

2017-18 Annual Report





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This report is a summary of the performance of North Queensland Bulk Ports Corporation Limited (NQB) for the 2017–18 financial period. NQB is a government-owned corporation and this report provides NQB's shareholding Ministers and other stakeholders with a comprehensive source of information about its work throughout this period.

This report includes details of NQB's two wholly owned subsidiaries, Ports Corporation of Queensland Limited (PCQ) and Mackay Ports Limited (MPL). Throughout this report, NQB represents the entire Group. To promote clarity and transparency, this document has been structured to report against NQB's Statement of Corporate Intent (the corporation's performance agreement with shareholding Ministers). In keeping with our focus on sustainability, a digital version of the annual report is published on the NQB website to reduce resource usage associated with traditional printing and to serve as an engagement tool for all stakeholders.

### About NQB

NQB is responsible for the four trading ports of Hay Point, Mackay, Abbot Point and Weipa and the non-trading port of Maryborough. More than half of Queensland's trade by tonnage passes through its operating ports.

**Vision** We set the global standard in sustainable trade and port development.

**Mission** We lead our ports to operate in balance with iconic natural environments and the community for the prosperity of current and future generations.

**Role** As a trade-based port authority, we bring together business, environment, community and strategic stakeholder interests to make our ports sustainable for everyone in the long term.

### Values



## The board perspective

Record trade, infrastructure projects to grow our capability, world-leading environmental research and a successful community sponsorship program are among the highlights of which North Queensland Bulk Ports Corporation (NQBP) can be proud during the 2017-18 financial year.

Total tonnage for all commodities through our ports was 187.7 million tonnes, a 10% increase on 2016-17 and a record year for the organisation. Throughput increased at each of our four trading ports, not only on the prior period, where results were impacted by Tropical Cyclone Debbie, but also on the year preceding.

### NQBP 2017-18 throughput 187.7 million tonnes

**Port of Hay Point** 120,439,077

**Port of Mackay** 3,007,779

**Port of Abbot Point** 27,992,820

**Port of Weipa** 36,285,327

This is an outstanding result for NQBP, for our communities and for the Queensland economy. It is also a testament to the port terminal operators and customers, who are the ones who ultimately make it happen day to day and year to year. For NQBP's part, the result indicates not only the strength of our post-cyclone recovery, but also our successful commitment to facilitating trade and developing opportunities for ourselves and our port users.

NQBP's 2017-18 achievements represent true diversity and what it takes to be a sustainable port authority. This combination is, in my opinion, NQBP's greatest accomplishment this year. As can be seen in our 2017-18 highlights overleaf, my fellow Directors and I have observed at every level a focus on innovating, identifying new opportunities, improving everyday procedures and integrating sustainability – a key priority for the business given we are the custodians of three ports in the Great Barrier Reef World Heritage Area.

Just two and half years on from the launch of our Sustainability Plan 2015+, most of the plan's actions have been completed and are now embedded into our approach. Indeed, the conversation has come so far that we no longer discuss these types of projects in isolation. We view sustainability as a core element in our strategy and one of our major pieces of work in the 2017-18 financial year has been defining how we set ourselves up to lead the way in this space.

### Sustainability and strategy integrated

To this end, NQBP has refined its vision and mission this year in line with a strategy re-set. We are focusing on the interdependency between trade, port development and sustainability and demonstrating that the port industry's future relies on getting the balance right.

Many businesses around the world are shifting focus to align their activities with the United Nations Sustainable Development Goals (SDGs) and NQBP is the first port in Australia to use these objectives in its whole-of-enterprise strategy.

The SDGs provide a framework in which sustainability can be viewed through a broad lens, encompassing the facilitation of economic growth, supporting regional communities and operating responsibly on land and at sea.

As a trade-based port authority, we play a crucial role in bringing together all the relevant stakeholders to achieve these outcomes. An excellent example of this has been our sustainable sediment management research conducted at the Port of Hay Point in the lead up to applying for the necessary permits to undertake maintenance dredging.

In 2016-17, we completed a two-year study with the support of the two terminal operators to fully understand the sediment profile at the port and to investigate a range of removal and disposal options. This was undertaken in parallel with the development of the Queensland Government's Maintenance Dredging Strategy and NQBP was an



BRAD FISH  
CHAIR

invaluable contributor to that process alongside other port authorities, environmental groups and government regulators.

Hay Point is the first port in the Great Barrier Reef World Heritage Area to put the strategy into practice, with NQBP having lodged an application for a Marine Park Permit for maintenance dredging with the Great Barrier Reef Marine Park Authority in December 2017. We will continue to work closely with state and federal agencies, local businesses and community members, conservation groups, indigenous representatives, local councillors and academics to ensure the Port of Hay Point operates sustainably for everyone in the long term.

### Financial performance

As a government-owned corporation, NQBP is charged with making appropriate returns from its activities. I am pleased to announce that the organisation has delivered a solid profit and dividend result for the 2017-18 financial year.

Net profit after tax (NPAT) for the 12 months was \$5.0 million and NQBP will pay an annual dividend of \$6.0 million to the state. Costs incurred due to Tropical Cyclone Debbie repairs, as well as an increase in insurance costs and asset revaluations, impacted the final NPAT figure.

NQBP also continues to invest significantly to position our ports for the future, as is reflected in the level of our capital spend. For example, with Mackay ideally positioned as the gateway to the Bowen and Galilee Basins, we see break bulk as an important growth area. In 2017-18, we set and exceeded a stretch target for break bulk through the port, growing throughput from less than 9,000 tonnes in 2016-17 to more than 100,000 tonnes.

Projects such as our new fenders and upgrades to facilitate roll-on roll-off (RORO) cargo aim to capitalise on this potential. As the project completes and RORO capability becomes available in the first half of 2018-19, we look forward to continuing to expand this trade.

### Supporting regional growth

More broadly, Mackay's proximity not just to major mining regions, but also extensive agricultural areas, allows the port to support a diverse trade base. Once again, as a port authority, NQBP's role is to collaborate with government agencies, local councils, industry peak bodies and businesses to bring about new opportunities.

We have been part of several important conversations in this vein over the past year. In April, NQBP sponsored the International Cargo Handling Co-ordination Association's (ICHCA) first regionally based event in Australia, where industry professionals gathered in Mackay to discuss the future of coastal shipping and how it might impact the region. In May, delegates from the Central Highlands Development Corporation's Paddock to Port Tour, including aspiring exporters and other supply chain participants, visited the Port of Mackay to learn about its capabilities and how it might help their businesses.

Our commitment to supporting infrastructure projects that will improve the heavy haulage supply chain remains strong too. For example, we are engaging with current and prospective customers to optimise opportunities that will arise from numerous major roadworks in Mackay that have been recently completed, are under way or are fully funded. These include Vines Creek Bridge and Peak Downs Highway bridge replacements and the Eton Range Realignment and Mackay Ring Road projects.

Meanwhile to the north and south of Mackay, the ports of Abbot Point and Hay Point are vital pieces of infrastructure for the Australian economy. It is our responsibility to help guide and implement the big-picture vision that will ensure they continue to meaningfully contribute to our nation's prosperity for decades to come.

We do this through our work on operational issues such as facilitating maintenance dredging and improving the efficiency of pilotage services at

Hay Point (in 2017-18, we introduced digital passage plans, saving an estimated 80% of the time previously taken with paper forms), as well as our leadership in areas such as environmental monitoring. This year, we launched our first online dashboard displaying real-time air quality monitoring data and we have plans in 2018-19 for additional dashboards sharing information on seagrass, water quality and coral monitoring across our ports.

Increasingly in Weipa, we are focused not only on facilitating trade, but also on playing our part in the future of the Weipa township. We are looking at how we can enhance the port, but also at how we can improve the livability of the region. Again, collaboration will be the key to successful outcomes and in 2017-18 we have been working with all our local stakeholders to explore options for diversifying trade, generating employment and developing a marine services precinct that could service the entire western cape region.

### Leadership

I would like to thank our outgoing Chief Executive Officer Steve Lewis, who finished at NQBP in December 2017, and to welcome

our new Chief Executive Officer, Nicolas Fertin. Nicolas started at NQBP on 17 September 2018.

While recruitment took place, the Chief Executive Officer role was filled in an acting capacity by two members of the NQBP executive committee and I would further like to acknowledge and thank them for their contribution. Brendan Webb, General Manager Trade and Operations, and Rochelle Macdonald, General Manager Engineering and Development, both acted in the position.

### The year ahead

We spoke a lot in last year's report about capital projects, new facilities and upgrades that would enable NQBP to operate more efficiently and safely, increase trade and support its customers in achieving their own growth plans. With record tonnage throughput across our ports this year, we believe we have started to see some of the benefits of this work flow through.

2018-19 will be about continuing to capitalise on the strategic initiatives we have completed so far, while always seeking additional opportunities to add value. Each of our ports offers unique advantages to the state and

NQBP's refined strategy clearly defines how we will lead our terminal operators, customers, communities and other stakeholders to maximise this potential in each location.

As always, our successes are a joint effort and I would like to finish by thanking my fellow Directors for the experience and expertise they bring to the NQBP Board, the NQBP executive committee for their unwavering leadership and each and every member of the NQBP team for their dedication and drive to set the global standard in sustainable trade and port development.

I look forward to working with you all in 2018-19 and remaining committed to delivering value for our ultimate shareholders – the people of Queensland.



BRAD FISH  
CHAIR

## FY2017–18 business performance

Business performance		2017–18 Actual	2016–17 Actual
Trade throughput	Mtpa	187.7	170.5
Lost time injury frequency rate (LTIFR)	Rate	0	5.7
Total income	\$m	111.2	108.2
Earnings before interest, taxes, depreciation and amortisation	\$m	40.5	53.0
Net profit/(loss) after tax	\$m	5.0	22.1
Underlying net profit after tax (unaudited)	\$m	10.9	11.7
Total comprehensive income	\$m	6.2	85.9
Total assets	\$m	736.7	731.5
Net assets	\$m	372.1	372.0
Current ratio (excluding provision for dividend)	–	1.56	1.38
Debt/debt plus equity ratio	–	0.33	0.32
Return on assets	%	1.8%	5.2%
Return on equity	%	2.94%	3.3%
Operating cash flows	\$m	27.7	33.3
Dividends provided	\$m	6.0	12.4



# Highlights

We're proud of our achievements and our port communities.

## Expanding trade

A record trade year for NQBP, with **throughput totalling 187.7 million tonnes** across our four trading ports. ■

We built to support regional Queensland. Our new fenders and infrastructure upgrade means **roll-on roll-off vessels can now ship cargo directly** in and out of the Port of Mackay, creating more work opportunities and facilitating local trade. ■

**More than 100,000 tonnes of break bulk** passed through the Port of Mackay, representing an increase of more than 1,000% on the prior year. ■



TOP: THE COWBOYS VISIT ANDERGROVE STATE SCHOOL

ABOVE: THE WEIPA COMMUNITY CELEBRATES 50 YEARS

RIGHT: WORK COMMENCES ON THE HALF TIDE TUG HARBOUR FLOATING WALKWAY

## Vibrant port communities

Building the NQBP brand across our four port communities, our **partnership with the North Queensland Cowboys** completed its second successful year. In addition to well-attended stakeholder events, 15 schools and hundreds of junior rugby league players took part in free training and motivational sessions in 2018. ■

**Weipa commemorated 50 years since it officially opened as a town.** The Port of Weipa has been an essential facilitator of economic activity since day one and NQBP were proud to sponsor and join in with the celebrations, hosting a free barbecue for the whole community. ■

We helped celebrate what makes North Queensland unique with a series of videos featuring our people and our ports. The **#AsNorthQldAs social media campaign** reached more than 400,000 people across the state. ■

In a significant step to protect and promote the cultural heritage values within NQBP port land and waters, we signed a **Cultural Heritage Management Plan with the Yuwibara people.** The plan covers Mackay and Hay Point and means cultural heritage can be addressed with certainty for future activities within the ports. ■

Thanks to funding provided by the Department of Transport and Main Road's Marine Infrastructure Program, we built a **floating walkway for recreational vessels** at Half Tide Tug Harbour, Hay Point. The community were involved every step of the way in determining their requirements and informing the design process. ■

## Sustainable thinking

Joining environmental advocates, regulators, scientists and various peak bodies, we continued to represent the Queensland Ports Association at the Reef 2050 Advisory Committee, driving the port industry's commitment to **protecting the Great Barrier Reef through the Reef 2050 Plan.** ■

Building on our long history of collaboration between industry and science, we entered a **\$3 million, three-year research partnership** with James Cook University for its TropWATER department to deliver a rigorous marine water quality and habitat program. ■

Following a rigorous external audit, our environmental management system maintained its accreditation under the **international standard ISO 14001.** ■

We launched our first real-time environmental dashboards on our website, **publishing live air quality data 24/7** for the community to access. ■



## Continuous improvement

**We won the Safety Foremost category** of the Resource Industry Network's annual awards, which recognised our holistic wellbeing program for employees, Balance, with a strong focus on mental health. ■

At the Port of Mackay, we undertook a proactive risk assessment to develop a program of 16 work packages to **improve safety and operational procedures** for us and our tenants. We also created a new role at NQBP of a dedicated Emergency Manager, who will lead our response in the event of any natural disasters or other emergency incidents. ■

In a record year for pilotage, NQBP marine pilots executed **2,836 ship movements** at the ports of Mackay and Hay Point. ■

BELOW: RESOURCE INDUSTRY NETWORK ANNUAL AWARDS



ABOVE LEFT: TROPWATER PRINCIPAL RESEARCH SCIENTIST, DR MICHAEL RASHEED AND NQBP SENIOR MANAGER ENVIRONMENT AND PLANNING, KEVIN KANE

LEFT: GARY MOONEY, YUWIBARA; MELANIE KEMP, YUWIBARA; AND JULIE KEANE, PRINCIPAL, DEVELOPMENT ADVISOR, NQBP

# 02

## Strategic report

Our achievements continue to support our vision to lead the sustainable development of Queensland ports and build prosperity for current and future generations.

The following report outlines NQBP's progress and performance across our four strategic pillars and alongside the 2017-18 Statement of Corporate Intent.

## Trade facilitation

Facilitate growth through trade opportunities, investment and development for the benefit of our customers, the community and shareholders.

STRATEGY	ACTION	RESULT
<b>Facilitate growth in trade by promoting trade, investment and development at our ports.</b>		
<p><b>Active trade facilitation</b> Actively grow and develop trade and business opportunities at our ports.</p>	<p>Increase of non-coal import/export trade opportunities:</p> <ul style="list-style-type: none"> <li>• break bulk</li> <li>• cattle</li> <li>• new bauxite exporters</li> <li>• feasibility on containerisation of sugar.</li> </ul>	<p>Break bulk trade was more than 100kt, exceeding the financial year budget by 40% and generating \$1 million in revenue.</p> <p>NQBP continued to work with cattle producers in the Cape York region to facilitate live export from the Port of Weipa. However, due to cattle numbers and dredging at the Port of Karumba no shipments were seen during 2017-18.</p> <p>NQBP worked with Metallica Minerals to advance plans to export bauxite via the Hey Point transhipment facility in Weipa.</p> <p>NQBP completed a position paper on the containerisation of sugar.</p>
<p><b>Port expansion</b> Promote and support the expansion of our ports in a sustainable manner by both:</p> <ul style="list-style-type: none"> <li>• coordinating the delivery of staged expansion by the private sector</li> <li>• investing in critical supporting infrastructure.</li> </ul>	<p>Deliver the Abbot Point Growth Gateway Project (APGGP) within approved scope and budget.</p> <p>Support Adani's terminal expansion of T1 and Galilee rail development at the port.</p>	<p>The APGGP project remains on hold pending the proponent's requirements.</p> <p>NQBP has delivered all project requirements to support activation when appropriate.</p> <p>NQBP continues to assist the Coordinator-General's Office and Adani to advance expansion. Work has halted as proponent resets priorities.</p>

## Port logistics

Transform our ports into highly efficient operations in the supply chain by working with government and industry to better use existing infrastructure and transport networks. We seek to improve productivity and industry competitiveness and bring businesses closer to their markets.

