenues and expenses arising from a cost recovery reimbursement are recognised in the financial years in which the service is rendered.

The profit or loss on disposal of Property, Plant and Equipment is determined as the difference between the net book value at the time of disposal and the proceeds of disposal and is included in the Statement of Comprehensive Income in the year of disposal.

2. Summary of Significant Accounting Policies (continued)

iii) Grants and Contributions

Grants and contributions that are non-reciprocal in nature are recognised as revenue where there is a reasonable assurance that the grant will be received and are matched to the related expense.

iv) Impairment of Assets

Property, plant and equipment and other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing impairment, assets are grouped at the lowest cash generating unit, based on the lower of geographical location and separately identifiable agreements over facilities.

v) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, with settlement generally being required within 30 days from the invoice date.

The ability of receivables to be collected is assessed periodically with provision being made for impaired debts.

Loan receivables are measured at amortised cost less any impairment losses.

vi) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred on acquiring inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

vii) Property, Plant and Equipment

The recording threshold for non-current assets is $1000. Assets are only recognised if it is probable that future economic benefits from the item will flow to the Group.

Land, channels and infrastructure, including buildings, are shown at fair value based on periodic revaluations. Independent revaluations are performed at least every five years and interim revaluations are performed annually, based on appropriate indices where there has been a material variation in the index. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in asset values on revaluation are credited, net of tax, to reserves in equity. To the extent that the increase reverses a decrease previously recognised as an expense in profit and loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Statement of Comprehensive Income.

Plant and equipment and capital work in progress is stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

2. Summary of Significant Accounting Policies (continued)

viii) Non-current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

A gain is recognised for any subsequent increases in fair value less costs to sell an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

ix) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

x) Investment Properties

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 nominal value it is recognised at fair value. Investment property is subsequently carried at fair value, based on periodic revaluations. Fair value is based on the selling prices in an active property market adjusted, if necessary, to reflect the nature, location or condition of the specific investment property. Independent revaluations are performed at least every five years and interim revaluations are performed annually, based on appropriate indices where there has been a material variation in the index.

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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2. Summary of Significant Accounting Policies (continued)

xi) Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land), less its residual value, over its expected useful life. Estimates of useful lives and residual values are reviewed on an annual basis for all assets.

Capital work in progress is not depreciated until it reaches service delivery capacity.

The expected useful lives for major assets are as follows:

Channels	38 – 54 years
Infrastructure and major plant and equipment	8 – 40 years
Plant and equipment	3 – 25 years

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

xii) Income Tax Equivalent

The Group is exempt from income tax under section 23(d) of the *Income Tax Assessment Act* but is subject to the provisions of the National Tax Equivalent Regime (NTER) in accordance with Part 2 of the Treasurer's Tax Equivalents Manual and pursuant to Section 129 of the *Government Owned Corporations Act 1993*.

Under tax effect accounting the income tax equivalent expense in the Statement of Comprehensive Income represents the tax equivalent on the pre-tax equivalent accounting profit adjusted for income and expenses never to be assessed or allowed for taxation equivalent purposes. The deferred income tax equivalent liability and the deferred income tax equivalent asset include the tax equivalent effect of temporary differences between income and expense items recognised in different accounting periods for book and tax equivalent purposes, calculated at the tax equivalent rates expected to apply when the differences reverse. The benefit arising from estimated carry forward tax equivalent losses has been recorded in the deferred income tax equivalent asset account where realisation of such benefit is considered to be probable.

Where temporary differences on property, plant and equipment give rise to unrealised capital losses, a deferred tax equivalent asset is not recognised unless sufficient foreseeable taxable gains exist against which the unrealised losses may be claimed.

An election has been made to participate in the tax consolidation regime.

Tax Consolidation Legislation

NQBP and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, NQBP, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, NQBP also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

2. Summary of Significant Accounting Policies (continued)

xiii) Payables

Payables are recognised for amounts payable in the future for goods and services received, whether or not invoices have been received. Creditors are generally unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.

xiv) Borrowings

Borrowings are recognised at amortised cost. Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that is, an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

xv) Provisions

Provisions are recognised when the Group has a legal, equitable or constructive obligation to make a future settlement of economic benefits to other entities as a result of past transactions or other past events. It is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

xvi) Employee Benefits

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date in respect of employees' service up to that date, having regards to expected future employee remuneration rates and on costs.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

A liability 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, having regard to expected employee remuneration rates and oncosts.

The Group's employees are members of QSuper and various other superannuation plans. Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable. For employees in QSuper, the Treasurer of Queensland, based on advice from the State Actuary, determines employer contributions for superannuation expenses. No liability is recognised for accruing superannuation benefits as this liability is held on a Wwhole of Government basis and reported in the Whole of Government financial statements prepared pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

2. Summary of Significant Accounting Policies (continued)

xvii) Non-reciprocal Transactions

Transfers of assets and/or liabilities via transfer notices are accounted for as a transfer under Interpretation 1038 Contributions by Owners Made to Wholly Owned Public Sector Entities or in accordance with the Office of Government Owned Corporation's Accounting Policy for non-reciprocal liability and net liability transfers.

xviii) Goods and Services Tax

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In this case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

xix) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income Taxes

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(ii) Fair Value

The Group has made a significant judgement about the impairment of its property, plant and equipment. Future oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment in the absence of recently observed market prices. These estimates involve assumptions about items such as the risk adjustment to cash flows or discount rates used, and future changes in prices affecting both revenues and other costs. Refer to Note 15 (i) for details of the methodology and assumptions applied in performing impairment testing.

2. Summary of Significant Accounting Policies (continued)

xx) New Accounting Standards and Interpretations

The following standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and related amendments
- AASB 2010-3 Amendments to Australian Accounting Standards arising from Annual Improvements Project and
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

xxi) New and Amended Standards and Interpretations Not Yet Adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. The assessment on the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments (effective from 1 January 2013)

AASB 9, which replaces AASB 139 Financial Instruments: Recognition and Measurement is effective for reporting periods beginning on or after 1 January 2013 and must be applied retrospectively. AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139. The consolidated entity does not plan to adopt this standard early and there will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

(ii) AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

The amendments made to AASB 112 Income Taxes provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. 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. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model. To provide a practical approach in such cases, the amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. The group does not plan to adopt this amendment early and does not expect the new standards to have a material impact.

2. Summary of Significant Accounting Policies (continued)

xxi) New and Amended Standards and Interpretations Not Yet Adopted (continued)

(iii) Revised AASB 119 Employee Benefits (effective from 1 January 2013)

A revised version of AASB 119 Employee Benefits (effective from 1 January 2013). The revised AASB 119 is generally applied retrospectively. The implications for NQBP are the revised standard clarifies the concept of "termination benefits" and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the frame criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "other long-term employee benefits".

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits" in relation to annual leave and long service leave. This change includes requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. The Group does not plan to adopt this standard early and does not expect the new standard to have a material impact.

(iv) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2015.

