BRISBANE PORT HOLDINGS PTY LTD

ACN 124 048 522

CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of Brisbane Port Holdings Pty Ltd (BPH) for the year ended 30 June 2012 in accordance with a resolution of the Board of Directors.

BPH, formerly known as the Port of Brisbane Corporation Limited, was a Government Owned Corporation, constituted on 1 July 2007 under the provisions of the *Government Owned Corporations Act 1993* (the GOC Act). Under Section 118 of the GOC Act, the corporation was to act as if it were a statutory body within the meaning given in the *Financial Accountability Act 2009*. BPH's status as a Government Owned Corporation was formally revoked on 14 December 2010 following the completion of the sale of the business of the Port of Brisbane by way of a 99 year lease. Ownership of BPH was transferred from the shareholding Ministers to Queensland Treasury Holdings Pty Ltd (QTH) on 5 April 2011.

DIRECTORS

The names of the directors of BPH in office during or since the end of the financial year are:

Current directors	**Appointed**
Gerard Bradley (Chairman) (1)	10 August 2012
P Noble	17 March 2011
J Frazer	17 March 2011
K Millman	18 May 2012
Liam Gordon	10 August 2012

Former directors	**Resigned**
T Spencer	4 May 2012
I Munro	9 August 2012

(1) Appointed Chairman 14 August 2012

No directors held any interest in shares or options of BPH or its controlled entities.

PRINCIPAL ACTIVITIES

BPH's principal activity is to hold port land assets acting as port lessor under a long term leasing arrangement.

REVIEW AND RESULTS OF OPERATIONS

BPH's net profit after tax for the year ended 30 June 2012 was $0.266 million (2011: $282.330 million)

During the year, BPH has reassessed its accounting treatment of long-term land leases. Land which is subject to a 99 year lease was previously classified as an operating lease in the financial statements. BPH has reassessed this classification and designated these leases as finance leases. The result is for all revenue to be recognised upfront and associated assets being derecognised in line with the transfer of risks and benefits to the lessee. Management consider this treatment more fairly represents the economic position of the Consolidated Entity. The change has been reflected retrospectively in these statements and is consistent with the change to AASB 117: *Leases* effective in 2010 which removed the requirement for land to be classified as an operating lease.

Dividends paid to shareholders during the financial year were as follows:

	2012	2011
	$000	$000
Dividends paid from prior year profits	77 999	60 685
Dividends paid from current year profits	-	1 045 723
Total	77 999	1 106 408

EVENTS SUBSEQUENT TO BALANCE DATE

Change of Chairman

On 10 August 2012, BPH appointed G Bradley and L Gordon as Directors of the Company with G Bradley appointed as Chairman on 14 August 2012.

Other Matters

There are no matters or circumstances which have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

There are no known matters or circumstances which are likely to significantly affect the operations or results of BPH in the future.

PERFORMANCE IN RELATION TO ENVIRONMENTAL LEGISLATION

BPH is subject to various environmental regulations under both Commonwealth and State legislation. The Board is not aware of any breaches of environmental regulations during or since the end of the financial year.

DIRECTORS REMUNERATION

No income was paid or made available to any director of BPH during the 2011-12 financial year. Payments made during the previous year are as follows:

	Short term benefits	Post employment benefits	Total
30 June 2011	$	$	$
D H Harrison	44 624	3 062	47 686
C J Sinclair	23 374	1 604	24 978
E T Brown AC	18 711	1 312	20 023
P J Lancaster	19 322	1 312	20 634
L W Harris AM	22 311	1 531	23 842
W H Guest	18 711	1 312	20 023
S B Rix	31 610	-	31 610

KEY MANAGEMENT PERSONNEL REMUNERATION

No officers were employed directly by BPH following the transfer of Shares to the State on 1 December 2010. BPH outsources administrative and company secretarial services to Queensland Treasury Corporation.

Payments made up to December 2010 are as follows:

	Short term benefits	Post employment benefits	Total
30 June 2011	**$**	**$**	**$**
Chief Executive Officer	211 393	24 698	236 091
General Manager Finance and Business Services	130 681	15 382	146 063
General Manager Planning and Environment	103 697	11 941	115 638
General Manager Corporate Governance	102 889	14 365	117 254
General Manager Port Operations	89 179	12 485	101 664
General Manager Corporate Services	88 712	15 190	103 902

INDEMNIFICATION OF OFFICERS AND AUDITORS

BPH has not, during the financial year, in respect of any person who is or has been an officer or auditor of BPH or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings, and
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

The State has entered into deeds indemnifying the company officers for certain liabilities which the directors may incur by reason of acting as an officer of BPH.

The auditor of BPH for the year ended 30 June 2012 is the Auditor-General of Queensland.

INDEMNIFICATION AND INSURANCE OF FORMER DIRECTORS AND OFFICERS

During the previous financial year, BPH indemnified the prior directors of the parent and subsidiary companies in respect of Directors and Officers liability and company reimbursement insurance. Under the insurance policy the insurer agrees to pay:

- all losses which each insured person becomes legally obligated to pay on account of any claims for wrongful acts, and
- all losses for which the Company may grant indemnification to each insured person.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 6.

ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of the directors.

Gerard Bradley
Chairman
16 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Brisbane Port Holdings Pty Ltd

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

Independence Declaration

As lead auditor for the audit of Brisbane Port Holdings Pty Ltd for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been –

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

ASSISTANT AUDITOR-GENERAL
16 AUG 2012
QUEENSLAND AUDIT OFFICE

K JOHNSON FCA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	2012 $000	2011 $000
Continuing operations			
Income			
Interest income	3	653	1 785
Other income		2	-
Gain on sale of financial assets	4	**-**	133 743
		655	**135 528**
Expenses			
Interest expense	5	**-**	(291)
Other	6	**(228)**	(392)
		(228)	**(683)**
Profit from continuing operations before income tax		**427**	134 845
Income tax expense on continuing operations	9(a)	**-**	(40 445)
Profit from continuing operations after income tax		**427**	**94 400**
Discontinued operations			
Income from discontinued operations	7	**-**	524 958
Expenses from discontinued operations	8	**-**	(606 708)
Loss from discontinued operations before income tax		**-**	**(81 750)**
Income tax (expense)/benefit on discontinued operations	9(b)	(161)	269 680
(Loss)/profit from discontinued operations after income tax		**(161)**	**187 930**
Profit for the year after tax		**266**	**282 330**
Other Comprehensive Income:			
Decrease in asset revaluation surplus	21	-	(426 939)
Income tax relating to components of other comprehensive income		-	8 375
Total Comprehensive Income /(loss)		**266**	**(136 234)**
Profit for the year attributable to:			
Equity holders of Brisbane Port Holdings Pty Ltd		**266**	**282 330**
Total comprehensive income/(loss) for the year attributable to:			
Equity Holders of Brisbane Port Holdings Pty Ltd		**266**	**(136 234)**

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Notes	2012 $000	2011 $000
Current Assets			
Cash and cash equivalents	10	**16 241**	109 887
Receivables	11	**4**	73
Prepayments	12	**511**	371
Prepaid tax	13	**-**	1 613
Total Current Assets		**16 756**	111 944
TOTAL ASSETS		**16 756**	**111 944**
Current Liabilities			
Payables	19	**52**	17 507
Total Current Liabilities		**52**	17 507
TOTAL LIABILITIES		**52**	**17 507**
NET ASSETS		**16 704**	**94 437**
Equity			
Contributed equity	20	**2 250**	2 250
Asset revaluation surplus	21	**-**	27 916
Retained profits	27	**14 454**	64 271
TOTAL SHAREHOLDERS' EQUITY		**16 704**	**94 437**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Contributed Equity	Retained Earnings	Asset Revaluation Surplus	Total
	$000	$000	$000	$000
Balance at 1 July 2010	6 500	808 936	460 442	1 275 878
Total comprehensive income for the year	-	282 330	(418 564)	(136 234)
Realised on transfer of PBPL	-	13 962	(13 962)	-
Transactions with owners in their capacity as owners:				
Dividends paid or provided for	-	(1 045 723)	-	(1 045 723)
Distribution of net assets transferred to State Government Entities	(4 250)	4 766	-	516
Balance at 30 June 2011	2 250	64 271	27 916	94 437
Balance at 1 July 2011	**2 250**	**64 271**	**27 916**	**94 437**
Total comprehensive income for the year	**-**	**266**	**-**	**266**
Transactions with owners in their capacity as owners:				
Transfer to retained earnings	**-**	**27 916**	**(27 916)**	**-**
Dividends paid or provided for	**-**	**(77 999)**	**-**	**(77 999)**
Balance at 30 June 2012	**2 250**	**14 454**	**-**	**16 704**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Notes	2012 $000	2011 $000
Cash flows from operating activities			
Receipts from customers		59	164 115
Payments to suppliers and employees		(17 823)	(95 834)
GST reimbursed from the Australian Tax Office (ATO)		70	2 402
GST paid to suppliers		(57)	(2 399)
GST paid to the ATO		-	(778)
Interest received		653	2 659
Finance costs		-	(34 077)
Net income tax received from / (paid to) the Queensland Government		1 451	(54 495)
Net cash provided by operating activities	24	**(15 647)**	(18 407)
Cash flows from investing activities			
Payments for property, plant & equipment		-	(32 749)
Proceeds from sale of shares in PBPL		-	533 673
Proceeds from 99 year finance lease		-	1 311 882
Proceeds from sale of property, plant & equipment		-	3 734
Selling costs on disposal of subsidiary and assets		-	(25 824)
Proceeds from sale of receivables		-	171 761
Cash transferred to QPH Port Acquisition Company		-	(1 170)
Net cash used in investing activities		**-**	1 961 307
Cash flows from financing activities			
Dividends paid		(77 999)	(1 106 408)
Proceeds from borrowing – QTC		-	50 000
Repayments of borrowings – QTC		-	(807 709)
Finance costs		-	15 115
Net cash provided by financing activities		**(77 999)**	(1 849 002)
Net increase in cash and cash equivalents held		(93 646)	93 898
Cash and cash equivalents at beginning of financial year		109 887	15 989
Cash at the end of the year	10	**16 241**	109 887

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

Notes to and forming part of the financial statements for the year ended 30 June 2012

1. General information

Brisbane Port Holdings Pty Ltd (BPH) is a company incorporated and domiciled in Brisbane, Australia. The Company's registered office is Level 14, 61 Mary Street, Brisbane, Australia.