STRATEGY	ACTION	RESULT
Develop and promote port centred logistics solutions by optimising the efficiencies of the current logistics and freight networks into our region.		
<p><b>Enhance inland and marine transport networks</b></p> <p>In collaboration with transport stakeholders, investigate opportunities to enhance inland and marine transport networks.</p>	<p>Increase the capture of oversize overmass (OSOM) project cargo by:</p> <ul style="list-style-type: none"> <li>obtaining investment in unfunded pinch points</li> <li>engaging the Department of Transport and Main Roads for support for OSOM route designation</li> <li>gaining approval from National Heavy Vehicle Regulator (NHVR) for designation.</li> </ul>	<p>Costings received to lift low-hanging wires outside the Port of Mackay. NQBP will seek government support to upgrade overhead wire height along the transport route.</p> <p>NQBP continued to liaise with the Department of Transport and Main Roads and NHVR to provide input on proposed plans and funding arrangements for transport network upgrades.</p>
<p><b>Multimodal facilities</b></p> <p>Transform NQBP ports into key logistics hubs for the regions, providing multimodal transport options and driving efficient regional supply chains.</p>	<p>Regular shipping liner service for break bulk trade.</p>	<p>Capital works completed on wharf four to improve capability at the Port of Mackay.</p> <p>Marketing generated greater awareness and interest in the Port of Mackay's new roll-on roll-off facility, with the first shipment to use this infrastructure expected to take place early in the 2018-19 financial year.</p>

## Sustainability

Drive the long-term success of our business by creating and managing intergenerational assets, maintaining a strong connection to community and expanding scientific and research programs to address current and emerging environmental issues.

STRATEGY	ACTION	RESULT
Drive the long-term success of our ports by making sustainability part of everything we do every day.		
<p><b>Sustainable intergenerational assets</b></p> <p>Create and manage strategic, intergenerational assets for the long term and for enduring benefit of the state, environment and communities.</p>	<p>Develop innovative dredging solutions.</p> <p>Ensure ongoing channel access to our ports.</p>	<p>Hay Point Sustainable Sediment Management research completed.</p> <p>Permit application for long-term management of maintenance dredging lodged with Great Barrier Reef Marine Park Authority.</p> <p>Public information package released and comment period closed 21 August 2018.</p>
<p><b>Vibrant port communities</b></p> <p>Ensure NQBP ports are strongly integrated and engaged within their communities and considered vital to regional economic prosperity.</p>	<p>Increase community engagement.</p> <p>Increase understanding of the environment and role of ports.</p>	<p>Market research via community survey delayed to incorporate stakeholders and customers to align with NQBP's strategy reset.</p>

## Smarter ports

Build a smarter ports culture that supports transformational practice and performance. Through technology and innovation, deliver a competitive business that responds to and supports the needs of our customers, shareholders, people and communities.

STRATEGY	ACTION	RESULT
<b>Building a smarter ports culture that improves our performance and competitive advantage.</b>		
<b>Digitally enabled</b> Optimise the digital platform to modernise and empower how we engage, operate and do business with our customers, community and ourselves.	Increase level of customer servicing and improve the customer experience.  Improve port productivity.	Online berth application form developed.
<b>Efficient and agile systems</b> Continue to improve the productivity and efficiency of the organisation by further rationalising complex systems, processes and work practices.	Increase productivity and reduce costs.  Reduce low value activity.	Game of Inches program rolled out and Gap Hunt program identified more than 20 gaps with 30% implemented and others in progress. Local solutions program as part of the culture work also identified simplification opportunities.
<b>Leverage and build our people capability</b> Increase the capability and expertise of our people to optimise the development and delivery of the organisation's strategies and vision.	Improve the capability of current and future leaders.	Professional development action plans implemented for the executive and leadership teams.  Pulse surveys and self-assessment systems put in place.

# 03

## Our ports and people

Ports have a central role in the Queensland economy and in the generation of national wealth and opportunity. Our ports are gateways connecting North Queensland to the world's trade hubs.



## Hay Point



### 2017-18 THROUGHPUT

The port primarily exports metallurgical coal, which is a key resource in steel making.

**1,176** ships visited the port, carrying **120.4** million tonnes of throughput:

**70.8** million tonnes coal through DBCT

**49.6** million tonnes coal through HPCT

The Port of Hay Point is one of the largest coal export ports in the world and comprises two separate terminals: Dalrymple Bay Coal Terminal (DBCT) and Hay Point Coal Terminal (HPCT). These terminals are linked to mines throughout central Queensland's Bowen Basin by an integrated rail network.

#### Projects and operations

NQBP supports the terminal operators at the Port of Hay Point with pilotage, coordination of maintenance dredging, tug harbour maintenance and waste management, among other functions.

Several improvements were made to enhance port productivity over 2017-18. Notably, NQBP updated its under-keel clearance system to enhance safety and sailing draft and transitioned to electronic pilot passage plans to streamline operations. It was also part of a recycling trial to help reduce the amount of ship waste that goes to landfill.

Repairs to damage caused by Tropical Cyclone Debbie were carried out throughout 2017-18 including rock revetment and Half Tide Tug Harbour infrastructure repairs.

With funding from the Department of Transport and Main Roads' Marine Infrastructure Investment Program, NQBP constructed a floating walkway for recreational vessels at Half Tide Tug Harbour. The new walkway was a collaborative project developed in close consultation with community members. It will be owned and managed by NQBP on behalf of the state for the benefit of the community.

#### Communities and sustainability

For the second year running, NQBP sponsored the Sarina Beach Coconut Festival. It also continues to sponsor the Alligator Creek State School Learn to Swim program, helping to subsidise transport and pool entry costs. It awarded EcoPorts grants to two local schools.

As part of NQBP's flagship community partnership, players from the North Queensland Cowboys also visited Sarina over a two-day Bulk Port Blitz. These players hosted sessions at local primary schools and junior rugby league clubs, encouraging young people to dream big and make smart choices.

NQBP continued its long history of working closely with the terminal operators to deliver positive environmental outcomes, including extensive air quality monitoring that encompasses five sites in the terminals and surrounding communities. NQBP's ongoing partnership with James Cook University also enabled researchers to continue their long-term seagrass, coral and water quality monitoring.

#### Outlook

In parallel with the development of long-term maintenance dredge management plans for all ports within the Great Barrier Reef World Heritage Area (GBRWHA), NQBP has also

worked with DBCT and HPCT over the past two years to complete an industry-leading body of scientific research into sustainable sediment management. The research, which was published in 2017-18, analyses the sediment profile of the port and assesses a range of sediment placement options. It lays out a best-practice framework that is now being considered for adoption at other GBRWHA ports.

The studies have provided a long-term framework to enable sediment to be managed proactively, underpinning NQBP's application to the Great Barrier Reef Marine Park Authority for permits to conduct maintenance dredging at the Port of Hay Point.

Ensuring permits are in place to support maintenance dredging, as operationally required, is a key focus at the Port of Hay Point. Maintenance dredging will be undertaken under strict approvals and is subject to further public consultation and approvals.

Preliminary master planning is also under way for the Port of Hay Point through the Queensland Government-led priority ports master planning process. NQBP and the terminal operators are consulting with the government to assess future capacity and capability requirements at the port.

## Mackay



### 2017-18 THROUGHPUT

Major commodities traded include fuel, sugar, grain, magnetite and break bulk cargo. **185** ships visited the port, carrying just over **3** million tonnes of throughput:

**1.6** million tonnes fuel      **104,090** break bulk

**876,519** tonnes sugar      **55,396** tonnes fertiliser

**148,245** tonnes grain      **47,375** tonnes molasses

**106,668** tonnes magnetite      **95,657** other cargo

The Port of Mackay consists of four berths in a harbour sheltered by breakwaters. Its proximity to both the Bowen and Galilee basins, as well as major infrastructure projects and agricultural areas, positions the port ideally to connect the region to Australia and the world.

#### Trade

Overall it was an excellent year for the port, with throughput exceeding three million tonnes for only the third time in its history. Fuel trade reached a record high, linked to increased mining activity in the region, while fertiliser, ethanol and scrap metal trade were also strong. Impacts from Tropical Cyclone Debbie continued to make themselves felt on the sugar trade, with raw sugar figures down on annual averages. Grain throughput also dropped due to dry weather conditions.

Break bulk cargo grew significantly, as NQBP pursued its growth strategy. Throughput was boosted by two stacker reclaimers in the first half of the year. Overall, the port facilitated 19 break bulk shipments for diverse clients.

#### Projects and operations

Focused on expanding its capabilities, NQBP upgraded fenders and infrastructure to allow roll-on roll-off vessels to berth at the port. It also implemented practical enhancements including new lead lights to improve ship manoeuvrability and undergrounding some overhead wires to allow higher load cargo to be transported unimpeded on port roads.

Operationally, the port was equally committed to improvement. It completed 16 packages of work to review existing and implement new

safety procedures, reduce the risk profile of NQBP and its tenants and update emergency plans, incorporating learnings from events such as last year's Tropical Cyclone Debbie.

Repairs, meanwhile, began on the Southern Breakwater due to damage arising from the cyclone. Crucially, pedestrian and cyclist access to this key community asset has been maintained during the works.

#### Communities and sustainability

NQBP sponsored the Mackay Marina Run, River 2 Reef charity ride, Mackay Cutters mental health program and the launch of Tour De Cure at the Southern Breakwater, among other initiatives. It also continued to sponsor the Stella Maris Seafarers Centre and the Resource Industry Network.

More than 200 school children and community members visited on port tours and five local schools were awarded NQBP EcoPorts grants for their sustainability projects, which included communal gardens and a plastic compressor.

As part of NQBP's flagship community partnership, players from the North Queensland Cowboys visited Mackay over a two-day Bulk Port Blitz. These players hosted sessions at local schools and junior rugby league clubs, encouraging young people to dream big and make smart choices.

NQBP's ongoing partnership with James Cook University enabled researchers to continue their long-term seagrass, coral and water quality monitoring. Data from these programs are provided to the Healthy Rivers to Reef Partnership to help inform the annual Mackay-Whitsunday reef report card. Air quality monitoring around the port also continued.

#### Outlook

Over the past couple of years, NQBP's strategy for Mackay has been clear: the port is open for business. It has the capacity to grow its trade and NQBP is investing for the future. With its upgraded capability to receive RORO vessels, the Port of Mackay is the logical gateway for cargo bound for the Bowen and Galilee basins.

The Port of Mackay can help to reduce the amount of time oversize, overmass vehicles spend on the road. NQBP is committed to supporting regional projects that improve the heavy haulage supply chain and optimising opportunities that arise from this infrastructure.

The port will be exploring potential growth in further mixed trade, including containers, over the coming year. Likewise, preliminary discussions have begun around the possibility of including Mackay in a coastal shipping route, pending a successful trial of the concept at other eastern seaboard ports.

## Abbot Point



Located 25 kilometres north of Bowen in naturally deep water, the Port of Abbot Point is Australia's most northern coal export port.

### Projects and operations

With a major upgrade of the NQBP marine offloading facility (MOF) completed the prior year, the MOF received its first delivery - a stacker reclaimer for the adjacent terminal.

The MOF assists NQBP to ensure safe and sustainable operations across the port, including improving the capability to launch rescue craft and small vessels used for environmental monitoring activities.

The MOF and the adjacent laydown area will also allow the port to further support the local economy by enabling the delivery of large machinery and other project cargo for construction or infrastructure works throughout the Whitsunday region.

Building on an ongoing proactive working relationship with the area's recognised Aboriginal Party the Juru People, NQBP also continues to work across a range of projects within the framework of an Indigenous Land Use Agreement and Cultural Heritage Protocol. Under this framework, Juru representatives are consulted in any new development activities conducted by NQBP at the Port of Abbot Point.

### Communities and sustainability

NQBP has a strong presence in the Bowen community. It regularly supports the Bowen Superboats weekend and this year sponsored its inaugural Family Fun Day, which provided entertainment, school performances, food and children's activities for local families. Spectators were also able to view the races from NQBP's Bowen Wharf.

Among other initiatives, NQBP also supported a mental health awareness event with AFL players Robert DiPierdomenico and Jake Edwards, erosion repairs at the Bowen Golf Club using recycled seabees from the Port of Abbot Point and the Bowen Chamber of Commerce small business awards.

It awarded two EcoPorts sustainability grants to local primary schools. One project will see students design a garden using digital technology to reduce water wastage, while another will establish a school worm farm.

As part of NQBP's flagship community partnership, players from the North Queensland Cowboys visited Bowen over a two-day Bulk Port Blitz. These players hosted sessions at local primary schools and clubs, encouraging young people to dream big and make smart choices.

### 2017-18 THROUGHPUT

The port incorporates the Adani Abbot Point Bulk Coal Terminal, which is operated by Abbot Point Bulk Coal (part of the Adani Group) and used by producers throughout the Newlands System and Bowen Basin.

**306** ships visited the port, carrying **28.0** million tonnes of coal.

## Weipa



The Port of Weipa is on the north-west coast of Cape York Peninsula. As the only continuously maintained deep water port on the western coast of Queensland, it is a key strategic asset for the state.

### 2017-18 THROUGHPUT

Bauxite mined by Rio Tinto is the primary commodity exported through the port.

**619** ships visited the port, carrying **36.3** million tonnes of throughput:

**36.1** million tonnes bauxite

**94,872** tonnes fuel

**59,422** tonnes other cargo

### Projects and operations

NQBP continues to work closely with Rio Tinto, Weipa Town Authority and other local representatives to enhance port capability, diversify trade, boost local employment and foster economic development within the Western Cape region.

In 2017-18, NQBP supported the construction of Rio Tinto's Amrun project, facilitating project and break bulk cargo in and out of the port.

In line with its operational priorities to ensure effective and efficient shipping, NQBP conducted its annual maintenance dredging at the Port of Weipa. For the first time, NQBP also extended dredging to Amrun, on behalf of Rio Tinto.

Sustainable sediment management assessment also began for the Port of Weipa and Amrun to inform the 2020+ long-term maintenance dredging approvals application.

NQBP also worked with stakeholders in 2017-18 to plan the implementation of the dynamic under-keel clearance system, with live shipping trials scheduled for early 2018-19.

### Communities and sustainability

In July 2017, Weipa township marked its 50-year anniversary. The port has been an essential part of the community from the beginning and NQBP was proud to join the celebrations, sponsoring a family barbecue.

NQBP supported additional local events in 2017-18 including the Weipa Fishing Classic and Conquer the Corrugations Mental Health Awareness Walk. It also awarded an EcoPorts sustainability grant to a school that will use its funds to create gardens and learn about sustainable plants in the region.

As part of NQBP's flagship community partnership, players from the North Queensland Cowboys visited Weipa over a two-day Bulk Port Blitz. These players hosted sessions at local primary schools, clubs and youth centres, encouraging young people to dream big and make smart choices.