In addition to the above, new and amended standards dealing with Consolidated Financial Statements, Separate Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities have recently been released. These standards are effective from 1 January 2013. The Group does not expect the new standards to have a material impact.

xxii) Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

xxiii) Rounding

In accordance with ASIC Class Order 98/100 and unless otherwise stated, amounts included in the financial statements have been rounded to the nearest thousand dollars.

3. Financial Risk Management

The Group has Board-approved financial policies for overall risk management including the mitigation of foreign exchange, interest rate, liquidity and credit risks.

(i) Foreign Exchange Risk

The Group seeks to have all agreements, tenders and contracts denominated in Australian dollars. The Board requires all foreign exchange exposures greater than $1 million to be hedged unless explicitly determined otherwise. Forward foreign exchange contracts have been used to manage foreign exchange rate risk if any.

There was no exposure to Foreign Exchange Risk at balance date (2011: nil).

(ii) Interest Rate Risk

Financial Assets

The Group holds interest bearing assets with Queensland Treasury Corporation (QTC) and the Commonwealth Bank.

As at the reporting date, the Group had the following variable rate financial assets:

	Consolidated		Parent	
	Interest Rate	2012 Balance $'000	Interest Rate	2012 Balance $'000
Commonwealth Bank - Operating Account	3.75%	675	3.75%	675
Queensland Treasury Corporation - Cash Fund	4.12%	64,211	4.12%	64,211
Commonwealth Bank - Abbot Point Sale Account*	-	-	-	-

* This is a non-interest bearing account

	Consolidated		Parent	
	Interest Rate	2011 Balance $'000	Interest Rate	2011 Balance $'000
Commonwealth Bank - Operating Account	4.60%	553	4.60%	553
Queensland Treasury Corporation - Cash Fund	5.57%	61,677	5.57%	61,677
Commonwealth Bank - Abbot Point Sale Account*	-	1,750,176	-	1,750,176

* This is a non-interest bearing account

Sensitivity

At 30 June 2012, if interest rates had changed by +/- 100 basis points from the year end rate with all other variables held constant, pre-tax profit would not have been materially affected as a result of higher/lower interest income.

3. Financial Risk Management (continued)

Financial Liabilities

The Group's main interest rate risk arises from long-term borrowings. Loan borrowings provided by QTC are held within debt pools specific to NQBP. The debt pools comprise both fixed and floating rate debt instruments and, as a result, the overall interest rates on the pools can vary with changes in market interest rates. An annual book rate review is undertaken by QTC as at 1 July each year. A Competitive Neutrality Fee is also applied by QTC to the value of the debt, in order to reflect the true stand alone cost of debt for the Group.

The Group seeks to match interest rate risks with revenue streams resultant from assets. For long-term pricing agreements the Group seeks to adjust revenue for movements in interest rates on at least a five yearly basis.

As at the reporting date, the Group had the following variable rate borrowings:

Financial Liabilities

	Consolidated		Parent	
		2012		2012
	Weighted Interest Rate	Balance $'000	Weighted Interest Rate	Balance $'000
Queensland Treasury Corporation - book value	6.20%	90,218	6.20%	90,218
Queensland Treasury Corporation - market value		93,365		93,365

	Consolidated		Parent	
		2011		2011
	Weighted Interest Rate	Balance $'000	Weighted Interest Rate	Balance $'000
Queensland Treasury Corporation - book value	6.42%	67,218	6.42%	67,218
Queensland Treasury Corporation - market value		67,742		67,742

Sensitivity

At 30 June 2012, if interest rates had changed by +/- 100 basis points from the year end rate with all other variables held constant, the Group's pre-tax profit would have been $246,245 (2011:$99,819) lower/ higher as a result of higher/lower interest expense. The analysis has been performed on a net debt basis. The increase/decrease in interest cost is the result of periodic rebalancing over the year.

3. Financial Risk Management (continued)

(iii) Credit Risk

The Board has approved policies to ensure that agreements are entered into with both customers of sufficient financial substance and with appropriate credit history. For some trade receivables the Group may also obtain security in the form of bank or other guarantees, which can be called upon if the counter party is in default under the terms of the agreement. Derivative counter parties and cash transactions are limited to QTC or other high credit quality financial institutions as arranged through the Queensland Government.

At balance date, the exposure to credit risk is materially equal to the carrying value of financial assets in the Statement of Financial Position, and collateral held was immaterial.

Impaired debts relating to trade debtors have been provided for as disclosed in Note 10, and are not material. A provision for impaired loan has also been recognised as detailed in Note 10. Included in financial assets are debtors with a carrying amount of $4,931,735 (2011:$380,367) which are past due, and not impaired, at the reporting date. No collateral is held over these balances, however, the Group believes they are recoverable. The credit quality of financial assets that are neither past due nor impaired has been assessed as recoverable by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(iv) Liquidity Risk

The Group manages liquidity risk by monitoring forecast and actual cash flows and matching these to approved borrowing levels, as detailed in the Statement of Corporate Intent, through QTC. The Group also has access to a working capital facility with QTC to a limit of $15 million (2011:$15 million), however this facility has not been used. An analysis of financial liabilities by remaining contractual maturity is as follows:

Liquidity Risk

	0 to 1 year	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Consolidated				
2012				
Trade and other payables	42,598	46	741	43,385
Queensland Treasury Corporation Borrowings	5,623	22,507	88,165	116,295
	48,221	22,553	88,906	159,680
Parent				
2012				
Trade and other payables	42,598	46	741	43,385
Queensland Treasury Corporation Borrowings	5,623	22,507	88,165	116,295
	48,221	22,553	88,906	159,680
Consolidated				
2011				
Trade and other payables	41,133	46	749	41,928
Queensland Treasury Corporation Borrowings	4,354	17,382	68,002	89,738
	45,487	17,428	68,751	131,666
Parent				
2011				
Trade and other payables	22,876	40	749	23,665
Queensland Treasury Corporation Borrowings	4,354	17,382	68,002	89,738
	27,230	17,422	68,751	113,403

3. Financial Risk Management (continued)

The repayment profile for borrowings is interest only with no fixed repayment date for the principal component. For the purposes of producing this report, the amount allocated to the over five years' time band is the principal amount plus interest and fees for one quarter.

All borrowing rates include administration charges and incorporate book rate reviews effective 1 July 2012.

(v) Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of borrowings is determined by QTC using discounted cash flow analysis and the effective interest rate.

4. Capital Risk Management

The Group manages its capital to ensure that it continues as a going concern, in order to continue providing returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure is monitored using the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the Statement of Financial Position plus net debt.

The Group's policy is to annually review its capital structure and review the appropriateness of the capital structure when major investments are proposed. The targeted gearing ratio is to a maximum 50%, based on a target credit rating of investment grade (BBB).