BPH is wholly owned by Queensland Treasury Holdings Pty Ltd (QTH) with the shares in BPH transferred to QTH on 5 April 2011. Prior to this date, shares were held on behalf of the State of Queensland by the Shareholding Ministers. The ultimate controlling entity is the Under Treasurer of Queensland.

The consolidated financial statements of the Consolidated Entity as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (the consolidated entity). BPH is a for profit entity.

Following the sale of its subsidiary Port of Brisbane Pty Ltd (PBPL) on 30 November 2010, BPH's primary activity is to hold port land assets acting as Port Lessor under a long-term leasing arrangement.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies have been applied consistently to all years presented.

BPH draws attention to the change in accounting treatment of investment property which is subject to a long term lease. Land previously held as investment property has been reclassified as a finance lease and all assets derecognised retrospectively in these financial statements (refer note 2(a) and 2 (i)).

(a) Basis of preparation

Statement of compliance
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the requirements of the *Corporations Act 2001*.

The financial statements were authorised for issue by the Board of Directors on 14 August 2012.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities at fair value through profit or loss, the revaluation of available-for-sale financial assets, certain classes of property, plant and equipment and investment property.

Basis of consolidation
The consolidated financial statements include the financial statements for the parent entity, BPH, and its controlled entity, PBPL to the date of sale on 30 November 2010, referred collectively throughout these financial statements as the Consolidated Entity.

2. Summary of significant accounting policies continued

(a) Basis of preparation continued

Functional and presentation currency
The consolidated financial statements are presented in Australian dollars, which is BPH's functional currency.

BPH is a kind of entity referred to in ASIC Class Order 98/100 dated July 1998 and in accordance with that Class Order, all financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

Use of judgements and assumptions
The preparation of the consolidated financial statements requires the use of certain accounting estimates. BPH has assessed that there are no judgements and assumptions that have a material impact on these financial statements.

Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Refer to the change in accounting policy note on changes to the treatment of long term leases.

Changes in accounting policy
In July 2010, the Australian Accounting Standard AASB 117: *Leases* was changed to remove the requirement that a land lease is to be classified as an operating lease. The change enabled an assessment to be made on the basis of whether the lease transfers substantially all the risks and rewards incidental to ownership, in which case the lease would be classified as a finance lease. BPH hold long-term leases in relation to land and have foregone the right to use these assets for a period of 99 years in return for an upfront payment. The land was originally classified as investment property under an operating lease, however, while the title has not been passed to the lessee, substantially all risks and rewards have transferred, with BPH being in a similar economic position to that if the title had been transferred. A reassessment of these transactions during the financial year has resulted in the entire lease being classified as a finance lease.

This change in accounting policy was applied retrospectively. The following table summarises the transitional adjustments made to the balance sheet upon implementation of the new accounting policy:

	Investment property (land)	**Deferred revenue**	**Profit or loss**	**Equity**
30 June 2011				
Balance as reported	968 250	962 545	(130 529)	100 142
Adjustment due to change in accounting policy	(968 250)	(962 545)	(5 705)	(5 705)
Restated balance at 30 June 2011	**-**	**-**	**(136 234)**	**94 437**

(b) Revenue

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 and accrued revenue are recognised at the time services are provided, or the work is completed taking into consideration the type of transaction and the specifics of each arrangement.

2. Summary of significant accounting policies continued

(b) Revenue continued

Interest income
Interest income is recognised using the effective interest rate method and is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Lease income
Revenue received upfront from finance leases is fully recognised in the Statement of Comprehensive Income on inception of the lease.

Gain on sale of financial assets
Revenue on sale of loans and receivables is recognised based on the substance of the arrangement. Revenues earned on the execution of a significant act are recognised upfront when all performance obligations have been met.

(c) Interest expense
Interest and finance costs are expenses as incurred, except when they relate to the financing of qualifying assets such as projects under construction, in which case they are capitalised up to the date of commissioning.

Competitive neutrality fee
Competitive neutrality fees are payable to the State Government by certain entities to ensure that the loan from QTC reflects market rates on a stand-alone basis.

(d) Discontinued operations
A discontinued operation represents a separate main line of business or economic entity that has been disposed of or is held for sale or distribution, or is a subsidiary held exclusively with a view to sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria as held for sale, if earlier. When an operation is classified as held for sale the comparative Statement of Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

(e) Income tax
BPH was removed from the National Tax Equivalent Regime (NTER) effective 30 June 2011. Consequently, all deferred tax assets and deferred tax liabilities were removed at this date.