NQBP's partnership with James Cook University saw researchers continue their long-term seagrass monitoring at Weipa, providing a rich bank of marine data that continues to drive best-practice environmental outcomes in the port's operating activities. Water quality monitoring at Weipa also commenced in January 2018.

### Outlook

NQBP is committed to being part of building a sustainable future for Weipa. The region's proximity to South East Asia and north-west Queensland coast location positions it well to facilitate future international and domestic trade opportunities.

Early stage discussions have commenced around optimising NQBP's Evans Landing landholdings. NQBP's preliminary draft precinct plan proposes the construction of a vessel maintenance, marine service and distribution centre that would service Weipa, the western cape and the gulf.

The plan identifies opportunities to upgrade existing infrastructure and open up areas of land for laydown, cargo handling and workshop space, as well as to explore offshore infrastructure options over the longer term.

## Workplace and people

### People and culture

As at 30 June 2018, NQBP employed 121 people across disciplines including engineering, planning, sustainability, native title, environment, safety, maintenance, governance, legal, finance, community engagement, communications, trade, property, commercial services and pilotage. Its workforce is in three regional centres and a Brisbane office.

NQBP seeks to provide a diverse, flexible and inclusive workplace where employees are stimulated in their roles, receive high-quality professional development and have opportunities to grow in their careers. To ensure it continues to meet these goals, NQBP undertook a large piece of work around culture in the workplace in 2017-18. It issued a comprehensive survey to all staff and assessed elements including alignment with values, effectiveness of leadership and overall staff satisfaction. Ninety-four per cent of staff completed the survey.

As well as highlighting areas of strength, the survey identified opportunities to enhance the working environment. Driven by a strong commitment from the Board and executive committee, the results have been converted into a tangible action plan that NQBP is implementing. Staff pulse surveys will be used to collect ongoing feedback and a series of human resource metrics have been established to measure progress and create benchmarks for continuous improvement.

### Enterprise agreements

NQBP has two enterprise agreements. In 2017-18, the enterprise agreement for its general workforce (covering administration and port staff, maintenance and operations) was re-negotiated, went to a ballot and was accepted by a majority of staff. NQBP is currently awaiting

approval of the Fair Work Commission. A second enterprise agreement, for its marine pilots, was re-negotiated and in-principle agreement reached. NQBP is awaiting the approval of government to put the agreement to a vote.

### Drug and alcohol policy

NQBP maintains a zero-tolerance policy for drugs and alcohol at all offices and ports and implements 0.0% blood alcohol concentration procedure at all sites.

### Key achievements

In 2017-18, NQBP re-set its whole-of-enterprise strategy. Underpinning the strategy is a focus on two enabling elements that will drive business success. One is technology and systems, the other is people and culture. In the year ahead, NQBP will focus more than ever on being more inclusive and diverse and developing its people capability. A roadmap is in place to build leadership skills and guide targeted individual development planning.

NQBP implemented an electronic human resources system, PeopleConnect, during the year. The system streamlines the annual performance review process, tracks learning and development modules and helps show clear alignment between key performance indicators and the whole-of-enterprise strategy. It also enables greater collection of data on employee performance that can be used to inform ongoing policies and procedures.

NQBP also revised its port and general employee online inductions in 2017-18 to ensure its training remains current with the latest human resource, health and safety and compliance procedures.

Number of employees		Employee development	
Headcount	121	Training expenditure including study assistance (excludes on-the-job-training)	\$825,407
Valuing diversity		Performance	
Females in the workforce	41%	Employees on a formal performance improvement plan over the year	1.7%
Females on the board	50%	Employees rated 75% or higher in their annual performance review	46%
Females on enterprise agreement(s)	45%	Industrial relations	
Females on executive team	16.7%	Number of days lost from industrial disruption	0
Indigenous - employees in the workforce	2.5%	Employee relations	
Cultural backgrounds - staff in workforce	10.7%	Number of formal grievances reported to management (including harassment, bullying or discrimination)	3
		Turnover (12 month average)	12.9%

## Health and safety

### Moving from compliance to commitment

NQBP's health and safety goal is to achieve zero injuries and harm, while also promoting a proactive culture of physical and mental health, safety and wellbeing.

Our approach extends beyond simply complying with our legal obligations. With a true focus on our people, we are committed to providing a sustainable working environment that enables everyone at NQBP to achieve their full potential.

NQBP relates health and safety to its organisational values to assist our people in assessing the impact of their decisions. The relationship between safety and organisational values is a major strength.

<b>WE CARE</b> – work safe, home safe
<b>WE'RE ONE TEAM</b> – are you okay?
<b>WE LEAD THE WAY</b> – we set the example
<b>WE GET ON WITH IT</b> – safety is in your hands
<b>WE DO THE RIGHT THING</b> – safety is no accident
<b>WE THINK CUSTOMER</b> – good safety means good business

### Cultivating a culture of wellbeing

We believe that a well-designed health and safety strategy facilitates good work-life balance and enables people to have more productive working lives. In April 2018, NQBP launched its dedicated wellbeing program, Balance. Developed in partnership with resource industry specialists, Gryphon Psychology, the program represents a comprehensive three-year mental health and wellbeing strategy.

From getting a good sleep to eating well, managing stress and building a positive culture, Balance recognises the interconnected nature of people's personal and professional lives by providing individual and workplace support.

It also aims to promote conversation and raise awareness around mental health through participation in a range of initiatives such as R U OK Day, as well as presentations to employees from public speakers including, in 2017-18, well-known AFL stars Robert 'Dipper' DiPierdomenico and Jake Edwards.

The program was recognised at the 2018 Resource Industry Network's annual awards with NQBP winning the Safety Foremost category.

### Key achievements

NQBP re-wrote its health and safety system in 2017-18, reviewing its entire suite of documents and templates to reduce overall documentation, create more efficient planning and reporting tools and ensure ongoing compliance against legislation. It also rolled out

refresher training to ensure all staff were aware of resources and responsibilities.

At the Port of Mackay, NQBP undertook a comprehensive qualitative risk assessment to identify opportunities for improvement across its own operations and its tenants' sites, where activities could impact whole-of-port and community safety. From this, an operational improvement program was developed, with 16 packages of work completed to reduce the risk profile of the port. NQBP also gained an invaluable, deeper understanding of its tenants' operations through the program.

As a key action arising from the operational improvement program, NQBP employed a full-time Emergency Manager for the first time who was initially tasked with creating an emergency and evacuation sub plan for the Port of Mackay. The evacuation sub-plan complements existing emergency plans that stakeholders have in place. It identifies populations at risk and evacuation sectors and routes. It also includes detailed scenario planning for different types of emergencies including operational incidents, natural disasters like cyclones and flash flooding, human-made disasters such as explosions or marine oils spills and counter terrorism preparation. The Emergency Manager will also sit on local disaster management groups, building critical relationships with emergency services, local governments and regulators across NQBP port regions.

The number of incidents and hazards reported in the 2017-18 financial year has increased as NQBP continues to work towards eliminating at-risk behaviours by encouraging a culture of awareness and proactivity.

NQBP continues to maintain the wellbeing of workers to well above industry standard when reducing the impact of injuries and illness. WorkCover Queensland placed the efforts of NQBP above industry average in key areas. For example, 100% of injured employees were recovered at work and 100% of injured employees were able to return to work. NQBP also saw a continued reduction in its overall business cost of insurance to below 25% of the industry rate, as well as an ongoing reduction in new claims for workers' compensation.

Key indicators	
Lost time injuries recorded	0
Number of days lost-time injury free	445
Reduction in restricted work injuries	50%
Increase in all injury frequency during reporting period	25%
Increase in incident reporting in 12 months	125%
Recovery at work for injured employees	100%
Decrease in WorkCover premiums in 5 years	57%
Below industry average WorkCover premium rate	77%

# 04

## Corporate governance

Our robust governance underpins the success of our operations.

## Organisational structure

For the year ended 30 June 2018

<b>Shareholding Ministers</b> <b>Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships</b> The Hon. Jackie Trad MP <b>Minister for Transport and Main Roads</b> The Hon. Mark Bailey MP <b>Treasurer and Minister for Trade and Investment (to 11 December 2017)</b> The Hon. Curtis Pitt MP <b>Acting Minister for Main Roads, Road Safety and Ports (from 10 August 2017 to 27 September 2017)</b> The Hon. Dr Steven Miles MP				
<b>Board of Directors</b> Brad Fish (Chair) Annabel Dolphin Sally Frazer <sup>1</sup> Stephen Golding <sup>2</sup> Kasper Kuiper <sup>3</sup> Jane McTaggart Peter Tait <sup>4</sup> Craig Walker <sup>5</sup>	<b>Audit and Financial Risk Management Committee</b> Peter Tait (Chair) Annabel Dolphin Brad Fish Sally Frazer <sup>6</sup> Jane McTaggart <sup>7</sup>	<b>People and Culture Committee</b> Annabel Dolphin (Chair) Brad Fish Stephen Golding Kasper Kuiper <sup>8</sup> Jane McTaggart <sup>9</sup> Craig Walker <sup>10</sup>	<b>Corporate Governance and Planning Committee</b> Stephen Golding (Chair) Sally Frazer <sup>11</sup> Kasper Kuiper <sup>12</sup> Jane McTaggart <sup>13</sup> Peter Tait Craig Walker <sup>14</sup>	
<b>Chief Executive Officer <sup>15</sup></b>				
<b>Director Sustainability and External Relations</b> Gary Campbell – Sustainability – Planning – Environment – Cultural Development – External Affairs	<b>General Manager Engineering and Development</b> Rochelle Macdonald – Maintenance – Health and Safety – Asset Management – Engineering Services	<b>Director Legal, People and Governance</b> Peter Sinnott – Human Resources – Legal – Records Management – Company Secretariat	<b>General Manager Trade and Operations</b> Brendan Webb – Port Operations – Pilotage Services – Commerce and Trade	<b>Chief Financial Officer</b> Bernie Wilson – Information Services – Finance – Business Improvement – Risk and Assurance

1 Director from 12 October 2017  
 2 Ceased tenure 30 September 2017, re-appointed 12 October 2017  
 3 Director to 30 September 2017  
 4 Ceased tenure 30 September 2017, re-appointed 12 October 2017  
 5 Director to 1 September 2017  
 6 Member from 24 October 2017  
 7 Member to 23 October 2017  
 8 Member from 29 August 2017 to 30 September 2017  
 9 Member from 24 October 2017  
 10 Member to 28 August 2017  
 11 Member from 24 October 2017  
 12 Member to 30 September 2017

13 Member from 29 August 2017  
 14 Member to 28 August 2017  
 15 Steve Lewis was Chief Executive Officer (CEO) until 22 December 2017. Brendan Webb was acting CEO 23 December 2017 - 28 February 2018. Rochelle Macdonald was acting CEO 1 March - 30 June 2018.

## Executive committee



**Steve Lewis**  
Chief Executive Officer\*  
MBA, BBus (Fin Mgt and Economics), GAICD

**Skills and experience:** Steve joined NQBP as Chief Executive Officer in July 2014 with extensive knowledge of Australian ports, having previously served as the Port of Dampier's Chief Executive Officer for 11 years. He has been involved in the transport sector for more than 33 years, including as a member of federal and state committees on transport.

Steve is strongly focused on business development, customer service and operational efficiency. He is a Director on the Board of Ports Australia, a fellow of the Chartered Institute of Logistics and Transport, and a graduate of the Australian Institute of Company Directors.



**Gary Campbell**  
Director Sustainability  
and External Relations  
BBus, GAICD

**Skills and experience:** Gary joined NQBP in 1996. Prior to that time, he was a journalist and newspaper editor and worked in government on major infrastructure projects, developing all-of-agency engagement policy and as part of project planning teams. In NQBP, his roles have spanned media management, community engagement, stakeholder and government relations and major project approvals and planning. He is a graduate of the Australian Institute of Company Directors and a Director on the national Board of the International Cargo Handling Coordination Association (ICHCA) Australia Limited.

**Responsibilities:** Gary has executive responsibility for sustainability, environment, planning, indigenous relations and external affairs. As part of the role, he liaises with all levels of government on strategic and policy issues associated with major port projects, operations and planning.



**Rochelle Macdonald**  
General Manager Engineering and  
Development  
BSc (Hons), MEM, PhD, GAICD, PLD (Harvard  
– accelerated MBA equivalent)

**Skills and experience:** Rochelle joined NQBP in January 2016, after working in an executive position at Dampier Port Authority in Western Australia. Having facilitated the development of two of Australia's largest LNG port projects, Pluto and Wheatstone, Rochelle is highly experienced in the world of bulk ports. She is a specialist in developing and optimising intergenerational port assets and integrated logistic networks.

Rochelle also serves on the board of the Greater Whitsunday Alliance, an advocacy body to facilitate economic growth in the Greater Whitsunday Region.

**Responsibilities:** Rochelle leads the engineering and development team and provides engineering, asset management, maintenance, port development and safety expertise to NQBP. She ensures projects are of a high standard, properly managed, technically robust and delivered in a cost-effective manner.



**Peter Sinnott**  
Director Legal, People, and Governance  
B.Com, LLB (Hons), MFM

**Skills and experience:** Peter joined NQBP in 2012. Prior to this, he was Legal Director at Rio Tinto Alcan and has more than 20 years' experience in private practice and corporate in-house roles, specialising in commercial and corporate law. He is a Fellow of the Governance Institute of Australia.

**Responsibilities:** Peter is responsible for legal management and corporate governance, including the provision of company secretarial support to the Board. He also oversees human resources and industrial relations and records.



**Brendan Webb**  
General Manager Trade and Operations

**Skills and experience:** Brendan joined NQBP in April 2017 as General Manager Trade and Operations. He has more than 20 years' experience in operational leadership roles and has worked across mining, engineering services, transport and logistics sectors. Major projects include the integration delivery of Bucyrus into Hasting Deering, as well as change management implementation in company mergers and acquisitions.

**Responsibilities:** Brendan leads NQBP's commercial division, prioritising customer focus, efficient service and trade expansion. His operational areas include pilotage, security, supply chain and stakeholder recognition. He and his team work to diversify trade opportunities and optimise supply chain processes.



**Bernie Wilson**  
Chief Financial Officer  
BBus, CPA, MAppFIN, GAICD

**Skills and experience:** Bernie joined NQBP in February 2011. He has held a number of senior financial roles with Queensland Treasury Corporation, Brisbane City Council, Queensland Rail and QR Network. He is a graduate of the Australian Institute of Company Directors and a member of the Finance and Treasury Association.

**Responsibilities:** Bernie is responsible for developing and driving the strategic financial direction for NQBP to ensure the organisation is structured for success. He oversees finance, information communication technology, risk management and assurance within NQBP.

\*Notes: During the 2017-18 financial year, Steve Lewis was Chief Executive Officer (CEO) until 22 December 2017. Brendan Webb was acting CEO from 23 December 2017 until 28 February 2018. Rochelle Macdonald was acting CEO from 1 March until 30 June 2018.

# Corporate governance statement

## Corporate structure

NQBP is a Government Owned Corporation (GOC) incorporated under the *Corporations Act 2001 (Corporations Act)* and subject to the requirements of the *Government Owned Corporations Act 1993 (GOC Act)*.

Ports Corporation of Queensland Limited (PCQ) and Mackay Ports Limited (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 Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships; 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 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 have the same Board of Directors. The Board 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. The Board recognises the importance of applying effective corporate governance practices and is committed to a high level of integrity throughout its operations.

