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ANNUAL REPORT 2017-18
TRADE SNAPSHOT

**SUGAR AND MOLASSES**

As Australia’s largest sugar exporter, Port of Townsville moved a combined tonnage of 1,605,116 tonnes, while Townsville exporting 1,060,098 tonnes (grown predominately in the Burdekin area) and Lucinda exporting 75,013 tonnes produced in the Herbert region.

**MINERALS AND FERTILISERS**

Dry bulk comprises cement, coke, mineral concentrates, fertiliser sulphur, sugar and zinc ferrites. In 2017/18, the dry bulk sector accounted for 4,730,224 tonnes.

**LIQUID BULK**

Liquid bulk comprises petroleum, bitumen, sulphuric acid, caustic soda, tallow and molasses. In 2017/18, liquid bulk accounted for 1,415,533 tonnes.

**MOTOR VEHICLES**

Motor vehicle imports improved by 22% to a record-breaking 17,659 vehicles, the highest import figure since 2009/10.

**CATTLE**

In 2017/18, the Port facilitated the first shipment of live cattle from Northern Australia to China.

**COPPER, LEAD AND ZINC**

Copper concentrate exports also increased by more than 180,000 tonnes, up 132% from 2016/17. Break bulk which includes lead and zinc ingots, comprised 5% of trade volumes in 2017/18.

**LIVINGSTOCK**

In 2017/18, 17,659 vehicles, the highest import figure since 2009/10.

**LIQUID BULK**

Liquid bulk comprises petroleum, bitumen, sulphuric acid, caustic soda, tallow and molasses. In 2017/18, liquid bulk accounted for 1,415,533 tonnes.

**MOTOR VEHICLES**

Motor vehicle imports improved by 22% to a record-breaking 17,659 vehicles, the highest import figure since 2009/10.

**TRADE HIGHLIGHTS**

In 2017/18, the Port was ranked among the Top 100 containerised and non-containerised ports globally. Key highlights for 2017/18 were:

- **CONTAINERS**: 75,827 TEUs in 2017/18.
- **COPPER, LEAD AND ZINC**: Copper concentrate exports also increased by more than 180,000 tonnes, up 132% from 2016/17. Break bulk which includes lead and zinc ingots, comprised 5% of trade volumes in 2017/18.
- **LIVINGSTOCK**: In 2017/18, 17,659 vehicles, the highest import figure since 2009/10.
- **MOTOR VEHICLES**: Motor vehicle imports improved by 22% to a record-breaking 17,659 vehicles, the highest import figure since 2009/10.

**Defence**

The Australian, New Zealand and United States Defence Forces visited the port with a combined total of 24 vessels.

**Cruise Shipping**

With two vessels accommodating the budget/families market the majority of vessels that visited the Port were luxury/boutique.
ABOUT US

VISION
Northern Australia’s Transport Link to the World

PURPOSE
We facilitate prosperity for the region now and for generations to come by advancing trade and commerce, strengthening global connections and stimulating investment in economic infrastructure and industries.

VALUES

- We value each other
- We do the right thing, and do it well
- We are driven to achieve world class results
- We think outside the box
- We are committed to continuous improvement

We do the right thing, and do it well.
OUR STRATEGIC PRIORITIES

This Annual Report provides an overview of POTL’s performance against its strategic objectives outlined in its Statement of Corporate Intent for 2017/18. Our key actions and initiatives during the period were focussed on three key strategic objectives, further facilitating our Vision to be Northern Australia’s Transport Link to the World:

Northern Australia’s Premier Trade and Business Hub
Growing and diversifying trade and business opportunities to deliver long-term financial returns and to support investments into existing and new infrastructure, environmental, security and community projects and initiatives.

Stewardship and Sustainability
Ensuring that infrastructure and services across the supply chain are efficient, integrated, safe and secure, reliable and cost effective for our customers and the viability of their operations.

Our Capability
Playing a critical role in local job creation and regional economic development whilst ensuring our ports operate in a socially responsible manner for the long term to ensure sustainable economic growth of our ports and the region.

OUR BUSINESS

Port of Townsville Limited (POTL) is a company established pursuant to the Corporations Act 2001 (Cwlth) and the Government Owned Corporations Act 1993 (Qld) (GOC Act). POTL has two shareholding Ministers, the Honourable Jackie Trad (Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships), and the Honourable Mark Bailey MP (Minister for Transport and Main Roads). POTL’s head office is located in Townsville. POTL owns and manages the ports of Townsville and Lucinda.

Port handles more than 30 different commodities, is the largest exporter in Australia of sugar, copper, lead, zinc and fertiliser and services around 70% of Northern Australia’s population.

OUR PORTS

Founded in 1864, the Port of Townsville plays a significant role in the local, regional and State economy. It is one of the four Priority Ports under the Sustainable Ports Development Act 2015 (Qld). Located close to the city of Townsville, the Port handles more than 30 different commodities; is the largest exporter in Australia of sugar, molasses, copper, lead, zinc and fertiliser. It is the largest container and automotive port in Northern Australia, servicing around 70% of Northern Australia’s population. It plays a critical role in growing tourism activities with a world class cruise ship terminal. It also provides strategic enduring naval capabilities with state of the art naval berth and infrastructure facilities, particularly in servicing the Australian Defence Force’s Landing Helicopter Dock ships.

The Port of Lucinda is situated approximately 100 kilometres north of Townsville and is primarily dedicated to the export of raw sugar from the Herbert River sugar growing district. As one of Queensland’s six bulk sugar terminals, the Port of Lucinda’s main role in the bulk sugar industry network is to receive, store and export raw sugar to domestic and international markets. It also services nearby islands with regular general cargo barge services.

THIS REPORT

This Annual Report presents POTL’s performance results for 2017/18 as well as details about strategic initiatives that we are pursuing to ensure we continue to deliver world class port facilities and services, and seamless maritime connections from Northern Australia.
2017-2018 was a significant year for us as we delivered on our commitment to develop new trade sectors and to invest in infrastructure expansions to provide certainty, capacity and competitiveness of our ports for future decades of growth.

Townsville Port is the largest exporter of zinc, copper, lead, sugar and fertiliser in the country. It is also Northern Australia's largest container and automotive port. From our base of strong and diversified trades, our goal is to provide our customers with unrivalled transport connections around Australia and the world.

Overall trade tonnage remained steady against last year, with a number of major milestones laid in the path to a stronger future.

A historical record for containerised cargo was achieved (47% increase from 2017), largely powered by renewable energy imports. New agricultural trades made their way to global markets, including the first live cattle exports from Northern Australia to China. New and expanded shipping routes were introduced, making the region even more accessible to the world.

It was a record year for motor vehicle imports (20% increase from 2017) and for cruise shipping, also we received the first booking for a cruise ship turnaround where passengers will board a cruise in Townsville. Mineral exports are poised to recover with the commencement of exports from several new mining operations during the year.

We again delivered strong financial results while continuing to deliver major infrastructure investments, with an improved operating profit through a focussed effort on revenue diversification and cost management.

Significant milestones were achieved for major infrastructure projects to increase cargo handling flexibility and capacity, notably:

- The $40 million upgrade of Berth 4 was completed and opened to shipping on 1 March 2018, providing a doubling of capacity for growth in containerised and general cargoes. We announced plans to invest a further $27 million in cranes and cargo handling terminal areas to further drive growth.
- Environmental approvals were secured for the $1.6 billion Townsville Port Expansion Project, which will see the staged construction of up to six new berths, land reclamation and channel works, providing certainty of capacity to meet trade growth over the next 30 years.
- The next 12 months and beyond promise to be exciting for us and the region that we have served since 1864.

We take this opportunity to thank our customers, our stakeholders and shareholders for their valued ongoing support.

Renita Garard
Chair

Ranees Crosby
Chief Executive Officer
Kim Gebers
General Manager Infrastructure and Planning
Kim is responsible for port master planning, land use planning, infrastructure projects, asset management, dredging, engineering, maintenance and environmental management. Kim has extensive experience in the planning, management and development of major infrastructure assets, including his previous role as Chief Executive and General Manager of the Dalrymple Bay Coal Terminal. In this role Kim managed assets valued at $5 billion, and led the operational implementation of a $1.3 billion terminal expansion to increase its capacity from 56 to 85 million tonnes per annum. Prior to this Kim was the Operations Manager and Deputy General Manager at Clyde Babcock-Hitachi. He holds a Bachelor of Engineering (Distinction) from the Royal Melbourne Institute of Technology, a Master of Business Administration from Deakin University and a Company Directors Diploma from the Australian Institute of Company Directors.

Claudia Brumme-Smith
General Manager Business Development
Claudia is responsible for trade and business development, property management, Harbour City developments, customer relations, marketing, media, communications and community engagement. Claudia brings extensive experience in business development, marketing and management roles working for several global companies including Proctor and Gamble, L’Oreal, Novartis and Johnson & Johnson across various countries, and has spent time working at the Port of Hamburg studying international container supply chains. She is also a casual teacher at James Cook University. She holds a double Bachelor Degree in International Management and Business with honours from universities in Germany, the US, and Spain.

Drew Penny
General Manager Operations
Drew is responsible for shipping and marine services, pilotage, security, towing, safety, landside operations, logistics and supply chain coordination. Drew has a wealth of operational and leadership experience, including 15 years working in operational management, logistics, project management, organisational change management, maintenance and reliability and contract management roles at South32 and BHP Billiton. He holds a Bachelor of Engineering (Hons) from James Cook University.

David Sibley
Chief Financial Officer
David is responsible for investments, pricing, treasury management, accounting, procurement, human resources, legal, governance and corporate services. Over the last 30 years David has worked across financial and corporate management within government, profit and not-for-profit entities. He has been responsible for formulating and implementing long term strategic, operational, and financial plans; commercialising government service units, and improving bottom line results in both non-profit and for-profit entities. He holds a Bachelor of Commerce from James Cook University and is a Certified Practicing Accountant.
## Key Performance Results

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2016/17 Actual</th>
<th>2017/18 Budget</th>
<th>2017/18 Actual</th>
<th>Movement (from 2016/17)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue ($M)</td>
<td>69.24</td>
<td>76.15</td>
<td>77.30</td>
<td>8.04</td>
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<tr>
<td>Operating Expenditure ($M)</td>
<td>43.21</td>
<td>49.31</td>
<td>50.41</td>
<td>7.20</td>
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<tr>
<td>Trade Income ($M)</td>
<td>57.55</td>
<td>64.33</td>
<td>61.81</td>
<td>4.26</td>
</tr>
<tr>
<td>Property &amp; Facilities Income ($M)</td>
<td>10.57</td>
<td>11.35</td>
<td>11.11</td>
<td>0.54</td>
</tr>
<tr>
<td>EBIT ($M)</td>
<td>26.05</td>
<td>26.84</td>
<td>26.89</td>
<td>0.84</td>
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<tr>
<td>NPAT ($M)</td>
<td>15.18</td>
<td>15.38</td>
<td>15.01</td>
<td>-0.17</td>
</tr>
<tr>
<td>Dividend ($M)</td>
<td>0.00</td>
<td>15.38</td>
<td>15.01</td>
<td>15.01</td>
</tr>
<tr>
<td>Accounting Return on Assets EBIT (%)</td>
<td>4.27</td>
<td>4.26</td>
<td>4.35</td>
<td>0.08</td>
</tr>
<tr>
<td>Accounting Return on Assets NPAT (%)</td>
<td>2.55</td>
<td>2.28</td>
<td>2.34</td>
<td>-0.21</td>
</tr>
<tr>
<td>Return on Equity (%)</td>
<td>3.41</td>
<td>3.32</td>
<td>3.37</td>
<td>-0.04</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>2.41</td>
<td>2.34</td>
<td>1.55</td>
<td>-0.86</td>
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<tr>
<td>Interest Cover Ratio (EBIT)</td>
<td>5.33</td>
<td>5.52</td>
<td>5.81</td>
<td>0.48</td>
</tr>
<tr>
<td>Debt to Equity Ratio</td>
<td>0.22</td>
<td>0.19</td>
<td>0.21</td>
<td>-0.01</td>
</tr>
<tr>
<td>Capital Investments ($M)</td>
<td>30.42</td>
<td>53.60</td>
<td>16.99</td>
<td>-13.43</td>
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<tr>
<td><strong>NON-FINANCIAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Throughput (Million Tonnes)</td>
<td>7.52</td>
<td>8.10</td>
<td>7.34</td>
<td>-0.18</td>
</tr>
<tr>
<td>Vessels to Port</td>
<td>588</td>
<td>613</td>
<td>613</td>
<td>25</td>
</tr>
<tr>
<td>Reportable Security Incidents</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reportable Environmental Incidents</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lost Time Injury Frequency Rate</td>
<td>8.22</td>
<td></td>
<td>19.45</td>
<td>11.23</td>
</tr>
<tr>
<td>Full-time Equivalent Employees</td>
<td>Headcount - 126 FTE -121.11</td>
<td>Headcount 133 FTE -129</td>
<td>Headcount +7 FTE +7.89</td>
<td></td>
</tr>
</tbody>
</table>
Trade throughput totalled 7.3 million tonnes for the year, including 6,757,148 tonnes of trade through the Port of Townsville and 579,766 tonnes through Port of Lucinda. Trade in 2017/18 was characterised by a noticeable reorientation towards the rapidly expanding containerised cargo sector, which was offset by a modest decrease in dry bulk commodity exports.

Trade highlights this financial year included record breaking container trade, motor vehicle imports, refrigerated cargo exports (including mango exports to China, South Korea and Hong Kong) and the first live cattle export from Northern Australia to China.

