

Ports Corporation of Queensland Annual Report 2003/04

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Annual Report Communication Objectives

This Annual Report profiles Ports Corporation of Queensland (PCQ) and details its major outcomes for the financial year 2003/04. It reports on matters of corporate governance and legislative compliance and PCQ's commercial performance.

The report contains the major corporate information, including the financial statements, as well as detailed information on PCQ, its various ports and its operations. The Sustainability Report details PCQ's triple bottom line performance in environmental, social and economic areas, while the Ports, People and Projects Report deals with specific projects and activities in each of the ports.

The report is sent to key stakeholders in Queensland, Australia and internationally. It forms an important reporting mechanism for PCQ's two Shareholding Ministers and meets the Corporation's obligations under the GOC Act. The report is also distributed to all members of Queensland Parliament, customers, suppliers and contractors, industry and community groups and relevant academic institutions and libraries. A copy is available on PCQ's website at www.pcq.com.au

Through this report, PCQ reports not only on the year past, but also on strategic direction. As such, the report is used as a marketing tool by the Corporation, particularly for current and prospective customers.

PCQ is committed to making the 2003/2004 report an accurate and easy to read account of activities.

Corporate Information

Board of Directors

Chairperson: Leonie Taylor

Deputy Chairperson: Jim Petrich

Directors: Julie Bignell, Graham Carpenter, Peter Huth, Kasper Kuiper, Di Zetlin

Major Bankers

Queensland Treasury Corporation, Commonwealth Bank of Australia

Auditors

Queensland Audit Office, Ernst and Young

PCQ Profile

Ports Corporation of Queensland (PCQ) develops and manages port facilities at various locations through the State. Its ports handle bulk shipments of coal, bauxite, zinc, silica sand, sugar and molasses as well as live cattle and general cargo. Coal is by far the main commodity handled, but each port and each commodity is important in its own right. The value of these exports was about \$6.9 billion in 2003/04.

As a port authority, PCQ issues licences, leases and permits for the use of its port facilities and has a multi-user access policy to achieve higher utilisation of infrastructure and greater efficiency.

PCQ is Australia's largest port authority by tonnage throughput and more than half of Queensland's exports, by tonnage, pass through PCQ's ports.

As a Government Owned Corporation (GOC), PCQ operates according to commercial principles, raises its own revenue and makes dividend and tax equivalent payments to the Queensland Government.

PCQ Mission

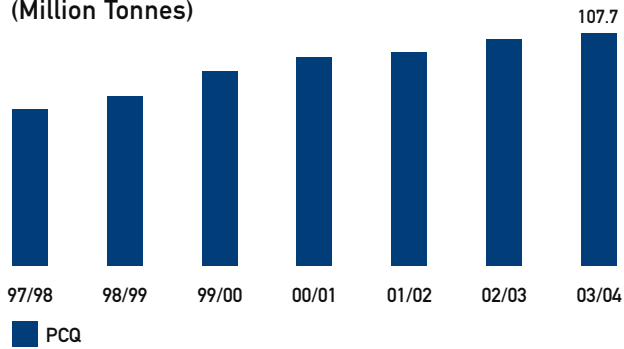
The Corporation will provide safe, cost-effective, competitive sea port services to existing and potential port users.

The Corporation's management of bulk and community ports will:

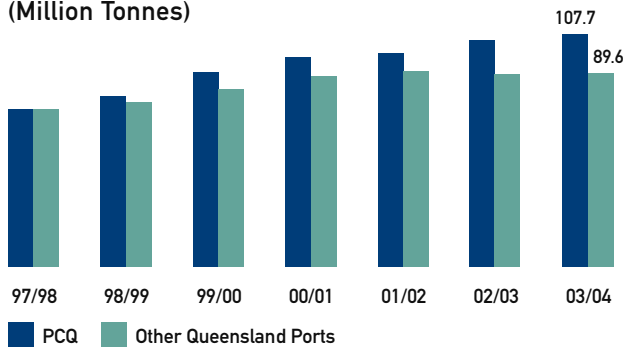
- be in accordance with government policies
- enhance shareholder value by generating growth and planned profit in current and future years
- empower port customers in their competitive markets by developing and maintaining reliable, appropriate port facilities and infrastructure, organisational resources and technology while minimising environmental impacts
- maximise economic development and trade, earning commercial rates of return
- be proactive in caring for the environment
- be committed to being a good neighbour and corporate citizen.

PCQ Trends

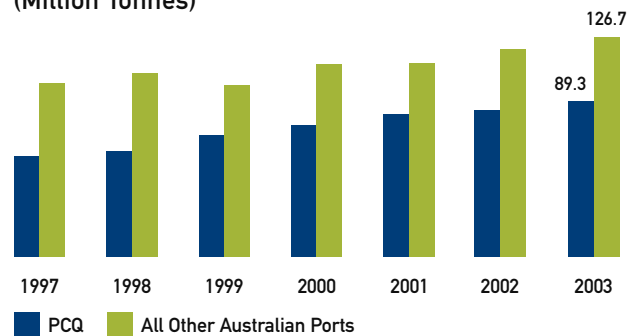
PCQ Growth by Throughput (Million Tonnes)



PCQ Trade vs Other Queensland Port Authorities (Million Tonnes)



Coal Exports from Australia (Million Tonnes)



PCQ Financial Summary

	\$ Million 2002/03	\$ Million 2003/04	% Change on Prior Year
Revenue from Ordinary Activities	38.953	35.308	(9.4)
Expenses from Ordinary Activities (including borrowing costs from Ordinary Activities)	22.934	18.807	(18.0)
Profit from Ordinary Activities (before Taxation Equivalents)	16.019	16.501	3.0
Capital Expenditure	8.172	4.678	(42.8)
Total Assets	236.214	224.031	(5.2)
Total Liabilities	39.788	41.717	4.8
Net Assets	196.426	182.314	(7.2)
Current Ratio	2.46	1.99	
Debt/Assets Ratio	-	-	
Debts/Equity Ratio	-	-	

About PCQ

The Ports

PCQ has responsibility for multiple port locations which handle a variety of cargoes. It controls:

- trading ports: Hay Point, Abbot Point, Lucinda, Mourilyan, Cape Flattery, Weipa, Karumba, Skardon River
- community ports: Thursday Island, Quintell Beach
- non-trading ports: Maryborough, Cooktown, Burketown.

The trading ports handle bulk export commodities, while the community ports supply neighbouring populations with essential general cargo and fuel. The non-trading ports are held for strategic purposes should a commercial need emerge.

What PCQ Does

PCQ is primarily focussed on strategic planning, operational issues and infrastructure development within its ports, as well as security and emergency response co-ordination and protection of the environment. Staffing is based on a small, dedicated group of professionals, responsible for technical, operational, strategic, environmental and monitoring functions.

Maintaining navigable port depths is a PCQ responsibility, while pilotage and port navigation is controlled by Maritime Safety Queensland (MSQ).

In general, PCQ utilises outside service providers for stevedoring and towage operations.

Multi-User Policy

A multi-user policy permits access for new customers as well as providing for expansion of existing trade. In the coal ports, multi-user access has helped to remove impediments to growth of exports and encourage the opening of new mines. The policy also enables the sharing of port infrastructure costs and dredging investment among all users and reduced environmental impacts by avoiding unnecessary duplication.

PCQ History

PCQ was constituted in 1993 by an order of the Governor-in-Council under provisions of the *Harbours Act 1955*. On 1 July 1993, it assumed management and control of the 14 ports previously administered by the Harbours Corporation of Queensland.

From 1 July 1994, the organisation became a statutory Government Owned Corporation (GOC) under the *Government Owned Corporations Act 1993* (GOC Act) and a port authority under the *Transport Infrastructure Act 1994*. Under the GOC Act, activities are governed by:

- a Statement of Corporate Intent which is agreed annually between the Board and Shareholding Ministers
- a five-year Corporate Plan.

While a much younger entity than the ports it manages, PCQ has access to technical information gathered over many years which assists infrastructure development projects. Some of the ports' operations can be traced back to the 1860s.

Operating Environment

In conducting its business, PCQ is subject to relevant legislation and government policy. Government ownership is represented through two Shareholding Ministers, the Treasurer and the Minister for Transport and Minister for Main Roads.

The Governor-in-Council appoints the Board of Directors and approve the Statement of Corporate Intent which sets the business objectives each financial year. They may act jointly to issue directions to the Board.

The Minister for Transport has specific powers under the *Transport Infrastructure Act 1994* to:

- approve Land Use Plans
- approve the disposal of any freehold land or the exercise of tenure greater than 25 years over any strategic port land.

Funding

Income is raised principally from port charges relating to shipping and trade volume and through licensing and leasing agreements with port users. Profits are reinvested and an annual dividend returned to the State Government.

PCQ is subject to the Government Taxation Equivalent Regime which requires annual tax-equivalent payments to be paid to the State Government.

Key Business Activities

PCQ's core business is:

- strategic port planning
- port business development
- port infrastructure development

- environmental management and ‘first strike’ marine pollution response (within ports)
- port security and safety
- port efficiency.

Corporate services are provided in the areas of finance and administration, corporate strategy, external relations and information management.

An essential role is identifying the business requirements of existing and potential users and working with them to understand the factors that will influence the need for additional port services.

In responding to development opportunities, appropriate systems, staff, finance, land and technology have to be in place or available for the specific project. PCQ seeks to be the port authority for the State’s greenfield port sites.

Business Objectives

Strategic business objectives aim to improve the competitiveness and long-term viability of the ports by:

- increasing efficiency
- maximising trade
- maintaining facilities
- establishing effective environmental management programs
- defining facilities and services that may be required and taking necessary actions to ensure appropriate responses can be made.