The Board has adopted the governance principles set out in the Queensland Government's Corporate Governance Guidelines for GOCs (Guidelines), and this is contained in NQBP's Governance Policy and Procedure. This Policy and Procedure is reviewed regularly to improve, where appropriate, NQBP's compliance with the Guidelines.

A copy of NQBP's Governance Policy and Procedure is included on NQBP's website, with the key aspects of these documents described within this section.

## Board of Directors

Details of members of the Board, including their terms of office and their skills, experience and expertise, are outlined on pages 36-37 of this report.

## Appointment

Directors of NQBP are appointed by the Governor-in-Council. All of the Directors are non-executive Directors. The Board assesses the independence of each of the Directors on a regular basis.

The Directors are subject to NQBP's Compliance Policy as well as the Disclosure and Conflicts of Interests Procedure and the Code of Conduct. Directors 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 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 Guidelines previously notified to shareholding Ministers' departments), the Board has comprehensive criteria which are applied on a case-by-case basis, to determine any potential conflict situation.

The Board considers this provides an effective way to comprehensively assess Director independence.

## Role of the Board

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

The collective role of the 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 shareholders for NQBP's 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, the statutory duties imposed on Directors under that legislation also apply to its 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 generally meets nine times a year. In addition to this, it meets up to three times a year to discuss strategy and schedules additional meetings as required. During 2017-18, the Board met 10 times. Directors also met for committee meetings. The Chair usually meets the Chief Executive Officer 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;
- strategy; and
- commercial and governance decisions requiring a Board resolution.

Key stakeholders are periodically invited to attend an informal meeting held before or after the scheduled Board meetings. This provides an opportunity for Directors to discuss relevant port-industry topics, while also developing and maintaining important relationships. The Directors provide a broad range of skills and experience covering maritime operations, finance and accounting, engineering, regional matters, governance, 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.

The Directors' Handbook provides Directors with a detailed overview of corporate and government policies, the role and strategic direction of the 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 an NQBP Director. Each Director has a duty to

comply with the law and binding government and NQBP's 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. 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.

## 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 the Board's mandate.

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

## Ethical behaviour and decision making

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

These principles are contained in various policies and procedures which apply to Directors and all employees and include the Compliance Policy, Code of Conduct, Trading (Securities) Guideline, the Disclosure and Conflicts of Interest Procedure, as well as the Integrity Framework (Corrupt Conduct and Public Interest Disclosures) Standard and the Whistleblower Protection Procedure.

These policies, procedures, standards and guidelines 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 manner to promote integrity within NQBP's operations. These documents 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.

NQBP falls within the jurisdiction of the Crime and Corruption Commission (CCC), and the Chief Executive Officer is required to report any 'corrupt conduct' by NQBP staff to the CCC, where corrupt conduct

is reasonably suspected.

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

The Code of Conduct, Integrity Framework (Corrupt Conduct and Public Interest Disclosures) Standard, Whistleblower Protection Procedure and Fraud Standard outline a process for the investigation of allegations of misconduct and fraud. Copies of these documents 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 Chair and the Chief Executive Officer meet with shareholding Ministers and/or their representatives on a regular basis. NQBP's management also meets with representatives of shareholding Ministers' departments to update them on relevant issues.

NQBP's policies and procedures 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 and Procedure in place, and these documents outline the process for evaluation of Board and Committee performance, reflecting the requirements of the Government's Corporate Governance Guidelines.

NQBP's procedure 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 2017-18, an external review of NQBP's Board performance was undertaken.

In addition, each committee (in accordance with the relevant charter) 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 2018.

Shareholding Ministers are informed of any key issues arising out of the performance reviews. The Chair 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 63. 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 by the Board in accordance with the GOC Act. The appointment of the Chief Executive Officer also requires the prior written approval of the shareholding Ministers. For a 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.

Mr Steve Lewis finished as Chief Executive Officer on 22 December 2017. Mr Brendan Webb and Dr Rochelle Macdonald acted as Chief Executive Officer from the end of December.

Mr Nicolas Fertin was appointed as Chief Executive Officer and commenced on 17 September 2018.

### Remuneration arrangements for management and employees

The Chair reviews the performance of the Chief Executive Officer and reports to the Board through the People and Culture Committee. All new senior executive and senior manager employment agreements include provisions consistent with shareholder guidelines.

### Review of performance for management and employees

NQBP operates a performance pay scheme for the Chief Executive Officer and senior executives with agreed targets set by the Board. The performance pay is made up from achievement of performance targets with 15 per cent of total salary the maximum payable.

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 performance pay scheme applicable to other employees is based on each individual's overall performance. The scheme involves a performance payment pool for the 2017-18 financial year of up to 6 per cent of the base pay of participants.

Relevant remuneration policies and procedures are available on the NQBP website.

### Board committees

During the 2017-18 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 its role. A copy of each charter is included on the NQBP website.

A general description of the role and achievements of the 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 38-39 of this report.

### Audit and Financial Risk Management Committee

**Chair:** Peter Tait

**Current Members:** Brad Fish, Annabel Dolphin, Sally Frazer

**Non-current Members:** Jane McTaggart

**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 Committee consists of at least three Directors appointed by the Board. NQBP's Board Chair may be appointed to the Committee, but may not sit as the Chair 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 Chair 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 any relevant binding policy of the Queensland Government, as well as NQBP's policies.

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

### AFRMC achievements

In the 2017-18 financial year, the Committee met on 21 August 2017, 6 November 2017, 27 February 2018 and 18 May 2018. The Committee followed a key list of standing items to ensure coverage of:

- matters or circumstances of significant impact;
- strategic and significant issues;
- financial risk management;
- financial governance;
- external audit; and
- proposed board papers.

In addition, during 2017-18 financial year, the AFRMC also considered the following key matters:

- annual financial statements;
- dividend recommendation;
- cash and debt management;
- port pricing;
- breakwater insurance claim;
- terms of reference – insurance review;
- annual budget process;
- asset valuation and impairment;
- Queensland Treasury Corporation services briefing;
- review of rehabilitation investment options;
- asset stock take results;

- fraud risk review;
- annual review of committee charter and performance;
- amendments to Chief Executive Officer delegations;
- internal audit program and progress and timing of scheduled audits;
- quarterly review deep dives – capacity to invest, platform/data consolidation – systems and processes and financial IT system functionality; and
- review of policies – revenue and leasing standards.

### People and Culture Committee

**Chair:** Annabel Dolphin

**Members:** Brad Fish, Stephen Golding, Jane McTaggart

**Non-current Members:** Craig Walker, Kasper Kuiper

**Secretary:** Peter Sinnott (Director Legal, People and Governance)

NQBP's People and Culture Committee (PACC) provides independent and expert advice to assist the Board to deliver its employee and industrial relations responsibilities.

The PACC does not replace or replicate established management responsibilities and delegations or the responsibilities of other executive management groups within NQBP.

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

- reviews NQBP's people and culture policies;
- annually reviews the Chief Executive Officer's remuneration package and proposals by the Chief Executive Officer in relation to the remuneration packages of 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 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;
- reviews 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; and
- reviews the appropriateness of NQBP's Employment and Industrial Relations (E&IR) Plan.

The Committee consists of at least three Directors, appointed by the Board. The Board Chair may be appointed to the Committee but may not sit as the Chair of the Committee. The Charter of the PACC is supplied to newly appointed Directors as part of their general induction. The PACC Chair 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 Queensland Government, as well as NQBP's policies.

The Board reviews the effectiveness of PACC meetings, the appropriateness of its Charter and the composition of the Committee on an annual basis.

### PACC achievements

In the 2017-18 financial year, the Committee met on 8 August 2017, 7 November 2017, 13 February 2018 and 8 May 2018. The Committee followed a key list of standing items to ensure coverage of:

- strategic issues;
- planning;
- performance systems;
- governance and policies; and
- risks.

In addition, during 2017-18 financial year, the Committee also considered the following key matters:

- reviewed progress of priority actions in the strategic HR Plan and metrics;
- provided input into the development of the HR Strategy and monitored its implementation;
- reviewed and made recommendations to the Board on specific HR procedures;
- considered and made recommendations in relation to a survey on the organisational health and culture;
- reviewed and made recommendations to the Board in relation to remuneration and performance payment targets and processes;
- reviewed and made recommendations to the Board on Chief Executive Officer performance and remuneration;
- reviewed and provided input into the Bargaining Frameworks for the Enterprise Agreements for NQBP Staff and Marine Pilots;
- reviewed sustainability, culture and leadership issues;
- reviewed and provided input into the draft NQBP E&IR Plan 2018/19;
- reviewed and recommended enhancement of the performance management framework;

- considered Quarterly People and Culture Reports;
- reviewed and provided input into the change management model;
- reviewed and provided feedback into the Board induction process;
- provided comments on the draft Workforce of the Future Plan;
- reviewed Committee Performance and the Charter; and
- monitored the key risks for NQBP in relation to People and Culture matters (including deep dives into certain risks).

### Corporate Governance and Planning Committee

**Chair:** Stephen Golding

**Members:** Peter Tait, Jane McTaggart, Sally Frazer

**Non-current members:** Kasper Kuiper, Craig Walker

**Secretary:** Peter Sinnott (Director Legal, People and Governance)

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 can 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 adherence to policies related to corporate governance and instilling a culture of compliance;
- reviews pricing proposals and commercial negotiating frameworks which impact on 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;
- articulates information gained from individual Board members to assist the Chief Executive Officer in developing plans; and
- requests the Chief Executive Officer to consider or further consider any strategic issue relevant to NQBP.

The Committee consists of at least three Directors appointed by the Board. The Board Chair may be appointed to the Committee but may not sit as the Chair of the Committee. The Charter of the CGAPC is supplied to newly appointed NQBP Directors as part of their general induction.

The CGAPC Chair 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.

### CGAPC achievements

In the 2017-18 financial year, the Committee met on 8 August 2017, 6 November 2017, 13 February 2018 and 8 May 2018.

During 2017-18 financial year, the key matters considered by the Committee included reviews of:

- continual development of IT functions and technology systems;
- risk Management Reporting Framework;
- risk and strategic issues associated with NQBP's projects;
- risk Deep Dives into selected major risks;
- timetables to produce the annual report;
- risk appetite statement and risk matrix;
- continual review of the development of risk management systems and reports;
- the committee charter;
- reporting processes to the Board;
- strengthening sustainability governance;
- projects updates;
- processes to improve cyber security;
- improvements to governance;
- Board performance and Directors' training;
- government engagement and master planning for ports;
- NQBP's complaints report and lobbyists register;
- issues for strategic planning and progressing strategic initiatives; and
- climate change risk strategy.



## Managing risk

NQBP takes a proactive and well-informed approach to risk management and has a risk management policy and procedures (Risk Management Framework) that provide the strategic direction for risk management. Risk management is the responsibility of all NQBP employees.

To meet strategic objectives, the Risk Management Framework is designed to apply systematic and consistent risk management methodologies across NQBP to identify critical risk exposures, realise opportunities, prioritise resources and focus on improving capabilities for predicting and managing uncertainties.

The Risk Management and Assurance team helps the business make well-informed decisions through:

- corporate risk management;
- insurance;
- assurance (internal audit); and
- business continuity planning.

The NQBP Risk Management Framework, is based on the Australian and New Zealand Standard for risk management, AS/NZS ISO 31000:2009. This Risk Management Framework has been integrated with other NQBP policies and management systems.

The Risk Management Framework is supported by an assurance program of scheduled internal and external audits of various aspects of the business, such as legal compliance, finance, contract management, asset management, human resources, environment, health and safety, emergency and business continuity planning and information management.

The Risk Management Framework aims to integrate risk management processes into standard business practices to not only protect value, but create value by:

- assisting in planning to execute NQBP strategy;
- analysing and prioritising responses to risks to the business;
- understanding business risks; and
- identifying opportunities and encouraging innovative risk management controls.

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 NQBP's business management.

Management continues to be responsible for identifying changes in the business environment that may generate new risks or require a change to risk ratings or controls. The organisation's risk profile is under constant review by Management and the Board.

The Risk Management Framework has operated efficiently and effectively throughout the year. NQBP strives for continuous improvement in all aspects of its business and the risk management framework continues to be improved over time to meet business needs.

There were no material breaches of risk management policies during 2017-18.

## Internal audit

The role of internal audit is to assist the Board of Directors and management in the effective discharge of their responsibilities.

In-house internal audit resources are supplemented by external resources where specialist skills or greater independence is required. Internal audit activities are conducted in accordance with the Internal Audit Charter and International Standards for the Professional Practice of Internal Auditing.

These include:

- a risk based approach in formulating the audit plan;
- 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 controls and systems in meeting goals.

The 2017-18 audit program included reviews of:

- fraud risk review;
- project governance;
- people performance management;
- risk management framework;
- maritime security plans; and
- ICT procurement.

# Additional information

## Finance Policy

The Finance Policy outlines the financial governance framework for NQBP. This framework assists NQBP in its objective to be commercially successful in the conduct of its activities while ensuring compliance with legal and other financial obligations and effectively identifying and managing financial risks. The Finance Policy provides guidance and direction on the following key governance areas:

## Capital structure and risk adjusted return for capital

NQBP maintains its capital structure with regard to the following three key objectives:

- to establish the capital structure that will minimise its cost of capital;
- to maintain flexibility for current and future infrastructure opportunities; and
- to maintain at least a BBB grade credit rating.

In committing scarce capital to its business strategies and project opportunities, NQBP seeks to sustainably earn a risk adjusted return on its investment.

## Dividend policy

NQBP's 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 Board reviews and approves its dividend policy on an annual basis.

## Funds management

NQBP closely manages its cash in support of the State's Cash Management Arrangements. Cash at bank, or on hand not currently required by NQBP, is invested in Board approved investments. All new borrowings are sourced from Queensland Treasury Corporation.

## Financial risk management

Financial risks (including settlement risk, funding risk, liquidity risk, credit risk, foreign exchange and derivatives risk) are managed in accordance with NQBP's Risk Management Framework. The Audit and Financial Risk Management Committee monitor NQBP's financial risk management compliance.

## Government policies applicable to NQBP

NQBP is to comply with all relevant government policies and guidelines.

There were no commercial impacts of major significance identified in adopting any revised policy positions. The continuing application of the

Right to Information legislative framework resulted in NQBP requiring ongoing resources directed to meeting its legislative obligations.

## 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 section 114 of the *GOC Act* for the 2017-18 financial year.

## Community service obligations

There were no community service obligations identified during 2017-18.

## Employment and Industrial Relations Plan

NQBP's Employment and Industrial Relations Plan 2017-18 establishes the Corporation's intent with respect to Directors' and staff remuneration and employment conditions and its human resource priorities.

## Corporate entertainment and hospitality

NQBP did not hold any events throughout 2017-18 that cost more than \$5,000.

## Right to information

NQBP received two access applications and one consultation request from Queensland Government departments for information under the *Right to Information Act 2009 (Qld)* during 2017-18. One access application was withdrawn and one access application was finalised.

## Directors' report

The Board of Directors of North Queensland Bulk Ports Corporation Limited (NQBP) present their report of NQBP and the consolidated entity (the Group) for the year ended 30 June 2018.

### Review of operations

As at 30 June 2018, both MPL and PCQ remain as non-operating companies of NQBP with nil assets and liabilities.

NQBP's result for 2017-18 was negatively impacted by expenses relating to recovery works for Tropical Cyclone Debbie, fair value adjustments for Property, Plant and Equipment, and increased insurance costs.