The Group's gearing ratio calculation is shown in the table below:

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Total borrowings	90,218	67,218	90,218	67,218
Less: Cash and cash equivalents*	64,886	62,233	64,886	62,233
Net debt	25,333	4,985	25,333	4,985
Total equity	233,471	1,757,555	233,471	1,735,078
Total capital	258,804	1,762,540	258,804	1,740,063
Gearing ratio	9.79%	0.28%	9.79%	0.29%

* Note: Cash at Note 9 for the 2011 year only, includes $1.75 billion to be repatriated, hence, underlying cash position for the Group is $62.233 million.

5. Transfer of Assets and/or Liabilities

At 31 March 2012, all assets and liabilities of PCQ and MPL were transferred to NQBP, in accordance with the Ministerial direction. This transfer of assets resulted in a loss on redemption on PCQ of $17,194,491.

A repatriation of funds in relation to the Abbot Point Coal Terminal (APCT) sale back to government occurred in July 2011 amounting to $1,534,448,682 which was accounted for as a distribution to owners.

All the transfers were for no consideration and designated and accounted for in accordance with AASB Interpretation 1038, *Contributions by Owners Made to Wholly-Owned Public Sector Entities and the Office of Government Owned Corporation's Accounting Policy of Non-Reciprocal Liability/Net Liability Transfers.*

6. Revenue and Other Income

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
REVENUE				
Port charges				
Vessel income	42, 168	41, 801	42, 045	40, 664
Port usage income	513	59, 901	218	-
Operating and maintenance recoveries	-	35, 163	-	-
Rental income from investment properties	11, 518	9, 226	3, 733	463
Interest	3, 706	2, 126	2, 694	169
Other miscellaneous revenue	8, 566	10, 813	12, 471	8, 636
Royalties	1, 531	325	282	-
	68, 002	159, 355	61, 443	49, 932
OTHER INCOME				
Net gain on disposal of property, plant and equipment	205	369, 547	103	348, 992
Government grants	1, 406	1, 948	-	-
	1, 611	371, 495	103	348, 992

7. Profit Before Income Tax Equivalent Expense

(i) Profit before income tax for the year includes the following specific expenses:

		Consolidated		Parent	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Depreciation expense					
Channels		2,725	2,821	678	-
Infrastructure and major plant and equipment		2,479	13,372	613	-
Plant and equipment		1,170	1,771	555	24
		6, 374	17, 964	1, 846	24
Finance Costs					
Interest paid/payable		5,225	48,104	1,430	66
Amount capitalised		(926)	(34,258)	(359)	-
Total finance costs expensed		4, 299	13, 846	1, 071	66
Impairment/write off					
Write-down of inventories to net realisable value		273	243	190	-
Impairment losses/write-offs		-	18,785	-	105, 007
Write off of capital work in progress	15(i)	22,752	-	22,752	-
Revaluations to statement of comprehensive income	15(i)	(9,027)	-	5,745	-
Impairment losses to statement of comprehensive income	15(i)	9,870	-	6,880	-
Impairment of loan receivable		131	-	131	-
Loss on investments net of tax	28	-	-	17, 567	-
Change in fair value of investment property	14	(742)	511	(1,131)	-
		23,257	19,539	52,134	105,007

*NQBP undertook an assessment to determine whether capital work in progress in relation to the Multi Cargo Facility (MCF) and Abbot Point T4-T9 projects would continue to produce economic benefits for NQBP.

Changes in the economic climate during the year have led to uncertainty with regard to the economic viability and willingness of Government and customers to fund these projects. As a substantial amount of the work carried out will be useful in any project scenario and therefore has a high likelihood of recovery, NQBP has determined that it will continue to capitalise $30 million of costs. As there was insufficient project certainty as at 30 June 2012 to justify the continued accounting capitalisation of the remaining $22 million of costs, NQBP has decided to adopt a conservative accounting treatment and expense these costs in 2011-12.

On 31 March 2012, all assets of the wholly-owned subsidiary Ports Corporation of Queensland Limited were transferred to NQBP. This generated a loss on investment which is recognised in the parent entity.

7. Profit Before Income Tax Equivalent Expense (continued)

(ii) Auditor's Remuneration

	2012 $	2011 $	2012 $	2011 $
Amounts received, or due and receivable, by the Queensland Audit Office for auditing the accounts	111,500	103,000	111,500	103,000

8. Income Tax Equivalent

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
(i) Recognised in the Statement of Comprehensive Income				
Current tax expense				
Current tax expense	9, 105	7,603	9, 772	12, 457
(Over)/Under provisions prior year	(677)	(12,907)	(677)	(7,768)
Deferred tax asset	(9,584)	1,955	(13,118)	(65)
Deferred tax liability	(567)	(67,715)	(567)	352
(income)/expense	**(1,723)**	**(71,064)**	**(4,590)**	**4,976**
(ii) Numerical Reconciliation between Tax Expense and Pre-Tax Net Profit				
Prima facie income tax equivalent calculated at	(1,082)	115,159	(4,056)	80,689
Increase in income tax expense due to:				
Sundry items	-	85	-	115
Non deductible entertainment	4	1	4	1
Others - including capitalised interest, APCT sale/lease	32	(4,986)	27	5,291
Impairment of investment in subsidiary - non deductible	-	-	-	31,502
Derecognition of DTA	-	1,272	-	-
Recognition of DTL from prior year MPL acquisition	-	5,972	-	-
Decrease in income tax expense due to:				
Miscellaneous income - gain on sale/lease of	-	(104,810)	-	(104,810)
Accrued income - APCT sale	-	(270)	-	(270)
Overprovision for income tax	(677)	(12,907)	(677)	(7,768)
Derecognition of DTL due to APCT sale/lease	-	(70,580)	-	-
DTL on land for onshore lease	-	-	-	226
Prior year adjustments	-	-	112	-
Income tax expense on pre-tax net profit	(1,723)	(71,064)	(4,590)	4,976
(iii) Deferred Income Tax Equivalent Assets				
Recognised deferred tax assets				
Property, plant and equipment	6,825	6	10,360	6
Accounts payable and other liabilities	4,170	1,432	4,170	18
Provisions	773	1,077	773	305
Tax assets	11,768	2,515	15,303	329
Opening balance	2,515	3,682	329	264
Prior year adjustments	(330)	788	(330)	-
Transfers from subsidiaries	-	-	2,186	-
(Charge)/credit to Statement of Comprehensive Income	9,583	(1,955)	13,118	65
Closing balance	**11,768**	**2,515**	**15,303**	**329**

8. Income Tax Equivalent (continued)

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
(iv) Deferred Income Tax Equivalent Liabilities				
Recognised deferred tax liabilities				
Property, plant and equipment	49,259	40, 094	52,794	-
Accounts receivable and other assets	4	198	4	359
Trading stock	-	349	-	-
Tax liabilities	49,263	40,641	52,798	359
Opening balance	40,641	107,568	359	6
Prior year adjustments	(506)	788	(506)	-
Transfers from subsidiaries	-	-	40,282	-
(Charge)/credit to Statement of Comprehensive Income	(567)	(67,715)	(567)	353
(Charge)/credit to Other Comprehensive Income	9,695	-	13,230	-
Closing balance	**49,263**	**40,641**	**52,798**	**359**

Deferred tax balances are presented in the Statement of Financial Position as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Deferred Income tax equivalent assets	11,768	2,515	15,303	329
Deferred Income tax equivalent liabilities	49,263	40,641	52,798	359
Deferred income tax equivalent liabilities (assets)	**37,495**	**38,126**	**37,495**	**30**

Given the Group is subject to the NTER with no retail shareholders, details of the franking account have not been disclosed.