(f) Cash and cash equivalents
For the purpose of the Balance Sheet and Statement of Cash Flows, cash includes cash at bank and deposits at call. Cash and short term deposits are stated at net realisable value.

2. Summary of significant accounting policies continued

(g) Non-current assets held for sale

Non-current assets are classified as held for sale, and stated at the lower of their carrying amount or fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than continuing use. Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from other assets in the Balance Sheet.

(h) Investment property

Investment property is principally freehold land and buildings held for long-term rental yields or capital appreciation, and not occupied by BPH. Investment property is carried at fair value being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

In accordance with AASB 117 *Leases* when a lease transfers substantially all the risks and benefits of ownership, the underlying assets are derecognised. At reporting date all investment property was subject to a long-term finance lease and has been derecognised.

(i) Property, plant and equipment

All property, plant and equipment has been derecognised due to it being subject to a finance lease.

Prior to disposal, buildings, infrastructure and wharves were written down to their net realisable value, which was based on an active market price. Plant and equipment minor assets, prior to their transfer to PBPL and subsequent sale were valued at cost.

(j) Impairment of assets

The carrying amounts of assets are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's carrying amount is written down to the asset's estimated recoverable amount.

(k) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease income from operating leases where the company is the lessor is recognised on a straight line basis over the period of the lease term. The respective leased assets are included in the balance sheet based on their nature.

On 30 November 2010, BPH entered into a 99-year finance lease with QPH Property Trust for its land, buildings, infrastructure and wharf assets, which resulted in QPH Property Trust assuming substantially all the risks and benefits of ownership. The lease premium was paid in advance by QPH Property Trust. All revenue was recognised and assets disposed based on the risks and benefits pursuant to the lease arrangement.

(l) Payables

These amounts represent liabilities for goods and services provided to BPH prior to the end of the financial year which at 30 June are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to and forming part of the financial statements for the year ended 30 June 2012

2. Summary of significant accounting policies continued

(m) Dividends

On 29 November 2010, BPH paid a dividend of $60,685,000 being 80% of 2009-10 after-tax operating profit, adjusted for any unrealised capital gains from non-current assets and financial instruments. As a result of the sale of PBPL and lease of BPH's assets, an amount of $1,045,722,919 was declared and paid on 31 March 2011, with a further amount of $77,998,600 paid on 10 November 2011.

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Balance Sheet.

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

(o) New accounting standards and interpretations

A number of new and amended accounting standards are mandatory for the first time for the year ended 30 June 2012. The adoption of these standards or interpretations did not have any significant impact on the financial statements or the performance of BPH.

Certain new accounting standards and interpretations have been published that are effective for annual periods beginning after 1 July 2012 and have not been applied in preparing these financial statements. BPH's assessment on the impact of standards and interpretations on issue but not yet effective is that they are not expected to have any significant impact on the financial statements or the performance of BPH. However, the pronouncements may result in changes to how information is currently disclosed in the financial statements. BPH does not plan to early adopt any of these standards.

Notes to and forming part of the financial statements for the year ended 30 June 2012

	2012 $000	2011 $000

3. Interest income

	2012 $000	2011 $000
Interest – Bank	592	1 613
Interest – QTC Cash Fund	61	172
	653	**1 785**

4. Gain on sale of financial assets

	2012 $000	2011 $000
Gain on sale of loan arrangement	-	12 493
Proceeds from sale of income streams	-	121 250
	-	**133 743**

BPH has assigned its rights to receive money owed or payable to it by the Port Manager, Port of Brisbane Pty Ltd (PBPL) to Queensland Treasury Holdings Pty Ltd (QTH). An upfront payment of $50,511,095 was received as settlement for the rights to payments under a loan arrangement entered into between BPH and QPH Hold Trust as part of the sale. As the transaction transfers all rights and benefits including the credit risk to QTH, the original loan of $38,018,000 was derecognised. A further amount of $121,249,852 was received from QTH in return for BPH's rights to future licence fees from PBPL. Under these arrangements the risks and benefits including the credit risk have also been transferred to QTH.

5. Interest expense

	2012 $000	2011 $000
Interest on borrowings - QTC	-	280
Interest on borrowings - Other	-	11
	-	**291**

6. Other expenses

	2012 $000	2011 $000
Director fees	-	76
Audit fees	17	111
Insurance expense	96	111
Professional fees - QTC	100	60
Other	15	34
Total	**228**	**392**

7. Income from discontinued operations:

	2012 $000	2011 $000
Trade and other revenues		
Harbour and river dues	-	24 874
Wharfage	-	17 865
Rental	-	33 177
Services – dredging & other	-	6 778
Services – other	-	4 912
Interest earned	-	663
Other	-	152
Total	**-**	**88 421**

Notes to and forming part of the financial statements for the year ended 30 June 2012

			2012 $000	2011 $000
7.	**Income from discontinued operations continued**			
	Fair value gains / (losses)			
	Cost of sales of inventories		-	(6)
	Net gains on disposal of assets	(a)	-	443 873
	Net losses on disposal of non-current assets	(b)	-	(7 330)
	Total		-	436 537
	Total income from discontinued operations		**-**	**524 958**