Port throughput performed strongly in 2017-18 with 187.7 million tonnes. This was a significant improvement of 17.2 million tonnes on 2016-17, which was impacted by Tropical Cyclone Debbie. The coal ports at Abbot Point and Hay Point performed well during the year with 148.4 million tonnes, an 8% increase on the average throughput for the previous four years. The number of vessels loaded at the coal ports for the year was 1,482 of the total 2,286 vessels visiting NQBP ports for the year.

Bauxite exports finished 2.1% up on target for the year, with 36.1 million tonnes passing through the port for the year.

Mackay did well to finish the year 11,480 tonnes above target. Lower volumes of raw sugar and grain as a result of Tropical Cyclone Debbie in 2017 were balanced by strong petroleum throughput and new trade opportunities for break bulk.

NQBP continues to work closely with government departments and industry to facilitate growth and ensure timely development of business-focussed investments.

### Operating results

The profit of the consolidated Group for the financial year, after providing for income tax equivalents, amounted to \$5.0 million. This result was below a target of \$8.2 million, which was impacted by a fair value adjustment to Property, Plant and Equipment; costs pertaining to recovery works for Tropical Cyclone Debbie and increased insurance premiums.

After adjusting for abnormal transactions, NQBP's underlying profit (unaudited) was \$10.9 million, which was 20% above target.

The Group has ensured the sustainable operation and development of the ports through a structured environmental management, monitoring and improvement program that 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 ISO14001:2015.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the 2017-18 year.

### Principal activities

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

- port operation and management;
- strategic port planning and port infrastructure development;
- trade facilitation and port marketing; and
- pilotage services.

### Significant changes in the nature of principal activities

There were no significant changes in the nature of principal activities during the 2017-18 year.



ABOVE BRAD FISH (CHAIR), PETER TAIT, JANE MCTAGGART, SALLY FRAZER, ANNABEL DOLPHIN, STEPHEN GOLDING

### Likely developments and expected results of operations

Trade results for the 2018-19 financial year are anticipated to be broadly in line with 2017-18 from a tonnage perspective. NQBP will continue to focus on growing break bulk and roll-on roll-off trade at the Port of Mackay. The Group is also committed to supporting development and livability projects in the Western Cape, with a view to expanding onshore land utilisation at and around the Port of Weipa.

NQBP maintains a continued focus on establishing and maintaining navigable depths at each of its ports to ensure efficient shipping. The most effective means to achieve this is by using traditional dredge equipment.

Across all its sites, NQBP will continue to focus on improving operating systems and processes. This work includes marine operational risk management and operational optimisation initiatives. NQBP will procure two new pilot launches to replace its existing fleet, in support of its marine pilot business.

### Dividends

The Directors of NQBP have recommended a dividend of \$6.0 million be paid to shareholders for 2017-18. This recommended dividend represents 100% of net profit after tax for 2017-18 adjusted for abnormal items.

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.

### Environmental regulation and performance

NQBP maintains an internationally accredited ISO14001 quality environmental management system. Based on enquiries made, the Directors are not aware of any significant breaches or non-conformances reported in the 2017-18 financial year.

There was one incident. During maintenance dredging at Weipa, the dredge vessel briefly left the approved dredge footprint. The Queensland Department of Environment and Science was notified within the specified time. The federal Department of Environment and Energy was also notified of the incident. No material harm was caused by the incident. Following an investigation of the incident, additional procedural controls have been put in place to avoid any future recurrence.

Meeting Queensland Government requirements as laid out in the state's Maintenance Dredging Strategy for Great Barrier Reef World Heritage Area Ports, NQBP is also developing Long-term Maintenance Dredging Plans for each of its three Great Barrier Reef World Heritage Area ports. These are being prepared in fulfillment of the government's Guidelines for Long-term Maintenance Dredging Management Plans. During the 2017-18 financial year, NQBP began the process of applying for a Marine Park Permit with the Great Barrier Reef Marine Park Authority to undertake maintenance dredging at the Port of Hay Point. A Long-term Maintenance Dredging Plan for Hay Point was submitted as part of this application. Maintenance dredging was not undertaken at any of NQBP's three Great Barrier Reef World Heritage Area ports during the period.

## Board of Directors



### Brad Fish Chair

BBus(Acct), CertCivEng, GAICD

**First appointed:**  
NQBP on 1 October 2015

**Term of office:**  
to 30 September 2018

#### Special responsibilities:

- Member of the Audit and Financial Risk Management Committee
- Member of the People and Culture Committee

**Skills and experience:** Having worked in the ports sector for more than 30 years, Brad is experienced in all facets of port management and development. He currently consults to various businesses within the industry. Brad was Chief Executive Officer of North Queensland Bulk Ports for 13 years to July 2014, responsible for the strategic planning, infrastructure development and operations of a number of Queensland ports.



### Annabel Dolphin Director

BBM, Dip NSL, GAICD, CAHRI

**First appointed:**  
NQBP on 1 October 2015

**Term of office:**  
to 30 September 2018

#### Special responsibilities:

- Chair of the People and Culture Committee
- Member of the Audit and Financial Risk Management Committee

**Skills and experience:** Annabel has held several independent non-executive board roles and leadership positions across the private, government and resource sectors, including Non-Executive Director of Ergon Energy. She brings extensive experience in business strategy, human resource management and leadership to the NQBP Board. Annabel is a member of several private advisory boards in mining services, manufacturing, professional services, civil construction and retail travel. She holds a Bachelor of Business Management and Diploma in Neuroscience of Leadership.

**External appointments:** Chair of TAFE Queensland and Director of Mater Health Services North Queensland.



### Stephen Golding Director

AM RFD, BE, MEngSc, BEcon, Hon FIEAust, FCILT, FITE, FIML, FAICD, CPEng, RPEQ, NER

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

**Term of office:**  
to 30 September 2020

#### Special responsibilities:

- Chair of the Corporate Governance and Planning Committee
- Member of the People and Culture Committee

**Skills and experience:** Stephen had a distinguished career of 35 years with the Queensland Department of Main Roads, where he served as Director-General from 2000 to 2005. He is active in four professional associations and is an honorary fellow of the Institution of Engineers (Australia). Stephen was also awarded Member of the Order of Australia in 1998 for outstanding service to the Army Reserve. He enlisted as a private soldier in the Queensland University Regiment in 1963 and retired with the rank of major general in 2004.

**External appointments:** Director and Chair of Transport Certification Australia Ltd, Director of Transmax Pty Ltd and board member of Queensland Reconstruction Authority.



### Jane McTaggart Director

MEng (Mgt), BA Econ (Hons), CPPM (AIPM), MAICD

**First appointed:**  
NQBP on 15 December 2016

**Term of office:**  
to 30 September 2019

#### Special responsibilities:

- Previous member of the Audit and Financial Risk Management Committee (to 23 October 2017)
- Member of the People and Culture Committee
- Member of the Corporate Governance and Planning Committee

**Skills and experience:** Jane has more than 28 years of experience delivering major projects for local, state and federal government and authorities. She specialises in transport and infrastructure planning and has advised on projects including Toowoomba Second Range Crossing, Gold Coast Light Rail, Cross River Rail, Brisbane Metro and regional transport plans for Queensland. Prior to entering the private sector in 2008, Jane led major projects and teams for Brisbane City Council, the Queensland Government and UK government authorities, managing projects funded by Home Office and the European Commission.



### Peter Tait Director

B Com, M Info Systems, FCA, FAICD

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

**Term of office:**  
to 30 September 2020

#### Special responsibilities:

- Chair of the Audit and Financial Risk Management Committee
- Member of the Corporate Governance and Planning Committee

**Skills and experience:** Peter retired in 2016 from a long and successful career providing accounting, taxation, audit and strategic business advice to clients in diverse industries. He is a former registered company auditor, registered tax agent and registered self-managed superannuation fund auditor.

**External appointments:** Company secretary of Queensland Mines Rescue Service Limited, external representative on Mackay Regional Council Audit Committee, chairperson of Mackay Hospital Foundation, company secretary of Mackay Regional Council for Social Development Limited, honorary treasurer of the George Street Neighbourhood Centre Association Inc in Mackay and honorary treasurer of Mackay Children's Contact Service Inc.



### Sally Frazer Director

BA LLB (Hons), LLM, MBA, QLS, GAICD, AGIA, Grad Cert AGSM

**First appointed:**  
NQBP on 1 October 2017

**Term of office:**  
to 30 September 2020

#### Special responsibilities:

- Member of the Audit and Financial Risk Management Committee
- Member of the Corporate Governance and Planning Committee

**Skills and experience:** Sally has been a lawyer for more than 30 years in the private and public sectors, including 20 years' experience in the water industry. Her work has focussed on natural resources policy and law, foreign aid projects, governance, insurance and risk. At present, she undertakes a general counsel and secretariat role in the utilities sector.

Sally has advised on network infrastructure projects including the SEQ Water Grid and was a board member on the Toowoomba Water Pipeline Alliance.

**External appointments:** State councillor, Governance Institute of Australia.

#### Notes

Kasper Kuiper - Director to 30 September 2017

Craig Walker - Director to 1 September 2017

Further details about NQBP's Board and its meetings can be found in the Corporate Governance section of this report, on pages 22 to 40.

## Company secretaries

Name and qualifications	Experience, special responsibilities and other directorships
<p><b>Company Secretary</b> Peter Sinnott BCom, LLB (Hons), MFM, FGIA, FCIS Appointed Company Secretary: NQBP, MPL and PCQ on 9 January 2012 - ongoing</p>	<p>Prior to joining NQBP, Peter Sinnott was Legal Director at Rio Tinto Alcan. Mr Sinnott was formerly a Senior Associate/Special Counsel at international law firm Minter Ellison and has over 20 years' experience in private practice and corporate in-house roles, specialising in commercial and corporate law. Mr Sinnott is a Fellow of the Governance Institute of Australia.</p>
<p><b>Company Secretary</b> Tina Marsh Appointed Company Secretary: NQBP, PCQ and MPL on 24 October 2017 - ongoing</p>	<p>Tina Marsh's history with the Group spans more than 23 years. In addition to holding the Company Secretary position Ms Marsh is the Executive Officer to the Chief Executive Officer and is extensively involved in the corporate administration of NQBP.</p>
<p><b>Former Company Secretary</b> Steven Maycock JD(Hons), BSc(Hons), BPharm, GradDipACG, FGIA, FCIS, GAICD. Appointed Company Secretary: NQBP, PCQ and MPL on 24 May 2016 to 20 October 2017</p>	<p>Steven Maycock has held a number of governance and company secretarial roles in both private and ASX listed companies since leaving law firm Clayton Utz to move inhouse, specialising in compliance, governance and corporate law. Mr Maycock is a qualified company secretary through the Governance Institute of Australia and a graduate of the Australian Institute of Company Directors</p>

## Meetings of Directors in 2017–18

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 Meeting Attendance (1 July 2017 to 30 June 2018)

Director	NQBP		PCQ		MPL	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
B Fish (Chair)	10	10	10	10	10	10
A Dolphin	10	10	10	10	10	10
S Frazer <sup>1</sup>	8	8	8	8	8	8
S Golding <sup>2</sup>	10	10	10	10	10	10
K Kuiper <sup>3</sup>	2	2	2	2	2	2
J McTaggart	10	8	10	8	10	8
P Tait <sup>4</sup>	10	10	10	10	10	10
C Walker <sup>5</sup>	2	2	2	2	2	2

<sup>1</sup> Director from 12 October 2017

<sup>2</sup> Ceased tenure 30 September 2017, re-appointed 12 October 2017

<sup>3</sup> Director to 30 September 2017

<sup>4</sup> Ceased tenure 30 September 2017, re-appointed 12 October 2017

<sup>5</sup> Director to 1 September 2017

### Committee Meeting Attendance (1 July 2017 to 30 June 2018)

Director	Audit and Financial Risk Management Committee		Corporate Governance and Planning Committee		People and Culture Committee	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
B Fish	4	4	N/A	N/A	4	4
A Dolphin	4	4	N/A	N/A	4 (Chair)	4
S Frazer	3 <sup>1</sup>	2	3 <sup>2</sup>	2	N/A	N/A
S Golding <sup>3</sup>	N/A	N/A	4 (Chair)	4	4	4
K Kuiper	N/A	N/A	1 <sup>4</sup>	1	0 <sup>5</sup>	0
J McTaggart	1 <sup>6</sup>	1	3 <sup>7</sup>	2	3 <sup>8</sup>	3
P Tait <sup>9</sup>	4 (Chair)	4	4	4	N/A	N/A
C Walker	N/A	N/A	1 <sup>10</sup>	1	1 <sup>11</sup>	1

<sup>1</sup> Member from 24 October 2017 to date

<sup>2</sup> Member from 24 October 2017 to date

<sup>3</sup> Ceased tenure 30 September 2017, re-appointed 12 October 2017

<sup>4</sup> Member to 30 September 2017

<sup>5</sup> Member from 29 August 2017 to 30 September 2017 (no meetings held)

<sup>6</sup> Member to 23 October 2017

<sup>7</sup> Member from 29 August 2017 to date

<sup>8</sup> Member from 24 October 2017 to date

<sup>9</sup> Ceased tenure 30 September 2017, re-appointed 12 October 2017

<sup>10</sup> Member to 28 August 2017

<sup>11</sup> Member to 28 August 2017

## Indemnification and insurance of Directors and officers

### Indemnities

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, Chief Executive Officer 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)* (*Corporations Act*), 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 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.

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.

**Officer's 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* 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 under section 236 of the *Corporations Act 2001* have been brought or intervened in on behalf of any of NQBP, PCQ and MPL.

**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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities & 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 41.

**Significant events after the reporting date**

There have been no matters or circumstances since the end of the financial year which have affected or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

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



BRAD FISH

**CHAIR**

**NORTH QUEENSLAND BULK PORTS CORPORATION LIMITED**

21 AUGUST 2018

**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 financial year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- no contraventions of any applicable code of professional conduct in relation to the audit.



V Stemmett  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

# 05

## Financial performance

Financial statements for the year ended 30 June 2018

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73	<b>Directors' Declaration</b>
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These financial statements are financial statements of North Queensland Bulk Ports Corporation Limited (NQBP) and its controlled dormant entities of Ports Corporation of Queensland Limited (PCQ) and Mackay Ports Limited (MPL). Under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, both PCQ and MPL are relieved from preparing, having audited, lodging and distributing financial reports under the *Corporations Act 2001*. NQBP's investment in each of these entities is \$nil.

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

NQBP's issued capital is controlled by the State of Queensland (the ultimate parent entity). Its registered office and principal place of business is:

**Level 1, Waterfront Place, Mulherin Drive  
Mackay Harbour Qld 4740**

NQBP is responsible as a port authority under the *Transport Infrastructure Act 1994* for the management and control of the following prescribed ports at Weipa, Abbot Point, Mackay, Hay Point and Maryborough.

The financial statements were authorised for issue by the Directors on 21 August 2018. The Directors have the power to amend and reissue the financial statements.

## Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
<b>Income from operations</b>			
Revenue	1	111,794	101,464
Other income	1	(563)	6,779
<b>Income from operations</b>		<b>111,231</b>	<b>108,243</b>
<b>Expenses from operations</b>			
Consultancies		4,009	2,354
Demolition costs		2,335	226
Depreciation and amortisation expense	9	17,657	17,271
Dynamic under keel clearance expenses		1,251	1,361
Employee benefits expense	2	20,899	20,734
Impairment losses	3	9,630	17
Insurance		3,579	1,467
Legal expenses		290	233
Other expenses		2,596	2,356
Pilot transfers		4,335	4,275
Promotional expenses		726	534
Property expenses	5	6,813	7,219
Quarantine waste expenses		1,261	1,225
Repairs and maintenance		21,957	12,619
Travelling expenses		719	579
<b>Expenses from operations</b>		<b>98,057</b>	<b>72,470</b>
<b>Operating profit</b>		<b>13,174</b>	<b>35,773</b>
Finance income		735	930
Finance expenses		(6,868)	(5,288)
<b>Net finance costs</b>		<b>(6,133)</b>	<b>(4,358)</b>
<b>Profit before income tax equivalent</b>		<b>7,041</b>	<b>31,415</b>
Income tax equivalent expense	6	(1,994)	(9,341)
<b>Profit from continuing operations</b>		<b>5,047</b>	<b>22,074</b>
<b>Other comprehensive income</b>			
Adjustment to asset revaluation surplus on revaluation of property, plant and equipment	9	1,597	91,224
Income tax equivalent expense applicable		(479)	(27,367)
<b>Other comprehensive income net of income tax equivalent</b>		<b>1,118</b>	<b>63,857</b>
<b>Total comprehensive income for the year</b>		<b>6,165</b>	<b>85,931</b>

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

# Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2018

ASSETS		2018	2017
Current assets	Note	\$'000	\$'000
Cash and cash equivalents	7	3,007	35,982
Trade and other receivables	7	50,867	10,090
Current income tax equivalent refund		2,394	-
Inventory		452	-
Prepayments		1,843	1,137
<b>Total current assets</b>		<b>58,563</b>	<b>47,209</b>
<b>Non-current assets</b>			
Investment in managed fund	7	50,662	39,062
Investment properties	8	15,199	15,093
Property, plant and equipment	9	612,253	630,159
<b>Total non-current assets</b>		<b>678,114</b>	<b>684,314</b>
<b>Total assets</b>		<b>736,677</b>	<b>731,523</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	34,107	28,964
Current income tax equivalent liability		-	2,383
Provisions	12	9,416	15,246
<b>Total current liabilities</b>		<b>43,523</b>	<b>46,593</b>
<b>Non-current liabilities</b>			
Trade and other payables	10	28,665	23,141
Interest-bearing liabilities	13	186,559	176,559
Deferred income tax equivalent liabilities	11	105,339	112,590
Provisions	12	464	678
<b>Total non-current liabilities</b>		<b>321,027</b>	<b>312,968</b>
<b>Total liabilities</b>		<b>364,550</b>	<b>359,561</b>
<b>Net assets</b>		<b>372,127</b>	<b>371,962</b>
<b>EQUITY</b>			
Issued capital	14	14,409	14,409
Asset revaluation surplus		318,079	318,246
Retained earnings		39,639	39,307
Capital and reserves attributable to owners of NQBP		<b>372,127</b>	<b>371,962</b>
<b>Total equity</b>		<b>372,127</b>	<b>371,962</b>

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 2018

	Note	Issued capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 July 2016</b>		<b>124,409</b>	<b>256,773</b>	<b>27,199</b>	<b>408,381</b>
<b>Net profit/(loss) for the year after income tax equivalent</b>		-	-	22,074	22,074
<b>Transactions with owners in their capacity as owners</b>					
Distribution to owners		(110,000)	-	(12,350)	(122,350)
<b>Other comprehensive income</b>					
Fair value adjustments on property, plant and equipment	9	-	91,224	-	91,224
Transfer of revaluation increment in respect of revalued assets disposed		-	(3,406)	3,406	-
Income tax equivalent applicable to 2016-17 transactions		-	(26,345)	(1,022)	(27,367)
		<b>(110,000)</b>	<b>61,473</b>	<b>(9,966)</b>	<b>(58,493)</b>
<b>Balance at 30 June 2017</b>		<b>14,409</b>	<b>318,246</b>	<b>39,307</b>	<b>371,962</b>
<b>Net profit/(loss) for the year after income tax equivalent</b>		-	-	5,047	5,047
<b>Transactions with owners in their capacity as owners</b>					
Distribution to owners		-	-	(6,000)	(6,000)
<b>Other comprehensive income</b>					
Fair value adjustments on property, plant and equipment	9	-	1,597	-	1,597
Transfer of revaluation increment in respect of revalued assets disposed		-	(1,835)	1,835	-
Income tax equivalent applicable to 2017-18 transactions		-	71	(550)	(479)
		-	<b>(167)</b>	<b>(4,715)</b>	<b>(4,882)</b>
<b>Balance at 30 June 2018</b>		<b>(14,409)</b>	<b>318,079</b>	<b>39,639</b>	<b>372,127</b>

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

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	129,869	117,259
Cash paid to suppliers and employees	(74,850)	(61,804)
GST refund by/(remitted to) Australian Taxation Office	(6,245)	(5,302)
Interest (paid)/received	(6,132)	(3,526)
Income tax equivalents received/(paid)	(14,501)	(13,371)
Purchase of inventory	(452)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>27,689</b>	<b>33,256</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,480)	(15,862)
Purchase of investments	(11,600)	(39,062)
Proceeds from sale - property, plant and equipment	27	1,236
Payment to GOC Advances Facility	(38,261)	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(58,314)</b>	<b>(53,688)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(12,350)	(15,700)
Equity repaid to shareholders	-	(110,000)
Increase in QTC borrowings	10,000	110,000
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(2,350)</b>	<b>(15,700)</b>
Net increase/(decrease) in cash and cash equivalents	(32,975)	(36,132)
Cash and cash equivalents at beginning of the financial year	35,982	72,114
<b>Cash and cash equivalents at end of the financial year</b>	<b>3,007</b>	<b>35,982</b>

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 2018

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## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 1. Revenue and other income

	2018	2017
Note	\$'000	\$'000
Vessel income	67,436	63,061
Port usage income	15,288	12,832
Rental income from investment properties	9,992	10,326
Other rental income	5,744	4,833
Insurance recoveries	2,167	4,833
Expense recoveries	6,586	3,044
Managed fund income	3,265	2,729
Other revenue	1,316	276
<b>Revenue</b>	<b>111,794</b>	<b>101,464</b>
<b>Other income</b>		
Net gain/(loss) on disposal of property, plant and equipment	(563)	(240)
Fair value adjustment for property, plant and equipment	9	7,019
	<b>(563)</b>	<b>6,779</b>

Revenue is recognised to the extent that it is probable that the economic benefits will flow to NQBP 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.

Rental revenue from investment and other properties is recognised as income on a periodic straight-line basis over the lease term.

Revenue is measured at the fair value (refer Note 21 (ii)) of the consideration received or receivable.

### 2. Employee benefits expense

	2018	2017
	\$'000	\$'000
Salary and wages	18,743	18,621
Employee related costs	2,156	2,113
	<b>20,899</b>	<b>20,734</b>

Employee benefits expense is recognised in the Statement of Comprehensive Income and excludes all employee related expenditure that is capitalised. In accordance with Australian Accounting Standards and NQBP's capitalisation policy, all employee related expenses directly attributable to the acquisition or construction of an asset are recognised directly in property, plant and equipment.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 3. Impairment losses / fair value adjustments

	2018	2017
	\$'000	\$'000
Impairment losses on plant and equipment	9	-
Fair value adjustment for investment properties	8	-
Impairment losses – trade and other receivables	-	17
	<b>9,630</b>	<b>17</b>

Plant and equipment, and capital work in progress, measured at cost, 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. For NQBP, the cash generating units have been based on the geographical location of the assets.

Following the review of the balance of capital work in progress at 30 June 2018, no impairments were identified.

### 4. Auditor's remuneration

Included in other expenses are audit costs of:

	2018	2017
	\$'000	\$'000
Amounts paid, or due and payable, to the Queensland Audit Office for auditing the financial statements (The Queensland Audit Office does not provide any other professional services to the Group.)	80	83
Amounts paid, or due and payable, to third parties for providing internal audit services.	180	105

### 5. Property expenses

	2018	2017
	\$'000	\$'000
Land tax	1,823	1,955
Rates and utilities	2,584	2,691
Other property expenses	2,406	2,573
	<b>6,813</b>	<b>7,219</b>

Investment property expenses of \$2.0 million (2017: \$2.4 million) are included in property expenses.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 6. Income tax equivalent expense

	2018 \$'000	2017 \$'000
<b>(i) Income tax equivalent expense</b>		
Current tax equivalent expense	9,724	11,979
Deferred income tax equivalent asset	(2,513)	(1,607)
Deferred income tax equivalent liability	(5,217)	(1,031)
<b>Total current income tax equivalent expense</b>	<b>1,994</b>	<b>9,341</b>
<b>(ii) Numerical reconciliation of prima facie income tax equivalent payable to income tax equivalent expense</b>		
Prima facie income tax equivalent calculated at 30% on the profit before tax	2,112	9,423
<b>Increase in income tax equivalent expense due to:</b>		
Non-deductible expenses	7	6
<b>Decrease in income tax expense due to:</b>		
Net investment fund distributions	(125)	(88)
<b>Income tax equivalent expense on pre-tax net profit</b>	<b>1,994</b>	<b>9,341</b>

NQBP is exempt from income tax under Division 1AB of the *Income Tax Assessment Act 1936* 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*.

An election has been made to participate in the tax consolidation regime. As a consequence, NQBP and its controlled entities (PCQ and MPL) are taxed as a single entity.

### 7. Financial assets

	2018 \$'000	2017 \$'000
<b>Current assets</b>		
Cash and cash equivalents	(a) 3,007	35,982
Trade and other receivables	(b) 50,867	10,090
	<b>53,874</b>	<b>46,072</b>
<b>Non-current asset</b>		
Investment in managed fund	(c) 50,662	39,062

NQBP has Board-approved financial policies for overall risk management including the mitigation of liquidity and credit risks.

#### (a) Cash and cash equivalents

NQBP holds interest bearing assets with Queensland Treasury Corporation (QTC) and the Commonwealth Bank of Australia.

At 30 June 2018, if interest rates had changed by +/- 100 basis points from the year end rate with all other variables held constant, pre-tax profit would have been adjusted by \$0.3 million (2017: \$0.4 million) as a result of higher/lower interest income.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 7. Financial assets (continued)

#### (b) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Included in trade and other receivables are debtors with a carrying amount of \$517,689 (2017: \$723,788) which are past due at reporting date. No collateral is held in respect of these balances. NQBP believes these debts are recoverable with the exception of debts totalling \$15,168 which have been impaired. 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) and to historical information about counterparty default rates. The carrying value of trade and other receivables (net of any allowance for impaired debts) approximate their fair values due to their short-term nature of the debts.

An amount of \$38,261,215 (2017: \$nil) is included in trade and other receivables and is held by Queensland Treasury as part of the Queensland Government's cash management regime. Government Owned Entities (GOC's) advance surplus cash to Queensland Treasury Corporation (QTC) at the cash fund rate, and access to funds is generally subject to notification periods of 24 to 48 hours. Because of the short-term nature of the advances, their carrying amount is assumed to represent fair value.

#### (c) Investment in managed fund

Investment in managed fund is shown as a non-current asset as NQBP intends to hold and add funds to this investment for the foreseeable future to assist with funding its future rehabilitation commitments, as and when they arise.

The carrying value of the investment is measured at net market value based on advice provided by Queensland Investment Corporation (QIC) with whom the funds are invested.

The investment is denominated in Australian dollars. As a result, there is no exposure to foreign currency risk. The investment is neither past due nor impaired.

### 8. Investment properties

	2018 \$'000	2017 \$'000
<b>At fair value</b>		
Balance at beginning of year	15,093	15,093
Fair value adjustments	3 106	-
<b>Balance at end of year</b>	<b>15,199</b>	<b>15,093</b>

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

Gains or losses arising from changes in the fair value of investment properties are included in the Statement of Comprehensive Income for the period in which they arise. As NQBP's investment properties are carried at fair value, they are not depreciated and are not tested for impairment.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 8. Investment properties (continued)

At 30 June 2018, the fair value of investment properties was determined by Knight Frank assessing the relevant market movements for the various regions in Queensland. Due regard for highest and best use of each parcel of land was taken into consideration.

The valuations were categorised within level 2 of the fair value hierarchy.

### 9. Property, plant and equipment

	2018 \$'000	2017 \$'000
<i>Land</i>		
At fair value	166,220	164,081
	<b>166,220</b>	<b>164,081</b>
<i>Channels</i>		
At fair value	337,191	339,775
	<b>337,191</b>	<b>339,775</b>
<i>Infrastructure and major plant and equipment</i>		
At fair value	98,401	120,354
	<b>98,401</b>	<b>120,354</b>
<i>Plant and equipment</i>		
At cost	6,440	6,653
Accumulated depreciation	(4,329)	(4,271)
	<b>2,111</b>	<b>2,382</b>
Capital work in progress – at cost	8,330	3,567
	<b>8,330</b>	<b>3,567</b>
Property, plant and equipment	<b>612,253</b>	<b>630,159</b>

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 9. Property, plant and equipment (continued)

#### Movements in property, plant and equipment

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

2018	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	164,081	339,775	120,354	2,382	3,567	630,159
Additions	199	2,088	775	655	4,763	8,480
Disposals	-	-	(571)	(19)	-	(590)
Depreciation expense	-	(6,884)	(10,006)	(767)	-	(17,657)
Transfer assets between classes and investment properties	-	-	140	(140)	-	-
Fair value adjustments to Statement of Comprehensive Income	414	(883)	(9,267)	-	-	9,736
Revaluations to asset revaluation reserve	1,526	3,095	(3,024)	-	-	1,597
<b>Carrying amount at balance date</b>	<b>166,220</b>	<b>337,191</b>	<b>98,401</b>	<b>2,111</b>	<b>8,330</b>	<b>612,253</b>
2017	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	163,163	261,321	104,863	2,242	3,212	534,801
Additions	775	1,886	11,999	847	355	15,862
Disposals	(350)	-	(1,106)	(20)	-	(1,476)
Depreciation expense	-	(6,151)	(10,206)	(914)	-	(17,271)
Fair value adjustments to Statement of Comprehensive Income	(534)	8,723	(1,322)	152	-	7,019
Revaluations to asset revaluation reserve	(1,027)	73,996	16,126	75	-	91,224
<b>Carrying amount at balance date</b>	<b>164,081</b>	<b>339,775</b>	<b>120,354</b>	<b>2,382</b>	<b>3,567</b>	<b>630,159</b>

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 9. Property, plant and equipment (continued)

#### Recognition threshold

The recognition threshold for property, plant and equipment is \$1,000. Assets are only recognised if it is probable that future economic benefits from the item will flow to NQBP.

#### Asset valuations

##### *Land, channels, infrastructure (including buildings) and major plant and equipment*

Land, channels, infrastructure (including buildings) and major plant and equipment are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, and AASB 13 *Fair Value Measurement*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment where applicable.

The fair values of these assets are reviewed on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, by the use of appropriate and relevant indices, or determined by management.

Revaluations using an independent professional valuer or internal expert appraisals are undertaken at least once every five years. The fair values are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. If a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last comprehensive appraisal. Where an asset class has not been specifically appraised in the reporting period, their valuations are materially kept up-to-date via the application of relevant indices which provide a valid estimation of the assets' fair values at reporting date.

Knight Frank has updated its comprehensive land valuation by assessing the appropriate movement in market values of the various regions and applying the index to the 2015 comprehensive valuation completed by that firm. Due regard to highest and best use of each land parcel was taken into consideration. The valuation approach has been categorised within level 2 of the fair value hierarchy.

Other major assets (including channels, infrastructure and major assets) have been valued using a combination of the cost and income valuation approach.