**Dry Bulk**

Dry bulk comprises mineral concentrates, fertiliser, sugar, zinc ferrites, cement, sulphur and coke. In 2017/18, the dry bulk sector accounted for 4,730,224 tonnes of throughput (64% of total tonnage), dropping by just under 275,000 tonnes from 2016/17 (a 5% decrease).

In 2017/18, dry bulk throughput was impacted by a decrease in sugar exports from both Townsville (down 23% from 2016/17) and Lucinda Port (down 5% from 2016/17), linked to depressed world sugar prices. Dry bulk exports were also impacted by a decrease in lead and zinc concentrate exports, mainly due to lower production at South 32’s Cannington mine. Bulk fertiliser exports performed below long term averages, down more than 100,000 tonnes from 2016/17 (a 13% decrease), driven by decreased lower production at Incitec Pivot Limited’s (IPL) Phosphate Hill fertiliser plant in Q2/2018.

In 2017/18, the dry bulk sector accounted for 4,730,224 tonnes of throughput.

The decline in dry bulk commodities were partially offset by an increase in zinc ferrite exports, up 29% from 2016/17. Copper concentrate exports also increased by more than 180,000 tonnes, up 132% from 2016/17. Copper concentrate exports replaced refining activities at Glencore’s Mount Isa operations due to scheduled maintenance, while Capricorn Copper’s Mount Gordon Mine ramp-up also contributed to strong copper concentrate exports.

In 2018/19, dry bulk exports are forecast to increase due to the restart of production at Glencore’s Lady Loretta mine, as well as full ramp up of Minerals and Metals Group Limited (MMG) Dugald River Project, Auctus Mineral’s Mungana mine and Red River Resource’s Thalanga mine. Cement imports are also forecast to increase in line with the commencement of these mining projects.

**Containerised Cargo**

In 2017/18, containerised cargo accounted for 819,999 tonnes of throughput, 11% of total tonnage. The Port handled a record-breaking 75,827 TEUs in 2017/18, up 47% from 2016/17 and the highest container throughput since 2014/15.

Containerised cargo comprises general cargo, fertiliser, mineral concentrates, refined copper, zinc ingots, meat and bone meal. General cargo imports service the mining, agricultural and industrial sectors of north and central Queensland. The Port handles an increasingly diverse range of general cargo export Commodities including agricultural produce, marble and timber.

In 2017/18, record-breaking growth in containerised cargo trade was driven by general cargo imports, linked to ongoing demand for renewable energy project cargo in north and central Queensland. Significant growth in general cargo trade was partially offset by a temporary drop in refined copper export, impacted by scheduled maintenance to Glencore’s Mount Isa operations, but is expected to rebound in 2018/19.
**LIQUID BULK**
Liquid bulk comprises of petroleum, bitumen, sulphuric acid, caustic soda, tallow and molasses. In 2017/18, liquid bulk accounted for 1,415,533 tonnes, a 3% increase from 2016/17 and 19% of total tonnage.

In 2017/18, liquid bulk tonnage heightened due to an increase in sulphuric acid export. Throughout increased from 42,971 tonnes in 2016/17 to 122,160 tonnes in 2017/18. Low domestic demand from Incitec Pivot’s sulphuric acid plant led to a rise in exports of sulphuric acid (a by-product of mineral refining processes). Sulphuric acid exports were partially offset by a smaller drop in molasses exports (down 5% from 2016/17), impacted by seasonal conditions and strong domestic demand.

**BREAK BULK**
In 2017/18, motor vehicle imports grew by 20% to a record-breaking 17,659 vehicles, the highest import figure since 2009/10. Motor vehicles were imported from traditional markets of Japan, Korea and Thailand. Thailand continues to capture an increasing share of the market.

Live cattle exports were 182,262 head, only slightly down (4%) from 2016/17 exports, impacted by ongoing supply constraints and high Australian cattle prices. Port of Townsville’s traditional live export markets, comprised of Indonesia and Vietnam, accounted for 98% of export demand. In 2017/18, Townsville Port facilitated the first shipment of live cattle from Northern Australia to China.

Break bulk cargo is comprised of general cargo, refined copper, lead ingots, zinc ingots, motor vehicles and cattle. In 2017/18, break bulk cargo accounted for 5% of trade volumes. Break bulk tonnage was 372,158 tonnes in 2017/18, down 22% from 475,706 tonnes in 2016/17.

General cargo imports were 28,972 tonnes, up 69% from 2016/17 due to strong demand for renewable and mining project cargo, such as tyres, solar panels and related consumables. General cargo exports reduced 29% from 2016/17 due to a decrease of scrap metal exports.

Lead ingots declined 22% from 2016/17, impacted by scheduled maintenance to Glencore’s Mount Isa operations. Refined lead exports are forecast to return to 2015/16 levels in 2018/19. Zinc ingots, exported as break bulk cargo in 2016/17, were largely containerised in 2017/18.

**FORUMS AND EVENTS 2017/18**
The Port attended and participated in several forums and events during 2017/18 to develop trade opportunities. These included:
- Beef Australia’s Beef Week 2018;
- Burdekin Shire Council’s Burdekin Export Forum;
- Livestock & Rural Transport Association of Queensland Annual Conference;
- Townsville Enterprise’s North Queensland Mining and Resources Industry Forum;
- Building North Queensland’s Defence Supply Chain Leadership Breakfast hosted by Department of State Development;
- North Queensland Townsville Industry Breakfast held by Department of State Development;
- North Queensland Work Pipeline & Skills Map held by Townsville Chamber of Commerce;
- Townsville Enterprise luncheon showcasing Singaporean Infrastructure Group, Surbana Jurong;
- Australia Pacific Business Connection’s Papua New Guinea Business Update;
- Agforce Live Cattle Forum;
- Horticulture Extension Officers and Industry Partner Forum with representatives from Cooperative Research Centre for Developing Northern Australia, Department of Agriculture and Fisheries, Queensland Agriculture Workforce Network, Austrade and Bowen Gumlu Growers’ Association in attendance;
- Chamber of Commerce and Industry Queensland & Queensland Japan Chamber of Commerce and Industry Forum on the Japan Economic Partnership Agreement;
- Bowen Gumlu Growers’ Association’s Annual Gala Dinner;
- Bowen Gumlu Growers’ Association’s Christmas Social;
- Australian Melon Association’s Export Forum featured discussions on current and potential markets for Australian melons in Malaysia, Hong Kong, Singapore and Japan;
- Cooperative Research Centre for Developing Northern Australia Grain roundtable.
- Asia Market Forum 2018
- North Queensland Mining Expo

Several delegations and industry groups also visited the Port of Townsville to explore trade opportunities including:
- North Queensland Growers Port Tour: The Port, in collaboration with Northern Stevedoring Services, Townsville Bulk Storage and Handling, Harbourside Coldstores and Biosecurity held a port tour for North Queensland farmers;
- Paddock to Port Tour: Central Highlands Development Corporation, Department of Agriculture and Fisheries, Charters Towers Regional Council, Central Queensland Inland Port, Graincorp, North Queensland Bulk Ports (Mackay), and agricultural producers from central and North Queensland attended;
- Hosted SEMEC: Surbana Jurong Group at the Port. A global team of architects, designers, planners and engineering consultants;
- RUC Delegates (James Cook University, Trade and Investment Queensland, Department of Agriculture and Fisheries) – presented on cattle trade and accompanied delegates to cattle station in Charters Towers;
- Hosted China Consul Jiang Jiqing, Director of Commercial Office, Chinese Consulate Office Brisbane, CHEN Ying Vice Consul, Audrey ZHENG State Manager of Bank of China, William Yan Special adviser of China Chamber of Commerce & Trade Investment Queensland;
- Hosted Mr Timothy Chua from ‘International Enterprise Singapore’ with Townsville Enterprise, regarding North Queensland’s supply chain and logistics infrastructure about defence training agenda;
- Singapore Trade Delegations hosted by Townsville Enterprise and Federal government.
In 2017/18 Townsville received a record 12 cruise ships carrying approximately 13,000 passengers and crew.
STAKEHOLDER ENGAGEMENT
During 2017/18 POTL developed its first Corporate Affairs Strategy; a consolidated plan for the activities of communication and engagement, marketing and branding, public relations and issue management for the business. The Strategy provides POTL with a clear vision for corporate affairs activities, ensuring its activities have a positive impact and ensuring its reputation is strong, resilient and resonates with its stakeholders.

Strengthened engagement and relationships with the community of Magnetic Island remained a priority during the reporting period, with activities including a Community Forum for the Port Expansion Project, support of the SeaLink Race Week Community Day by way of free shuttle buses for attendees and participation in the Beer Can Regatta, and the ongoing commitment of our Magnetic Island Engagement Officer who is permanently based on Magnetic Island.

Other notable engagement activities during 2017/18 included:
- The Townsville Port Community Liaison Group (CLG) completed its first 12 months of activity with the group achieving several notable milestones including the production of a “Water Quality in Cleveland Bay – Frequently Asked Questions” document which is now available on our website.
- POTL increased its following on social media during 2017/18 from around 20,000 to more than 27,000 followers. POTL’s goal is to become “the most social port in the world.”
- Continuation of the monthly “What’s Happening” series of notices in printed media and on radio.
- Continued support of Pricey’s Christmas Lights Tour, an annual Townsville event for the past 33 years.
- 33 port tours conducted for school and tertiary students, aged care home residents and general community groups.

SPONSORSHIPS, DONATIONS AND CORPORATE EVENTS
- POTL continued its support of the Townsville Maritime Museum during 2017/18 with a $25,000 donation.
- POTL provided $1,800 for prize money to James Cook University (JCU) student awards in fields of study relating to marine sciences.
- $12,600 was raised for the Townsville Mission to Seafarer at the Port of Townsville annual charity golf day in July 2017.

INDUSTRY INVESTMENT
As a major driver of economic growth in the region, POTL maintained its commitment to a number of industry bodies and organisations that promote the advancement of North Queensland, including:
- Townsville Enterprise Limited ($34,605 ex. GST)
- Mount Isa to Townsville Economic Zone (MITEZ) ($15,000 ex. GST)
- Townsville Chamber of Commerce ($1,364 ex. GST)
- Queensland Ports Association ($9,000 ex. GST)
- Ports Australia ($37,310 ex. GST)
- Australian Cruise Association ($3,700 ex. GST)
- Townsville City Council Sister Cities Program.

Strengthened engagement and relationships with the community of Magnetic Island remained a priority.

We are continuing to invest into infrastructure to meet the needs of our customers, improve supply chain efficiencies and to provide capacity required for future growth.
PROPERTY

POTL manages a property portfolio of 300 hectares, with around 110 tenancy arrangements that support port operations and services.

A number of long term and short term lease arrangements were entered into during the year, including a long term lease renewal covering a 8 hectare fuel storage facility on Hubert Street. Growing container trade and renewable project cargo imports significantly increased demand for short term land storage permits. POTL also commenced lease negotiations with existing and new operators for long term leases in the Centre Port as well as East Port area in 2018.

Given increasing demand for cargo laydown and storage, master planning and early construction works of the East Port Precinct commenced in 2017/18, which will see the creation of a 25 hectare, 8-lot precinct over the next 5 years. This precinct will integrate with the existing port as well as the Port Expansion Project area, and investments planned for new road and rail infrastructure to service the precinct will make it highly attractive for bulk and general cargo operators.

...works of the East Port Precinct commenced in 2017/18, which will see the creation of a 25 hectare, 8-lot precinct over the next 5 years
The $193 million Channel Capacity Upgrade is part of Stage 1 of the Townsville Port Expansion and will be the Port's largest infrastructure investment to date. The project involves widening of the Platypus and Sea channels to allow access for larger commercial, cruise and defence ships which are currently constrained due to the narrow channel width. The Environmental Impact Statement (EIS) approvals for Port Expansion Project (PEP) have allowed this project to progress as a commitment under the Port City initiative of the historic Townsville City Deal. $118 million in funding for the project has been committed, and it is anticipated that a resolution on the final funding for this project will be reached during 2018.

The Environmental Impact Statement for the project includes comprehensive scientific assessments and consultation processes to address key issues, as well as controls to ensure the health of Cleveland Bay is safeguarded. All capital dredge material will be beneficially re-used through placement in a fully contained area at the Port.

The project will create 120 local full time equivalent (FTE) jobs during construction and return over $580 million of value to Queensland. The project will see freight directly imported and exported through Townsville Port that otherwise is trucked or railed to capital centres, as well as enabling significant growth in cruise shipping with the accommodation of larger vessels.

Project planning and pre-works have begun, with technical investigations of the Port’s Granitevale quarry, development of Human Resource plans, channel design modelling/optimisation and development of the environmental monitoring and compliance activities which will be required.
The upgrade works will extend the life of the asset by approximately 50 years.

The works provided construction of a new deck and fender system with a common quay line across Berths 2 and 3, integration of cargo handling pipelines for cement, molasses, caustic soda and bitumen, ship to shore crane rail lines and tie downs, berth pocket deepening and the clearing of land behind the berth to provide flexibility and capacity for cargo handling. Significantly, the works were undertaken with cement and caustic soda imports being maintained seamlessly throughout. The upgrade works will extend the life of the asset by approximately 50 years and provide a doubling of capacity of Berth 4, which is essential for accommodating growth in containerised and bulk/break bulk handling. Following a competitive market process to identify an operator for Berth 4, POTL determined to invest $27 million into state-of-the-art cranes and a terminal area to support growth in containerised and bulk cargo. The investigation and design is currently underway to support an open tender process during the second half of 2018.