9. Cash and Cash Equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Cash at bank and in hand	64, 886	1, 812,409	64, 886	1, 812,409

All bank accounts held by NQBP in 2012 are interest bearing accounts. Interest rates for these accounts are between 3.75% and 4.12% (2011: 4.6% and 5.6%).

10. Trade and Other Receivables

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
CURRENT				
Trade receivables	12,911	15,566	12,911	8,416
Provision for impaired debts	(32)	(106)	(32)	(2)
	12,879	15,460	12,879	8,414
GST receivables	17	2,550	17	1,506
Other receivables	531	2,644	531	442
	13,427	20,654	13,427	10,362
NON CURRENT				
Inter-company loans	-	-	-	108,662

These are the net inter-company loan balances owing by PCQ and MPL as at balance date.

Loan - Graincorp Ltd	8,058	8,388	8,058	-
Provision for impaired loan	(4,372)	(4,241)	(4,372)	-
	3,686	4,147	3,686	-

Under a loan agreement with Graincorp Ltd, MPL (or predecessor) constructed a grain loading facility at Mackay. The terms of the loan agreement stipulated that repayments would be proportional to the volume of grain shipped. Current predictions of grain shipments indicate that it is unlikely that repayments will extinguish the debt by the end of the agreement and the agreement provides for the balances of the debt to the end of the agreement to be shared between MPL and Graincorp Ltd. A provision for impaired loan has been established as a result, based on the present value of the estimated balances of the loan at the end of the agreement having taken into account forecast loan repayments.

11. Inventories

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Quarry rock and raw materials	1,056	1,164	1,056	-

12. Other Current Assets

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Prepayments	424	335	424	218

13. Assets Classified as Held for Sale

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Asset classified as held for sale	1,249	1,700	1,249	-

This is the book value for Merinda Camp which had been reclassifed from non-current assets to assets held for sale.

On 28 June 2011, the Board of PCQ resolved to sell Merinda Camp, and subsequently entered into a sale contract subject to a number of approval conditions being received. It is expected that the sale will be concluded in the early part of 2013 financial year. The current sale is conditional upon planning approvals which are currently before council.

14. Investment Properties

		Consolidated		Parent	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
At fair value					
Balance at beginning of year		39,942	40,453	-	-
Additions		-	-	39, 554	-
Fair value adjustments	7	742	(511)	1, 130	-
Balance at end of year		40,684	39,942	40,684	-

All assets held in the wholly owned subsidiaries of PCQ and MPL were transferred to NQBP at book value on 31 March 2012.

The investment properties comprise land and buildings held for the purpose of letting to produce rental income or capital appreciation. Investment properties have been measured at fair value at 30 June 2012 as independently determined by G Pyman (Registered Valuer) of AON Valuation Services.

In between independent valuations, investment properties are adjusted by indexation where material, using appropriate indices (refer Note 2(x)).

15. Property, Plant and Equipment

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Land				
At fair value	85,450	74,011	85, 450	820
Accumulated depreciation	-	-	-	-
Impairments	-	(2,082)	-	-
	85, 450	71, 929	85, 450	820
Channels				
At fair value	207,916	114,168	207, 916	-
Accumulated depreciation	-	(18,209)	-	-
Impairments	(104,489)	-	(104,489)	
	103, 427	95, 959	103, 427	-
Infrastructure and major plant and equipment				
At fair value	111,529	107,700	111, 529	-
Accumulated depreciation	-	(68,161)	-	-
Impairments	(62,597)	-	(62,597)	
	48, 932	39, 539	48, 932	-
Plant and equipment				
At cost	9,773	18,837	9, 773	40
Accumulated depreciation	(6,531)	(15,440)	(6,531)	(23)
	3, 242	3, 397	3, 242	17
Capital work in progress - at cost	52,745	44,359	52, 745	-
Accumulated impairments	(4,622)	(4,622)	(4,622)	-
	48, 123	39, 737	48, 123	-
Total non-current property, plant and equipment	289, 174	250, 561	289, 174	837

Asset Valuations

Land

Land has been measured at fair value as at 30 June 2012 independently by G Pyman (Registered Valuer) of AON Valuation Services. Fair value was derived by reference to market based evidence including observable sales data for properties of similar nature and specification within NQBP port locations and surrounding areas and adjusted for any restrictions in use or other limitations.

In between independent valuations, land is adjusted by indexation where material, using appropriate indices (refer Note 2 (vii)).

Channels, Infrastructure and Major Plant and Equipment

The Group's channels, infrastructure and major plant and equipment are long lived, specialised assets for which there exists no active market. These assets have been measured at fair value independently by G Pyman (Registered Valuer) of AON Valuation Services as at 30 June 2012 based on their depreciated replacement cost as follows:

- Channels includes swing basins, and have been valued taking into account the Group's ongoing dredging program, estimated residual life and the estimated volume required to be dredged from the natural channels and swing basins to reach their current usable depths.

15. Property, Plant and Equipment (continued)

- Infrastructure and major plant and equipment includes wharves and associated structures, land based buildings and site improvements, and have been valued taking into account the age, condition, estimated residual life and construction using the abbreviated bill of quantities methodology with costing reference to third party civil engineering companies, Cordell Building Cost Guide and Rawlinson's Australian Construction Handbook for Civic Works and Buildings.

Any accumulated depreciation at the date of revaluation is treated on a net basis in accordance with the accounting policy (refer Note 2(vii)).

In between independent valuations being performed, fair value is adjusted by indexation where material, using appropriate indices (refer Note 2(vii)).

Impairment Assessment
An impairment assessment is undertaken annually to determine whether there are any impairment indicators. The Group reviews the present value of the net cash flows (recoverable amount) associated with assets carried at valuation, where no active market exists in accordance with the accounting policies (refer Note 2(iv) and 2(xix)). The recoverable amount is determined based on value-in-use calculations at a cash generating unit level using a discounted cashflow model. The net present value of the cash flows of the assets or group of assets forming a CGU are allocated across the individual assets in the group.

The key assumptions as used for value-in-use calculations and impairment assessment were:

- cash flows were projected based on the Board approved ten-year financial plan
- cash flows outside of the ten-year financial plan were escalated by 3.5%
- the pre-tax discount rate of 12.51% was calculated using the WACC/CAPM framework (post-tax discount rate of 8.76% with a taxation rate of 30%). The rate is based on applicable data as at 21 December 2011 as provided by Queensland Treasury Corporation and
- expenditure necessary to maintain or sustain the performance of the assets has been taken into account when estimating the net future cash flows as it is deemed maintenance in nature.