(a) Net gains on disposal of assets

	2012 $000	2011 $000
Gain on sale of subsidiary and assets disposed under finance lease		
Sale of shares in PBPL to QPH Port Acquisition Company	-	533 673
Less: Cost of net assets in PBPL	-	(63 976)
Gain on sale of subsidiary and assets disposed under finance lease	-	469 697
Less: Selling costs	-	(25 824)
Net gain on sale of subsidiary and assets disposed under finance lease	-	443 873
Lease premium for assets disposed under finance lease to QPH Property Trust	-	381 650
Less: Carrying value of assets	-	(381 650)
	-	-

(b) Net loss on disposal of non-current assets

	2012 $000	2011 $000
Net loss on disposal of property, plant and equipment	-	(19)
Cost of assets surrendered to the State for nil consideration	-	(7 311)
Total	-	(7 330)

8. Expenses from discontinued operations:

	2012 $000	2011 $000
Operations expense		
Employee benefits expenses	-	13 585
Indirect taxes and government charges	-	5 021
Land duty settlement	-	17 217
Repairs and maintenance	-	6 013
Services and consultants	-	6 383
Materials and supplies	-	1 265
Utility charges	-	736
Advertising and promotion	-	612
Training and staff development	-	415
Other	-	2 202
Less: Capitalised internal development costs	-	(3 244)
Total	-	50 205
Depreciation, amortisation and impairment		
Depreciation, amortisation and impairment expenses	-	525 252
Total	-	525 252

Notes to and forming part of the financial statements for the year ended 30 June 2012

8. Expenses from discontinued operations continued

	2012 $000	2011 $000
Finance costs		
Attributable to loan for seaport	-	34 813
Competitive neutrality fee	-	4 359
Finance costs capitalised	-	(7 923)
Other	-	2
Total	-	31 251
Total expenses from discontinued operations	**-**	**606 708**

9. Income tax expense

a) Current income tax expense

	2012 $000	2011 $000
Income tax expense from continuing operations		
Current tax expense	-	40 445
Attributable to profits from continuing operations	-	40 445
Income tax expense from discontinued operations		
Current tax expense	-	(907)
Deferred income tax expense	-	(255 900)
Adjustment for current tax of prior periods	(161)	(12 873)
Attributable to profits from discontinued operations	(161)	(269 680)
Total Income Tax	**(161)**	**(229 235)**

b) Deferred income tax comprises:

	2012 $000	2011 $000
Decrease/(increase) in deferred tax assets	-	4,811
(Decrease)/increase in deferred tax liabilities	-	(260,711)
	-	(255,900)

c) Numerical reconciliation of income tax expense to prima facie tax payable

	2012 $000	2011 $000
Pre-tax (loss)/profit from discontinued operations	-	(81 750)
Pre-tax profit/(loss) from continuing operations	427	134 845
Total profit before income tax	427	53 095

Notes to and forming part of the financial statements for the year ended 30 June 2012

9. Income tax expense continued

	2012 $000	2011 $000
Tax effect at the Australian tax rate of 30%	**-**	**15 929**
Tax effect of non-deductible/(taxable) amounts:		
Non-assessable gain on 99 year finance lease and sale of shares in PBPL	-	(129 173)
Non-assessable deduction for impairment expense	-	153 505
Movement in temporary differences		
Adjustment for finance lease to QPH Property Trust	-	(264 404)
Adjustment for the write back of deferred tax liability recognised against asset revaluation reserve	-	8 375
Adjustment for current tax of prior periods	161	(12 873)
Other	-	(594)
Income tax expense/(benefit) attributable to profit	**161**	**(229 235)**

Tax consolidation

BPH and its 100% owned subsidiary PBPL were not consolidated for income tax purposes. PBPL was a GOC subsidiary and elected not to enter the National Tax Equivalents Regime, and therefore was tax exempt for the period 1 July to 30 November 2010. PBPL was sold on 30 November 2010.

10. Cash and cash equivalents

	2012 $000	2011 $000
Cash at Bank – Proceeds account	-	95 216
Cash at Bank – Operating account	2	14 671
QTC Cash Fund	16 239	-
	16 241	**109 887**

11. Receivables

	2012 $000	2011 $000
Trade debtors (net)	1	1
Accrued income	-	57
Other	3	15
Total	**4**	**73**

Allowance for impairment loss

	2012 $000	2011 $000
Opening balance	-	62
Transferred to PBPL on 1 July 2010	-	(62)
Closing balance	-	-

12. Prepayments

	2012 $000	2011 $000
Insurance	511	371
	511	**371**

13. Prepaid tax

	2012 $000	2011 $000
Current tax	**-**	**1 613**

Notes to and forming part of the financial statements for the year ended 30 June 2012