TOWNSVILLE EASTERN ACCESS RAIL CORRIDOR

The Townsville Eastern Access Rail Corridor (TEARC) Detailed Business Case (DBC) led by the Queensland Government was completed in 2018 and has identified TEARC as the future preferred rail corridor connecting the Mount Isa Line and the North Coast Rail Corridor to the Port of Townsville. TEARC was also identified as a critical enabler for the optimal Port layout to be achieved. The development of TEARC is determined as the future strategic infrastructure investment to ensure further growth of the North Queensland region and the Port of Townsville.

In 2018 the TEARC was deemed not economically viable at the time of completing the DBC and was placed on hold pending freight demand. A number of critical early works are recommended to ensure that TEARC can be delivered in a timely manner should circumstances change. These include corridor acquisition, securing environmental approvals, and developing transition plans for existing port rail infrastructure to connect to the future TEARC alignment. POTL will continue to work closely with the Queensland Government and Federal Government to ensure that TEARC is able to be delivered in line with freight demand.

ENGINEERING & MAINTENANCE WORKS

A number of engineering and maintenance projects were completed during the year to ensure our assets are well maintained and deliver appropriate levels of reliability, efficiency and services to our customers including:

• Successful completion of the $40M Berth 4 redevelopment project.
• $3.3M to undertake maintenance dredging of the channels and harbour areas.
• $740,334 for refurbishment and resurvey of floating plant and machinery.
• $481,122 for routine age related replacement of the heavy vehicle fleet.
• $461,023 to remediate scour damage at Berth 7.
• $696,090 towards the development of a roll on/roll off (RORO) facility at Berth 10 to cater for RORO cargo.
• $420,848 fender refurbishment works at Berth 9 as part of a four year replacement program.

The upgrade works will extend the life of the asset by approximately 50 years.
SAFETY & SECURITY

The safety of our people and of visitors and contractors to our Ports is a key priority. We actively pursue our goal of an injury free working environment.

SAFETY

POTL’s Safety Management System provides the framework to ensure that all operational activities are undertaken in a safe and healthy manner. The SMS also tracks continual improvement for the organisation and has been accredited to the AS/NZS 4801 and the OHSAS 18001 Standards and is being transitioned toward the new standard, ISO 45001. The 2017/18 period was audited by an external third party auditor with zero non-conformances reported.

Three injuries to POTL employees in 2017/18 resulted in time off work. These were all soft tissue injuries of which two required surgery.

SECURITY

POTL continues to maintain strict security standards and procedures as per the legislative requirements of the Customs Act through Australian Border Force (ABF) and the Maritime Transport and Offshore Facilities Security Act through the Aviation and Maritime Security Division (AMSD - Department of Home Affairs). In 2017/18 numerous external audits and reviews of the port were undertaken by ABF and AMS with no non-compliance issues identified.

Security Services engaged a software developer to create a tablet based application to record the entry/exit of persons (legislative requirements). This has resulted in a significant improvement in efficiency by speeding up the recording process thereby reducing the impact on customers.

The Attorney-General’s Criticality Project Workshops of 2017 culminated in the introduction of the Security of Critical Infrastructure Act 2018 (CWI) which came into effect on 11 July 2018. The Port of Townsville has been identified as critical infrastructure and POTL is required to register as a Responsible Entity and report details of Direct Interest Holders and Asset Operators by 11 January 2019. The registration process is currently being undertaken by POTL.

POTL continues to have a strong focus on the improvement of security services to ensure all legislative obligations continue to be met while minimising the impact to port operations and customers. To achieve this, we strive to develop and maintain strong relationships with the Regulators and other Australian ports by being an active participant in numerous industry forums and establishing direct dialogue with several capital city and regional ports. POTL has participated in the Maritime Industry Security Consultative Forum, Attorney-General’s Criticality Project Workshops and the Ports Australia Security Group.

We continue to engage with key stakeholders to develop a sustainable long term security strategy for the Port of Townsville which will ensure legislative obligations are met and continue to provide a safe workplace for all while minimising operational and/or customer impacts.
ENVIRONMENT & SUSTAINABILITY

“Our focus on sustainability, leading environmental practices and community engagement is a core part of who we are and what we do.”
**PERFORMANCE AND COMPLIANCE**

POTL is fully compliant with all permits and approvals. In 2017/18, 113 site inspections and observations were undertaken.

Port of Townsville’s Environmental Management System is certified to ISO 14001:2015, ensuring environmentally sound operational activities and tracking continual improvement.

**MONITORING**

POTL undertakes comprehensive monitoring programs within and surrounding the Port of Townsville. This includes an extensive network of real-time air quality and water quality monitors, as well as sampling of groundwater, stormwater, marine water and sediment.

Real-time equipment was installed at Lennon Drive station in early-mid 2018 and data is now available on the Department of Environment and Science website.

**CLEVELAND BAY SEAGRASS MONITORING**

POTL continued its long-standing partnership with James Cook University / TROPWATER in 2017 to conduct annual seagrass surveys in Cleveland Bay. The latest survey shows that seagrasses in Cleveland Bay continue to be in good overall condition. Their average above ground biomass has continued to increase, with the total area remaining above the long-term average at all the monitoring sites, and reaching the third largest spatial distribution since monitoring began. The seagrass was ranked “good” or “very good” for biomass and species composition indicators at all monitoring meadows.

Real-time equipment was installed at Lennon Drive station in early-mid 2018 and data is now available on the Department of Environment and Science website. Air quality dashboards of monthly air quality and an updated Boundary Air Monitoring Plan are available to the community on our website. In 2017/18 dust deposition levels at the Environmental Park were elevated on three occasions with levels reported to Department of Environment and Science. All other parameters at the three stations (Coast Guard, Lennon Drive and Environmental Park) were below relevant guidelines.

In 2017/18 marine water and sediment samples were collected from waters surrounding the port and showed similar trends to the previous 12 months. The water quality program expanded in 2018 with the deployment of five real-time water quality buoys in Cleveland Bay. These buoys measure water quality parameters including turbidity, pH, electrical conductivity and temperature and are, in addition to the underwater equipment, deployed at five locations within the Bay to monitor turbidity and Photosynthetically Active Radiation (PAR).

In April 2018, results from preliminary testing of groundwater detected elevated levels of Per- and Poly-Fluoroalkyl Substances (PFAS) around the Port of Townsville. This testing was undertaken as part of a voluntary monitoring program. Following the detection results in April, POTL commenced a preliminary investigation with the assistance of a specialist consultant (GHD) and Queensland government departments to understand the nature and extent of PFAS both within the port and beyond the port boundary. The investigation is progressing well, and results will be released to the public once the investigation is finalised.

In 2017/18, 113 site inspections and observations were undertaken.

POTL is fully compliant with all permits and approvals. In 2017/18, 113 site inspections and observations were undertaken.

Port of Townsville’s Environmental Management System is certified to ISO 14001:2015, ensuring environmentally sound operational activities and tracking continual improvement.

**MAINTENANCE DREDGING STRATEGY**

POTL has continued to progress development on Long term Maintenance Dredging Management Plan (LMDMP) for its ports throughout 2017/18 in accordance with the Queensland Government’s Maintenance Dredging Strategy. Engagement with appropriate stakeholders will occur during the first half of the 2018/19 financial year with the LMDMP to be finalised and publicly available by December 2018.

**PORT OF TOWNSVILLE MASTER PLAN**

Townsville Port is one of four Priority Ports in Queensland. The Ports Master Planning Team within Department of Transport and Main Roads, is progressing with the Port of Townsville Master Plan, as outlined in the Sustainable Ports Development Act 2015.

**PORT LAND MANAGEMENT**

POTL’s Land Use Plan, in accordance with the Planning Act 2016 and the Integrated Development Assessment System, ensures effective and efficient development on Strategic Port Land within the Ports of Townsville and Lucinda.
OUR PEOPLE

POTL’s people are the greatest contributors, they underpin our ability to deliver our vision to create the employer of choice.

2017/18 WORKFORCE OVERVIEW

POTL currently employs 133 people (129 full time equivalents as at 25 June 2018) across a wide range of disciplines (over 80 defined roles) including pilotage, engineering, planning, maintenance, marine services, governance and legal, customer relations, trade and property and business and commercial services.

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Male Employees (%)</td>
<td>71%</td>
</tr>
<tr>
<td>Female Employees (%)</td>
<td>29%</td>
</tr>
<tr>
<td>Average Age of Employees</td>
<td>49</td>
</tr>
<tr>
<td>Over 50 Years (%)</td>
<td>50%</td>
</tr>
<tr>
<td>Women POTL5 or above</td>
<td>17</td>
</tr>
<tr>
<td>Women Working in Senior and Middle Management</td>
<td>9</td>
</tr>
<tr>
<td>Female Representation on Board (%)</td>
<td>40%</td>
</tr>
<tr>
<td>Average length of service</td>
<td>8.3 yrs</td>
</tr>
<tr>
<td>% Employees &lt;5yrs</td>
<td>47%</td>
</tr>
</tbody>
</table>

Average employee turnover was 4.8%. Each employee exit is reviewed and the three main reasons for leaving POTL were:
- Further career opportunity
- Relocation with family
- Retirement

Note: turnover percentage relates to those employees instigated terminations and does not include those employees whose termination occurred through performance management processes, end of fixed term contract engagements or casual employees.

In conjunction with the above, over the next five years POTL will undertake the Channel Capacity Upgrade Project to cater to growing demand and expanding vessel sizes. The project includes the widening of the existing navigation channels, the construction of rock wall revetment ponds and the development of 100 hectares of reclamation. The project has a value around $193 million, includes extensive environmental controls and is considered vital to the continued economic development of North Queensland. At various stages this will add up to a further 120 employees over the timeframe of the Project.

At various stages this will add up to a further 120 employees over the timeframe of the project.
EMPLOYEE RELATIONS FRAMEWORK

POTL’s employee relations framework includes but is not limited to:
- Workforce Plan:
- Employment and Industrial Relations Plan;
- Enterprise Agreements;
- Formal Employee Induction Program;
- Succession Planning for Key Executive Positions; and
- Employee Performance and Development Evaluation Procedure.

POTL promotes attraction, retention, employee commitment and job satisfaction

WORKFORCE PLANNING

The Workforce Plan identifies the employment challenges facing the organisation and details strategies to be implemented to ensure that POTL’s employment profile will be capable of meeting future corporate objectives. POTL’s Workforce Planning process involves:
- Identifying future business directions and workforce needs;
- Analysing and understanding the make up of the current workforce;
- Determining the necessary skills, capabilities and competencies required to achieve strategic operational goals in the future; and
- Developing and implementing policies and strategies that will assist in achieving these goals.

POTL promotes attraction, retention, employee commitment and job satisfaction through the provision of an appropriate and stable organisational structure and initiatives such as flexible work practices, maternity and paternity leave, flexible annual leave provisions (ability to purchase and cash out leave), corporate health and employee assistance programs.

TRAINING AND PROFESSIONAL DEVELOPMENT

POTL is proactive in encouraging and assisting employees in undertaking professional development.

In conjunction with TAFE North Queensland, POTL has instigated an accredited Developing Managers and Leaders Program which has six participants. A further five employees from the 2016/2017 Program undertaken further professional development attaining Certificate IV’s in Leadership and Management.

Work experience opportunities were provided to high school students during the financial year, plus internships for University students.

SUCCESSION PLANNING

POTL has a succession planning system that prepares people to meet POTL’s current needs over time; identifies necessary competencies to assess, develop, and retain a talent pool of employees to ensure a continuity of leadership for all critical positions and reflects the conscious decision by POTL to foster and promote the continual development of employees enabling POTL to achieve business objectives.

EQUAL EMPLOYMENT OPPORTUNITY

POTL has an Equity Policy which aims to promote equality of opportunity by prohibiting unfair discrimination, sexual harassment and associated objectionable conduct. The policy contains information relating to Equal Employment Opportunity, Anti-Discrimination, Sexual Harassment and Prevention of Harassment and Bullying. New employees are trained in this policy during induction and all employees undertake refresher training in relation to this policy. POTL has ten trained Equity Contact Officers distributed throughout the organisation. Contact Officers receive the requisite training and are provided with refresher courses to remain current.

LOOKING FORWARD - 2018/19 STRATEGIES

Over the next 12 months, POTL will continue to implement strategies aligned to government requirements and continue to improve workplace relations, encourage employee development, and satisfaction while maintaining core activities and maximising utilisation of existing resources.

Any reported breaches of POTL’s Equity Policy are investigated promptly and any person found to be in breach of the policy may be subject to disciplinary action in accordance with POTL’s Disciplinary Procedure.