Where an impairment has arisen it has been reflected in the property, plant and equipment movement reconciliation disclosed at Note 15(i).

15. Property, Plant and Equipment (continued)

(i) Reconciliation

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

2012 Consolidated	Land $'000	Channels $'000	Infrastructure and Major Plant and Equipment $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Carrying amount at opening balance	71,929	95,959	39,539	3,397	39,737	250,561
Additions	4,474	-	196	1,041	31,138	36,849
Disposals	(1,044)	-	(266)	(27)		(1,337)
Transfer between asset catergories	-	-	-	-	-	-
Impairment losses to statement of comprehensive income	-	(6,662)	(3,208)	-	-	(9,870)
Impairment losses to asset revaluation surplus	-	(97,827)	(59,369)	-	-	(157,196)
Write-offs	-	-	-	-	(22,752)	(22,752)
Depreciation expense	-	(2,725)	(2,479)	(1,170)	-	(6,374)
Revaluations to asset revaluation surplus	13, 485	106, 196	70,585	-	-	190,266
Revaluations to statement of comprehensive income	(3,394)	8, 486	3,935	-	-	9,027
Carrying amount at balance date	**85,450**	**103,427**	**48,932**	**3,242**	**48,123**	**289,174**

All assets were transferred to NQBP from MPL and PCQ on 31 March 2012.

15. Property, Plant and Equipment (continued)

(i) Reconciliation

2011 Consolidated	Land $'000	Channels $'000	Infrastructure and Major Plant and Equipment $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Carrying amount at opening balance	72,618	103,666	410,911	8,123	815,359	1,410,677
Additions	1,290	18	4,657	1,636	193,653	201,254
Disposals	(690)	(4,904)	(1,387,490)	(5,653)	(18,671)	(1,417,408)
Transfer between asset categories	-	-	950,604	-	(950,604)	-
Impairment losses/write-offs	(1,289)	-	-	-	-	(1,289)
Depreciation expense	-	(2,821)	(13,372)	(1,771)	-	(17,964)
Revaluations	-	-	74,229	1,062	-	75,291
Carrying amount at balance date	**71,929**	**95,959**	**39,539**	**3,397**	**39,737**	**250,561**

In 2011, NQBP owns land of $819,738 at fair value and net plant and equipment of $17,028 at balance date.

2012 Parent	Land $'000	Channels $'000	Infrastructure and Major Plant and Equipment $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Carrying amount at opening	820	-	-	17	-	837
Additions	75,584	93,911	37,868	3,807	70,875	282,045
Disposals	(1,044)	-	(266)	(27)	-	(1,337)
Transfer between asset	-	-	-	-	-	-
Impairment losses to statement of comprehensive income	-	(2,247)	(4,633)	-	-	(6,880)
Impairment losses to asset revaluation surplus	-	(102,242)	(57,944)	-	-	(160,186)
Write-offs	-	-	-	-	(22,752)	(22,752)
Depreciation expense	-	(678)	(613)	(555)	-	(1,846)
Revaluations to asset revaluation surplus	15, 835	114, 683	74, 520	-	-	205, 038
Revaluations to statement of comprehensive income	(5,745)	-	-	-	-	(5,745)
Carrying amount at balance date	**85,450**	**103,427**	**48,932**	**3,242**	**48,123**	**289,174**

16. Trade and Other Payables

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current				
Trade payables	26, 706	27, 409	26, 706	19, 476
Contract creditors	2, 488	5, 302	2, 488	108
Lease rentals received in advance	2, 499	1, 296	2, 499	8
Other revenue in advance	9, 475	6, 670	9, 475	3, 284
Interest payable - QTC	1, 430	442	1, 430	-
Others	-	14	-	-
	42, 598	41, 133	42, 598	22, 876
Non-Current				
Contract creditors	6	6	6	-
Lease rentals received in advance	781	789	781	789
	787	795	787	789

17. Borrowings

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
NON-CURRENT				
Queensland Treasury Corporation Loans - unsecured	90, 218	67, 218	90, 218	67, 218

18. Provisions

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
CURRENT				
Employee benefits	2,400	2,146	2,400	922
Dividends	-	220,300	-	220,300
	2, 400	222, 446	2, 400	221, 222
NON-CURRENT				
Long term employee benefits	146	237	146	93
Provision for rehabilitation	-	1,100	-	-
	146	1, 337	146	93

Employee Benefits

Current employee benefits include short-term employee benefits like annual leave, current portion of the long service leave and provision for rostered days off.

Dividend

The dividend provision is created to allow for the accounting of dividends declared and payable as at the balance date.

No dividend was declared at 30 June 2012.

Long-term Employee Benefits

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 2 (xvi).

19. Issued Capital

		Consolidated		Parent	
		2011	2011	2011	2011
	Note	No. of shares	$'000	No. of shares	$'000
Opening balance		272, 351,582	272, 352	272, 351,582	272, 352
Distribution to owners		-	(225)	-	(225)
Contribution by owners		-	914,953	-	1,404,553
Closing balance		272,351,582	1,187,080	272,351,582	1,676,680

The contributions by owners represent the adjustments to contributed equity made as a consequence of the transfers detailed in Note 5.

		Consolidated		Parent	
		2012	2012	2012	2012
		No. of shares	$'000	No. of shares	$'000
Opening balance		272,351,582	1,187,080	272,351,582	1,676,680
Distribution to owners		-	(1,534,449)	-	(1,534,449)
Transfers to/from equity accounts		-	508,664	-	-
Contribution by owners	28	-	-	-	19,064
Closing balance		272,351,582	161,295	272,351,582	161,295

During 2012 a capital reduction of approximately $11.4994 per share was returned to its members in accordance with the Project Direction (Return of Proceeds) dated 30 June 2011.

A transfer between retained earning and issued capital was effected due to a change in accounting direction.
On 31 March 2012, all assets of the wholly owned subsidiary MPL were transferred to NQBP. This generated a gain on investment.

20. Reserves

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Asset Revaluation Surplus				
Opening balance	64,382	254,471	-	-
Revaluation increments net of tax	22,623	75,291	30,924	-
Transfer to and from reserve	-	(265,380)	-	-
Closing balance	87,005	64,382	30,924	-

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets.

21. Retained Earnings

	Consolidated		Parent	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Retained earnings at the beginning of the financial year	506,093	6,086	58,398	14,710
Net profit/(loss) for the period	(1,889)	454,927	(8,929)	263,988
Transfer from asset revaluation surplus	-	265,380	-	-
Transfers to/from equity	(508,664)	-	2,152	-
Prior year adjustment	701	-	701	-
Dividend provided for or paid	(11,070)	(220,300)	(11,070)	(220,300)
Retained earnings at the end of the financial year	(14,829)	506,093	41,252	58,398

22. Investments in Controlled Entities

Investments are held in the following controlled companies:

Subsidiary Name	Equity interest	Investment 2012 $'000	2011 $'000
Mackay Ports Limited	**100%**	-	74, 720
Ports Corporation of Queensland Limited	**100%**	-	147, 407
Less accumulated impairment		-	(105,007)
		-	42,400
		-	117, 120

All assets and liabilities of PCQ and MPL were transferred to NQBP on 31 March 2012, therefore reducing the investment to nil.