Risk Management

PCQ considers that risk management is an integral part of good business management and the Corporation is committed to complying with the relevant standard, AS/NZS 4360-1999. PCQ believes that to be effective, risk management should become part of an organisation’s culture and be integrated into the organisation’s philosophy, practices and business plans, rather than be viewed or practiced as a separate program.

During the year, in a drive to further instil this view, PCQ engaged an external consultant to produce a report on “Review of Risk Management Reporting Processes”. Following that report, process improvements were put in place including

- Active management of risks:
 - The roles of the various parties have been clarified. As an example the charter of the Audit and Risk Management Board Committee has been adjusted.

- As risks emerge or change, managers report them for inclusion in the risk register.
 - Monthly, as part of scheduled Managers meetings, the management team reviews risks under active management (focusing on significant and high risks) and determine:
 - any new items to be added
 - the effect of risk treatments undertaken and any ranking changes or flag items to be removed (due to completion or deal with under a generic category)
 - The monthly report to the Board lists only high risk items. In addition, adjustments made by management in the month to any risk register item is reported monthly to the Board.
 - The Audit and Risk Management Committee (ARMC) considers and ratifies (or adjusts) management's adjustments to the risk register.
- Reporting Adjustments:
- **Monthly** high risk report along with adjustment report (as described above) is considered by the Board.
 - **Quarterly** a report of significant and high risks is considered by the Board. The quarterly report is signed off by the management team. This report along with the monthly adjustment reports are considered by the ARMC when they meet.
 - **Annually**, as part of the strategic planning process, it is planned the whole risk register will be reviewed and recast by management. Approval for the whole risk register will be sought from the Board through the ARMC.

The risk management system is developed around a Risk Management Manual and a Risk Register. The Risk Management System is integrated with other systems, including the Environmental Management System and the Workplace Health and Safety System. The risk management manual, as adopted by PCQ, includes the following features applicable to management of its risks:

- legal compliance
- financial risk management
- projects
- asset management
- human resources
- environment
- health and safety
- information management
- emergency plans

- business continuity plans
- reputation and image.

The Risk Register contains the following information in an access database:

- risk number
- risk date (date entered to the Register)
- risk category
- risk description and location
- current risk treatments
- consequences
- likelihood and risk ranking
- additional risk treatments
- responsible person.

The Corporation annually submits board approved financial risk management policies to Shareholding Ministers in accordance with the Code of Practice for GOC Financial Arrangements. In addition, internal audit must undertake a risk assessment of PCQ in framing their rolling audit plans.

The entire risk management system is subject to regular internal and external audit requirements to ensure it is operating properly.

Overview of Performance

Strategic Port Planning

Goal

Implement strategic planning to benefit port customers and commercial performance.

Strategies

- Ensure planning, development and management of infrastructure meets user needs.
- Facilitate appropriate growth.
- Provide efficient and effective seaport services, including cargo handling, ship movements and port services.
- Ensure accurate and timely economic data and intelligence to improve decision-making.

Results

- Land Use Strategies completed for Mourilyan, Karumba, Hay Point and Lucinda.
- Associated Land Use Plan for Lucinda approved by Minister.
- Thursday Island Land Use Strategy consultation completed.

Port Business Development

Goal

Create a market-oriented organisation, empowering customers and improving commercial performance.

Strategies

- Foster market-oriented, corporate culture focussed on customer satisfaction.
- Achieve corporate goals and increase overall profitability.
- Improve competitiveness by increasing efficiency and trade maximisation.
- Identify potential customers and work co-operatively in establishing new trade or business opportunities.

Results

- Developed financial and operating agreements for Hay Point water pipeline.
- Facilitating access for potential new coal user at Abbot Point.
- Continued facilitation of export cattle facility at Mourilyan.
- Developed a draft agreement with customer for an upgraded channel at Weipa.
- Continued co-operation with port customer at Skarden River investigating export logistics and maritime requirements.

Port Infrastructure Development

Goal

Ensure infrastructure is appropriate and expertly maintained.

Strategies

- Provide and maintain infrastructure to meet the long and short-term needs of port users.
- Foster relationships to minimise project costs.
- Conduct port planning studies to outline expansion scenarios.
- Manage PCQ's asset-related risk appropriately.

Results

- Commenced construction of Hay Point water supply pipeline.
- Completed concept design for departure channel at Hay Point.
- Preliminary engineering, site investigations, hydro-dynamic modelling and approval nearing completion for the South Channel Widening at Weipa.
- Maintenance dredging at Weipa and Karumba completed.
- Horn Island Cargo Facility berthing dolphin upgrade preliminary design works underway.
- Cathodic protection at Humbug and mooring hook upgrade at Lorim Point Wharves at Weipa nearing completion.

Finance and Administration

Goal

Provide financial and administrative systems and services which meet intended outcomes and compliance requirements and identify opportunities for improvement.

Strategies

- Establish and maintain efficient and effective financial information systems.
- Provide useful and timely financial performance information.
- Ensure appropriate financial policies and procedures are established and maintained.
- Ensure financial and capital/debt structure is appropriate and strategies are in place to meet long-run rate of return targets.
- Ensure the Corporation's computing platform efficiently meets business needs.

Results

- \$15 million share buy-back in 2003/04.
- Design of a new asset register.
- Preparation for the adoption of international financial reporting standards.
- Improvement of IT strategic planning and disaster recovery processes.
- Commencement of major IT system re-design.
- Continued administrative service improvements to internal and external customers.

Corporate Strategy

Goal

Develop clear focus and direction, a supportive, self-managing culture and operating environment to achieve objectives.

Strategies

- Manage property portfolio including land use strategies, development approvals, native title and cultural heritage and leasing.
- Manage corporate planning processes.
- Manage training and development to support organizational outcomes.
- Ensure employees are focussed on outcomes and fairly rewarded for their efforts.
- Ensure impact of legislative proposals known by policy makers.
- Ensure PCQ derives maximum benefit from information resources.
- Provide a framework within which PCQ manages risks to its business.

Results

- Negotiated new three year certified agreement.
- Review of management and award staff performance pay schemes and career inventories.
- Managed consultancy service to DBCT Holdings.
- Strategic planning processes further enhanced.
- Refined risk management processes and reporting to Board.
- Integration of information resources continued.
- Land use planning process reflects Queensland Ports Association planning policy.

Environment and Safety

Goal

Ensure ports continue to operate safely and securely and, where required, expand to provide facilities and services with minimum impact on the natural and social environment.

Strategies

- Undertake environmental improvement programs.
- Undertake environmental monitoring.
- Sponsor and assist suitable research programs which support PCQ's environmental aims.
- Maintain and develop PCQ Environmental Management System.
- Review potential environmental impacts of capital works and develop management plans.
- Develop and implement an effective Workplace Health and Safety Management System.
- Develop maritime security plans for PCQ's trading ports.

Results

- No breach of any legislation or environmental licence condition by PCQ.
- No major oil spills in any PCQ port.
- Only one significant incident – one turtle death during dredging in Weipa.
- Seagrass monitoring carried out in five ports.
- EIS started for proposed capital dredging at Weipa.
- New WHS Management System developed and implemented.
- Maritime security plans were developed for nine security-regulated ports and approved by DOTARS.

Corporate Relations

Goal

Ensure PCQ has effective relationships with external stakeholders and is consultative in its dealings.

Strategies

- Ensure PCQ is a good neighbour and corporate citizen.
- Manage the Corporation's media relations.
- Undertake appropriate promotional activities.
- Encourage staff participation in the communication process.
- Develop and implement public consultation plans and develop an inclusive culture.

Results

- \$33,000 invested in Port Communities Program, assisting port communities.
- Maintained consultations and interaction through one Community Reference Group and five Port Advisory Groups.
- Maintained active briefing program for stakeholders, including improvements to PCQ Issues Management Report.
- Undertook audit of PCQ's communication program.
- Developed and successfully launched new PCQ web site.

Report from the Chairperson and CEO

Record trade throughput, planning to keep pace with expected future growth and implementation of port security in the ports have been the headline activities in 2003/04. The combination of these major activities presented PCQ with a challenging year and one which will be considered a milestone in signalling significant expansion at a number of the ports.

PCQ continues to be the leading port authority in Australia by tonnage throughput and the performance of the ports highlights their growing status in Queensland, not only as a collective force under the PCQ banner, but also individually.

PCQ's overall growth in 2003/04 was fuelled by the dynamic nature of Queensland's commodities export trades. Particularly, the growth of Queensland's bulk mineral sector drove PCQ's ninth consecutive trade record. In 2003/04, port operators at PCQ ports exported over 107 million tonnes (mt) of product, up by over 3mt on the previous year.

Four of the ports – Hay Point, Weipa, Karumba and Thursday Island – set individual records. Our customers and terminal operators have worked hard in recent times to position themselves to make the most of the opportunities presented to them. The growth we are generally seeing is an indication of the dynamic nature of their operations. The confident growth predictions in some of the ports is further testament to the capacity of these businesses to tackle the challenges in the international markets in which they operate.

The Port of Hay Point continues to be one of Australia's and the world's great port success stories. Since originating in 1971 and exporting 2.5 million tonnes (mt) in its first year, it has boomed to the point of shipping 77.5 mt last year. Coal exports through the port increased by almost 2.9 mt, due to new records established at both the Hay Point Services Terminal and Dalrymple Bay Coal Terminal (DBCT), reaffirming its position as one of the world's largest coal export ports. We predict that if only some of the planned expansion occurs at Hay Point, it will become a clear leader internationally.