There are currently 17 women classified at POTL Level 5 and above; nine women working in executive, senior and middle management. There are two women represented on the Board including the Chair.
GOVERNANCE

Shareholding Ministers
Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships
Hon. Jackie Trad MP
Minister for Transport and Main Roads
Hon. Mark Bailey MP

Company Secretaries
Ms Esther Slocombe
Mr David Sibley

GM Operations
Mr Drew Penny

GM Infrastructure
Mr Kim Gebers

GM Business Development
Ms Claudia Brumme-Smith

Chief Executive Officer
Ms Ranee Crosby

GM Financial
Mr David Sibley

• Marine Pilotage
• Shipping & Marine Services
• Security
• Navigation & Marine Safety
• VTS Liaison
• Towage
• Launch and Lines
• Supply Chain Management
• Operational Management

• Master Planning
• Dredging
• Land Use Planning
• Environment
• Stakeholder Engagement
• Asset Management
• Engineering
• Drafting
• Maintenance
• Hydrographic Survey
• Procurement

• Trade
• Customer Service
• Marketing
• Investment and Market Analysis
• Leasing
• Property Developments
• Development Approvals
• Communications
• Media
• Community Engagement

• Treasury Management
• Accounting
• Pricing
• Accounts Payable / Receivable
• Payroll
• Debt Collection
• Statistics
• Safety
• Human Resources
• Governance
• Legal
• Administration

BOARD OF DIRECTORS

POTL’s Board of Directors comprises five non-executive Directors who have been appointed by the Governor in Council in accordance with the GOC Act. Directors’ name and tenure details as at 30 June 2018 are shown below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Initial appointment</th>
<th>Last re-appointed</th>
<th>Appointment expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms Renita Garard</td>
<td>Chairperson</td>
<td>1 October 2015</td>
<td>Not Applicable</td>
<td>30 September 2018</td>
</tr>
<tr>
<td>Mr Bradley Webb</td>
<td>Director</td>
<td>1 October 2011</td>
<td>12 October 2017</td>
<td>30 September 2020</td>
</tr>
<tr>
<td>Ms Megan Heywood</td>
<td>Director</td>
<td>3 December 2015</td>
<td>Not Applicable</td>
<td>30 September 2018</td>
</tr>
<tr>
<td>Mr Shayne Hanran</td>
<td>Director</td>
<td>3 December 2015</td>
<td>Not Applicable</td>
<td>30 September 2018</td>
</tr>
<tr>
<td>Hon. Mike Reynolds CBE AM</td>
<td>Director</td>
<td>16 December 2016</td>
<td>Not Applicable</td>
<td>30 September 2019</td>
</tr>
</tbody>
</table>

POTL’s Directors are paid fees for their services. The amount of the fees is determined by shareholding Ministers. Remuneration arrangements for the Chief Executive Officer and senior executives are determined by the Board in accordance with guidelines issued by shareholding Ministers. In accordance with the disclosure requirements for GOCs, details of Directors’ remuneration for the reporting period are located within this report.

The Board has adopted a Disclosure of Interests Policy to ensure the independence of Directors is appropriately assessed and any potential conflicts are identified, disclosed, and managed. It is considered by the Board that none of the Directors’ interests disclosed during the reporting period interfered with the ability of those Directors to act in POTL’s best interests. Disclosure of interests is further dealt with in POTL’s Disclosure of Interests Policy found on POTL’s website at: www.townsville-port.com.au/about-us/governance.

Board of Directors, left to right:
Hon. Mike Reynolds CBE AM, Megan Heywood, Mr Bradley Webb, Mr Shayne Hanran, Ms Renita Garard (Chair)
BOARD COMMITTEES
POTL has three Board Committees that report to the Board, namely:

1. **Audit and Risk Management Committee**
   - Chair – Ms Renita Garard
   - Members – Mr Bradley Webb and Hon. Mike Reynolds CBE, AM
   - The primary objective of the Audit and Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities prescribed in the Financial Accountability Act 2009 (Qld), Corporations Act 2001 (Cth) and other relevant legislation and prescribed requirements by providing independent advice and counsel to the Board of Directors on matters considered by the Committee at its regular meetings.

2. **Human Resources and Work Health and Safety Committee**
   - Chair – Ms Megan Heywood
   - Members – Ms Renita Garard and Mr Shayne Hanran
   - The primary objective of the Human Resources and Workplace Health and Safety (HR&WHS) Committee is to assist the Board of Directors in fulfilling its responsibilities by facilitating the delivery of major infrastructure projects being considered by POTL in a timely, efficient and cost effective manner.

3. **Major Projects Committee**
   - Chair – Mr Shayne Hanran
   - Members – Mr Bradley Webb and Hon. Mike Reynolds CBE, AM
   - The primary objective of the Major Projects Committee is to assist the Board of Directors in fulfilling its responsibilities by facilitating the delivery of major infrastructure projects being considered by POTL in a timely, efficient and cost effective manner.

SHAREHOLDERS
The Board is responsible to POTL’s shareholders, the Honourable Jackie Trad MP (Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships), and the Honourable Mark Bailey MP (Minister for Transport and Main Roads).

POTL is required by the GOC Act to develop a five year Corporate Plan and an annual Statement of Corporate Intent (SCI) (including an annual Employment and Industrial Relations Plan), which are submitted to shareholders for approval prior to the commencement of each financial year.

Business performance reports are provided to the Board and shareholders on a quarterly and annual basis to POTL’s performance against agreed targets can be monitored. Moreover, the annual reports are published so POTL’s performance can be communicated to other stakeholders. This annual report provides an overview of POTL’s performance against its SCI for the 2017/18 reporting period.

DIVIDEND POLICY
The GOC Act requires the Board to recommend the payment of a dividend. POTL’s dividend policy considers the return its shareholders expect on their investment.

POTL has recommended a dividend to shareholding Ministers of 100% of POTL’s adjusted statutory net profit after tax (NPAT), which POTL expects to be in the amount of $15,011,381 for the 2017/18 financial period.

RISK MANAGEMENT
POTL has an integrated Risk Management Framework consistent with ISO31000:2009. The framework has been communicated to all employees and is displayed on POTL’s intranet for easy accessibility.

A Risk Management Committee, consisting of employees from each business unit, is responsible for the implementation of the framework. The Committee meets on a quarterly basis to identify, assess, and manage risks that may impact on POTL, delivering its core statutory functions. Where necessary, risk mitigation strategies are developed and implemented by the Committee to prevent and/or reduce the occurrence of risks, including strategic, operational, project, and fraud control plans. The status of implementation is reported to the Audit and Risk Management Committee on a quarterly basis. Any significant risks are escalated to the Board for their input and oversight.

AUDITS
POTL’s financial statements and reports are prepared in accordance with the provisions of the Financial Accountability Act 2009 (Qld), and prescribed accounting standards. POTL’s Audit and Risk Management Committee oversees, assesses, and enhances the systems of internal control and the internal audit function.

POTL’s internal audit function during the reporting period, audits were conducted by POTL’s internal auditors in respect to POTL’s business continuity and accounts payable. All opportunities for improvement identified from these audits are currently being addressed to improve internal business practices.

The external audit function is carried out by the Queensland Audit Office. The Auditor-General, as the State’s independent external auditor of GOCS, reports to the Parliament.

BUSINESS MANAGEMENT SYSTEMS
PUBLIC INTEREST DISCLOSURES

POTL has a Public Interest Disclosure (Whistleblowers) Policy, which sets out mechanisms for reporting, investigating, and providing protection in regard to public interest disclosures. This policy is available on POTL’s website at www.townsville-port.com.au/about-us/governance/. POTL did not receive any public interest disclosures during the reporting period.

RELEASE OF INFORMATION

The Right to Information regime requires GOCs to provide greater proactive and routine disclosure of information to the public and gives individuals the right to apply for access to information held by GOCs. Consistent with the spirit of the legislation, POTL has developed a publication scheme on its website which makes a number of POTL’s internal policies and procedures publicly available. This information is located on POTL’s website at www.townsville-port.com.au/about-us/release-of-information/.

POTL did not receive or process any Right to Information or Information Privacy applications during the reporting period.

PRIVACY

POTL has implemented a Privacy Plan consistent with the 11 Information Privacy Principles contained in the Information Privacy Act 2009 (Qld) that were adapted from the Privacy Act 1988 (Cwlth). The Plan is communicated and accessible to all employees of POTL. A copy of the Plan is also available on POTL’s website at www.townsville-port.com.au/privacy-policy/. POTL did not receive or process any Information Privacy applications during the reporting period.

SUMMARY OF DIRECTIONS AND NOTIFICATIONS

In accordance with section 114 of the GOC Act, POTL was not notified by its shareholding Ministers during the reporting period of the application or revocation of any government policies applying to Government Owned Corporations.

OVERSEAS TRAVEL

Details of overseas travel undertaken by Directors and Executives of POTL during the reporting period are outlined in the table below:

<table>
<thead>
<tr>
<th>Name of officer/ N-E</th>
<th>Title/Position/N-E</th>
<th>Country/ N-E visited</th>
<th>Date depart</th>
<th>Date return</th>
<th>Outcomes of visit (3 dot points for each trip)</th>
<th>Trip purpose code</th>
<th>Costs/lumping SAUD (rounded) Actual (A) or Estimate (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Giley</td>
<td>Chief Financial Officer</td>
<td>Singapore</td>
<td>21 Aug 2017</td>
<td>23 Aug 2017</td>
<td>• socio/economic benefits to the Townsville region;</td>
<td></td>
<td>$3,855</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• increased use of, and possible investment into, the shipping and logistics infrastructure at Townsville Port; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• potential for Townsville to act as a transit hub, with possible future port expansion and direct flights from Townsville to Singapore.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renita Garard</td>
<td>Chair GM Business Development</td>
<td>Singapore</td>
<td>4 Sept 2017</td>
<td>8 Sept 2017</td>
<td>• assess relevant business development opportunities;</td>
<td></td>
<td>$11,600</td>
</tr>
<tr>
<td>Claudia Brunner-Smith</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• gain critical learnings towards Townsville’s urban renewal program from Singapore’s urban development program; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• highlighting investment and development opportunities associated with Townsville’s planned city renewal.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTALS** $15,455
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DIRECTORS’ REPORT

The Directors present their report together with the financial statements of Port of Townsville Limited (POTL) for the year ended 30 June 2018 and the auditor’s report thereon.

DIRECTORS

The names and details of the Directors of POTL in office during the financial year and up to the date of this report are as follows:

Ms Renita Garard (Chair)
Ms Megan Heywood
Mr Bradley Webb
Hon Mrs Reynolds, CBE, AM
Mr Shayne Harran

PRINCIPAL ACTIVITIES

POTL’s primary role is to facilitate trade growth through the provision and commercial management of efficient and effective port services.

POTL’s core business functions are to:

• act commercially and optimise the value of the business whilst endeavouring to achieve sustained long-term business growth;
• establish, manage and operate effective and efficient port facilities and services at its ports;
• make land available for —
  • the establishment, management and operation of effective and efficient port facilities and port services at its ports by other persons; or
  • other purposes consistent with the operation of its ports;
• provide or arrange for the provision of ancillary services or works necessary or convenient for the efficient and effective operation of its ports;
• keep appropriate levels of safety and security in the provision and operation of the port facilities and port services;
• provide other services incidental to the performance of POTL’s other functions, or likely to enhance the usage of its ports;
• perform any other functions and exercise any other powers conferred on POTL under the Transport Infrastructure Act 1994 (Qld), the Government-Owned Corporations Act 1993 (Qld) and Regulations or another Act or under POTL’s Statement of Corporate Intent or Corporate Plan;
• provide port services and ancillary services:
  • whether in or outside its ports; and
  • whether in or outside Australia; and
  • whether for another port or for other parties; and
• carry out any activity that is incidental to the attainment of the functions set out above.
**REVIEW OF OPERATIONS**

Profit from continuing operations before income tax expense remained strong at $22.26 million (2017: $21.16 million) with a continued focus on revenue diversification and cost management. POTL’s operating result for the year after income tax remained steady at $15.01 million (2017: $15.18 million). Total trade throughput for the year remained steady at 7.34 million tonnes (2017: 7.52 million tonnes).

Townsville Port saw a historical record for containerised cargo with a 47% increase from the 2017 year, driven largely by renewable energy projects in the region. It was also a record year for motor vehicle imports (20% increase from 2017).

Significant milestones were achieved for major infrastructure projects to increase cargo handling flexibility and capacity. The $40 million upgrade of Berth 4 was completed and opened to shipping on 1 March 2018, providing a doubling of capacity on the berth to cater for the growth in expected containerised and general cargoes. The project was delivered by local contractor, CivilPlus. Constructions, employing around 100 people in Townsville. POTL will invest a further $27 million in cranes and cargo handling terminal areas to drive growth in container and general cargo trades.

The Additional Environmental Impact Statement (AEIS) for the $1.6 billion Townsville Port Expansion Project, which involves the staged construction of up to six new berths, land reclamation and channel widening and deepening to meet trade growth to 2040, was approved by the Queensland Government in September 2017 and by the Federal Department of Environment and Energy in February 2018.

The $193 million Townsville Channel Capacity Upgrade Project, which forms part of the first stage of the Port Expansion, involves widening of the channels to cater for larger ships, ensuring North Queensland remains a competitive trade gateway for imports and exports. It will also enable Townsville to attract larger cruise ships to support growth of the local tourism industry and improve strategic capability for Defence. POTL has committed $43 million to the project, and in June 2017 the Queensland Government committed $75 million towards the project. Construction works could commence in the coming financial year, subject to finalisation of the balance $75 million funding currently under consideration by the Federal Government. Access for larger ships can be expected within two years and full project completion by 2023.

During the year, POTL continued work with Townsville City Council and Economic Development Queensland on planned developments in the Townsville Waterfront Priority Development Area (PDA). POTL owns 10 hectares of waterfront land in the PDA which are of strategic importance and will be redeveloped in stages over the next 20 years to link the Port to the City Centre, creating vibrant mixed uses and public realm whilst ensuring port operations are appropriately protected. In August 2017, the Treasurer announced a Market Led Proposal submitted by SeaLink and Honeycombe Property Group for a $56 million Strand Ferry Terminal to create an integrated transport and tourism hub on the southern end of the current precinct which is expected to open in 2020.

POTL maintained external certification of its Integrated Business Management Systems for the Ports PDA. POTL owns 10 hectares of waterfront land in the PDA which are of strategic importance and will be redeveloped in stages over the next 20 years to link the Port to the City Centre, creating vibrant mixed uses and public realm whilst ensuring port operations are appropriately protected. In August 2017, the Treasurer announced a Market Led Proposal submitted by SeaLink and Honeycombe Property Group for a $56 million Strand Ferry Terminal to create an integrated transport and tourism hub on the southern end of the current precinct which is expected to open in 2020.