14. Investment properties

	2012 $000	2011 $000
Opening balance at 1 July	-	1 266 863
Acquisitions	-	10
Transfers from WIP	-	82 624
Transfer from Government Entities	-	4 740
Disposals – 99 year finance lease to QPH Property Trust	-	(1 160 135)
Disposals	-	(10 300)
Transfer to inventory & PPE on reclassification of use	-	(176 552)
Transfers to Government Entities	-	(4 250)
Impairment loss	-	(3 000)
Closing balance at 30 June	**-**	**-**

	2012 $000	2011 $000
Amounts recognised in profit and loss for investment property		
Rental income	-	38 882
Direct operating expenses from property that:		
Generated rental income	-	(2 571)
Did not generate rental income	-	(3 558)
Total	**-**	**32 753**

Notes to and forming part of the financial statements for the year ended 30 June 2012

15. Property, plant and equipment

There was no property, plant and equipment held for the year ending 30 June 2012.

Movement in property, plant and equipment	Land and Improvements	Buildings and improvements	Infrastructure, channels and wharves	Plant and equipment	Capital work in progress	Total
30 Jun 2011	$000	$000	$000	$000	$000	$000
At 1 July 2010						
Cost or fair value	30 520	67 279	1 040 818	87 068	67 532	1 293 217
Accumulated depreciation	-	(2 026)	(25 826)	(26 170)	-	(54 022)
Net book value	30 520	65 253	1 014 992	60 898	67 532	1 239 195
Year ended 30 June 2011						
Acquisitions	-	46	-	1 405	40 141	41 592
Disposals - 99-Year Finance Lease	-	(59 276)	(109 097)	-	(20 788)	(189 161)
Disposals - Sale of Shares in PBPL	-	-	-	(57 195)	(2 989)	(60 184)
Disposals - Ordinary	-	-	-	(763)	-	(763)
Reclassification prior to disposal	(49 200)	212 512	58	(726)		162 644
Impairment	-	(218 372)	(900 302)	-	-	(1 118 674)
Depreciation expense	-	(790)	(6 252)	(1 906)	-	(10 661)
Transfers from WIP	-	627	601	-	(1 228)	-
Transfers (to)/from investment property on reclassification of use	18 680	-	-	-	(82 624)	(63 944)
Transfers to intangibles	-	-	-	-	(41)	(41)
Subsequently expensed	-	-	-	-	(3)	(3)
Net book value at 30 June 2011	-	-	-	-	-	-

a) Buildings and improvements, infrastructure, wharves, capital work in progress were re-classified as non-current assets held for sale on 25 October 2010 prior to their disposal on 30 November 2010.
b) Land assets were re-classified to investment property.
c) Plant and equipment were disposed of as part of BPH's sale of shares in PBPL.

Notes to and forming part of the financial statements for the year ended 30 June 2012

16. Intangible assets

	2012 $000	2011 $000
Opening balance		
Intangibles at cost	-	8 381
Accumulated amortisation	-	(4 841)
Carrying amount at 1 July	-	3 540
Acquisitions	-	1 662
Disposals	-	(3 386)
Amortisation	-	(589)
Transfer from WIP	-	41
Impairment	-	(1 268)
Total	**-**	**-**

17. Financial assets

	2012 $000	2011 $000
Loan to QPH Hold Trust	-	38 018
Sale of loan arrangement (refer note 4)	-	(38 018)
Total	**-**	**-**

18. Disposal of investment in PBPL

On 25 October 2010, the Government received binding bids for the sale of the shares in PBPL and for the long term lease of the company's assets. At this date, the assets of BPH were reclassified as non-current assets held for sale. On 30 November 2010, BPH sold all of its shares in PBPL to QPH Port Acquisition Company for $533,673,000 and also entered into a 99-year finance lease with QPH Property Trust for its buildings, infrastructure and wharf assets, resulting in the disposal of these assets.

19. Payables

	2012 $000	2011 $000
Creditors	52	17 507
	52	**17 507**

20. Contributed equity

(a) Issued and paid up capital

	2012 $000	2011 $000
As at 1 July	2 250	6 500
Transfer of net assets to Queensland Government		
4,370,552 ordinary shares @$0.9723 each	-	(4 250)
2,314,152 ordinary shares @$0.9723 each	**2 250**	**2 250**

Notes to and forming part of the financial statements for the year ended 30 June 2012

20. Contributed equity

(b) Movements in issued shares for the year

	Number of ordinary shares	Number of ordinary shares
Opening number of shares	2 314 152	6 684 704
Number of shares cancelled upon divestment	-	(4 370 552)
Closing number of shares	**2 314 152**	**2 314 152**

	2012 $000	**2011 $000**
Dividends paid or provided during the year	77 999	1 045 723
Dividends per share (based on closing number of shares)	$33.70	$451.88

21. Asset revaluation surplus

Property, plant and equipment revaluation surplus	27 916	27 916
Transfer to retained surplus	(27 916)	-
	-	27 916

The asset revaluation surplus comprises:

Land		
Balance 1 July	27 916	19 541
Deferred tax	-	8 375
Transfer to retained surplus	(27 916)	-
Balance at year end	-	27 916
Buildings		
Balance 1 July	-	6 597
Impairments	-	(6 597)
Balance at year end	-	-
Infrastructure, channels and wharves		
Balance 1 July	-	420 342
Impairments	-	(420 342)
Balance at year end	-	-
Plant and equipment		
Balance 1 July	-	13 962
Realised on transfer to PBPL	-	(13 962)
Balance at year end	**-**	**-**

Nature and purpose of asset revaluation surplus

The Land revaluation surplus relates to land that was reclassified as investment property as at 30 November 2010.