Comalco's bauxite operation at Weipa generated port exports totalling 13.75 mt, maintaining continuing solid growth during the past few years. At Karumba, the Zinifex zinc and lead operations dominated the total throughput of 1.12 mt, also continuing a pattern of growth. PCQ also manages two community ports in its portfolio and at one, Thursday Island; a new record of over 92,000 tonnes was handled.

Financial Result

PCQ recorded an excellent financial result, with profit before taxation equivalents of \$16.5 million underlining the organisation's ongoing profitability. A small reduction in revenue from 2002/03 was as a result of port pilotage operations being transferred to Maritime Safety Queensland and was offset by a corresponding reduction in expenditure.

PCQ continued the planned return of equity with a second payment of \$15 million to Shareholders during the year, in exchange for the cancellation of 15 million shares. In addition, a dividend of \$11.246 million has been declared for payment to Shareholders by December 2004.

Growth Opportunities

We are confident that the booming international demand for bulk products from this State, particularly coal, bauxite, zinc and lead, will see significant growth continue for PCQ. During the year a number of significant new opportunities emerged, to meet growth requirements at several of the ports.

At Hay Point, PCQ has been investigated with the two coal terminals and other stakeholders to confirm the viability of increasing port capacity by dredging a departure path. The departure path is essentially a dedicated channel via which loaded ships exit the port area. The economic benefits have been investigated and the preferred deeper departure path alignment determined, following simulation studies at the Australian Maritime College at Launceston in Tasmania. PCQ will work through the environmental and geotechnical issues to finalise the project scope and costs and seek the necessary project approvals.

At Weipa, Comalco's mine is currently going through a period of rapid expansion. The Comalco Alumina Refinery (CAR) in Gladstone has already received its first bauxite which will result in a significant increase in production at Weipa. In preparation for this, PCQ in conjunction with Rio Tinto Shipping and Maritime Safety Queensland conducted a review of the Weipa maritime operations and infrastructure towards the end of 2002. The review determined that in order to accommodate the increased tonnages, the South Channel would need to be widened. This work will be programmed to meet Comalco's requirements.

At Abbot Point, the terminal is coming under intense pressure to expand to meet the unexpected international demand for Australian coal. A combination of increased demand from the existing users, new mines and possible new trades have all contributed to

completely changing the outlook for Abbot Point in the short to medium term. In response, a master planning exercise is underway to understand how the facility and port could be expanded to meet demands.

Port Security

Security in our ports has been a major area of activity during the year. As a result of increased concern over border security and with the introduction of the Maritime Transport Security Act 2003, we have tightened security in and around our port infrastructure.

Risk Assessments were carried out at the nine ports involved and subsequently developed the port security plans. Security workshops were held in the ports over four months and security plans for the relevant ports were submitted to Canberra's Department of Transport and Regional Services (DOTARS) for approval by the 1 March deadline. All of PCQ's Maritime Security Plans were approved by DOTARS well before the 1 July deadline and the Abbot Point plan was the first approved in Queensland.

It was a major task, but the organisation met the challenge. The individuals involved took in their stride the large number of locations, different considerations port by port, the logistics of dealing with a large and diverse group of stakeholders as well as physically having to prepare different plans for different ports. It was an outstanding effort and we have been pleased to play our part in the overall security effort.

Our Thanks

As always, we are sincerely grateful for the excellent efforts of those people who contributed to the success of the organisation. We are extremely appreciative to the Board of Directors, PCQ's management team and the staff who collectively worked hard to achieve first class outcomes. To the port customers, terminal operators in the ports and other port users and service providers, we extend our gratitude for another outstanding year, in which your efforts have driven the growth of PCQ and its strong operating position. Our thanks are also extended to our Shareholders for their support and to those people within the government sector who contribute to our activities. Finally, we extend our gratitude to the communities at our ports for their efforts and co-operation.

Leonie Taylor
Chairperson

Brad Fish
Chief Executive Officer

Corporate Governance

Board Accountability

The Board of Directors is formally accountable to the Shareholding Ministers – the Treasurer and the Minister for Transport and Minister for Main Roads – under the *Government Owned Corporations (GOC) Act 1993*. Directors' duties are similar to those of directors for private sector companies. Under the GOC Act, PCQ is a statutory body under the *Statutory Bodies Financial Arrangements Act 1982* and the *Financial Administration and Audit Act 1977*.

Appointment of Directors

All Directors were in place for the full period of 2003/2004 and were appointed by the Governor-in-Council. There is no limit under the GOC Act on the number of consecutive terms held by a Director.

The Chairperson has 10 years experience as a Director of PCQ and brings a wealth of commercial and accounting experience to the Corporation. The other Directors provide a broad range of skills and experience covering maritime operations, regional development, agriculture, transport, industrial relations and political and organisational strategy.

Board Meetings

The Board usually meets monthly except in December, with most meetings held in Brisbane. Each year, at least one board meeting is scheduled in conjunction with port visits to enable Directors to familiarise themselves with the ports and meet stakeholders.

This year, Directors met as a board 11 times. In addition, Directors met for committee meetings and to discuss strategic planning. A regional Board trip was made, with port inspections at Mourilyan and Lucinda.

Role of the Board

The Board's functions include:

- establishing goals and strategic direction and assessing the performance of management and the organization against strategic goals
- approving policies, plans, performance targets and budgets
- monitoring policies, procedures and internal controls to manage business and financial risk
- ensuring compliance with statutory and legal obligations and meeting ethical and corporate governance standards.

Independent Advice

It is the Board's policy that Directors should be able to seek independent professional advice at the expense of PCQ to assist in the performance of their duties.

Interaction With Management

The Chairperson has weekly briefings from the CEO and managers as required, on all relevant aspects of PCQ's activities and performance. Detailed verbal and written briefings on various issues are provided as necessary.

Internal Audit

PCQ contracts out its internal audit function to Ernst and Young and this contract terminated at 30 June 2004. PricewaterhouseCoopers has been awarded the contract for 2004/05–2006/07 inclusive. The role of internal audit is to assist the Board of Directors and management in the effective discharge of their responsibilities. Internal audit activities are conducted in accordance with the Internal Audit Charter and contract for audit services. These include:

- undertaking an overall risk assessment and appraisal 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 recommended remedial action
- evaluating compliance with relevant legislation and policies
- determining effectiveness of financial and operational practices and systems in meeting goals.

The 2003/04 audit included a review of asset management, information technology strategic planning, legal compliance and the new accounting systems functional requirements.

Officer Indemnity

Under Section 138 of the GOC Act (1994) Directors and employees are entitled to be indemnified against a civil liability unless the liability arises out of conduct involving a lack of good faith.

Policy Maintenance

PCQ has a process of reviewing all of its policies on a regular basis using sunset review dates.

Code of Conduct

PCQ's business is dependent on good relations and fair treatment of customers, employees and the public, with due consideration of the operating requirements of the business. The principles defining the work performance and ethical conduct expected of all employees are:

- respect for the law and the system of government
- respect for persons internal and external to the organisation
- integrity
- diligence
- economy and efficiency.

Remuneration

Remuneration for Directors is determined by the Government. Details of the remuneration paid is contained in the table on Page 30. This amount excludes travel and associated expenses incurred in the course of undertaking their duties. Directors do not receive retirement benefits other than the compulsory superannuation levy required under the *Superannuation Guarantee Act*.

PCQ attempts to pay a fair market value for each position, based on the responsibilities as carried out. The CEO's remuneration level is determined by the Board. For contract employees, the CEO in making a judgement considers historical information regarding work value, market data obtained from recognised sources such as salary surveys and, where considered warranted, specialist advice on position work value and market value from remuneration consultants. Award staff are remunerated in accord with the current certified agreement. Certified agreement remuneration rates are struck in negotiation with unions and employees to maintain fair value for the work performed.

All employees, except the CEO, have access to a performance payment. The scheme applicable to the management team in 2003/04 provided for a maximum payment pool of 9% of salary with 80% derived from group performance. Any payment of a performance bonus to the PCQ management team was at the discretion of the PCQ Board, based on the overall good performance of the Corporation. When a performance bonus is paid (which it was in 2002/03), the following pre-agreed (at the start of the financial year) performance criteria were used to determine the level of the group component of the payment.

Performance Indicator	Weighting for Bonus
Financial Control	15%
Trade Facilitation & Commercial Returns	15%
Corporate Governance	15%
Environment and Safety Performance	15%
Effective Management of Assets	20%
External and Internal Relations	15%
Team Work	5%
Total	100%

The scheme applicable to the rest of PCQ's employees is based on pre-set individual targets that are linked to the individual's position description and their required contributions to the current goals and objectives of their section. The scheme is not mandatory and involves an at-risk component to enter, with an additional payment maximum of 6% of salary. This scheme is recognised within the current certified agreement.

Committee Structure

During 2003/04 the Board reviewed aspects of its corporate governance including the roles and responsibilities of the Board and the Board Committees. As a result, the Audit and Risk Management Committee replaced the Audit Committee and the Human Resources and Industrial Relations Committee had its roles amended.

The Audit and Risk Management Committee comprised the Chairperson G. Carpenter and members L.Taylor, D.Zetlin and K.Kuiper. The Human Resources and Industrial Relations Committee comprised the Chairperson J.Petrich and members L.Taylor, J.Bignell and P.Huth.

It is expected that the current committees will meet on an as required basis (about four times annually) and provide recommendations to the Board. The Chairperson will consult with Directors and appoint members to each committee based on requirements.