POTL’s operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its port management activities. There are significant environmental regulations under legislation, including licence requirements relating to dredging, potential water and air, noise and land pollution; and waste management in relation to POTL’s operations.

All environmental performance obligations are reviewed as part of the certified Environmental Management System (EMS) and under POTL’s risk and compliance framework are reported to government agency, internal and external professional agency audit, as well as ongoing review to ensure compliance.

In April 2018, results from preliminary testing of groundwater detected elevated levels of Per- and Poly-Fluorocarbonyl Substances (PFAS) around the Port of Townsville. This testing was undertaken as part of a voluntary monitoring program by POTL. PFAS are a group of man-made chemicals that have been widely used since the 1950s in household and industrial products that resist heat, oil, stains, grease and water. The port area is fully reclaimed land and its origins are in locations where there have been a range of industrial uses over 150 years. Historical activities in the areas of most elevated readings included a coal fired power station, old naval bunker lines, railway operations and former fuel storage facilities.

POTL is working with independent experts as well as Queensland Government departments on a preliminary site investigation to understand the nature and extent of PFAS both within the port and beyond the port boundary. This will include looking at historical uses of lands in these areas that may be the source of PFAS. This investigation will also examine potential pathways of PFAS into the environment. Results from this investigation will be released in July 2018.

**DIVIDENDS**

Directors recommended payment of a final dividend of 100% of net profit after tax (2017: 100% was recommended by the Board, however shareholder’s approval retention of 2017 dividend to contribute to the cost of the Channel Capacity Upgrade Project). The final dividend amounts to $15,011,381 (2017: $0).

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the directors there were no significant changes in the state of affairs of POTL that occurred during the financial year.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There has not been any matter or circumstance that has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- POTL’s operations in future financial years, or
- the results of those operations in future financial years, or
- POTL’s state of affairs in future financial years.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Further information on likely developments in the operations of POTL, and the expected results of operations, has been included in POTL’s Annual Report.

**ENVIRONMENTAL REGULATION**

POTL’s operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its port management activities. There are significant environmental regulations under legislation, including licence requirements relating to dredging, potential water and air, noise and land pollution; and waste management in relation to POTL’s operations.

All environmental performance obligations are reviewed as part of the certified Environmental Management System (EMS) and under POTL’s risk and compliance framework, are reported to the Audit & Risk Management (ARM) Committee. These processes and management practices are subject to government agency, internal and external professional agency audit, as well as ongoing review to ensure compliance.

In April 2018, results from preliminary testing of groundwater detected elevated levels of Per- and Poly-Fluorocarbonyl Substances (PFAS) around the Port of Townsville. This testing was undertaken as part of a voluntary monitoring program by POTL. PFAS are a group of man-made chemicals that have been widely used since the 1950s in household and industrial products that resist heat, oil, stains, grease and water. The port area is fully reclaimed land and its origins are in locations where there have been a range of industrial uses over 150 years. Historical activities in the areas of most elevated readings included a coal fired power station, old naval bunker lines, railway operations and former fuel storage facilities.

POTL is working with independent experts as well as Queensland Government departments on a preliminary site investigation to understand the nature and extent of PFAS both within the port and beyond the port boundary. This will include looking at historical uses of lands in these areas that may be the source of PFAS. This investigation will also examine potential pathways of PFAS into the environment. Results from this investigation will be released in July 2018.

**FINANCIAL REPORT**
Results to date indicate a very low risk to local residents or workers at the Port of Townsville. POTL has also conducted testing on local marine sediments and waters, with all results being below relevant guidelines. During all phases of this investigation POTL has maintained regular and open communication with the community and regulators as well as Queensland Health and relevant Queensland Government departments.

POTL is not aware of any other matter that requires disclosure regarding any significant environmental regulation in respect to its operating activities in the past year.

**COMPANY SECRETARY**

POTL has appointed two company secretaries - Ms Esther Slocombe and Mr David Sibley.

**Ms Esther Slocombe**

Esther commenced employment with POTL in October 2007 and is currently POTL’s Company Secretary and Legal Counsel. Esther oversees POTL’s governance, legal, regulatory, government stakeholder liaison, strategic/corporate planning, contractual review, right to information, information privacy, records management, risk management, audit and administration functions.

Prior to joining POTL she held a position of legal practitioner in a private legal practice in Townsville for three (3) years. Esther was admitted as a Legal Practitioner of the Supreme Court of Queensland on 23 February 2007. She is a member of the Queensland Law Society, Graduate of the Australian Institute of Company Directors (GAICD) and a trustee on the Townsville Traditional Owners Charitable Trust.

Esther has also completed a Diploma of Management.

**Mr David Sibley**

David was appointed as Company Secretary in January 2016 after being employed with POTL’s for more than nine (9) years. Over the last 30 years David has worked across financial and corporate management within government, profit and not-for-profit entities. He has been responsible for formulating and implementing long-term strategic, operational, and financial plans; commercialising government service units, and improving bottom line results in both non-profit and for-profit entities.

He has extensive experience in change management and is the Chief Financial Officer at POTL.

David holds a Bachelor of Commerce from James Cook University and is a Certified Practicing Accountant with Fellow Status.

**MEETINGS OF DIRECTORS**

The number of meetings of POTL’s Board of Directors and of each Board Committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

<table>
<thead>
<tr>
<th>Director</th>
<th>Board Meetings</th>
<th>Audit &amp; Risk Management Committee</th>
<th>HR &amp; WHS Committee</th>
<th>Major Projects Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Eligible to attend</td>
<td>Attended</td>
<td>Eligible to attend</td>
<td>Attended</td>
</tr>
<tr>
<td>Ms Renita Garard</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Mr Brad Webb</td>
<td>10</td>
<td>9</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Mr Shayne Hamran</td>
<td>10</td>
<td>10</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Ms Megan Heywood</td>
<td>10</td>
<td>10</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Hon. Mike Reynolds CBE, AM</td>
<td>10</td>
<td>9</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

Note 4(E) of the financial statements provides detailed disclosures relating to the remuneration of key management personnel. The term key management personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of POTL, directly or indirectly, including any director (whether executive or otherwise) of POTL.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the year, a policy was held to insure all directors and officers of POTL against liabilities incurred in their capacity as director or officer. The provisions of this policy prohibit the disclosure of the nature of the liabilities insured. The Corporations Act 2001 (Cth) does not require disclosure of this information in these circumstances.
Ms Renita Garard OAM
Non-Executive Chair
Initial Appointment 1 October 2015, Term of Office - to 30 September 2018

Experience and Expertise
Renita is a chartered accountant with more than 20 years’ experience in the provision of financial and taxation advice through roles within leading professional services firms. In particular, she has significant experience in the provision of advisory services regarding large commercial transactions and reorganisations for corporate entities, private family groups, superannuation funds and investment funds.

Renita is a Director of Queensland Rugby Football League Limited and is also a Director of not for profit organisations, Lifetec Australia Ltd and the 4 Aussie Heroes Foundation Limited.

A dual Olympic gold medallist as a former hockey player with the Australian Women’s Hockey Team (1996 & 2000), Renita was a Director of Hockey Australia from 2001 to 2012. In addition, Renita was a member of the Executive of the international body, the International Hockey Federation (FIH) for seven years during this period.

Special Responsibilities
Chair of the Board
Chair of the Audit and Risk Management (ARM) Committee
Member of the Human Resources and Work Health and Safety (HR&WHS) Committee

Mr Bradley Webb
Non-Executive Director
Initial Appointment 1 October 2011, Last Re-appointed 6 October 2017, Term of Office - to 30 September 2020

Experience and Expertise
Brad is Managing Director of BM Webb Group, which was founded in 1979. Established in Townsville as an interstate truck haulage business in 1979, BM Webb has grown into a diverse, award-winning business that specialises in the construction and leasing of warehouses. A strong focus is placed on customer service and property management at the group’s owned and managed Webb Drive Industrial Estate, which is home to over 80 purpose built industrial warehouses, spread across 240 hectares of land. Brad has an extensive knowledge within industries including Construction, Concrete, Quarry, Transport, Bulk Cement, Rail and Container Terminal Construction and International Business and Trade, which have all influenced the growth of his industrial estate. He has also received numerous business and personal awards, including Townsville Citizen of the Year in 2003, and special recognition from General Peter Cosgrove AC MC for providing relief to the Cyclone Larry Recovery Taskforce in 2006.

Brad’s community involvement also stems from founding North Queensland based charity, Food Relief NQ, to providing business knowledge and assistance to many local organisations.

Brad is currently Chairman of Food Relief NQ and Chair of Townsville’s Water Security Taskforce.

Special Responsibilities
Member of the Audit and Risk Management (ARM) Committee
Member of the Major Projects Committee

Hon. Mike Reynolds CBE, AM
Non-Executive Director
Appointed 16 December 2016, Term of Office - to 30 September 2019

Experience and Expertise
Mr Reynolds has extensive experience as a Chairman, Deputy Chairman and Director of the Boards of Corporations, Statutory Authorities and not-for-profit companies.

Mr Reynolds was a Councillor with the Townsville City Council from 1973 to 1989, serving as Mayor of Townsville (1980-1989) and Deputy Mayor (1976-1980). He was the State Member for Townsville (1998-2009), serving as Parliamentary Secretary to the Premier (1998-2001), Minister for Emergency Services and Minister Assisting the Premier in North Queensland (2001-2004), Minister for Child Safety (2004-2006) and Speaker of Queensland Parliament (2006-2009).

He is also the former Chairman of professional dance company Dancenorth (2010-2013), Chairman of Townsville Port Authority (1990-1996), Chairman of ACT Vocational Training Authority (1992-1995) and Deputy Chairman of North Queensland Electricity Board (1979-1988).

Mr Reynolds was an Adjunct Professor at the Public Policy Institute at the Canberra Campus of the Australian Catholic University (2012-2013) and is the Australian Patron of Youth With a Mission Medical Ships Australia (2009-2017).

Mr Reynolds is a non-executive Director with North and West Remote Health (2012 to 2018).

In 1985, Mr Reynolds was awarded Membership of the Order of Australia (AM) for his service to Local Government and the Townsville community. In 2018, Mr Reynolds was awarded a Commander of the British Empire (CBE) for promoting relations between Queensland and Papua New Guinea, including as Mayor of Townsville and as Patron of WWAM Medical Ships Program.

Special Responsibilities
Member of the Audit and Risk Management (ARM) Committee
Member of the Major Projects Committee

Mr Shayne Hanan
Non-Executive Director
Appointed 3 December 2015, Term of Office - to 30 September 2018

Experience and Expertise
Shayne is a Registered Professional Engineer of Queensland with over 28 years’ experience in the industry. A Townsville local, he completed his studies at James Cook University and has extensive experience in the project management, design and construction phases of a diverse range of civil and structural projects.

Shayne has fulfilled the Project Director role on a number of large multidisciplinary mining infrastructure and materials handling related projects and possesses a comprehensive understanding of the communication and technical skills required to successfully deliver major projects.

Shayne is the Area Director of North Queensland and Northern Territory for AECOM Australia Pty Ltd; he also holds a position on the Advisory Board for Engineering at James Cook University.

Special Responsibilities
Member of the Human Resources and Work Health and Safety (HR&WHS) Committee
Chair of the Major Projects Committee

Ms Megan Heywood
Non-Executive Director
Appointed 3 December 2015, Term of Office - to 30 September 2018

Experience and Expertise
Megan has more than 18 years experience in the legal profession and has spent the majority of her professional years as a Senior Crown Prosecutor with the Office of the Department of Public Prosecutions. Megan also has significant private practice experience in law, having worked at Ebsworth and Ebsworth Lawyers; subsequently opening her own firm in Townsville (Fredericks Heywood), with a strong focus on employment law.

Megan is well known in the Townsville community for co-founding the Sky Foundation, a registered charity committed to raising funds and awareness for victims of domestic violence. Megan has held Board positions with Protect All Children Today and is a Nationally Accredited Mediator.

Special Responsibilities
Chair of the Human Resources and Work Health and Safety (HR&WHS) Committee
DIRECTORS’ SHAREHOLDING
No Directors held any beneficial interest in the shares of POTL. All issued shares are held by the shareholding Ministers on behalf of the Queensland Government.

PROCEEDINGS ON BEHALF OF THE COMPANY
No person has applied to the Court under section 237 of the Corporations Act 2001 (Cth) for leave to bring proceedings on behalf of POTL, or to intervene in any proceedings to which POTL is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of POTL with leave of the Court under section 237 of the Corporations Act 2001 (Cth).

AUDITOR’S INDEPENDENCE DECLARATION
The auditor’s independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 53.

ROUNDING OF AMOUNTS
POTL is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial statements and Directors’ Report. Amounts in the financial statements and Directors’ Report have been rounded off to the nearest dollar in accordance with that Legislative Instrument.

This report is made in accordance with a resolution of directors on 21 August 2018.

Ms Renita Garard
Chair
21 August 2018

Hon. Mike Reynolds CBE, AM
Director
21 August 2018

AUDITOR’S INDEPENDENCE DECLARATION
To the Directors of Port of Townsville Limited
This auditor’s independence declaration has been provided pursuant to s307C of the Corporations Act 2001.

INDEPENDENCE DECLARATION
As lead auditor for the audit of Port of Townsville Limited for the year ended 30 June 2018, 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 (Cth) in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Mr Vaughan Stemmett
as Delegate of the Auditor-General of Queensland
Queensland Audit Office
Brisbane
ANNUAL FINANCIAL STATEMENTS

PURPOSE AND SCOPE

Port of Townsville Limited (POTL) is a company limited by shares, incorporated and domiciled in Australia and is a Government Owned Corporation (GOC) reporting under the Government Owned Corporations Act 1993 (Qld). Its registered office and place of business is:

Port of Townsville Limited
Benwell Road
Townsville QLD 4810.