22. Investments in Controlled Entities (continued)

NQBP acquired 100% of the shares of PCQ and MPL on 2 July 2009. PCQ held assets associated with the ports of Abbot Point, Hay Point, and Weipa, while MPL held assets associated with the Port of Mackay. At 31 March 2012, all assets and liabilities of PCQ and MPL were transferred to NQBP in accordance with Ministerial direction. As at 30 June 2012, PCQ and MPL hold no assets or liabilities. This transfer of assets resulted in a loss on redemption on PCQ of $17,194,491. Financial information relating to these controlled entities is as follows:

Subsidiary Name	Total Assets $'000	Total Liabilities $'000	Total Revenue $'000	Profit(Loss) before income Tax Equivalents $'000
2012				
Mackay Ports Limited	-	-	7, 740	(3,414)
Ports Corporation of Queensland Limited	-	-	11, 202	(17,140)
2011				
Mackay Ports Limited	120, 362	23, 164	17, 128	(2,120)
Ports Corporation of Queensland Limited	131, 186	88, 785	122, 478	12,012

Pursuant to Class Order 98/1418, relief has been granted to PCQ and MPL from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports. The closed Group's financial performance and financial position is the same as that disclosed for the consolidated entity in the Statement of Financial Performance and Statement of Financial Position.

23. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in at call deposits or loan offset accounts with banks and other financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

(ii) Reconciliation of Net Profit for the Period to Net Cash provided by Operating Activities

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Net profit/(loss) for the year	(1,889)	454,927	(8,929)	263,988
Depreciation and amortisation	6,374	17,964	1,846	24
Interest received classified as investing activities	-	(2,126)	-	(169)
Provision for impaired debts/other assets	14,218	-	53,264	-
Loss on sale of fixed assets	-	125	-	-
Net (gain) on sale of property, plant and equipment	(3,730)	(380,685)	(205)	(348,992)
Sale costs and impairment	-	36,666	-	105,007
Fair value adjustment to investment property	(742)	511	(1,130)	-
Change in operating assets				
- Decrease (increase) in trade and other receivables	7,228	1,941	(3,065)	(5,012)
- Decrease (increase) in inventories	108	63	(1,056)	-
- Decrease (increase) in other current assets	(89)	(53)	(1,455)	(32)
- Decrease (increase) in foreign derivative asset	-	-	-	-
- Decrease (increase) in deferred tax equivalent asset	-	1,167	-	264
- Increase (decrease) in trade and other payables	1,459	(3,999)	19,722	14,779
- Increase in other provisions	4,232	1,451	6,700	257
- (Decrease) increase transfers from subsidiaries	-	-	(65,627)	-
- Increase (decrease) in current tax equivalent liabilities	(631)	(4,984)	-	4,399
- Increase (decrease) in net deferred tax equivalent liabilities	-	(66,927)	-	23
Net cash flow from operating activities	26,538	56,041	65	34,536

(iii) Financing Facilities

Loan facilities are provided by QTC with any new borrowings approved pursuant to the annual Statement of Corporate Intent. The Group also has access to a working capital facility with QTC amounting to $15 million (2011:$15 million). As at the balance date, this facility has not been used.

24. Key Management Personnel Disclosures

(i) Key Management Personnel Compensation

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short-term benefits	1, 696	1, 470	1, 696	1, 470
Post employement benefits	221	163	221	163
Other long-term benefits	23	34	23	34
	1, 940	1, 667	1, 940	1, 667

(ii) Compensation - Directors

2012		Short-term employee benefits (a)	Post employment benefits (b)	Total (c)
Name	**Position**	$'000	$'000	$'000
L Taylor	Chairman	57	5	62
P Milton	Chairman*	4	0	4
G Davies	Director	26	-	26
J Bignell	Director	32	3	35
R Dudley	Director	32	3	35
S Golding	Director	32	3	35
K Kuiper	Director	26	2	28
P Tait	Director	30	3	33
		239	19	258

* A new chairman was appointed on 31 May 2012

2011				
Name	**Position**			
L Taylor	Chairman	55	5	60
G Davies	Director	24	-	24
J Bignell	Director	31	3	34
R Dudley	Director	31	3	34
S Golding	Director	25	2	27
K Kuiper	Director	31	3	34
P Tait	Director	25	2	27
		222	18	240

24. Key Management Personnel Disclosures (continued)

(ii) Compensation – Directors (continued)

(a) Total employment cost (as determined by the Governor-in-Council) which includes packaged benefits, and fees for committee work as determined by shareholding Ministers.

(b) This represents the minimum level statutory payments pursuant to the *Commonwealth Superannuation (Administration) Act 1992* and includes other amounts from salary sacrifice arrangements.

(c) Directors received no additional remuneration for their role as Director in relation to subsidiary companies.

(iii) Compensation – Other Key Management Personnel

Name	Position	Date Appointed	Resignation Date
Bradley Fish	Chief Executive Officer	3 July 1981	
Jeffrey Stewart-Harris	Deputy Chief Executive Officer	26 February 2010	
Susan Campbell	Company Secretary/General Counsel	14 May 2008	28 October 2011
Peter Sinnott	Company Secretary/General Counsel	9 January 2012	
Martin McAdam	Executive General Manager – Major Projects	9 July 1984	
Bernard Wilson	Chief Financial Officer	7 February 2011	

	Short-term Benefits					Post Employment Benefits	Other long-term Benefits		
2012	Cash Salary (a)	Non Monetary Benefits (b)	Unused Annual Leave	Bonus	**Total Short-term Employee Benefits**	Superannuation	Unused LSL for the year only	Retirement/ Termination Benefits	**Total**
Position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Chief Executive Officer	352	8	-	47	407	66	9	-	**482**
Deputy Chief Executive Officer	285	-	3	39	327	26	8	-	**361**
Executive General Manager - Major Projects	204	8	5	30	247	38	6	-	**291**
Company Secretary/General Counsel	70	4	-	28	102	11	-	-	**113**
Company Secretary/General Counsel*	95	2	10	-	107	16	-	-	**123**
Chief Financial Officer	239	7	8	13	267	45	-	-	**312**
	1,245	29	26	157	1,457	202	23	-	1,682

*A change in Company Secretary occurred on 9 January 2012.