Audit and Risk Management Committee (ARMC)

PCQ's Audit and Risk Management Committee is established to provide 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 PCQ, or the reporting lines and responsibilities of either internal audit or external audit functions. The Committee is only empowered to make recommendations to the Board and does not have power to make decisions in its own right.

In accordance with its terms of reference the ARMC:

- monitored external reporting requirements

- reviewed PCQ's annual budget and five-year projections before consideration by the Board
- reviewed PCQ's annual financial statements before final sign-off by the Board
- oversaw all internal audit functions and reviews findings, recommendations and implementation progress
- reviewed reports and other information from the Auditor-General
- monitored the internal control and risk management environment within PCQ
- monitored matters and transactions which may have a material effect on the financial position of PCQ.

The Committee consists of at least three Directors appointed by the Board. PCQ's Board Chairperson may be appointed to the Committee but may not be appointed as the Committee Chairperson.

To maintain independence, the membership of the Committee does not include representatives from internal audit or the Queensland Audit Office (QAO) or the person(s) responsible for PCQ's financial management, although such representatives may be invited to attend Committee meetings and provide technical and other advice to the Committee.

The charter of the ARMC is supplied to newly appointed Directors to the Board as part of their general induction. The Committee Chairperson will personally ensure 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.

During the year the Committee undertook its activities in accordance with its charter and had due regard to financial legislation, relevant binding policies of the State Government and PCQ.

The Board annually considers the effectiveness of the Committee meetings, the appropriateness of its charter and its composition.

Human Resources and Industrial Relations Committee (HRIRC)

The Human Resources and Industrial Relations Committee is established to provide independent and expert advice and support to assist the Board to discharge its employee and industrial relations responsibilities.

The Committee does not replace nor replicate established management responsibilities and delegations or the responsibilities of other executive management groups within PCQ. The HRIRC is only empowered to make recommendations to the Board and does not have power to make decisions in its own right.

The HRIRC:

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

The Committee consists of at least three Directors appointed by the Board. PCQ's Board Chairperson may be appointed to the Committee but may not be appointed as the Committee Chairperson.

The charter of the HRIRC is supplied to newly appointed PCQ Directors as part of their general induction. The HRIRC Chairperson will personally ensure 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 legislation, relevant binding policy of the Government and Corporation policies.

The Board annually considers the effectiveness of HRIRC meetings, the appropriateness of its charter and the composition of the Committee.

Capital Structure

The Capital Structure Policy outlines PCQ's policy for the determination of its appropriate capital structure range.

In establishing its capital structure range and positioning the balance sheet at a target level, PCQ has two objectives:

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

Dividend Policy

The GOC Act provides for the Board to recommend the payment of a dividend following consultation with the Shareholding Ministers. Under the GOC Act, the dividend must be paid within six months after the end of the financial year or any further period that the Shareholding Ministers allow.

Investments Policy

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

Foreign Exchange and Derivative Policy

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

General Borrowing Policy

PCQ includes in its Statement of Corporate Intent the estimated borrowing requirement for the succeeding year. It also provides sufficient information to enable the Government to obtain State borrowing limits approvals.

PCQ Board Attendance

Director	Board Meetings		ARMC		HRIRC		Regional Visits	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
L Taylor (Chairperson)	11	11	5	5	4	4	1	1
J Petrich (Deputy Chairperson)	11	10	–	–	4	4	1	0
J Bignell	11	11	–	–	3	3	1	1
G Carpenter	11	10	5	5	–	–	1	1
P Huth	11	10	–	–	3	3	1	1
K Kuiper	11	11	5	5	1	1	1	1
D Zetlin	11	10	5	2	1	1	1	0

Board of Directors

Leonie Taylor

Chairperson

Ms Taylor has wide experience in taxation, financial management and business advising. Ms Taylor is a Director of Legal Aid Queensland, a member of the Business Enterprise Board of CITEC, and is Queensland Treasurer of Women Chiefs of Enterprises International. She holds a Bachelor of Business and is a Fellow of the Institute of Chartered Accountants, the Taxation Institute of Australia and the Institute of Company Directors. Ms Taylor has been a Director of the Board of the Ports Corporation of Queensland since its inception in 1994

Jim Petrich

Deputy Chairperson

Mr Petrich has a long association with regional development and the agricultural industry. He is the Chief Executive Officer of the Cape York Peninsula Development Association, which has an interest in all aspects of development on Cape York including mining, pastoral and tourism industries. A former Executive Director of the Cattlemen's Union of Australia, he is currently chair of Cairns Region Economic Development Corporation, a member of the Land Tribunal, an executive committee member of the FNQ Area Consultative Committee and Deputy Chairman of the Australian College of Tropical Agriculture. Mr Petrich is also a fellow of the Australian Institute of Company Directors.

Di Zetlin

Ms Zetlin teaches in the School of Political Science and International Studies at the University of Queensland. She has held a variety of positions within academic institutions and union organisations. She has served on the Higher Educational Council of the National Board of Employment Education and Training and is a current member of the Women's

Employment, Education and Training Advisory Group to the Commonwealth Minister for Employment, Education and Training. Ms Zetlin has also been involved in the Committee for the Advancement of University Teaching, advising the Commonwealth Minister for Employment, Education and Training. She is a member of the University of Queensland Senate.

Julie Bignell

Ms Bignell is the Branch Secretary of the Australian Services Union. In that role she has executive responsibility within the union for overseeing the development and implementation of industrial and organising strategies to further the interests of white-collar clerical and administrative workers in the State. She was elected to that position in July 2000. She is also Vice-President of the Queensland Branch of the Australian Labor Party and an Executive Member of the Queensland Council of Unions.

Graham Carpenter

Mr Carpenter is Partner, Consulting at BDO Kendalls, Chartered Accountants. He has held executive management positions in both the private and public sectors, including senior positions in Queensland and Victorian Treasuries and as Northern Territory Auditor-General. Mr Carpenter is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Accountants and CPA Australia. He has a strong interest in financial management and corporate governance especially in the areas of performance management and risk management. He is actively involved in professional organisations and has presented widely. Graham sits on or chairs a number of Audit Committees, is a member of the Royal Childrens' Hospital District Health Council and is a member of committees at Griffith University.

Peter Huth

Mr Huth is currently employed by the Eidsvold Shire council as a Project and Liaison Officer, undertaking project analysis work on sustainable opportunities within the Shire. He has a broad knowledge of government and corporate business, having held positions on several Boards at Regional and State levels. Mr Huth served as a Councillor on the Gayndah Shire Council for 10 years, seven as Mayor (1994–2004).

He is a member of The Lands Protection Council Queensland, a former Director of the Brisbane Market Corporation (BMC) and was Chairman of the 2002 Year of the Outback (YOTO) steering committee for Queensland.

He is also a member of the Wide Bay Burnett Area Consultancy Committee (WBBACC), the North Burnett Health Council and the Bundaberg Area Community Job Priorities Committee.

Kasper Kuiper

Mr Kuiper has a marine background and holds a Master's Foreign Going Certificate from Delfzijl, The Netherlands. Following studies at the Institute of Dredging in the Netherlands, he diversified into port construction and reclamation. This work involved some of the largest port and underwater constructions throughout the world – Saudi Arabia, Kuwait, India, Pakistan and The Netherlands. As Technical Supervisor and Manager for dredging operations he relocated to Brisbane for the construction of the Brisbane International Airport in 1980 – 1983, following which, he worked for the Woodside Project in Cape Lambert and Port Headland, Western Australia. He was also involved in the reclamation of the Gold Coast beaches. He is involved in the shipping industry in Queensland and is an active member of the Company of Master Mariners' Brisbane Branch.

In 1992, Mr Kuiper was appointed Honorary Consul of The Netherlands in Queensland.

The Year at a Glance

Port of Hay Point

Trade: Total throughput for the port was 77,546,002 tonnes, comprising 43,592,396 tonnes through DBCT and 33,953,606 tonnes through Hay Point Coal Terminal (HPCT). The continued growth in Central Queensland coal production ensured the total port throughput was a record, up 3.85% over the previous best in 2002/03.

HPCT set an individual throughput record, up by 6.82% on the previous best ever in 2002/03. DBCT also set a new record, up by 1.64% on the previous year. A total of 965 bulk carriers visited the port.

Departure Path Dredging: The DBCT Master Plan 2003 identified possible benefits of dredging the departure path at Hay Point. PCQ has been working with BMA and Prime Infrastructure to develop a dredged departure path.

PCQ will work through the environmental and geotechnical issues and seek the necessary approvals.

Water Supply Pipeline: Agreement was reached on funding and sharing arrangements for an \$8.75 million water supply pipeline to supplement the two terminals' existing water supply. Water supply studies conducted a number of years ago for the terminals identified the need for provision of additional water supply to cope in times of lower than average rainfall, when the two terminals' existing supplies may not meet demand.

The agreements which have been reached allowed work to start in June 2004 with an expected completion in December 2004. The pipeline will draw from SunWater's Eton

Irrigation Area about 18 km from Hay Point. The pipeline route follows the Bruce Highway and Hay Point Road predominately.

Quarantine Waste Facility: PCQ will establish a quarantine waste disposal service at Hay Point. This service is required under the IMO's MARPOL Annex V, a marine pollution reduction agreement to which Australia is a signatory. PCQ will provide the service by putting in place the necessary infrastructure, procedures and contracts to ensure that the service is available.

Dudgeon Point Land Development: PCQ has identified the Dudgeon Point land as having potential for major project and industrial development, given its size and close location to rail, road and port infrastructure as well as convenient distance from the towns of Sarina and Mackay.