POTL is required to comply with the requirements of the Corporations Act 2001 (Cth). Under the terms of Section 118 of the Government Owned Corporations Act 1993 (Qld), specified sections of the Financial Accountability Act 2009 (Qld) apply as if POTL were a statutory body. POTL is responsible as a port authority under the Transport Infrastructure Act 1994 (Qld) for the management and control of the Port of Townsville and Port of Lucinda.

These Statements have been prepared:

- to satisfy the provisions of the Corporations Act 2001 (Cth), the Financial Accountability Act 2009 (Qld) and other prescribed requirements; and
- to communicate information concerning POTL’s financial performance for the year and its financial position at year end to a variety of information users including:
  - its shareholding Ministers - Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, and Minister for Transport and Main Roads;
  - users and potential users of the Port of Townsville and Port of Lucinda;
  - the community in general; and
  - other interested parties.

A description of the nature of POTL’s operations and its principal activities is included in the Directors Report, starting from page 45, which is not part of these financial statements.

The Statements are general purpose in nature and provide a full presentation of all of the financial activities of POTL. Amounts shown in the financial statements may not add to the correct subtotal or totals due to rounding.

STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 $</th>
<th>2017 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>User Charges</td>
<td>2(A)</td>
<td>72,916,730</td>
</tr>
<tr>
<td>Interest Received</td>
<td>2(A)</td>
<td>468,830</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>2(A)</td>
<td>762,262</td>
</tr>
<tr>
<td>Fair Value Gains on Investment Properties</td>
<td>3(G)</td>
<td>3,150,338</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td></td>
<td>88,218,160</td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Related Expenses</td>
<td>2(B)</td>
<td>16,812,577</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>2(B)</td>
<td>18,504,004</td>
</tr>
<tr>
<td>Depreciation and Amortisation Expense</td>
<td>3(E)</td>
<td>11,717,165</td>
</tr>
<tr>
<td>Finance Costs</td>
<td>2(B)</td>
<td>4,631,726</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>2(B)</td>
<td>2,004,887</td>
</tr>
<tr>
<td>Fair Value Decrements on Investment Properties</td>
<td>3(G)</td>
<td>1,370,620</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td>46,745,295</td>
</tr>
<tr>
<td><strong>Operating Result Before Income Tax Expense</strong></td>
<td></td>
<td>41,472,865</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>2(C)</td>
<td>(7,245,800)</td>
</tr>
<tr>
<td><strong>Operating Result After Income Tax Expense</strong></td>
<td></td>
<td>34,227,065</td>
</tr>
<tr>
<td><strong>Operating Result For the Year</strong></td>
<td></td>
<td>34,227,065</td>
</tr>
</tbody>
</table>

OTHER COMPREHENSIVE INCOME

ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO OPERATING RESULT:

- Increase / (Decrease) in Revaluation Surpluses (net of tax effect) | 3(E) | 18,509,940 | (33,897,219) |

**TOTAL COMPREHENSIVE INCOME** | | 52,737,005 | (31,085,821) |
### Statement of Financial Position

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 $</th>
<th>2017 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>3(A)</td>
<td>12,540,032</td>
</tr>
<tr>
<td>Trade and Other Receivables</td>
<td>3(B)</td>
<td>12,732,633</td>
</tr>
<tr>
<td>CDC Advance Facility</td>
<td>3(C)</td>
<td>15,992,126</td>
</tr>
<tr>
<td>Current Tax Receivable</td>
<td>3(D)</td>
<td>2,435,663</td>
</tr>
<tr>
<td>Other Assets</td>
<td>3(E)</td>
<td>631,252</td>
</tr>
<tr>
<td>Inventories</td>
<td>3(F)</td>
<td>49</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td></td>
<td>34,045,587</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>3(G)</td>
<td>549,242,564</td>
</tr>
<tr>
<td>Intangibles</td>
<td>3(H)</td>
<td>411,851</td>
</tr>
<tr>
<td>Asset Revaluation Surplus</td>
<td>3(I)</td>
<td>611,851</td>
</tr>
<tr>
<td>Investment Properties</td>
<td>3(J)</td>
<td>47,025,000</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td></td>
<td>596,749,141</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>645,790,728</td>
</tr>
</tbody>
</table>

### Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 $</th>
<th>2017 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTRIBUTED EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td></td>
<td>191,274,119</td>
</tr>
<tr>
<td>Operating result for the year</td>
<td></td>
<td>141,219,718</td>
</tr>
<tr>
<td>Transfer from reserves on disposal / derecognition of property, plant and equipment</td>
<td></td>
<td>15,311,381</td>
</tr>
<tr>
<td>Dividends provided for</td>
<td></td>
<td>(15,011,381)</td>
</tr>
<tr>
<td>Deferred tax adjustment for disposals of property, plant and equipment</td>
<td></td>
<td>929,719</td>
</tr>
<tr>
<td>Transfer from reserves on disposal / derecognition of property, plant and equipment</td>
<td></td>
<td>(720,916)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td></td>
<td>209,890,039</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 $</th>
<th>2017 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACCUMULATED SURPLUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td></td>
<td>141,219,718</td>
</tr>
<tr>
<td>Asset Revaluation Surplus</td>
<td></td>
<td>191,274,119</td>
</tr>
<tr>
<td>Property, plant and equipment revaluation increment / (decrement) - gross</td>
<td></td>
<td>27,372,490</td>
</tr>
<tr>
<td>Deferred tax adjustment for revaluations</td>
<td></td>
<td>(5,744)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td></td>
<td>127,715,366</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 $</th>
<th>2017 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td>454,757,285</td>
</tr>
</tbody>
</table>

### Glossary

- **Annual Financial Statements 2017-2018**
- **Port of Townsville Limited**
- **Statement of Financial Position**
- **Statement of Changes in Equity**
- **Contributed Equity**
- **Accumulated Surplus**
- **Asset Revaluation Surplus**
- **Glossary**

The above statement should be read in conjunction with the accompanying notes forming part of the financial statements.

Deferred tax adjustment for revaluations (7,932,831)    14,527,379
Property, plant and equipment revaluation increment / (decrement) - gross 27,372,490   (48,405,453)
Deferred tax adjustment for disposals of property, plant and equipment (278,916)   (5,744)
Dividends provided for (15,011,381)   -
Balance at the beginning of the year 191,274,119  225,171,338
Balance at the end of the year 209,890,039  191,274,119
Balance at the end of the year 141,219,718  141,299,798
Transfer to accumulated surplus on disposal/derecognition of property, plant and equipment (929,719) (19,145)
Balance at the end of the year 209,890,039  191,274,119
Deferred tax adjustment for disposals of property, plant and equipment (278,916)   (5,744)
Deferred tax adjustment for disposals of property, plant and equipment (278,916)   (5,744)
# Annual Financial Statements 2017-2018

## CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from Customers</td>
<td>73,212,488</td>
<td>66,392,292</td>
</tr>
<tr>
<td>Payments to Suppliers and Employees</td>
<td>(39,340,407)</td>
<td>(29,466,610)</td>
</tr>
<tr>
<td>GST collected from Customers</td>
<td>6,978,612</td>
<td>6,688,324</td>
</tr>
<tr>
<td>GST paid to Suppliers</td>
<td>(3,966,938)</td>
<td>(3,803,015)</td>
</tr>
<tr>
<td>GST refunded from the Australian Taxation Office</td>
<td>34,855</td>
<td>131,329</td>
</tr>
<tr>
<td>GST paid to the Australian Taxation Office</td>
<td>(546,536)</td>
<td>(305,499)</td>
</tr>
<tr>
<td>Interest Received</td>
<td>468,830</td>
<td>444,972</td>
</tr>
<tr>
<td>Finance Costs</td>
<td>(6,892,255)</td>
<td>(4,335,763)</td>
</tr>
<tr>
<td>Income Tax Equivalents</td>
<td>1,996,574</td>
<td>1,932,704</td>
</tr>
<tr>
<td>Income Tax Equivalents Paid</td>
<td>(5,654,189)</td>
<td>(7,189,753)</td>
</tr>
</tbody>
</table>

Net Cash Inflow from Operating Activities is 25,061,241.

## CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment for Property, Plant and Equipment</td>
<td>(16,993,351)</td>
<td>(111,213)</td>
</tr>
<tr>
<td>Receipts from Sale of Property, Plant and Equipment</td>
<td>11,717,165</td>
<td>-</td>
</tr>
<tr>
<td>Advances to Queensland Treasury</td>
<td>(15,992,126)</td>
<td>-</td>
</tr>
</tbody>
</table>

Net Cash Outflow from Investing Activities is (28,856,446).

## CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from Borrowings</td>
<td>34,855</td>
<td>151,329</td>
</tr>
<tr>
<td>Repayment of Borrowings</td>
<td>(311,213)</td>
<td>(137,717,208)</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>-</td>
<td>(17,770,802)</td>
</tr>
</tbody>
</table>

Net Cash Inflow (outflow) from Financing Activities is (311,213).

## NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Operating Result from Continuing Operations After Income Tax Expense to Net Cash Inflow from Operating Activities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Result for the Year</td>
<td>15,311,283</td>
<td>15,182,445</td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>15,077,665</td>
<td>15,271,617</td>
</tr>
<tr>
<td>Gain / Loss on Disposal of Non-Current Assets</td>
<td>(73,807)</td>
<td>(254,028)</td>
</tr>
<tr>
<td>Net Revaluation In/Decreases - Non-Current Assets</td>
<td>(3,779,718)</td>
<td>-</td>
</tr>
<tr>
<td>Changes in Assets and Liabilities</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Increase / (Decrease) in Trade and Other Receivables | 351,535 | (1,515,973) |
Increase / (Decrease) in Other Assets | (2,860,001) | 1,117,692 |
Increase / (Decrease) in Provisions | 156,927 | 168,619 |
Increase / (Decrease) in Current and Deferral Tax balances | 2,676,385 | (12,301,557) |

Net Cash Inflow from Operating Activities is 25,061,241.

Reconciliation of Liabilities Arising From Financing Activities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>94,248,756</td>
<td>-</td>
</tr>
<tr>
<td>Cash Flows</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(311,213)</td>
<td>-</td>
</tr>
</tbody>
</table>

Closing Balance is 94,137,543.

# Notes to the Financial Statements

## (A) General

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

These financial statements are of Port of Townsville Limited as an individual entity, the Corporation has no subsidiaries.

The financial statements were authored for issue by the Directors on 21 August 2018. The Directors have the power to amend and release the financial statement.

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Government Owned Corporation Act 1992 (Qld), Australian Accounting Standards, other authoritative pronouncements and interpretations issued by the Australian Accounting Standards Board. Port of Townsville Limited is a for profit entity for the purpose of preparing the financial statements.

## (B) Presentation and Measurement Matters

Historical cost convention

These financial statements were prepared under the historical cost convention, except where otherwise stated.

Functional and presentation currency

These financial statements are presented in Australian dollar, which is POTL’s functional currency.

## (C) Statement of Compliance

The financial statements comply with the requirements of the Corporations Act 2001 (Cth), Government Owned Corporation Act 1992 (Qld), Australian Accounting Standards, other authoritative pronouncements and interpretations issued by the Australian Accounting Standards Board. The statements also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

## Standards and Interpretations in issue not yet adopted

POTL has not early adopted any other Australian Accounting Standards and Interpretations that have recently been issued or amended and are not yet effective for the annual reporting period ended 30 June 2018. POTL does not expect to be materially affected by these amendments.
NOTE 2. OUR FINANCIAL PERFORMANCE

(A) REVENUE

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

POTL recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to POTL, and specific criteria have been met for each of POTL’s activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

User Charges
- Cargo Charges / Berthage
- Pilotage Transfer Service Revenue

Provisions for Services
- Revenue from renting of service is recognised on delivery of service to the customer. Revenues included are take or pay arrangements, utilisation and consumables income and miscellaneous trade income.

Interest Received
- Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is insolvent, POTL reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on an impaired loan is recognised using the original effective interest rate.

(b) Supplies and Services
- Payments to Consultants
  - Professional/Technical
  - Human Resource Management
  - Finance/Auditing
- Insurance
- Maintenance of Assets
- Education
- Related Work in Progress
- Other Supplies and Services

(c) Finance Costs
- Finance costs directly attributable to the acquisition, construction or production of qualifying assets that take more than 12 months to prepare for their intended use or sale are added to the cost of those assets. Financing costs that cannot be directly attributable to qualifying assets are recognised in the statement of comprehensive income in the period they were incurred. The method used to capitalise interest was based on the individual borrowings required for the specific asset, converting to an approximate capitalisation rate of 1.47%.

\[
\begin{array}{lcc}
\text{Year } & \text{2018} & \text{2017} \\
\hline
\text{Gain on Sale of Property, Plant & Equipment} & 32,405 & 33,228 \\
\text{Carrying Value of Disposed Property, Plant & Equipment} & (25,064) & (26,837) \\
\text{Gain on Sale of Property, Plant & Equipment} & 7,341 & 6,391 \\
\text{Works Undertaken on Behalf of Other Parties} & 191,247 & 80,882 \\
\text{Other Revenue} & 302,016 & 275,315 \\
\hline
\text{Total Other Revenue} & 742,262 & 488,795 \\
\end{array}
\]

(B) EXPENSES

Employee Related Expenses

Short-Term Obligations
The liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months of the reporting date are recognised as current liabilities in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised as a provision. All other short-term employee benefits obligations are presented as trade payables.