	Short-term Benefits					Post Employment Benefits	Other long term Benefits		
2011	Cash Salary (a)	Non Monetary Benefits (b)	Unused Annual Leave	Bonus	**Total Short-term Employee Benefits**	Superannuation	Unused LSL for the year only	Retirement/ Termination Benefits	**Total**
Position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Chief Executive Officer	320	7	-	47	374	41	18	-	433
Deputy Chief Executive Officer	274	-	6	36	316	25	16	-	357
Executive General Manager Major Projects	199	7	-	28	234	25	-	-	259
Company Secretary and Legal Counsel	189	2	3	26	220	25	-	-	245
Chief Financial Officer*	96	1	7	-	104	29	-	-	133
	1,078	17	16	137	1,248	145	34	-	1,427

*The Chief Financial Officer is a newly created position in NQBP.

24. Key Management Personnel Disclosures (continued)

(iii) Compensation – Other Key Management Personnel (continued)

(a) Total employment cost which includes packaged benefits (such as salary sacrifice relating to employer-provided motor vehicles used by an employee for private purposes, additional superannuation, professional memberships and any exempt benefits). Also included in this category is the car parking benefit provided to meet work requirements. The amount represents the grossed up statutory formula fringe benefit amount. Unused annual leave and bonuses for 2012 are included.

(b) This represents the minimum level statutory payments pursuant to the *Commonwealth Superannuation (Administration) Act 1992*.

(c) Executives may also earn performance based at-risk incentives which are determined at the discretion of the Board of Directors and paid in the year subsequent to the performance period and therefore form part of the compensation in that subsequent period.

(d) Executives received no additional remuneration for their role as executives in relation to subsidiary companies.

(iv) Compensation Principles

Directors are paid in accordance with rates approved by Government or in accord with Government guidelines.

The CEO and Deputy CEO are appointed by contracts which expire on 1 July 2014 with severance payments agreed to be a maximum value of two weeks superannuable salary for each year of continuous service until contract termination date, up to a maximum 52 weeks' salary or 13 weeks' salary. Executives, excluding the CEO and Deputy CEO, have a minimum redundancy entitlement of 2 weeks' salary for each year of continuous service (to a maximum of 52 weeks) or 4 weeks' salary.

Remuneration recommendations for executives are reviewed annually by the Human Resources and Industrial Relations Committee, before consideration and approval by the Board. Remuneration for executives in 2011-12 was determined in accordance with the Queensland Government's Government Owned Corporation Governance Arrangements for Chief and Senior Executives, as reflected in NQBP's policies and procedures for Recruitment and Selection, Chief and Senior Executives - Remuneration and Chief and Senior Executive - Performance Pay.

(v) Aggregate Performance Payments

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Aggregate performance bonuses paid (a)	538	479	538	350
Total salaries paid (employees receiving a performance payment)	10, 027	5, 986	10, 027	3, 142
Number of employees who received a performance payment	108	62	108	21

24. Key Management Personnel Disclosures (continued)

(vi) Categories of Performance Related Payments

Directors do not receive performance related payments.

The CEO participates in a performance pay scheme with agreed targets of profit, operational and environmental performance set by the Board. The proposed performance payments for the 2011-12 year have not been approved or paid at reporting date.

Other Key Management Personnel

NQBP operates a performance pay scheme for executives. T he performance pay comprises two components:

- group performance based on agreed targets may be drawn from financial performance, environment/safety performance, corporate governance, community relations and effective management of assets and
- individual performance.

The recommended payments are determined by the Board after the end of the financial year and paid and reported to shareholding Ministers in accordance with current guidelines. The proposed performance payments for the 2011-12 year have not been approved or paid at reporting date.

Other Employees

PCQ operated a performance pay scheme for other employees with performance pay based on individual employee performance. The recommended payments are reviewed by a moderating committee (comprising three managers) and approved by the CEO. The scheme is voluntary. Under this scheme performance payments were paid twice yearly.

During November 2011, all employees of PCQ and MPL were transferred to NQBP. The performance payments for PCQ staff were paid in the fortnight ending 30 December 2011. The second payment was made in the fortnight ending 28 June 2012. For employees that were transitioned from MPL to NQBP a performance payment was made for the period of April 2012 to June 2012 this payment was made in the fortnight ending 28 June 2012.

25. Commitments

	Consolidated		Parent	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Capital expenditure contracted for at balance date is payable as follows:				
- not later than one year	13,978	10,539	13,978	-
- later than one year and not later than five years	1,142	-	1,142	-
- greater than five years	-	-	-	-
	15, 120	10, 539	15,120	-
Operating expenditure contracted for at balance date is payable as follows:				
- not later than one year	-	-	-	-
- later than one year and not later than five years	-	-	-	-
	-	-	-	-

Operating lease expenditure contracted for at balance payable as follows:	Consolidated		Parent	
	2012	2011	2012	2011
- not later than one year	$'000	$'000	$'000	$'000
- later than one year and not later than five years	5,001	1,088	5,001	-
- greater than five years	4,234	-	4,234	-
	9, 235	1, 088	9,235	-

The Group leases various premises under non-cancellable operating leases expiring between one and nine years. All leases have annual CPI escalation clauses or fixed percentage increases. The above commitments do not include any turnover rentals which are contingent upon the various Group companies achieving defined sales levels, nor do they include commitments for any renewal option on leases. Lease conditions do not impose any restrictions on the ability of NQBP and its subsidiaries from borrowing further funds or paying dividends.

26. Contingent Assets and Liabilities

Contingent Assets

The Group holds a number of bank guarantees for security over defects in construction contracts and for future liabilities of port operators. These have not been recorded as assets in the Statement of Financial Position and amounts are immaterial.

Contingent Liabilities

The Group has no material contingent liabilities.

27. Native Title Claim

Native Title claims have been made to certain interests of the Group which are in various stages of resolution. In relation to its dealings, the Group applies a range of procedures developed by the State of Queensland and the Group to address Native Title. The Group is not a party to any current proceedings in the Federal Court of Australia, however, there may be an unknown and contingent liability to the Group in terms of the impact of some of its activities on native title rights and interests.

28. Related Party Transactions

Ultimate Parent Entity
NQBP is a Company Government Owned Corporation. All shares are held by representatives of the Queensland Government. Movements in the issued capital held by these representatives are disclosed in Note 19. Details of dividends provided for are detailed in Note 21.

As disclosed in Note 2(xii), income tax equivalents are paid to the Queensland Government. Refer to Note 8 for details of income tax equivalent transactions and balances.

Controlled Entities
NQBP owns 100% of shares in PCQ and MPL. On 31 March 2012 all assets and liabilities of these entities were transferred at book value to NQBP leaving the two wholly subsidiaries as dormant entities.

As a result of the Government Owned Corporations (NQBP Amalgamation) Regulation 2012 and Designations signed by relevant Government Ministers, the assets and liabilities of PCQ and MPL were transferred from these subsidiaries to the parent entity, NQBP, on 31 March 2012. The transferred assets and liabilities were recognised by the parent entity at their respective carrying amounts as recorded by the subsidiaries at 31 March 2012.