22. Remuneration of auditor

	2012 $	2011 $
Amount received, or due and receivable, by the Auditor-General of Queensland for:		
Audit of accounts	16 500	224 000
	16 500	**224 000**

23. Related party transactions

(a) Ultimate controlling entity

The immediate controlling entity is Queensland Treasury Holdings Pty Ltd which holds 100% of the shares of BPH following the transfer of shares from the State on 5 April 2011. The ultimate Australian controlling entity during the year was the Under Treasurer of Queensland.

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for the planning, directing and controlling of activities of BPH, being members of the Board of Directors.

(c) Compensation - directors

No income was paid to or made available to any director of BPH during the financial year (2011: Nil).

(d) Compensation - other officers

BPH does not employ any other officers. All administration is out-sourced to Queensland Treasury Corporation (QTC), a related party. QTC charges a fee for these services.

(e) Other related party transactions

During the year the following transactions were undertaken between BPH and related parties. All transactions were at normal commercial terms and conditions unless otherwise stated.

- Funds invested with the QTC Cash Fund as at 30 June 2012 totalled $16 239 009 (2011: nil) and interest income net of management fees received during the year totalled $59 109 (2011: nil).
- QTC provides administrative services to BPH and its associated entities. A fee of $99 650 (2011: $59 682) was charged for these services.

Notes to and forming part of the financial statements for the year ended 30 June 2012

24. Reconciliation of net profit after income tax to net cash flows from operating activities

(a) Reconciliation of net profit to net operating cash flows

	2012 $000	2011 $000
Profit after income tax	**266**	**282 330**
Capital work in progress	-	3
Depreciation, amortisation and impairment	-	525 252
Net gain on disposal of non-inventory assets	-	(436 543)
Net gain on sale of financial assets	-	(133 743)
- Decrease / (increase) in receivables	57	8 917
- Decrease / (increase) in other assets	(127)	3 825
- Decrease / (increase) in inventories	-	29
- Increase in other provisions	-	378
- (Decrease) / increase in payables	(17 455)	(64 878)
- Increase in deferred revenue	-	79 752
-(Decrease) / increase in income tax payable	1 612	(1 629)
- (Decrease) / increase in deferred tax	-	(282 100)
Net cash provided by operating activities	**(15 647)**	**(18 407)**

(b) Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash includes cash on hand, cash at bank and deposits at call. Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the items in the Balance Sheet as follows:

	2012 $000	2011 $000
Cash at bank	2	109 887
Cash in QTC Cash Fund	16 239	-
	16 241	**109 887**

25. Financial risk management

The consolidated entity is no longer trading following the sale of the Port of Brisbane operations and as such has only minimal expose to financial risk which includes market risk (price, foreign exchange and interest rate risk), liquidity risk and credit risk. Where these risks continue to exist, BPH manages these exposures in accordance with internal financial risk management policies.

(a) Interest rate risk

The Consolidated Entity is exposed to interest rate risk through its investments in the QTC Cash Fund and other bank deposits.

At reporting date, the interest rate profile for interest-bearing financial instruments is as follows:

	2012 $000	2011 $000
Financial assets		
Cash– interest accruing to the State	-	95 216
Cash– interest bearing	16 241	14 671
	16 241	**109 887**

25. Financial risk management continued

(a) Interest rate risk continued

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. At 30 June, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgement of reasonably possible movements	Post-tax profit higher/(lower)		Equity higher/(lower)	
	2012 $000	2011 $000	2012 $000	2011 $000
+1% (100 basis points)	162	147	162	147
- 1% (100 basis points)	(162)	(147)	(162)	(147)

(b) Liquidity risk

BPH is exposed to liquidity risk in the normal course of business. As the entity no longer has any outstanding loan obligations and maintains sufficient cash reserves to meet ongoing expenses, this risk is minimal.

At balance date current assets are valued at $16 756 620 while current liabilities are valued at $51 984.

(c) Credit risk

The maximum credit risk exposure of the consolidated entity is represented by the carrying amounts of assets recognised in the Balance Sheet.

The consolidated entity is exposed to credit risk through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

(d) Fair values of assets and liabilities

The carrying amounts are a reasonable approximation of the fair value of financial assets and liabilities of the consolidated entity at balance date. These consist of deposits with QTC at prevailing market rates and short term payables and receivables.

(e) Fair value hierarchy

All financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 7: *Financial Instruments: Disclosures*. The fair value hierarchy reflects the significance of the inputs used to determine the valuation of these instruments.