Long-Term Employee Benefit Obligations
The liabilities for long service leave are those not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are recognised as provisions and measured at the present value of the expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service and includes related on-costs. If an employee leaves the entity before his or her long service leave entitlement is attained, the liability is adjusted to reflect the reduced benefit.

NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

Retirement Benefit Obligations
A number of employees of POTL are members of the defined benefit fund managed by QSuper. The defined benefit fund was open to many employees across Queensland State Government departments, agencies and government business enterprises. POTL’s obligation is limited to its contribution to QSuper. The Treasurer of Queensland, based on advice from the State Actuary, determines employer contributions, and the amount of this contribution is recognised as an expense. 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 ASAB 1049 Whole of Government and General Government Sector Financial Reporting:

- Salaries & Wages
- Annual Leave
- Superannuation
- Payroll Tax
- Fringe Benefits Tax
- Workers Compensation
- Other Employee Related Expenses

\[
\begin{array}{lcc}
\text{Year } & \text{2018} & \text{2017} \\
\hline
\text{Salaries & Wages} & 1,792,067 & 1,869,763 \\
\text{Annual Leave} & 36,556 & 35,649 \\
\text{Superannuation} & 10,570,171 & 10,293,432 \\
\text{Payroll Tax} & 703,690 & 703,519 \\
\text{Fringe Benefits Tax} & 134,339 & 167,472 \\
\text{Workers Compensation} & 205,168 & 204,945 \\
\text{Other Employee Related Expenses} & 286,314 & 294,749 \\
\hline
\text{Total Salary & Wages} & 14,255,685 & 14,290,767 \\
\end{array}
\]
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

(3) TAXATION

As a Government Owned Corporation, POTL is not subject to Commonwealth income tax but as from 1 July 2001 POTL has been required to pay tax equivalents under the National Tax
Equivalents Scheme.

The Income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and
liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses.

Deferred tax equivalent assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on
the tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the
deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognises of an asset or a liability. No deferred tax asset or liability is
recognised in relation to those temporary differences if they arise in a transaction other than a business combination, that at the time of the transaction did not affect either accounting
profit or taxable profit or loss.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same
taxation authority. Current tax assets and liabilities are offset where POTL has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and
settle the liability simultaneously.

Current and deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly
in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax liabilities in relation to investment properties that are measured at fair value is determined assuming the property will be recovered entirely through sale.

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

Current and deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly
in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax liabilities in relation to investment properties that are measured at fair value is determined assuming the property will be recovered entirely through sale.

(i) Income Tax Equivalents

Income tax equivalents expense

Current Tax Expense / (Benefit)
Deferred Tax Expense / (Benefit)
Under/(Over) Provision in Prior Years
Income Tax Equivalents Expense is attributable to:
Profit from Operations
Under/(Over) Provision in Prior Years
Deferred Income Tax (Revenue) Expense included in Income Tax Expense comprises:
Decrease/(increase) in Deferred Tax Assets
Deferred Tax Liabilities

Numerical Recalculation of Income Tax Expense to Prima Facie Tax Payable

Profit from Operations before Income Tax Expense
Tax at the rate of 30% (2017 - 30%)
Tax effect of amounts which are not deductible/taxable in calculating taxable income:
Non-deductible expenses
Other
Under/(Over) Provision in Prior Years
Income Tax Equivalents Expense

Amounts Recognised Directly in Equity

Aggregate current and deferred tax arising in the reporting period and not recognised in the statement of comprehensive income but directly debited or credited to equity.

Current tax - credited directly to equity
Net deferred tax - debited/(credited) directly to equity as a result of net increment in Revaluation Surplus

Deferred Tax Liabilities

The balance comprises temporary differences attributable to:
Amounts recognised in the statement of comprehensive income
Amounts recognised in the achievement of performance obligations
Property, Plant and Equipment
Property, Plant and Equipment (revaluation component)

Net Deferred Tax Liabilities

Set-off of deferred tax liabilities pursuant to set-off provisions

Deferred Tax Liabilities

The balance comprises temporary differences attributable to:
Amounts recognised in the statement of comprehensive income
Amounts recognised in the achievement of performance obligations
Property, Plant and Equipment
Property, Plant and Equipment (revaluation component)

Deferred Tax Liabilities

Set-off of deferred tax liabilities pursuant to set-off provisions

Notes to the Financial Statements

PORT OF TOWNSVILLE LIMITED

ANNUAL REPORT 2017-18
NOTE 3. OUR FINANCIAL POSITION

(A) CASH AND CASH EQUIVALENTS

For cash flow statement and statement of financial position presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the statement of financial position.

Cash-on-hand 500
Cash at Bank 12,519,552
Cash Management Fund 2,770,542
3,160,022 20,066,449

Internet Rate Risk Exposure

POTL’s exposure to interest rate risk is discussed in Note 4(E). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents as mentioned above. POTL’s exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out in Note 4(E).

Income Tax Equivalents Refunds

POTL is subject to the National Tax Equivalents Regime (NTER) and as an NTER entity, POTL is liable to pay instalments of its expected income tax equivalent liability for the current income year. POTL pays monthly instalments for the income tax year with the final payment/refund accruing in the following December after year end.

(B) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost. Trade receivables are due for settlement no more than 30 days from the date of recognition for POTL’s dealings, and no more than 30 days for other dealings. A contractual arrangement exists, settlement is in accordance with the contractual terms.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that POTL will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised became uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

Due to the short term nature of the current receivables, their carrying value is assumed to be the same as their fair value.

The ageing of trade receivables is as follows:

Due to 30 days
30 - 60 days
Over 60 days
Trade Receivables 14,955,284 13,567,960 (1,373,388)
Allowance for Impairment (1,152,651) (1,245,014)
13,752,633 12,322,946

POTL has a comprehensive annual maintenance program for its major plant and equipment and infrastructure assets, and subsequent costs will be included in the assets’ carrying amounts as recognised in separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to POTL and the cost of the items can be measured reliably. All other repairs and maintenance that merely restores original service potential (arising from ordinary wear and tear etc) are charged to the statement of comprehensive income during the financial period in which they are incurred.

Subsequent Measurement

Subsequently, channels and swing basins, wharves, buildings, infrastructure, small boat harbours and facilities, breakwaters and land are measured at fair value. Fair value is estimated using an income approach based on discounted cash flows. The fair value of an asset is determined by the discounted cash flow methodology. The net present value of the cash flows of the asset group are allocated across the individual assets in the group. Valuations are undertaken annually to ensure that the carrying amount of the assets does not differ materially from the net realisable value or the discounted fair value at the end of the reporting period. Key assumptions and inputs made in assessing fair value are discussed below.

Increases in the carrying amounts arising on evaluation of channels and swing basins, breakwater land, wharves, buildings, infrastructure, small boat harbours, breakwaters are credited, net of tax, to asset revaluation surplus in shareholders’ equity on a pro rata basis. To the extent that the income increases a decrease previously recognised in the statement of comprehensive income, the increase is first recognised in the statement of comprehensive income. Decreases that reverse previous increases of the same asset are first charged against asset revaluation surplus in shareholders’ equity on a pro rata basis.

POTL has a comprehensive annual maintenance program for its major plant and equipment and infrastructure assets, and subsequent costs will be included in the assets’ carrying amounts as recognised in separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to POTL and the cost of the items can be measured reliably. All other repairs and maintenance that merely restores original service potential (arising from ordinary wear and tear etc) are charged to the statement of comprehensive income during the financial period in which they are incurred.

Income Tax Equivalents Refunds

POTL is subject to the National Tax Equivalents Regime (NTER) and as an NTER entity, POTL is liable to pay instalments of its expected income tax equivalent liability for the current income year. POTL pays monthly instalments for the income tax year with the final payment/refund accruing in the following December after year end.

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Subsequent Measurement

Subsequently, channels and swing basins, wharves, buildings, infrastructure, small boat harbours and facilities, breakwaters and land are measured at fair value. Fair value is estimated using an income approach based on discounted cash flows. The fair value of an asset is determined by the discounted cash flow methodology. The net present value of the cash flows of the asset group are allocated across the individual assets in the group. Valuations are undertaken annually to ensure that the carrying amount of the assets does not differ materially from the net realisable value or the discounted fair value at the end of the reporting period. Key assumptions and inputs made in assessing fair value are discussed below.

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POTL has a comprehensive annual maintenance program for its major plant and equipment and infrastructure assets, and subsequent costs will be included in the assets’ carrying amounts as recognised in separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to POTL and the cost of the items can be measured reliably. All other repairs and maintenance that merely restores original service potential (arising from ordinary wear and tear etc) are charged to the statement of comprehensive income during the financial period in which they are incurred.

Income Tax Equivalents Refunds

POTL is subject to the National Tax Equivalents Regime (NTER) and as an NTER entity, POTL is liable to pay instalments of its expected income tax equivalent liability for the current income year. POTL pays monthly instalments for the income tax year with the final payment/refund accruing in the following December after year end.

Due to the short term nature of the current receivables, their carrying value is assumed to be the same as their fair value.

The ageing of trade receivables is as follows:

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30 - 60 days
Over 60 days
Trade Receivables 14,955,284 13,567,960 (1,373,388)
Allowance for Impairment (1,152,651) (1,245,014)
13,752,633 12,322,946

66 67
NOTE 3. OUR FINANCIAL POSITION (continued)

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

At the time of acquisition, plant and equipment is demonstrated upon disposal or when no future economic benefits are reasonably expected from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined on the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income. When realised assets are sold or derecognised, it is POTL’s policy to transfer the amounts included in the asset revaluation surplus in respect of these assets to accumulated realised gains.

Fair Value

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

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the fair value measurements are observable: the fair value of POTL’s assets is determined using an income based model developed by a management expert. Management reviews and updates estimates of future cash flows in the model annually. The net present value of the cash flows of the asset group are discounted across the individual assets in the group. As a reflection of the value of POTL’s assets, changes in the economic environment can cause fluctuations in fair values between periods. As a result, valuations are undertaken annually to ensure that the carrying values of the assets do not differ materially from that which would be determined using fair value at the date of the reporting period.

POTL utilises the income valuation model in its solution approach due to the method converting future earnings (e.g. cash flows or income) to a single current amount (i.e. discounted) which in turn allows the fair value of POTL’s assets to reflect current market expectations of those future earnings.

Channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land are shown at fair value. The fair value of each asset group has been determined using an income based model developed by a management expert. Management reviews and updates estimates of future cash flows in the model annually. The net present value of the cash flows of the asset group are allocated across the individual assets in the group. As a reflection of the value of POTL’s assets, changes in the economic environment can cause fluctuations in fair values between periods. As a result, valuations are undertaken annually to ensure that the carrying values of the assets do not differ materially from that which would be determined using fair value at the date of the reporting period.

The income based valuation was undertaken by POTL as at 30 June 2018 using the following key assumptions:

- Detailed cash flow projections are prepared consisting of projections of normal after tax cash flows up to and including the year ending 30 June 2118. The future cash flows are discounted in Australian dollars and are projected on a nominal, unadjusted, post-tax basis over the expected useful lives of the assets (100 years). Half of period discounting discount future cash flows to their net present value to level adopted.
- POTL has established the cash generating assets of Slipping Operations, Property Management, Part of Public and Pilot Security Services. Direct revenues and costs are apportioned utilising the most appropriate allocation method for that type of expenditure e.g. the written down value of relevant assets or proportional revenue and capital expenditure.
- Forecast revenue assumptions have been based on customer contracts (where applicable), advice from customers, assessment of feasibility of new trades or increases in revenue capacity over several periods to determine possible variables. An equivalent 30 year terminal fair value calculation works by 3.31%. Average variance to terminal value calculations from 40 to 90 years is 1.22%.
- Future capital expenditure beyond that already approved in the budget has been limited to the replacement of existing assets, noting the $135 million Channel Capacity Upgrade project is included. No revenue has been included that would necessitate the expansion of Port facilities nor would require additional expenditure above what has been included.
- Capital works commitments are assumed to increase in line with the general growth of revenues and expenditure.
- Tax calculations in the cash flow projections assume a corporate tax rate of 30%.
- Asset are not valued above their recoverable value.

The income based valuation was undertaken by POTL as at 30 June 2018 using the following key assumptions:

- Detailed cash flow projections are prepared consisting of projections of normal after tax cash flows up to and including the year ending 30 June 2118. The future cash flows are discounted in Australian dollars and are projected on a nominal, unadjusted, post-tax basis over the expected useful lives of the assets (100 years). Half of period discounting discount future cash flows to their net present value to level adopted.
- POTL has established the cash generating assets of Slipping Operations, Property Management, Part of Public and Pilot Security Services. Direct revenues and costs are apportioned utilising the most appropriate allocation method for that type of expenditure e.g. the written down value of relevant assets or proportional revenue and capital expenditure.
- Forecast revenue assumptions have been based on customer contracts (where applicable), advice from customers, assessment of feasibility of new trades or increases in revenue capacity over several periods to determine possible variables. An equivalent 30 year terminal fair value calculation works by 3.31%. Average variance to terminal value calculations from 40 to 90 years is 1.22%.
- Future capital expenditure beyond that already approved in the budget has been limited to the replacement of existing assets, noting the $135 million Channel Capacity Upgrade project is included. No revenue has been included that would necessitate the expansion of Port facilities nor would require additional expenditure above what has been included.
- Capital works commitments are assumed to increase in line with the general growth of revenues and expenditure.
- Tax calculations in the cash flow projections assume a corporate tax rate of 30%.
- Asset are not valued above their recoverable value.