The amounts recognised by the parent entity for each of these transfers were as follows:

Ports Corporation of Queensland Limited

	Note	$'000
Current assets		(38,712)
Fixed assets		202,899
Other non-current assets		820
Current liabilities		(10,571)
Non-current liabilities		(129,231)
Net assets transferred		**25,205**
Investment in subsidiary derecognised		(42,400)
Loss on redemption of ownership interest recognised in statement of comprehensive income	**7**	(17,195)

Mackay Ports Limited

	Note	$'000
Current assets		4,789
Fixed assets		108,751
Other non-current assets		4,482
Current liabilities		(1,739)
Non-current liabilities		(22,499)
Net assets transferred		**93,784**
Investment in subsidiary derecognised		(74,720)
Gain on redemption of ownership interest recognised in equity	**19**	19,064

These transfers did not impact the consolidated financial statements.

28. Related Party Transactions (continued)

Entities Under Common Control

The Group has dealt with various other Queensland Government entities in arm's length transactions under normal commercial terms and conditions for various purposes in the ordinary course of business. The material parties in this category are QTC for investments, borrowings and derivative transactions, Queensland Treasury for land tax and payroll tax, Queensland Transport for hydrographic surveys, dredging support and rentals, Port of Brisbane Corporation for the provision of dredging services, and Ergon Energy for electricity charges and minor contract works.

Details of transactions and balances with QTC are provided in Notes 5, 6, 9, 17 and 19. QTC borrowings are unsecured.

Payments to other related parties during the year totalled $21.1 million (2011:$11.9 million). Amounts totalling $0.3 million (2011:$2.3 million) were owing to other related parties at balance date. Amounts received from other related parties during the year, and amounts owing from other related parties at balance date, were not material. No amounts have been recognised in respect of bad or impaired debts from these related parties.

Key Management Personnel

Key management personnel disclosures are in Note 24.

Post-Employment Benefit Plans

Payments made by the Group to superannuation schemes in respect of employees for the year were $1.63 million.

Directors' Declaration

For the Year Ended 30 June 2012

In the directors' opinion:

(a) The financial statements and notes set out on pages 78 to 117 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of NQBP and the consolidated entity's financial position as at 30 June 2012 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, including any obligations or liabilities to which the Company and the controlled entities may become subject to by virtue of the Deed of Cross Guarantee, pursuant to ASIC Class Order 98/1418.

Made in accordance with a resolution of the directors.

Peter Milton
Chairman
North Queensland Bulk Ports Corporation Limited

31 August 2012

INDEPENDENT AUDITOR'S REPORT

To the Members of North Queensland Bulk Ports Corporation Limited

Report on the Financial Report

I have audited the accompanying financial report of North Queensland Bulk Ports Corporation Limited, which comprises the statements of financial position as at 30 June 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of North Queensland Bulk Ports Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion –

(a) the financial report of North Queensland Bulk Ports Corporation Limited is in accordance with the *Corporations Act 2001*, including –

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of North Queensland Bulk Ports Corporation Limited and the consolidated entity for the year ended 30 June 2012. Where the financial report is included on North Queensland Bulk Ports Corporation Limited's website the company's directors are responsible for the integrity of North Queensland Bulk Ports Corporation Limited's website and I have not been engaged to report on the integrity of North Queensland Bulk Ports Corporation Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

QUEENSLAND
- 7 SEP 2012
AUDIT OFFICE

M R HYMAN CA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Independence

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QUEENSLAND
- 7 SEP 2012
AUDIT OFFICE

M R HYMAN CA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Glossary of terms

Adani	Adani Group	**HPCT**	Hay Point Coal Terminal
AFRMC	Audit and Financial Risk Management Committee (Board committee)	**HRIRC**	Human Resources and Industrial Relations Committee (Board committee)
BMA	BHP Billiton Mitsubishi Alliance	**MPL**	Mackay Ports Limited
CGAPC	Corporate Governance and Planning Committee (Board committee)	**Mtpa**	Million tonnes per annum
CIA	Cumulative Impact Assessment	**NQBP**	North Queensland Bulk Ports Corporation Limited
DBCT	Dalrymple Bay Coal Terminal (terminal)	**OGOC**	Office of Government Owned Corporations
DBCT Pty Ltd	Dalrymple Bay Coal Terminal Pty Ltd (terminal operator)	**OHS**	Occupational Health and Safety
DPPM	Dudgeon Point Project Management Pty Ltd	**PCQ**	Ports Corporation of Queensland Limited
DTMR	Department of Transport and Main Roads	**QAO**	Queensland Audit Office
EAP	Employee Assistance Program	**QTC**	Queensland Treasury Corporation
EEO	Equal Employment Opportunity	**RTA**	Rio Tinto Alcan
EIS	Environmental Impact Statement	**SCI**	Statement of Corporate Intent
EMS	Environmental Management System	**SEWPaC**	Federal Department of Sustainability, Environment, Water, Population and Community
GOC	Government Owned Corporation	**SOP**	Statement of Proposals
GBRMPA	Great Barrier Reef Marine Park Authority	**TIA**	*Transport Infrastructure Act 1994*

Feedback

We are very interested to hear how you think we can improve our annual report as a major aim is to fulfil the diverse information needs of readers and ensure that we continue to improve on our reporting standards.

We invite you to contact us with any feedback you have on the content or design of the report by completing the feedback form on the next page, by contacting our Corporate Relations team on (07) 3224 8863 or email communications@nqbp.com.au.

Postal details:
Corporate Relations Team
North Queensland Bulk Ports Corporation Limited
GPO Box 409
Brisbane Queensland 4001

This report and various other publications are available on our website www.nqbp.com.au. Requests for printed copies of the report can be made through our Corporate Relations team via the details above.

Feedback Form

NQBP Annual Report 2011-12

As part of our aim to continuously improve our communications to stakeholders, we would appreciate your feedback and comments. We will use this feedback to improve on next year's report so that we meet the needs and expectations of our stakeholders.

My main interest in the report is as a:

- ☐ Customer
- ☐ Business person
- ☐ Government stakeholder
- ☐ Member of an environmental group
- ☐ Member of a community group
- ☐ Contractor/supplier
- ☐ Employee
- ☐ Importer/exporter
- ☐ Shipping line/company
- ☐ Transport company
- ☐ Port operator
- ☐ Local resident in our port community
- ☐ Student

How would you rate the annual report?

- ☐ Below average
- ☐ Average
- ☐ Fair
- ☐ Above average
- ☐ Excellent

Is there anything that we didn't include in the report that you would like to see included?

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Do you have any other comments or suggestions?

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I would like to receive further updates from NQBP and be included on the mailing list:

Name ____

Company ______________________ Industry ______________________

Address ____

Telephone ______________ Fax ______________ Email ______________

Please fax this form to 07 3224 7234, email to communications@nqbp.com.au or return via reply paid postage to: North Queensland Bulk Ports Corporation - Reply Paid 409 Brisbane Qld 4001.