#### Cost approach

At 30 June 2018, AECOM Australia Pty Ltd provided an update on the market value of each major asset utilising the index applicable to that asset. In addition, Maloney Field Services provided a desktop market-based valuation of the pilot boats owned by NQBP. The valuation approach has been categorised within level 2 of the fair value hierarchy.

#### Income approach

NQBP has developed a discounted cash flow model based on the expected cash flows at each of its ports and pilotage activities. This model incorporates:

- NQBP's long term cash flows up to thirty years,
- Forecast income tax equivalent cash flows, and
- A port by port assessment of terminal value.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 9. Property, plant and equipment (continued)

The net present value of the cash flows of the assets at each port and pilotage operations has been allocated across the individual assets in the operation.

Whilst there have been no changes to the valuation model in the current year, significant unobservable inputs, particularly in respect of long term revenue projections, have varied compared to the prior year as a result of current market conditions and outlook.

In addition, the calculation of terminal values has been refined to reduce the flow on impact of changes in assumptions year on year.

The following table identifies the key unobservable (level 3) inputs assessed during the income valuation process.

Significant Unobservable Inputs	Basis	Inputs	Relationship between inputs and fair value
Revenue	Derived from a combination of forward estimates of port charges and tonnage throughput plus returns from customer specific contractual arrangements	Inputs vary by port depending on the relative maturity of the port, economic demand for commodities, and customer contracts	The higher the revenue growth, the higher the fair value
Operating expenses	First five years are based on expected costs, with growth applied beyond that period as forecast by management	Average growth after 5 years of 2.25% (2017: 2.0%)	The higher the operating expense, the lower the fair value
Capital expenditure	First five years are based on planned capital expenditure, with capital expenditure beyond that period forecast by management	Inputs vary by port depending on the assets in the port and the level of growth and renewal capital expenditure required to support revenue growth	The higher the capital expenditure, the lower the fair value
Terminal value	Terminal values are used to estimate the value of future cash flows for each port at the end of the modelled forecast. Future cash flows are influenced by the intergenerational nature of port assets and the commercial agreements that are in place.	Fair value at 30 June 2018, CPI indexation of 2.25% (2017: 2.0%) for forecast years and target return for each port based on required cash flows and NQBP's Weighted Average Cost of Capital adjusted where necessary for commercial agreements	The higher terminal value the higher the fair value
Discount rate	This rate has been determined in consultation with independent experts and represents a reasonable rate of return expected by market participants	7.76% (2017: 7.68%)	The higher the discount rate, the lower the fair value

The basis of the valuation of these major assets has been categorised within level 3 of the fair value hierarchy.

In undertaking the valuation of the major assets, due consideration has been given to the degree of obsolescence (physical, functional/technical and economic) associated with each of these assets.

#### **Minor plant and equipment**

Plant and equipment (that is not classified as major plant and equipment) is measured at cost, less accumulated depreciation and accumulated impairment losses. The carrying amounts for such plant and equipment are considered to materially reflect their fair value.

#### **Capital works in progress**

Capital work in progress is measured at cost.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 9. Property, plant and equipment (continued)

#### Leased assets

Leases of property, plant and equipment where NQBP 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.

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.

#### Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amounts 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	23 – 100 years
Infrastructure and major plant and equipment	5 – 50 years
Plant and equipment	5 – 50 years

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the amount is restated to the revalued amount of the asset.

Any revaluation increment arising on the revaluation of an asset is recognised in Other Comprehensive Income and accumulated in the asset revaluation surplus in equity, except to the extent it reverses a revaluation decrement for the asset previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset.

#### Asset disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss. When revalued assets are disposed, it is NQBP's policy to transfer any amounts included in the asset revaluation reserve in respect of those assets to retained earnings.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 10. Trade and other payables

	2018 \$'000	2017 \$'000
<b>Current</b>		
Trade payables	1,887	737
Contract creditors	7	28
Lease rentals received in advance	5,659	5,316
Revenue received in advance	17,159	14,620
Interest payable – Queensland Treasury Corporation	1,701	1,700
Accrued expenses	6,460	5,469
Other payables	1,234	1,094
	<b>34,107</b>	<b>28,964</b>
<b>Non-Current</b>		
Lease rentals received in advance	28,665	23,141
	<b>28,665</b>	<b>23,141</b>

#### Trade and other payables

Payables are recognised for amounts payable in the future for goods and services received, whether or not invoices have been received.

#### Revenue received in advance

Revenue received in advance is initially recognised in the Statement of Financial Position and then in the Statement of Comprehensive Income when earned.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 11. Income tax equivalent liabilities

	2018 \$'000	2017 \$'000
<b>Deferred income tax equivalent assets</b>		
Property, plant and equipment	188	206
Accounts payable and other liabilities	15,734	13,294
Provisions	1,163	1,072
	<b>17,085</b>	<b>14,572</b>
Opening balance	14,572	12,965
(Charge)/credit to Statement of Comprehensive Income	2,513	1,607
<b>Closing balance</b>	<b>17,085</b>	<b>14,572</b>
<b>Deferred income tax equivalent liabilities</b>		
Property, plant and equipment	121,769	126,828
Accounts receivable and other assets	655	334
	<b>122,424</b>	<b>127,162</b>
Opening balance	127,162	100,826
Charge/(credit) to Statement of Comprehensive Income	(5,217)	(1,031)
Charge to Asset Revaluation Reserve	479	27,367
<b>Closing balance</b>	<b>122,424</b>	<b>127,162</b>
<b>Deferred income tax equivalent balances are presented in the Statement of Financial Position as follows:</b>		
Deferred income tax equivalent (assets)	(17,085)	(14,572)
Deferred income tax equivalent liabilities	122,424	127,162
<b>Deferred income tax equivalent liabilities/(assets)</b>	<b>105,339</b>	<b>112,590</b>

Given NQBP is subject to the National Taxation Equivalent Regime with no retail shareholders, details of the franking account have not been disclosed.

Deferred income tax equivalent liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Statement of Financial Position.

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

Deferred tax equivalent assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax equivalent assets and liabilities are offset where NQBP has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 12. Provisions

	2018 \$'000	2017 \$'000
<b>Current</b>		
Employee benefits	3,416	2,896
Dividend	6,000	12,350
	<b>9,416</b>	<b>15,246</b>
<b>Non-Current</b>		
Long-term employee benefits	464	678
	<b>464</b>	<b>678</b>

Provisions are recognised when NQBP 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, and 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 dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

#### Employee benefits

Employee obligations are recognised as current liabilities in the Statement of Financial Position if NQBP does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur. The remaining unvested employee obligations are included as non-current liabilities.

#### Wages, salaries, annual leave, leave loading and long service leave

Liabilities for wages, salaries, annual leave, leave loading and long service expected to be settled within twelve months after the end of the year in which the employees render the related service are recognised as a current liability. These liabilities are in respect of employees' services up to the reporting date and are measured at the nominal amount plus related on-costs.

#### 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 liability 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 on-costs.

#### Superannuation

NQBP makes contributions to the State Public Sector Superannuation Scheme (QSuper) on behalf of its employees concerning superannuation.

The Treasurer has ultimate responsibility for funding payments to defined benefit members. The State has in place funding arrangements designed to meet the defined benefit obligations for its members. The Treasurer has the ability to require employers to pay any amounts needed to meet these benefits. Generally, this is handled through the regular standard fortnightly contributions paid by every employer, which has been determined on the advice of the State Actuary. No directions varying this contribution have been received by NQBP to reporting date.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 13. Financial liabilities

#### Interest rate risk

NQBP's main interest rate risk arises from long-term borrowings. Loan borrowings provided by Queensland Treasury Corporation (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 NQBP.

As at the reporting date, NQBP had the following variable rate borrowings with Queensland Treasury Corporation (QTC):

#### Interest rate risk

	2018		2017	
	Weighted Interest Rate	Balance \$'000	Weighted Interest Rate	Balance \$'000
Book value	3.49%	186,559	2.85%	176,559
Market value		189,922		178,901

At 30 June 2018, if interest rates had changed by +/- 100 basis points from the year end rate with all other variables held constant, NQBP's pre-tax profit would have been adjusted by \$2.0 million (2017: \$1.9 million) lower/higher as a result of higher/lower interest expense. The increase/decrease in interest cost is the result of periodic rebalancing over the year.

#### Liquidity risk

NQBP 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. NQBP also has access to a working capital facility with QTC to a limit of \$15 million (2017: \$15 million), however this facility has not been used. An analysis of financial liabilities by remaining contractual maturity is as follows:

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000
<b>2018</b>				
Trade and other payables	34,107	40	28,625	62,772
Queensland Treasury Corporation borrowings	6,120	26,006	186,559	218,685
	<b>40,227</b>	<b>26,046</b>	<b>215,184</b>	<b>281,457</b>
<b>2017</b>				
Trade and other payables	28,964	40	23,101	52,105
Queensland Treasury Corporation borrowings	5,023	20,092	176,559	201,674
	<b>33,987</b>	<b>20,132</b>	<b>199,660</b>	<b>253,779</b>

QTC borrowings are interest only with no fixed repayment date for the principal component.

All borrowing rates include administration charges, margins and competitive neutrality fees and as well as incorporating the book rate review effective 1 July 2017.

The fair value of borrowings is determined by QTC using discounted cash flow analysis and the effective interest rate.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 13. Financial liabilities (continued)

#### Capital risk

NQBP 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.

NQBP's policy is to annually review its capital structure and review the appropriateness of the capital structure when major investments are proposed.

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

	2018 \$'000	2017 \$'000
Total borrowings	186,559	176,559
Total capital	372,127	371,962
	<b>558,686</b>	<b>548,521</b>
Gearing ratio	33.39%	32.19%

### 14. Issued capital

	2018 No. of shares	2018 \$'000	2017 No. of shares	2017 \$'000
Opening balance	138,913,824	14,409	138,913,824	124,409
Distribution to owners	-	-	-	(110,000)
Closing balance	<b>138,913,824</b>	<b>14,409</b>	<b>138,913,824</b>	<b>14,409</b>

During 2016/17, NQBP borrowed \$110 million from QTC to fund the recapitalisation of NQBP in accordance with the State's Debt Action Plan.

### 15. Reconciliation of profit from continuing operations to net cash provided by operating activities

	2018 \$'000	2017 \$'000
Net profit/(loss) for the year	5,047	22,074
Depreciation and amortisation	17,657	17,271
Loss on sale of fixed assets	563	240
Impairment loss	9,736	-
Fair value adjustment to investment Property, plant and equipment	(106)	(7,019)
<b>Change in operating assets/liabilities</b>		
Decrease (increase) in trade and other receivables	(2,516)	1,343
Decrease (increase) in inventories	(452)	-
Decrease (increase) in other current assets	(706)	108
Increase (decrease) in trade and other payables	10,667	3,084
Increase in other provisions	306	185
Increase (decrease) in current tax equivalent liabilities	(4,777)	(1,392)
Increase (decrease) in net deferred tax equivalent liabilities	(7,730)	(2,638)
<b>Net cash flow from operating activities</b>	<b>27,689</b>	<b>33,256</b>

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 15. Reconciliation of profit from continuing operations to net cash provided by operating activities (continued)

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.

#### 15(i) Reconciliation of liabilities arising from financing activities

	2017 \$'000	Cash flow \$'000	Non-cash changes \$'000	2018 \$'000
Long-term borrowings	176,559	10,000	-	186,559
<b>Long-term debt</b>	<b>176,559</b>	<b>10,000</b>	<b>-</b>	<b>186,559</b>

### 16. Commitments

	2018 \$'000	2017 \$'000
<b>(i) Capital expenditure contracted for at balance date is payable as follows:</b>		
- not later than one year	5,341	1,166
- later than one year and not later than five years	-	-
- greater than five years	-	-
	<b>5,341</b>	<b>1,166</b>
<b>(ii) Operating lease expenditure contracted for at balance date and payable as follows:</b>		
- not later than one year	4,707	4,937
- later than one year and not later than five years	10,614	15,522
- greater than five years	-	-
	<b>15,321</b>	<b>20,459</b>
<b>(iii) Operating lease revenue not recognised in the financial statements as follows:</b>		
- not later than one year	12,919	12,665
- later than one year and not later than five years	40,708	40,172
- greater than five years	411,007	384,547
	<b>464,634</b>	<b>437,384</b>

Some significant property, plant and equipment assets have long term lease periods in excess of 50 years.

### 17. Contingent assets and liabilities

#### Contingent assets

NQBP has no material contingent assets.

#### Contingent liabilities

NQBP has no material contingent liabilities.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 18. Native title claims

A native title claim has been made to certain interests of NQBP and is progressing. In relation to its dealings, NQBP applies a range of procedures developed by the State of Queensland and NQBP to address native title. Consistent with the procedure, NQBP has joined a current proceeding in the Federal Court of Australia to ensure that the role of NQBP as a Port Authority and its property holdings potentially impacted by the claim are properly recognised as part of any ultimate determination of native title rights and interests. No liability is expected to be incurred by NQBP in respect of this proceeding at this stage however there may be an unknown and contingent liability to NQBP in terms of the impact of some of its activities on native title rights and interests.

### 19. Key management personnel disclosures

	2018 \$'000	2017 \$'000
Short-term benefits	1,828	1,946
Post-employment benefits	194	200
Other long-term benefits	-	13
Termination benefits	188	96
	<b>2,210</b>	<b>2,255</b>

#### (i) Key management personnel – Board members

2018 Name	Position	Short-term employee benefits (a) \$'000	Post-employment benefits (b) \$'000	Total (c) \$'000
B Fish	Chair	59	6	65
A Dolphin	Director	36	3	39
S Golding	Director****	35	3	38
K Kuiper	Director**	8	1	9
J McTaggart	Director	33	3	36
P Tait	Director****	35	3	38
C Walker	Director*	6	1	7
S Frazer	Director***	25	2	27
		<b>237</b>	<b>22</b>	<b>259</b>

\* C Walker resigned as a Director on 1 September 2017

\*\* K Kuiper resigned as a Director on 30 September 2017

\*\*\* S Frazer was appointed as a Director on 12 October 2017

\*\*\*\* P Tait and S Golding ceased tenure 30 September 2017, reappointed 12 October 2017.

2017 Name	Position	Short-term employee benefits (a) \$'000	Post-employment benefits (b) \$'000	Total (c) \$'000
B Fish	Chair	59	7	66
A Dolphin	Director	36	3	39
S Golding	Director	36	3	39
K Kuiper	Director	33	3	36
J McTaggart	Director*	15	1	16
P Tait	Director	36	3	39
C Walker	Director	34	3	37
		<b>249</b>	<b>23</b>	<b>272</b>

\* J McTaggart was appointed as a Director on 15 December 2016.



# Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

- (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) Post-employment benefits represent 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.