PCQ has previously had a report prepared on the potential for development of the land which suggested about 705ha of the 1300ha as suitable for development as industrial land. A cultural heritage survey suggests that this area may be reduced by about 60ha.

Bed Levelling: Regular hydrographic surveying showed numerous shoals had formed unexpectedly off the berths of both coal terminals at Hay Point.

After an assessment of options it was determined that a bed levelling process may assist as an interim measure. The approved budget for the project was \$495,000. All works were completed satisfactorily during early January 2004, some four months before the first available date for the preferred method of dredging could have started. The works were also completed well below budget.

Port of Abbot Point

Trade: In 2003/04, total throughput at Abbot Point was 12,094,893 tonnes, which was down marginally on the record in the previous year. The port handled 121 ships during the financial year.

Trade Growth and Available Capacity: The terminal is coming under intense pressure to expand to meet the unexpected international demand for Australian coal. A combination of increased demand from the existing users, new mines and possible new trades have all contributed to completely changing the outlook for Abbot Point in the short to medium term. In response, a master planning exercise is underway to understand how the facility and port could be expanded to meet demands.

Port of Lucinda

Trade: The port handled 15 ships in 2003/04 with sugar exports of 522,893 tonnes, down by about 12% on the previous year. A total of 3,738 tonnes of general cargo was also handled during the year.

Environmental Management Plan: An Environmental Management Plan for Lucinda was finalised and published during the year.

Port of Mourilyan

Trade: In 2003/04, the Port of Mourilyan handled 32 ships carrying 683,405 tonnes of sugar, just short of the previous record. A total of 88,992 tonnes of molasses (up by about 1.5% on the previous year) and 3,372 head of live cattle (up by 21.65% on the previous year) were also shipped.

New Trades: Discussions are continuing with several proponents of new trades considering using Mourilyan for exports.

PCQ has signed a heads of agreement with Sugarbag Station for the development of a livestock export marshalling yard at the port. The proponent is hoping to start construction of the facilities in early 2005 and exports by August 2005. It is expected that initially 5,000 head will be exported annually, with an expectation that those numbers can be increased dramatically over time.

Over the past 18 months, PCQ has been working with a number of potential exporters seeking to export timber from a new resource at Cardwell. Queensland Department of Primary Industries and Fisheries (QDPIF) has released a tender for the harvesting of an estimated 250,000 cubic metres of timber per annum for 15 years.

Environmental Management: Long-term seagrass monitoring continued in the port.

Port of Cape Flattery

Trade: In 2003/04, the Port of Cape Flattery handled 37 ships carrying 1,816,661 tonnes of silica sand. This was up by 9.56% on the previous year.

Port of Weipa

Trade: The Port of Weipa handled 256 ships in 2003/04, carrying 13,665,876 tonnes of bauxite, 63,959 tonnes of fuel and 22,399 tonnes of general cargo. In previous years there have also been exports of live cattle. The bauxite figure was a record, up by almost 6% on the previous year. Fuel was up by almost 20% on the previous year and general cargo jumped by over 80%.

Weipa Capital Dredging: PCQ, in conjunction with Rio Tinto Shipping and Maritime Safety Queensland, conducted a review of the Weipa maritime operations and infrastructure towards the end of 2002. It was evident that there would be a significant increase in export tonnages from Weipa. As a result, the review determined that in order to accommodate the increased tonnages the South Channel would need to be widened and possibly deepened.

Preliminary engineering investigations have been carried out so that PCQ can proceed with development when it is required by Comalco.

Preparation has started for an Environmental Impact Statement for the project.

Maintenance Dredging: Maintenance dredging utilising the Port of Brisbane's dredge, *Brisbane*, was completed in September 2003, with about 440,000m³ of silt and sand removed from the South Channel and Inner Harbour. Total cost of the project was \$2.2 million. In recent years maintenance dredging has been completed annually and will again be undertaken in 2004.

Upgrade of the Humbug Wharf Cathodic Protection System: As part of the ongoing upkeep of facilities in the port, an upgrade of the cathodic protection system at Humbug Wharf is required. The upgrade will provide improved corrosion protection to the existing caissons and reinforced concrete piles and beams. A local contractor was engaged in April 2004 and the construction is expected to be completed by September 2004.

Lorim Point Wharf Mooring Hook Upgrade: A major upgrade of the mooring system at Lorim Point Wharf is currently underway. This will reduce the risk of injury due to the possible rapid movement of the hooks or lines under tension when releasing a mooring line. It will also reduce the risk of falling or being knocked off a dolphin. The work will allow the mooring hooks on the east and west berths to be remotely released from centralised control consoles.

Detailed scheduling of the construction and installation work is necessary to ensure the Comalco shipping program is not disrupted, with work expected to be complete by November 2004.

Lorim Point Wharf Fender Upgrade: Planning is well advanced on the upgrading of fenders on Lorim Point Wharf, some dating back to the 1960s, to accommodate increased trade throughput. This system will also provide a uniform quay line for the full length of the two berths.

Environmental Management: Long-term seagrass monitoring continued and sediment sampling was carried out to support dredging activities.

Port of Karumba

Trade: In 2003/04, the Port of Karumba handled 131 ships carrying 939,166 tonnes of zinc, 149,765 tonnes of lead and 11,371 head of livestock. The Century Mine has continued to set new shipment records since operations started in late 1999. This year's zinc throughput was up by 0.54%, while lead was up by 43.76%. Live cattle numbers were down by 75%.

Maintenance Dredging: Maintenance dredging is required to remove siltation from the channel to ensure channel depths are maintained in the Norman River and approaches for

Zinifex Century's Mine's vessel, *Wunma*. PCQ surveyed the channel depths following the last wet season, with the eventual program expected to require some 240,000 cubic metres of material to be removed to the relocation site 16km out to sea.

The dredging program is being undertaken in conjunction with Zinifex Century Mine, which will fund the work, with a total cost of about \$2.5 million. Dredging started in June 2004 and is being undertaken by Port of Brisbane Corporation's dredger *Brisbane* and is expected to be completed over a five week period.

Environmental Management: Long-term seagrass monitoring continued in the port and sediment sampling was carried out to support dredging activities.

Port of Skardon River

Skardon River was declared a port in February 2002, with PCQ as the port authority. The Skardon River project, located about 100km north of Weipa, is owned by Minerals Corporation Limited (MCL) through its subsidiary Skardon River Kaolin.

The port facilities are located upstream on the Skardon River. The river is shallow in certain areas and PCQ is working with the mine owners to determine the most cost-effective solution to transport the product.

Environmental Management: Marine resources were surveyed in the port as part of establishment of baseline data.

Port of Thursday Island

Trade: In 2003/04 general cargo trade of 92,191 tonnes passed through the port. This was up by over 21% on the previous year.

Fuel Wharf Upgrade: The Fuel Wharf on Thursday Island has deteriorated over the past several years, with the outer half closed to vehicle traffic. PCQ and the lessee have been considering redevelopment options for the facility.

Horn Island Cargo Wharf Berthing Dolphin Upgrade: In December 2003 a vessel collided with the Cargo Wharf on Horn Island. During the incident a number of mooring piles were destroyed, as well as the newly installed walkway and part of the refueling facilities.

Following the investigation into the incident it was determined that additional mooring dolphins are required and PCQ has engaged consultants to undertake the design.

Horn Island Passenger Facilities: PCQ has started discussions with the Kaiwalagah Aboriginal Corporation and the Horn Island Ratepayers Association regarding the potential beautification of the foreshore at Horn Island adjacent to the public facilities.

Port of Quintell Beach

Trade: The Port of Quintell Beach handled 2,389 tonnes of cargo in 2003/04, up by almost 65% on the previous year.

The port receives its income from the trade over the barge ramp.

Corporate Issues and Projects

Port Security: The *Maritime Transport Security Act 2003*, came into force on July 1 2003 to establish a scheme to safeguard against unlawful interference with maritime transport. Risk assessments were undertaken at the ports and port security plans were developed. Security workshops were held in PCQ's ports over four months, between July to October 2003. Security plans for all relevant ports were submitted to DOTARS for approval by 1 March 2004. All Maritime Security Plans required for PCQ ports were approved by DOTARS, well before the 1 July 2004 deadline. Nine plans in total were approved and the security plan for Abbot Point was the first plan approved in Queensland.

PCQ undertook a major advertising campaign to advise local communities of the new security requirements. The campaign included:

- newsletters detailing the new arrangements and how local communities would be affected. These were delivered by PCQ port staff to council offices, police, local charter companies, water taxis, bait shops, caravan parks, motels, newsagents, government agencies and boat ramps
- advertisements in local papers providing full information about restricted land and water areas, including maps of the zones
- press releases in local papers.

Port Security Committee meetings are held in each port every six months to provide a co-ordinated approach to security across the port.

Negotiated Certified Agreement: PCQ, its employees and unions negotiated a new three year certified agreement. The agreement saw the delivery of annual wage increases and the establishment of an Agency Consultative Committee (ACC). The ACC continues to play a role within the organisation to look at productivity improvement but is now focussed on enabling superior consultation including organisational change issues.

Land Use Planning

PCQ has adopted Queensland Port Authorities land use planning policy. New land use strategies developed by PCQ will follow this process, with Weipa and Cape Flattery being progressed under this new policy which ensures consultation with key agencies is more transparent.

Environmental Management

Environmental Performance: PCQ maintained a high environmental performance, with no breach of any legislation or environmental licence condition. There were no major oil spills in any PCQ port.

Monitoring: Long-term seagrass monitoring continued in the Ports of Weipa, Karumba and Mourilyan and marine resources were surveyed in the ports of Thursday Island and Skardon River. Sediment sampling in Weipa and Karumba was continued to support dredging activities and water quality monitoring of port waters continued.