Level 1 fair value measurements are those derived directly from quoted market prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 fair value measurements are those using inputs other than quoted prices included within level 1 that are observable directly or indirectly from the market data.

Level 3 fair value measurements are those derived from unobservable inputs or observable inputs to which significant adjustments have been applied.

Notes to and forming part of the financial statements for the year ended 30 June 2012

25. Financial risk management continued

(e) Fair value hierarchy continued

The principal inputs used to determine the valuation of financial instruments are discussed below:

- Cash at bank and the QTC Cash Fund are based on the current redemption value.

No transfers between classification levels occurred during the financial year.

30 June 2012	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash and cash equivalents	2	16 239	-	16 241
Total Financial Assets	**-**	**16 239**	**-**	**16 241**

30 June 2011	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial Instruments - Assets				
Cash and cash equivalents	109 887	-	-	109 887
Total Financial Assets	**109 887**	**-**	**-**	**109 887**

26. Contingent liabilities

(a) Environmental obligations

BPH has exposure to claims that may be made against it in relation to any pre-existing contamination of land assets. At balance date, there have been no claims made against the consolidated entity.

(b) Land tax

Under the Port of Brisbane Share Sales and Purchase Agreement, the State has agreed to pay to the Port Lessee, any portion of the Port Lessee's land tax liability in years the land tax assessment for the leased area exceeds the estimated land tax assessment. The obligations are subject to certain conditions, including the lessee pursuing any objection available to it in relation to an assessment, and are limited to assessment years up to and including 30 June 2025.

(c) Other persons

BPH has been notified of a potential public liability settlement. However, it is expected that any exposure would be limited to the excess under the existing insurance policy.

27. Retained profits

	2012 $000	2011 $000
Movement in retained profits were as follows:		
Balance at 1 July	64 271	808 936
Distribution of net assets from State Government Entities	-	4 766
Profit from continuing operations	427	94 400
Profit from discontinued operations	(161)	187 930
Realised asset revaluation surplus	-	13 962
Transfer of asset revaluation reserve	27 917	-
Dividends paid/payable	(77 999)	(1 045 723)
Balance at 30 June	**14 454**	**64 271**

28. Sale of investment in PBPL and 99 year lease of assets

On 30 November 2010, BPH sold all shares in PBPL to QPH Port Acquisition Company.

As a result, the following net assets were disposed by BPH:

	2011 **$000**
Current assets	31 563
Non-current asset	63 677
Total assets	95 240
Current liabilities	25 297
Non-current liabilities	5 967
Total Liabilities	31 264
Net Assets	63 976

The following profit was recognised from the sale of the shares to QPH Port Acquisition Company:

Proceeds from sale of shares in PBPL	533 673
Less: Net assets sold	(63 976)
Profit on sale of shares in PBPL	469 697

On 30 November 2010, BPH entered into a 99-year lease with QPH Property Trust for the use of BPH's land, buildings and improvements, wharves, infrastructure intangible and work in progress assets for a total of $1,349.900 million. In accordance with AASB 117: *Leases* these assets have been treated as a finance lease and derecognised.

As a result of the finance lease the sales proceeds were applied as follows:

Proceeds on sale	
Land	968 250
Buildings and improvements	59 276
Wharves	93 551
Infrastructure	15 546
Capital work in progress	212 951
Intangibles	326
	1 349 900

The long term lease structure allows the State (by maintaining ownership of land and infrastructure in a 'lessor' capacity) to transfer operational responsibilities to the lessee, while ensuring the land is retained for the purposes established in the agreement.

BPH's interests in the land is based on a passive landlord relationship, with all operational responsibilities for the Port, including capital expenditure, maintenance and land planning functions being the responsibility of the lessee. The lessee is responsible for costs associated with the use and occupation of the site along with all leasing arrangements with the port tenants, including shipping channels and wharves.

29. Events subsequent to balance date

On 10 August 2012, BPH appointed G Bradley and L Gordon as Directors of the Company with G Bradley appointed as Chairman on 14 August 2012.

There are no matters or circumstances which have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future years.

Notes to and forming part of the financial statements for the year ended 30 June 2012

DIRECTORS' DECLARATION

The Directors of Brisbane Port Holdings Pty Ltd declare that:

The financial statements and associated notes as set out on pages 7 to 29 are in accordance with the *Corporations Act 2001,* including:

a. complying with the Accounting Standards in Australia and the *Corporations Regulations 2001*, and

b. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2012 and of its performance for the year then ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors and is signed for and on behalf of the directors by:

G P Bradley
Chairman
16 August 2012

INDEPENDENT AUDITOR'S REPORT

To the Members of Brisbane Port Holdings Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of Brisbane Port Holdings Pty Ltd which comprises the consolidated balance sheet as at *30 June 2012,* the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Brisbane Port Holdings Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion, the financial report of Brisbane Port Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including –

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

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

Karen Johnson

K JOHNSON FCA
(as Delegate of the Auditor-General of Queensland)

QUEENSLAND
20 AUG 2012
AUDIT OFFICE

Queensland Audit Office
Brisbane