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

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 19. Key management personnel disclosures (continued)

(ii) Key management personnel – Executive management

Name	Position	Date Appointed	Date Ceased
Steve Lewis	Chief Executive Officer	7 July 2014	22 December 2017
Brendan Webb	General Manager Trade and Operations	26 April 2017	
Rochelle MacDonald	General Manager Engineering and Development	25 January 2016	
Peter Sinnott	Director Legal, People and Governance	9 January 2012	
Bernard Wilson	Chief Financial Officer	7 February 2011	
Gary Campbell	Director Sustainability and External Affairs	1 July 2015	

2018 Position	Short-term Benefits				Unused Annual Leave \$'000	Bonus (c) \$'000	Total Short-term Employee Benefits \$'000	Post-Employment Benefits Superannuation (b) \$'000	Other Long-term Benefits Unused LSL for the year only \$'000	Retirement Termination Benefits \$'000	Total \$'000
	Cash Salary \$'000	Non-Monetary Benefits (a) \$'000	Cash Salary \$'000	Non-Monetary Benefits (a) \$'000							
Chief Executive Officer (resigned 22 December 2017)	204	3	-	-	9	216	19	-	-	188	423
Chief Operations Officer (terminated 25 January 2017)***	-	-	-	-	16	16	2	-	-	-	18
General Manager Trade and Operations*	242	-	5	-	-	247	31	-	-	-	278
Director Legal, People and Governance	227	4	1	-	25	257	31	-	-	-	288
Chief Financial Officer	260	4	16	-	31	311	33	-	-	-	344
General Manager Engineering and Development**	275	-	10	-	27	312	29	-	-	-	341
Director Sustainability and External Affairs	205	4	-	-	23	232	27	-	-	-	259
	<b>1,413</b>	<b>15</b>	<b>32</b>	<b>131</b>		<b>1,591</b>	<b>172</b>			<b>188</b>	<b>1,951</b>
2017 Position	Short-term Benefits				Unused Annual Leave \$'000	Bonus (c) \$'000	Total Short-term Employee Benefits \$'000	Post-Employment Benefits Superannuation (b) \$'000	Other Long-term Benefits Unused LSL for the year only \$'000	Retirement Termination Benefits \$'000	Total \$'000
	Cash Salary \$'000	Non-Monetary Benefits (a) \$'000	Cash Salary \$'000	Non-Monetary Benefits (a) \$'000							
Chief Executive Officer	376	4	2	-	34	416	39	-	-	-	455
Chief Operations Officer (terminated 25 January 2017)	185	-	16	-	27	228	20	5	-	96	349
General Manager Trade and Operations (commenced 26 April 2017)	33	-	-	-	0	33	4	-	-	-	37
Director Legal, People and Governance	226	4	5	-	26	261	31	-	-	-	292
Chief Financial Officer	247	4	-	-	25	276	33	8	-	-	317
General Manager Engineering and Development	248	-	3	-	-	251	23	-	-	-	274
Director Sustainability and External Affairs	207	4	-	-	21	232	27	-	-	-	259
	<b>1,522</b>	<b>16</b>	<b>26</b>	<b>133</b>		<b>1,697</b>	<b>177</b>	<b>13</b>		<b>96</b>	<b>1,983</b>

\* Acting CEO for the period 23 December 2017 – 28 February 2018

\*\* Acting CEO for the periods 1 March 2018 – 29 April 2018; 1 May 2018 – 30 June 2018

\*\*\* Bonus paid on FY16/17 performance

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 19. Key management personnel disclosures (continued)

#### (ii) Key management personnel – Executive management (continued)

- (a) Total employment cost 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.
- (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.

#### (iii) Compensation principles – Executive management

The Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements 2013 requires that appointments are made by contract with no nominal expiry date.

Employment contracts provide the CEO and senior executives with a termination payment equal to the greater of six months (CEO) or three months (thirteen weeks) of the executive's salary or the redundancy pay period provided for in Chapter 2 of the *Fair Work Act 2009*.

Remuneration recommendations for executives are reviewed annually by the People and Culture Committee, before consideration and approval by the Board. Remuneration for executives is determined in accordance with the Queensland Government's 'Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements', as reflected in NQBP's policies and procedures for 'Remuneration, Rewards and Recognition'.

#### (iv) Key management personnel – shareholding Ministers

NQBP's shareholding Ministers are identified as part of NQBP's key management personnel and these Ministers are:

- the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships,
- the Honourable Mark Bailey MP, Minister for Transport and Main Roads,
- the Honourable Curtis Pitt MP, Treasurer and Minister for Trade and Investment (to 11 December 2017), and
- the Honourable Dr Steven Miles MP, Acting Minister for Main Roads, Road Safety and Ports (from 10 August 2017 to 27 September 2017).

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. NQBP does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016/17, which are published as part of Queensland Treasury's Report on State Finances.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 19. Key management personnel disclosures (continued)

#### (v) Aggregate performance payments

	2018 \$'000	2017 \$'000
Aggregate performance bonuses paid	616	608
Total salaries paid (employees receiving a performance payment)	11,440	11,066
Number of employees who received a performance payment	96	92

#### (vi) Categories of performance related payments

Directors and shareholding Ministers do not receive performance related payments from NQBP.

#### Executive management

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

- NQBP performance is based on agreed targets set by the Board and drawn from financial performance, environment/safety performance, corporate governance, community relations and effective management of assets; and
- Individual performance.

For other Executives, their performance pay is determined on the basis of their individual performance which may incorporate performance targets aligned with delivering key outcomes in NQBP's Statement of Corporate Intent.

The recommended payments are determined by the Board each financial year and paid and reported to shareholding Ministers in accordance with current guidelines. The proposed performance payments for the 2017/18 year are scheduled to be paid in September 2018.

#### Other employees

Other employees are either covered by a common law contract or covered by an enterprise agreement. Eligible employees' performance pay for the 2017/18 year were based on individual performance.

The proposed performance payments for the 2017/18 year are scheduled to be paid in September 2018.

### 20. Related party transactions

#### Ultimate parent entity

NQBP is a Government Owned Corporation (GOC) incorporated under the provisions of the *Corporations Act 2001*. All shares are held by representatives of the Queensland Government. Movements in the issued capital held by these representatives are disclosed in the Statement of Changes in Equity. Details of dividends paid or payable are detailed in the Statement of Changes in Equity.

As disclosed in Note 11, income tax equivalents are paid to the Queensland Government. Refer to Note 11 for details of income tax equivalent transactions and balances.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 20. Related party transactions (continued)

#### Transactions with shareholding Ministers

As a GOC, NQBP's shareholding Ministers:

- the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships,
- the Honourable Mark Bailey MP, Minister for Transport and Main Roads,
- the Honourable Curtis Pitt MP, Treasurer and Minister for Trade and Investment (to 11 December 2017), and
- the Honourable Dr Steven Miles MP, Acting Minister for Main Roads, Road Safety and Ports (from 10 August 2017 to 27 September 2017).

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

#### Transactions with entities controlled by other key management personnel

During 2017/18, there were no material transactions between NQBP and entities controlled by either:

- a Director of NQBP, or
- a member of NQBP's executive management team.

All transactions between NQBP and entities controlled by key management personnel are conducted at arm's length under normal commercial terms and conditions for various purposes in the ordinary course of NQBP's business.

#### 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 owned subsidiaries as dormant entities. NQBP's investment in each of these entities has been reduced to nil.

Under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, PCQ and MPL are relieved from preparing, having audited, lodging and distributing financial reports under the *Corporations Act 2001* providing each member of the Group enters into a Deed of Cross Guarantee. 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.

NQBP together with PCQ and MPL have executed such a Deed of Cross Guarantee on 10 June 2010.

#### Entities under common control

NQBP 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.

Details of transactions and balances with QTC and QIC are provided in Notes 7 and 13. QTC borrowings are unsecured.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 20. Related party transactions (continued)

Nature	2018 \$'000	2017 \$'000
<b>Operating Receipts</b>		
Pilotage services fees and premises rent	14,497	12,794
Interest received	710	908
Earnings received	3,265	2,729
Rental Income	141	1,204
	<b>18,613</b>	<b>17,635</b>
<b>Payments</b>		
<b>Operating Expenses</b>		
Land tax	1,823	1,970
Superannuation contributions	2,494	2,579
Income tax equivalent payments, competitive neutrality fee and rates, research and development concession	17,739	15,853
Consultancy services and interest	5,009	3,354
Surveys, simulator training, contributions to boat launch Weipa	1,734	819
Audit fees, environmental permits, utilities, vehicle registrations, WorkCover and sundry items	1,998	2,134
<b>Capital Expenditure</b>		
Dividend and equity adjustments	6,000	122,350
	<b>36,797</b>	<b>149,059</b>
Expenses invoiced not yet paid	<b>23</b>	<b>23</b>

### 21. Summary of significant accounting policies

#### i) Basis of preparation

The consolidated financial statements include the financial statements of NQBP. The Group has only one trading entity, NQBP. The financial statements for both the group and parent entity, NQBP are identical. 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 financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements have 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 NQBP's functional and presentation currency.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 21. Summary of significant accounting policies (continued)

#### ii) Fair value measurement

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of NQBP for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of NQBP's valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

#### iii) Goods and Services Tax (GST)

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 presented as operating cash flows.

#### iv) Critical accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions with the most significant effect on the financial statements are outlined in the following notes:

- Valuation of investment properties and property, plant and equipment - Note 8 and 9;
- Provisions - Note 12;
- Depreciation and amortisation - Note 9; and
- Application of AASB 16 Leases – Note 21(v).

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 21. Summary of significant accounting policies (continued)

NQBP did not voluntarily change any of its accounting policies during 2017/18. There were no new Australian Accounting Standard changes applicable that have had a significant impact on NQBP's financial statements.

#### v) New and amended standards and interpretations not yet adopted

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which NQBP has not yet adopted. A discussion on those future requirements and their impact on NQBP is as follows:

- **AASB 15 Revenue from Contracts with Customers**  
AASB 15 will replace AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on NQBP's financial statements and has identified that certain arrangements relating to the accounting for revenue in advance may be impacted. The new standard will not have a material impact.

The standard will be mandatory for the financial years commencing on or after 1 January 2018. The expected date of adoption by NQBP will be 1 July 2018.

- **AASB 16 Leases**  
AASB 16 will supersede AASB 117 Leases and a number of interpretations issued by the AASB.

AASB 16 will be mandatory for the financial years commencing on or after 1 January 2019 and will be adopted by NQBP using a modified retrospective approach from 1 July 2019. It will result in almost all leases being recognised on the balance sheet. Under the new standard, an asset (the right to use the leased item) and the financial liability to pay rentals are recognised.

NQBP has identified the following classes of leases that are expected to be included in the Statement of Financial Position: sea bed leases that are held in perpetuity and office leases. A significant number of judgements are required in determining the value of the lease liability under the new standard including lease option periods, implied interest rates and variable lease payments. Based on current assumptions NQBP expects to include a lease liability of \$29.0M in the 2020 Financial Statements. The accounting treatment for the corresponding right-of-use asset is still under review.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### vi) Comparative figures

Comparative information has been adjusted to conform to changes in presentation for the current financial year.

## Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

### 21. Summary of significant accounting policies (continued)

#### vii) Rounding

The company is of a kind referred to by ASIC Legislative Instruments 2016/191, relating to the "rounding off" of amounts in the financial statements.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and unless otherwise stated, amounts included in the financial statements have been rounded to the nearest thousand dollars.

## Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2018

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 43 to 72 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 the Group's financial position as at 30 June 2018 and of their performance for the financial year ended on that date; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (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 Corporations (Wholly-owned Companies) Instrument 2016/785*.

This declaration is made in accordance with a resolution of the Directors.



**Brad Fish**  
Chair  
North Queensland Bulk Ports Corporation Limited

21 August 2018



## INDEPENDENT AUDITOR'S REPORT

To the Members of North Queensland Bulk Ports Corporation Limited

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of North Queensland Bulk Ports Corporation Limited and its controlled entities (the corporation).

In my opinion, the financial report:

- a) gives a true and fair view of the corporation's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

#### Basis for opinion

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

I am independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the corporation in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the corporation, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key audit matters

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



Key audit matter	How my audit addressed the key audit matter
<p><b>Valuation of non-current assets</b> <i>Refer to notes 8 &amp; 9 in the corporation's financial statements.</i></p> <p>Land, investment properties, channels, infrastructure (including buildings) and major plant and equipment are material to North Queensland Bulk Ports Corporation Limited and are measured at fair value.</p> <p>With the exception of land and investment properties, market value is not an appropriate basis for valuation of assets due to their specialised nature. Instead, the Corporation has developed a discounted cash flow model based on the expected cash flows for each of its units of account (UOA) to determine fair value of these assets.</p> <p>The model involved significant judgements for key valuation inputs and assumptions, including:</p> <ul style="list-style-type: none"> <li>• Estimating future operating and capital cash flows and terminal values;</li> <li>• Setting discount rates; and</li> <li>• The allocation of assets to units of account.</li> </ul>	<p>My procedures in relation to management's valuation of channels, infrastructure and plant and equipment included:</p> <ul style="list-style-type: none"> <li>• Critically evaluating management's methodology underpinning the valuation model, which was prepared in consultation with management's external consultants, with reference to common industry practices and that which would be considered by an external market participant to value the assets;</li> <li>• Evaluating the independent external consultant's competence, capabilities and objectivity;</li> <li>• Evaluating management's identification of its units of account and their highest and best use in the most advantageous market;</li> <li>• Performing a sensitivity analysis to help inform the degree of audit emphasis required for key model assumptions and inputs;</li> <li>• Checking the reasonableness and relevance of the input data and key assumptions in the valuation model, in particular:                         <ul style="list-style-type: none"> <li>• growth rates;</li> <li>• discount rates;</li> <li>• challenging management's assumptions and estimates including those relating to forecast revenue (customer pricing), operating and capital expenditure, tax cash flows and corroborating the key market related assumptions to forecast and historical data;</li> <li>• that it is based on the Statement of Corporate Intent and 5 year Corporate Plan.</li> </ul> </li> <li>• Assessing the reasonableness of calculations and assumptions of the terminal values allocated to each unit of account;</li> <li>• Back testing the previous year's cash flow forecasts against subsequent actual results to identify potential deficiencies in the forecasting methodology;</li> <li>• Checking the above assumptions are appropriately reflected in the valuation model;</li> <li>• Evaluating and checking the mathematical accuracy of the valuation model; and</li> <li>• Assessing the appropriateness of presentation in the corporation's financial statements.</li> </ul>

Key audit matter	How my audit addressed the key audit matter
The fair value of land and investment properties is determined with reference to their market values. An independent external valuer was engaged to undertake a detailed valuation of the corporation's land and investment properties in previous years and to perform desktop reviews to update this valuation by applying relevant indices at 30 June 2018.	My procedures in relation to management's valuation of land and investment properties included: <ul style="list-style-type: none"> <li>Evaluating the independent external valuer's competence, capabilities and objectivity; and</li> <li>Assessing the reasonableness of indices applied to land and investment properties, based on our knowledge and research of the property market in Queensland.</li> </ul>
<p><b>Depreciation</b> <i>Refer to note 9 in the corporation's financial statements.</i></p> <p>Depreciation expense is a significant balance that involves management's estimation of the useful lives of assets. The subjectivity involved in these estimates increases the risk of material misstatement of expenses.</p>	My procedures included, but were not limited to: <ul style="list-style-type: none"> <li>Evaluating useful life estimates for reasonableness by: <ul style="list-style-type: none"> <li>Reviewing management's annual assessment of useful lives based on their annual stocktake and condition assessments;</li> <li>Checking consistency of useful lives compared to prior year;</li> <li>Ensuring that no component still in use has reached or exceeded its useful life;</li> <li>Reviewing asset management plans, and enquiring of management about their plans for assets that are nearing the end of their useful life; and</li> <li>Reviewing for assets with an unusual relationship between condition and remaining useful life.</li> </ul> </li> <li>Verifying the material accuracy of depreciation calculations.</li> </ul>

#### Other information

Other information comprises the information included in the corporation's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Responsibilities of the corporation for the financial report

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the corporation to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the corporation. I remain solely responsible for my audit opinion.

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

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



V Stemmett  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

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