EMP: The Port Environmental Management Plan for Lucinda was finalised and published. Project EMPs were developed for 11 projects.

EIS: Preparation of an Environmental Impact Statement started for a proposed capital dredging project in the Port of Weipa in 2005.

Oil Spill Response: Deeds of Agreement were signed with MSQ for PCQ to provide a first-strike oil spill response in its trading ports.

Consultancies: PCQ continued to provide environmental advice and support to the Rockhampton Port Authority for a second year under a consultancy agreement.

Corporate Relations

Sponsorships: PCQ's Port Communities Program was continued and financially supported many port community projects.

Consultation: An active community and stakeholder consultation program was maintained, including starting two EISs.

Communication Audit: An audit was undertaken of PCQ's corporate relations program. Some of the recommendations will be implemented in the coming year.

Web Site: A new PCQ web site was developed and successfully launched.

PCQ Management Structure



Bulk Ports Profile (key trades)

	Maximum Ship Size (DWT)	Trade	Berths
Hay Point	230,000	Thermal and Coking Coal	5
Abbot Point	200,000+	Thermal and Coking Coal	1
Weipa	75,000	Bauxite	2
Cape Flattery	80,000	Silica Sand	1
Lucinda	50,000	Sugar	1
Mourilyan	45,000	Sugar and Molasses	1
Karumba		Zinc, Lead	1

Statement of Corporate Intent (Summary)

Core Services and Activities

- Strategic Port Planning
- Trade Facilitation, Port Promotion and Marketing
- Assessment Manager for Strategic Port Land
- Port Management (operation of ports, terminals and loading ships; property assets; berth allocation; facilitation of ship movements safety)
- Pilotage Marine Transfer Service
- Port Infrastructure (wharves and terminals; channels; breakwaters)
- Environmental Management
- Port Security

New Activities

The Corporation evaluates and, where beneficial to its shareholders and customers, pursues opportunities to apply the specialist skills it possesses to new business opportunities.

Business Areas Monitored for Opportunities

- enhancement of existing assets by improving port-related business
- facilitating new Queensland infrastructure projects related to the port business or which facilitate trade
- owning/managing additional ports or port infrastructure
- intermodal developments associated with ports

Identified Opportunities

- provision of towage services
- stimulating the potential future growth in ports
- PCQ directly investing to stimulate trade
- higher utilisation of existing land holdings
- provision of consulting services
- investigation of transport facilities in FNQ and the Torres Strait

Corporate Objectives

Improve the competitiveness of PCQ ports by:

- Increasing Efficiency
 - analysing the efficiency of individual facilities
 - ensuring terminals are operated to provide high productivity and utilisation of invested capital
 - determining appropriate standards of facilities
 - seeking to reduce the cost of other service providers within ports, eg. pilotage and towage
 - further implementing under-keel clearance in PCQ ports
 - enhancing continuous improvement processes
 - continued development of benchmarking.
- Trade Maximisation
 - seeking diversified trades
 - expanding existing trades
 - improving marketing processes.
- Minimise the Impact of Port Operations and Development on the Natural and Social Environment.
 - establishing environmental management programs recognised as comparable with the world's best practice in the port industry
 - continuing to update Environmental Management Plans for all ports
 - monitoring environmental resources and values within ports
 - continuing improvement in the port environment through rehabilitation and revegetation programs by providing appropriate recreational facilities and access, including ongoing public access safety.
- Maintaining Condition of Facilities
 - developing and implementing long-term maintenance programs.

Define facilities and services that may be required in the future so that necessary actions are taken now to ensure the appropriate responses may be made to future opportunities.

- Prepare for Users Development Activity
 - monitor minerals growth
 - monitor sugar industry development
 - provide for kaolin shipments from Skardon River
 - develop/review port planning documents for all ports.
- Secure Appropriate Assets and Necessary Approvals to Allow Planned Development
 - acquire necessary land holdings in a recognised and secure tenure and have them defined as Strategic Port Land
 - seek necessary building and environmental approvals
 - carry out preliminary geotechnical, hydrographic and environmental surveys
 - conduct cultural heritage assessments of all PCQ land.

Develop port infrastructure and services to meet market demands.

Financial Summary

For the Year Ended 30 June 2004

PCQ has provided another excellent financial result, demonstrating the ongoing profitability of the Corporation, with profit before taxation equivalents of \$16.5 million for 2003/04.

All operational Corporation ports have recorded profits, indicating a commitment to efficiently managing each port business in conjunction with our customers. A small reduction in revenue from the prior year is the result of port pilotage operations being transferred to Maritime Safety Queensland as at 1 October 2002 and is offset by a corresponding reduction in expenditure in relation to the same operations.

PCQ has continued the planned return of equity with a second payment of \$15 million to Shareholders during the year, in exchange for the cancellation of 15 million shares. In addition, a dividend of \$11.246 million has been declared for payment to Shareholders by December 2004.

Continuous improvement processes, setting appropriate standards for facilities and seeking greater efficiency from individual facilities have been a focus for PCQ and this has contributed to a return of 5.4% on the average total assets of \$230.1 million.

Planning and design of a number of major infrastructure projects at ports including Hay Point, Abbot Point, Weipa and Mourilyan are significantly developed and will be a focus for the forthcoming years.

Purpose and Scope of Financial Statements

For the Year Ended 30 June 2004

Ports Corporation of Queensland (the Corporation) was constituted on 1 July 1994 as a statutory Government Owned Corporation under the provisions of the *Government Owned Corporations Act 1993* and related Regulations. Under the terms of section 127 of the *Government Owned Corporations Act 1993*, the *Financial Administration and Audit Act 1977* applies as if the Corporation were a statutory body. The Corporation is responsible as a port authority under the *Queensland Transport Infrastructure Act 1994* for the management and control of the following prescribed harbours:

- Hay Point
- Abbot Point
- Lucinda
- Mourilyan
- Cape Flattery
- Weipa
- Karumba
- Port Kennedy (Thursday Island)
- Quintell Beach
- Maryborough
- Cooktown
- Burketown
- Skardon River

These statements have been prepared:

- to satisfy the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements;
- to provide an accounting for the custody and management of moneys and resources under the control of the Corporation; and
- to disclose the results of operations of the Corporation during the year and to indicate the financial position of the Corporation at the close of that year.

The statements are general purpose in nature and reflect the whole of the financial activities of the Corporation.

Statement of Financial Performance

For the Year Ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Revenue from Ordinary Activities			
Revenue from Operating Activities			
Port Charges		30,515	32,205
Property Income		1,314	1,170
Revenue from Non Operating Activities			
Interest Received		3,151	3,187
Grant Revenue		–	1,499
Other Revenue		328	892
Total Revenue from Ordinary Activities		35,308	38,953
Expenses from Ordinary Activities			
Depreciation	2	5,763	8,949
Repairs and Maintenance		4,689	3,584
Employee Benefits Expense		3,340	3,866
Travelling Expenses		1,128	1,523
Consultancies		1,006	931
Other Expenses		822	672
Property Expenses		783	752
Insurance		624	595
Land Tax		355	322
Promotional Expenses		219	211
Net Loss on Disposal of Property, Plant and Equipment	2	78	930
Decrement in Value of Non Current Assets		–	599
Total Expenses from Ordinary Activities		18,807	22,934
Profit (Loss) from Ordinary Activities before Income Tax Equivalent	2	16,501	16,019
Income Tax Equivalent Expense relating to Ordinary Activities	3a	4,157	1,675
Net Profit	11	12,344	14,344
Increase (Decrease) in Asset Revaluation Reserve	10	–	6,660
Total Revenues, Expenses and Valuation Adjustments recognised directly in Equity		–	6,660
Total Changes in Equity other than those resulting from transactions with owners as owners		12,344	21,004

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Current Assets			
Cash Assets		48,651	60,109
Receivables	4	6,881	6,397
Other	6	497	469
Total Current Assets		56,029	66,975
Non-Current Assets			
Property, Plant and Equipment	5	165,959	167,123
Deferred Income Tax Equivalent Assets	3b	2,043	2,116
Total Non-Current Assets		168,002	169,239
Total Assets		224,031	236,214
Current Liabilities			
Payables	7	13,749	10,638
Provisions	8	11,490	13,213
Current Income Tax Equivalent Liabilities	3d	2,933	3,411
Total Current Liabilities		28,172	27,262
Non-Current Liabilities			
Provisions	8	522	550
Deferred Income Tax Equivalent Liabilities	3c	13,023	11,976
Total Non-Current Liabilities		13,545	12,526
Total Liabilities		41,717	39,788
Net Assets		182,314	196,426
Equity			
Contributed Equity	9	133,673	148,673
Reserves	10	59,398	59,398
Accumulated Profits (Losses)	11	(10,757)	(11,645)
Total Equity		182,314	196,426

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2004

	Notes	2004 \$'000 Inflows (Outflows)	2003 \$'000 Inflows (Outflows)
Cash Flows from Operating Activities			
Receipts from Customers		31,422	36,117
GST Collected on Sales		4,034	4,297
Payments to Suppliers and Employees		(10,123)	(14,487)
Taxation Equivalents		(3,516)	(7,756)
GST Paid on Purchases		(2,111)	(2,959)
GST Remitted to the ATO		(1,923)	(1,338)
Interest Received		3,388	3,187
Net Cash provided by (used in) Operating Activities	12b	21,171	17,061
Cash Flows from Investing Activities			
Proceeds from Sale of Property, Plant and Equipment		1	140
Payments for Property, Plant and Equipment		(4,420)	(9,306)
Net Cash (used in) provided by Investing Activities		(4,419)	(9,166)
Cash Flows from Financing Activities			
Dividend Paid	12c	(13,210)	–
Return of Capital		(15,000)	(15,000)
Net Cash (used in) provided by Financing Activities		(28,210)	(15,000)
Net (Decrease) Increase in Cash Held		(11,458)	(7,105)
Cash at the beginning of the Financial Year		60,109	67,214
Cash at the end of the Financial Year	12a	48,651	60,109

The accompanying notes form part of these financial statements.

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004

1. Statement of Significant Accounting Policies

i) Basis of Preparation of the Financial Statements

General

These financial statements are a general purpose financial report and have been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statements of Accounting Concepts.

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

Accounting Policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with the current year's presentation and disclosure.

Rounding

Unless otherwise stated, amounts included in the financial statements have been rounded to the nearest thousand dollars.

ii) Recognition of Revenue and Expenses

Rendering of services

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

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

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

Sale of Assets

The profit or loss on disposal of property, plant and equipment is determined as the difference between the net book value at the time of disposal and the proceeds of disposal and is included in the profit from ordinary activities in the year of disposal.

iii) Receivables

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

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

iv) Recognition and Measurement of Property, Plant and Equipment

Acquisition

Actual cost is used for the initial recording of all acquisitions of assets. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including engineering design costs. The recording threshold for non-current assets is \$1,000.

Revaluation

Property plant and equipment is recorded and valued in accordance with the policy "Non-current Asset Accounting Guidelines for the Queensland Public Sector" issued by Queensland Treasury.

Pursuant to this policy:

- Land, Channels and Infrastructure, including buildings, are recorded at fair value. Independent revaluations are performed at least every five years and interim revaluations performed annually based on appropriate indices.
- Plant and Equipment is valued at cost.
- All non-current assets are reviewed annually to determine whether their carrying values exceed the net present value of future cashflows. Consistent with AASB 1041 where the sum of asset values would exceed the net present value of the cash flows of the operation of which they form a part, the value of those assets must be written down by the excess, subject to no asset should be reduced below its market selling price.

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

1. Statement of Significant Accounting Policies Continued

v) Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Corporation. Estimates of remaining useful lives are made on a regular basis for all assets.

Work in Progress is not depreciated until it reaches service delivery capacity.

The expected useful lives for major assets are as follows:

Channels and Breakwaters	35 – 100 years
Wharves and Terminals	20 – 40 years
Plant and Equipment	20 – 40 years
Buildings and Improvements	20 – 40 years

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

vi) Income Tax Equivalent

The Corporation is exempt from income tax under section 23(d) of the *Income Tax Assessment Act*. As from 1 July 2001, the Corporation 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 155 of the *Government Owned Corporations Act*. Prior to this, since 1 July 1995 the Corporation was subject to the provisions of the Queensland Tax Equivalents Regime.

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

Where assets are revalued, no provision for potential capital gains tax equivalent has been made.

No election has been made to participate in the tax consolidation regime.

vii) Payables

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

viii) Provisions

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

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

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

1. Statement of Significant Accounting Policies Continued

ix) Employee Benefits

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

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, having regard to expected employee remuneration rates and on costs.

The Corporation's employees are members of QSuper and various other superannuation plans. Contributions to employee superannuation plans are charged as expense as the contributions are paid or become payable.

For employees in QSuper, the Treasurer of Queensland, based on advice from the State Actuary, determines employer contributions for superannuation expenses. No liability is recognised for accruing superannuation benefits as this liability is held on a whole of Government basis and reported in the whole of Government financial statements prepared in terms of AAS 31 Financial Reporting by Government.

x) Investments in Controlled Entities

Name of Entity	Class of Shares	Equity Holding	
		2004	2003
Port Pilots Queensland Pty Ltd	Ordinary	100%	100%

The Corporation has an investment of two ordinary shares in the above company. The company was dormant and did not hold material assets and liabilities during 2003/04. As a result consolidated accounts have not been prepared.

xi) Adoption of International Accounting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

The Corporation is progressively reviewing all Pending Australian Equivalents to IFRSs for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the Corporation has identified the following key differences in accounting policies which will arise from the adoption of Australian Equivalents to IFRSs:

- The introduction of pending AASB116 Property, Plant and Equipment will require the recognition of temporary differences where the accounting carrying value differs from the tax written down value.
- The introduction of pending AASB136 Impairment of Assets will require an annual impairment test to be performed on all non-current physical and tangible assets. This may result in a write-down of the value of plant and equipment.
- The introduction of pending AASB112 Income taxes will require a restatement of the balance sheet to recognise current and future tax liabilities and assets.

The dollar values of the above changes cannot be reliably estimated at the date of this report.

Policy decisions made at a whole-of-Government level in relation to the limiting of options in the Australian Equivalent to IFRSs may have additional impacts on financial reports prepared using these Standards.

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

2. Profit From Ordinary Activities Before Income Tax Equivalent

(i) Profit from ordinary activities includes the following specific gains and expenses:

	2004 \$'000	2003 \$'000
(Losses) Gains		
Proceeds from Disposal of Property, Plant and Equipment	1	140
Less Book Value of Assets sold	(79)	(1,070)
	(78)	(930)
Expenses		
Depreciation		
Channels (a)	840	4,715
Infrastructure	3,231	3,006
Plant and Equipment	1,692	1,228
	5,763	8,949

(a) A change of dredging program to an annual maintenance expense has resulted in a decrease in channel depreciation expense at Weipa.

Other Provisions –

Employee Benefits	3	(458)
Doubtful Debts	16	32
Capital Works in Progress written off	–	179

(ii) Remuneration of Directors

Income received or due and receivable by Directors	161	162
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Name	Position	Base Fee (a) \$'000	Employer Superannuation (b) \$'000	Committee Fees (c) \$'000	Total Emoluments \$'000
L Taylor	Chairman	31	2	6	39
J Petrich	Deputy Chairman	15	2	4	21
J Bignell	Director	15	2	3	20
G Carpenter	Director	15	2	4	21
P Huth	Director	15	2	3	20
K Kuiper	Director	15	2	3	20
D Zetlin	Director	15	2	3	20
					161

(a) Total employment cost (as determined by the Governor-in-Council) which includes packaged benefits.

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

(c) Fees for committee work as determined by shareholding Ministers.

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

2. Profit From Ordinary Activities Before Income Tax Equivalent Continued

	2004 \$'000	2003 \$'000
(iii) Remuneration of Executive Officers	1,146	1,114

The number of executive officers of the Corporation whose remuneration is \$100,000 or more are shown below in their relevant income bands:

Income of	2004	2003
\$100,000 to \$109,999	–	1
\$110,000 to \$119,999	2	1
\$120,000 to \$129,999	1	1
\$130,000 to \$139,999	2	2
\$140,000 to \$149,999	1	1
\$150,000 to \$159,999	1	1
\$200,000 to \$209,999	–	1
\$210,000 to \$219,999	1	–

Remuneration details of the five most highly remunerated executive officers:

Position	Salary (a) \$'000	Employer Superannuation \$'000	Other (b) Benefits \$'000	Total (c) Emoluments \$'000
Chief Executive Officer	190	23	4	217
Business Development Manager	138	17	4	159
Environment & Safety Manager	129	16	4	149
Manager Corporate Strategy	118	14	4	136
Chief Financial Officer	118	14	4	136

(a) Total employment cost which includes packaged benefits (eg. Salary sacrifice relating to employer provided motor vehicles used by an employee for private purposes, additional superannuation, professional memberships and any exempt benefits)

(b) Includes car parking provided to meet work requirements. The amount represents the grossed up statutory formula fringe benefit amount.

(c) In accordance with the Remuneration Disclosure Requirements for Government Owned Corporations, executives may also earn performance based at risk incentive bonuses in addition to the amounts shown in the table above.

(iv) Aggregate Performance Payments

Year Paid	Aggregate Performance Bonuses Paid \$ (1)	Total Salaries Paid (employees receiving a performance payment) \$	No. Employees who received a performance payment
2002/03	114,400	2,050,561	33
2003/04	124,700	2,042,560	33

(1) Performance payments accruing in respect of the relevant year, regardless of payment date.

	2004 \$'000	2003 \$'000
(v) Auditor's Remuneration		
Amounts received, or due and receivable, by the auditors for auditing the accounts	48	50

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

3. Income Tax Equivalent

a) Income Tax Equivalent Expense

The difference between income tax equivalent expense provided in the financial statements and the prima facie income tax equivalent expense is reconciled as follows:

	2004 \$'000	2003 \$'000
Profit (Loss) from Ordinary Activities	16,501	16,019
Prima facie tax equivalent thereon at 30%	4,950	4,806
Tax equivalent effect of permanent and other differences:		
– Accounting depreciation on non-taxable assets	141	43
– Accounting depreciation attributable to revalued components	511	345
– Special Building Write Off	(52)	(32)
– Accounting Revaluation	–	180
– Accounting Loss on sale of non-taxable assets	(693)	(848)
– Other	(30)	(9)
	4,827	4,485
Prior year (over) understatement	(670)	(2,810)
Income Tax Equivalent Expense	4,157	1,675

(i) The overstatement reflected in 2004 relates to a change in treatment of channel expenditure and in 2003 is as a result of changed treatment of cash repaid to customers of the Hay Point Tug Harbour.

(ii) Includes tax effect of tax depreciation on assets devalued to \$nil.

Total income tax equivalent expense comprises movements in:

– Deferred Income Tax Equivalent Liability	1,047	1,187
– Deferred Income Tax Equivalent Assets	73	(113)
– Current Income Tax Equivalent Liability	3,037	601
	4,157	1,675

b) Deferred Income Tax Equivalent Assets

Attributable to timing differences	2,043	2,116
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c) Deferred Income Tax Equivalent Liability

Attributable to timing differences	13,023	11,976
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d) Current Income Tax Equivalent Liability

	2,933	3,411
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4. Receivables

Current

Trade Debtors	6,935	6,199
Less Provision for Doubtful Debts	57	42
	6,878	6,157
Other Receivables	3	240
	6,881	6,397

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

5. Property, Plant and Equipment

	2004 \$'000	2003 \$'000
Plant & Equipment – at Cost	19,834	17,142
– Accumulated Depreciation	(5,037)	(3,345)
	14,797	13,797
Land – at Fair Value (a)	15,034	15,034
Channels – at Fair Value (a)	47,559	47,560
– Accumulated Depreciation	(909)	(70)
	46,650	47,490
Infrastructure – at Fair Value (a)	89,886	89,731
– Accumulated Depreciation	(3,430)	(200)
	86,456	89,531
Capital Work in Progress, at Cost	3,022	1,271
Total Property, Plant & Equipment, net	165,959	167,123

- (a) A revaluation was performed at 30 June 2003 using appropriate Australian Bureau of Statistics indices and indices provided by Rushton (Qld) Pty Ltd and in accordance with the accounting policies as detailed in Note 1(iv). A revaluation was not performed at 30 June 2004, as a valuation using the relevant indices would not have resulted in a material change.

The last full revaluation, in accordance with the Queensland Treasury policy “Non Current Asset Accounting Guidelines for the Queensland Public Sector”, was performed at 30 June 2002 by P Palella B.App.Sc(QS) Post Grad Dip (Prop St) AIQS (AFFIL) and G Béchard AAPI of Rushton (Qld) Pty Ltd. In accordance with the policy, the Corporation reviewed the present value of the net cashflow associated with assets carried at valuation. The calculation and methodology were reviewed by J Kendall FAPI of Rushton (Qld) Pty Ltd.

- (b) The Corporation has excluded a number of facilities which do not meet the asset recognition criteria of the Treasurer’s Policy “Non-current Asset Accounting Guidelines for the Queensland Public Sector”.

Certain wharf facilities at Cape Flattery, Lucinda and Karumba and onshore bulk handling facilities at Abbot Point have been contributed to the Corporation, which has legal title to the underlying tenure. The facilities themselves have been leased or licensed to the single bulk users of the facilities although multi-user access provisions exist for the use of the facilities.

In addition the Corporation has excluded assets which are analogous to leasehold improvements whereby the leaseholder is considered to control the future economic benefits to these facilities. These include the onshore bulk sugar handling and molasses facilities (above high water) at Mourilyan and Lucinda (sugar only), the Pasmenco Century Mine onshore bulk handling facilities at Karumba and the Hay Point Tug Harbour.

(c) Reconciliation

	Land \$'000	Channels \$'000	Infrastructure \$'000	Plant & Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
Carrying amount at 1 July 2003	15,034	47,490	89,531	13,797	1,271	167,123
Additions	–	–	234	2,694	1,750	4,678
Disposals	–	–	(78)	(1)	–	(79)
Depreciation expense	–	(840)	(3,231)	(1,692)	–	(5,763)
Carrying amount at 30 June 2004	15,034	46,650	86,456	14,797	3,021	165,959

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

6. Other Assets

	2004 \$'000	2003 \$'000
Current		
Other Prepayments	497	469

7. Payables

Current		
Trade Creditors	5,234	2,315
Contract Creditors	8,093	7,833
Lease Rentals Received in Advance	113	181
Other Creditors	309	309
	13,749	10,638

8. Provisions

Current		
Employee Benefits	244	213
Dividend	11,246	13,000
	11,490	13,213
Non-Current		
Employee Benefits	522	550

9. Contributed Equity

Issued and Fully Paid Up Capital		
Opening Balance	148,673	163,673
Less Cancelled Shares		
– Return of Capital	(15,000)	(15,000)
Closing Balance (ordinary shares)	133,673	148,673

The Corporation paid \$15 million to shareholders in exchange for the cancellation of 15 million ordinary shares pursuant to the Government Owned Corporations (Ports) Amendment Regulation (No. 1) in both the 2003 and 2004 financial years.

10. Reserves – Asset Revaluation Reserve

Opening Balance	59,398	52,738
Revaluation of Property, Plant and Equipment	–	6,660
Closing Balance	59,398	59,398

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

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

11. Retained Profits

	2004 \$'000	2003 \$'000
Accumulated Losses at the beginning of the financial year	(11,645)	(12,989)
Net Profit for the period	12,344	14,344
Dividend provided for	(11,246)	(13,000)
Underprovision of Dividend (prior year)	(210)	–
Accumulated Losses at the end of the financial year	(10,757)	(11,645)

12. Statement of Cash Flows – Disclosure

a) Reconciliation of Cash

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

Cash Assets	48,651	60,109
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b) Reconciliation of Profit (Loss) from Ordinary Activities after Income Tax Equivalent to Net Cash provided by Operating Activities

Profit from Ordinary Activities After Income Tax Equivalent	12,344	14,344
Depreciation	5,763	8,949
Provision for Doubtful Debts	16	32
Loss on Disposal of Non-Current Assets	78	930
Decrement in Value of Non-Current Assets	–	599
Assets expensed	–	179
Change in Assets and Liabilities		
(Increase) Decrease in Prepayments	(28)	55
(Increase) Decrease in Debtors	(499)	1,281
Increase (Decrease) in Employee Benefits	3	(458)
Increase (Decrease) in Payables	2,852	(2,769)
Decrease (Increase) in Deferred Tax Equivalent Asset	73	(113)
(Decrease) in Current Tax Equivalent Liability	(478)	(7,155)
Increase in Deferred Tax Equivalent Liability	1,047	1,187
Net Cash Provided By Operating Activities	21,171	17,061

c) Financing Facilities

Loan facilities are provided by the Queensland Treasury Corporation with any new borrowings approved pursuant to the annual Statement of Corporate Intent. The Corporation does not have any overdraft facility.

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

13. Financial Instruments

(i) Interest Rate Risk

The Corporation is exposed to interest rate risk primarily through financial assets and liabilities. The following table summarises interest rate risk for the economic entity, together with effective interest rates as at balance date.

2004	Floating interest rate (a) \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000	Floating %	Fixed %
Financial assets								
Cash assets	48,651	–	–	–	–	48,651	5.57	–
Receivables	–	–	–	–	6,881	6,881	–	–
	48,651	–	–	–	6,881	55,532		
Financial liabilities								
Payables	–	–	–	–	13,749	13,749	–	–
	–	–	–	–	13,749	13,749		
2003								
Financial assets								
Cash assets	60,109	–	–	–	–	60,109	4.9	–
Receivables	–	–	–	–	6,397	6,397	–	–
	60,109	–	–	–	6,397	66,506		
Financial liabilities								
Payables	–	–	–	–	10,638	10,638	–	–
	–	–	–	–	10,638	10,638		

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(ii) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the accounts.

(iii) Net Fair Value.

The net fair value of financial assets and liabilities approximate their carrying value.

(iv) Terms, Conditions and Accounting Policies

All cash is held in at call accounts.

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2004 Continued

14. Commitments

	2004 \$'000	2003 \$'000
Capital expenditure contracted for at balance date is payable as follows:		
– not later than one year	8,277	145
– later than one year and not later than five years	79	–
	8,356	145
Operating expenditure contracted for at balance date is payable as follows:		
– not later than one year	3,800	3,125

15. Contingent Assets and Liabilities

The Corporation has received a number of additional claims in relation to capital works at Dalrymple Bay Coal Terminal that the Corporation is disputing. An amount has been accrued for the settlement of these claims.

16. Native Title Claim

Native title claims have been made to various interests of the Corporation (including the ports of Hay Point, Abbot Point, Mourilyan, Weipa, Thursday Island, Karumba and Maryborough), which are in various stages of resolution. In relation to all dealings in land though, the Corporation complies with a range of procedures implemented by the State of Queensland and the Corporation to ensure that the requirements of the Native Title Act 1993 are complied with. Those procedures are intended to reduce the potential liability of the Corporation in terms of native title. While all care is taken, there remains an unknown and potential liability to the Corporation in terms of any unlawful interference with native title.

17. Segment Reporting

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

Management Certificate

For the Year Ended 30 June 2004

We have prepared the foregoing annual financial statements pursuant to the provisions of the *Financial Administration and Audit Act 1977*, and certify that -

- (a) the foregoing financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Ports Corporation of Queensland; and
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements, of the transactions of the Ports Corporation of Queensland for the period 1 July 2003 to 30 June 2004 and of the financial position as at 30 June 2004.

L L Taylor
Chairperson

B I Fish
Chief Executive Officer

G E Rawlings
Chief Financial Officer

Independent Audit Report

To the Board of the Ports Corporation of Queensland

Scope

The financial statements

The financial statements of Ports Corporation of Queensland consist of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the Board and officer responsible for the financial administration of Ports Corporation of Queensland, for the year ended 30 June 2004.

The Board's responsibility

The Board is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included -

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977* -

(a) I have received all the information and explanations which I have required; and

(b) in my opinion -

- i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of Ports Corporation of Queensland for the financial year 1 July 2003 to 30 June 2004 and of the financial position as at the end of that year.

E A Muir, FCPA

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

Queensland Audit Office
Brisbane