NOTE 3. OUR FINANCIAL POSITION (continued)

Assessment of Useful Lives

The useful life of an asset is the period in which an asset is expected to be available for use by POTL. The estimation of an asset’s useful life requires professional judgement based on management’s experience with similar non-current assets in a similar environment. Changes in these estimates could change significantly as a result of impacts of use or technical innovations or technical and economic obsolescence.

Useful lives and depreciation rates are reviewed at least annually and if necessary adjusted to reflect the most recent assessment of the useful life of the depreciable asset, having regard to such factors as asset usage and the rate of technical and economic obsolescence.
## NOTE 3. OUR FINANCIAL POSITION (continued)

### (F) DEPRECIATION / AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

The depreciable amount of all fixed assets (including buildings and capitalised lease assets, but excluding freestanding land), is depreciated on a straight line basis over their useful lives to POTL commencing from the time the asset is held ready for use. The useful lives over which assets are depreciated and the level at which assets are recognised are significant estimates and judgments. Complex assets are disaggregated into identifiable components.

Computer hardware is included in plant and equipment and is currently depreciated over its expected useful economic life of three years. Associated communications such as cabling and leased lines for POTL's wide area network are fully expensed in the year the costs are incurred. Computer Software is to be classified as intangible asset unless it is integral to the related hardware in which case it will be classified as plant and equipment.

Depreciation / Amortisation Rates used for each class of depreciable assets are:

<table>
<thead>
<tr>
<th>Category</th>
<th>depreciation/ amortisation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>3.50%</td>
</tr>
<tr>
<td>Breakwaters</td>
<td>2.00%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2.00%</td>
</tr>
<tr>
<td>Intangibles</td>
<td>4.00%</td>
</tr>
<tr>
<td>Small Boat Harbours</td>
<td>2.00%</td>
</tr>
<tr>
<td>Wharves</td>
<td>2.00%</td>
</tr>
<tr>
<td>Breakwaters</td>
<td>2.00%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2.00%</td>
</tr>
<tr>
<td>Intangibles</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

### (G) INVESTMENT PROPERTIES

Investment properties, mainly consisting of buildings and vacant land, are held for either long term rental periods or capital accretion and is not occupied by POTL (including property under construction for such purposes). This category does not include property used in the provision of services and supporting infrastructure for Port customers. Investment properties are carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recognised in the statement of comprehensive income.

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

When the use of a property changes such that it is transferred to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in the statement of comprehensive income to the extent that the gain reverses a previous loss, with any remaining gain recognised directly in the statement of comprehensive income. Any loss is presented in the statement of comprehensive income in the extent that no gain has previously been included in the revaluation surplus relating to the specific property, with any remaining loss recognised immediately in the statement of comprehensive income.

As an investment property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an investment property is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

### Valuation Basis

As mentioned above, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. Fair value estimates for investment properties are in Level 2 for Investment Land having been based on significant professional judgement under the income approach, and Level 3 for Investment Buildings due to the specialised nature of the assets and significant professional opinion required. The following explains the judgements and estimates made in determining the fair values.

POTL obtains independent valuations for its investment properties at least every five years with desktop valuations between. At the end of each reporting period the directors update their assessment of the fair value of such property, taking into account the most recent independent valuations including desktop valuations. The directors determine a property’s value within a range of reasonable fair value estimates. The lowest end of the range of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect these differences.
- capitalised income projections based upon a property’s estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Current year valuations have been based on assessments made by Jones Lang Laing Public Sector Valuations Pty Ltd, with values being provided via a desktop assessment. Property market research was undertaken to assess the desktop assessments for asset classes where there was evidence of market value and comparables can be made with transactions in the open market. Qualitative research indicated that investment property prices have remained flat over the last twelve months.

Limited comparables can be made between the general industrial land market and POTL’s land market. The POTL, market is characterised by leasehold land occupied by trade-oriented companies. Land values are driven by rental levels and lease terms, and while there has been a deterioration in the mining industry and broader economy, the limited availability of land for development has helped to support land values.

### Table: Reconciliation of Carrying Amounts

<table>
<thead>
<tr>
<th>Year Ended 30 June 2018</th>
<th>2017-2018</th>
<th>$</th>
<th>2017</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buildings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>18,231,590</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18,231,590</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wharves</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>125,205,219</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td>1,698,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>126,903,219</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Land</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>80,360,899</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>80,360,899</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Small Boat Harbours</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>7,178,312</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,178,312</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Breakwaters</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>45,525,665</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td>4,161,209</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>49,686,874</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Channels and Swing Basins**</td>
<td>6,897,850</td>
<td></td>
<td>(8,299,207)</td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,897,850</td>
<td></td>
<td>(8,299,207)</td>
<td></td>
</tr>
<tr>
<td><strong>Intangibles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>543,925</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td>(111,401)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>432,524</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Buildings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>137,534</td>
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<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>137,534</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wharves</strong></td>
<td>1 MICHAEL FOSSETT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1 MICHAEL FOSSETT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wharves</strong></td>
<td>125,215,575</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td>1,698,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>126,913,575</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Land</strong></td>
<td>80,360,899</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>80,360,899</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructed -</td>
<td>6,242,091</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Under Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,242,091</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets at Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>151,172,181</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE 3. OUR FINANCIAL POSITION (continued)

LIABILITIES

POTL lists borrowings as long-term liabilities. Borrowings are initially recognised on a fair-value basis, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless POTL has an unconditional right to defer settlement for the liability for at least 12 months after the year end date.

Fair-value – Non-Current portion of Financial Liabilities

All borrowings are with Queensland Treasury Corporation. Queensland Treasury Corporation recorded a market value adjustment of $8,705,026 (2017: $8,031,344) principally as a result of post movements in the market value of liabilities in the Debt Pool giving a net market debt outstanding at 104,943,379 (2017: 105,049,902). None of the classes are readily traded on organised markets in standardised form. No assets have been placed as securities for financial liabilities.

FINANCIAL LIABILITIES

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Risk Exposure

Information about POTL’s exposure to foreign exchange risk is provided in Note 4(E).

4) FINANCIAL LIABILITIES

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Loan Comments

Under the terms of the borrowing facilities, POTL is required to comply with the following financial covenants:

- The EBIT Interest Coverage of greater than or equal to 2.00 times.
- A Debt to EBITDA ratio of no more than 3.50 times.

POTL has complied with these covenants throughout the reporting period.

NOTE 3. OUR FINANCIAL POSITION (continued)

LIABILITIES

POTL lists borrowings as long-term liabilities. Borrowings are initially recognised on a fair-value basis, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless POTL has an unconditional right to defer settlement for the liability for at least 12 months after the year end date.

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NOTE 3. OUR FINANCIAL POSITION (continued)

40. OTHER LIABILITIES

Other Liabilities includes revenue received in advance relating to operating leases on investment properties and revenue received in advance for specific projects detailed below. The revenue received is recognised as deferred income and is recorded as revenue when the future service or performance to which it relates has been provided.

The Berth 10 upgrade project provides a dedicated facility for military vessels. In 2010-2011, the Department of Defence contributed $30 million towards future licence fees in respect to the new facility to ensure access over 25 years. The balance fees are to be recognised as revenue on a straight-line basis over a period of 25 years. The revenue is recognised from completion of the Berth 10 upgrade, which was October 2013. The balance at reporting date is $24,000,000 ($1,200,000 current, $22,800,000 non-current).

In addition, there is a lease arrangement in place for a staging area to accommodate Defence equipment when vessels are in Port. The payment in advance of $1,422,000 covers the period 2011 to 2013 for this staging area which is located in POTL’s New Business Park. The balance at reporting date is $1,694,617 ($125,000 current, $1,579,617 non-current).

41. CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Authorised capital - 500,000,000 ordinary shares of $1 each
500,000,000

Issued capital

Amount at the reporting date - 103,062,706 (2017: 103,062,706) ordinary shares of $1 each fully paid
103,062,706

Issued Capital - Ordinary Shares

Ordinary shares entitled to participate in dividends and the proceeds on winding up of POTL in proportion to the number of and amounts paid on the shares held.

Capital Risk Management

POTL’s objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

42. RESERVES

Asset Revaluation Surplus

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets, as described in Note 3(E).

Balances of Asset Revaluation Surplus by category are as follows:

Channels and Swing basins

67,706,840 41,977,620

Land

35,605,358 33,113,967

Wharves

41,091,802 36,657,524

Breakwaters

32,419,201 30,729,957

Buildings

1,252,615 4,753,050

Small Boat Harbours

2,663,677 1,697,155

Plant and Equipment

368,781 452,286

Infrastructure

22,750,520 20,514,548

Land and Buildings transferred to Investment Properties

2,114,615

2,114,615

109,784,059

195,274,129

43. DIVIDENDS

Provisions made for the amount of any dividend being appropriately determined or recommended by Directors, on or before the end of the financial year but not distributed at balance date.

Ordinary Shares

Dividends provided for or paid

15,041,381

Dividends per share

0.144

NOTE 4. OTHER

4.10. GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the statement of financial position.

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

4.11. COMMITMENTS

Capital Expenditure Commitments (Non-recoverable GST inclusive)

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

Property Plant & Equipment

2,040,712

9,086,407

Operating Commitments (Non-recoverable GST inclusive)

Operating Expenses contracted for at the reporting date but not recognised as a liability is as follows:

Net not later than one year

1,110,157

779,467

Future Minimum Lease Commitments Receivable

Future minimum lease amounts receivable under non-cancellable operating leases at balance date. These are the undiscounted lease amounts to be received on an annual basis for the following periods:

Net not later than one year

9,584,056

1,110,157

9,493,040

Later than one year but not later than five years

40,515,513

40,515,513

29,458,367

50,279,869

49,952,409

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

4.12. CONTINGENT ASSETS/LIABILITIES

There were no known contingent assets/liabilities of a significant nature at 30 June 2018 (2017: NB).

4.13. FINANCIAL RISK MANAGEMENT

POTL’s exposure to credit risk, liquidity risk, market risk and interest rate risk from its use of financial instruments. This note presents information about POTL’s exposure to each of these risks, its risk management policies and systems for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by POTL, to set appropriate risk limits and controls, and to monitor risks and adheres to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and POTL’s activities. POTL, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

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

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets in the carrying amount, net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements, POTL has major customers, of which the top five contribute 75% of revenue. When necessary, POTL will establish an allowance for impairment that represents estimates of possible incurred losses of trade and other receivables, and is shown in Note 3(B).

Liquidity Risk

POTL is exposed to liquidity risk in respect of its payables and borrowings from Queensland Treasury Corporation for capital works. POTL manages liquidity risk through the use of a liquidity management strategy, which aims to improve the exposure to risk by ensuring POTL has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring maximum levels of cash are at hand to match the expected duration of various employee and supplier liabilities. Funding arrangements are in place with Queensland Treasury Corporation which will allow sufficient funding to cover planned requirements within POTL’s corporate planning period.
The following table sets out the liquidity risk of financial liabilities held by POTL:

![Table Image]

POTL has available a business card facility with a limit of $175,000. Loan facilities as shown in Note 3(I) to the accounts are provided by Queensland Treasury Corporation. New borrowings are subject to the approved loan Program with the sanction of the Treasurer of Queensland. POTL has a Working Capital facility available with Queensland Treasury Corporation total available funds are $30 million.

Market Risk
As POTL does not trade in foreign currency, POTL is not materially exposed to changes in commodity prices. POTL is exposed to interest rate risk through its borrowings from Queensland Treasury Corporation and cash deposited in interest bearing accounts. POTL does not undertake any hedging in relation to interest rate risk and manages its risk as per the liquidity risk management strategy.

Interest Rate Risk
POTL’s exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

![Table Image]

In the above Financial Instruments, book value equates to fair value, with the exception of QTC Borrowings. The market rate of QTC Borrowings at 30 June 2018 was $5,446,079 (30 June 2017: $5,515,923). Borrowings included a market value adjustment of $6,745,026 (2017: $6,550,449) principally as a result of past movements in the market value of liabilities in the Debt Pool.

Sensitivity Analysis
The following interest rate sensitivity analysis depicts the outcome as operating results if interest rates would change by +/-5% from the year end rates applicable to POTL’s financial assets and liabilities.

![Table Image]

POTL is not exposed to any other price or foreign exchange rate risks.

Net Fair Values
The net fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of POTL approximate their carrying value.

![Table Image]
### Remuneration of Specified Executives

<table>
<thead>
<tr>
<th>Executive</th>
<th>Year</th>
<th>Short-Term Benefits</th>
<th>Superannuation</th>
<th>Other Benefits</th>
<th>Performance Payments</th>
<th>Termination Payments</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr K. Crosby</td>
<td>2017/2018</td>
<td>356,655</td>
<td>15,055</td>
<td>7,437</td>
<td>-</td>
<td>-</td>
<td>361,143</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>326,796</td>
<td>23,345</td>
<td>5,034</td>
<td>-</td>
<td>-</td>
<td>235,220</td>
</tr>
<tr>
<td>Ms G. Sibley</td>
<td>2017/2018</td>
<td>229,419</td>
<td>22,831</td>
<td>3,184</td>
<td>11,142</td>
<td>-</td>
<td>262,444</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>215,570</td>
<td>21,160</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>236,730</td>
</tr>
<tr>
<td>Mr K. Gebers</td>
<td>2017/2018</td>
<td>222,835</td>
<td>22,902</td>
<td>10,446</td>
<td>7,799</td>
<td>-</td>
<td>262,978</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>214,708</td>
<td>21,874</td>
<td>5,544</td>
<td>-</td>
<td>-</td>
<td>252,126</td>
</tr>
<tr>
<td>Mr J. Kalma</td>
<td>2017/2018</td>
<td>134,824</td>
<td>11,491</td>
<td>-</td>
<td>7,521</td>
<td>19,082</td>
<td>174,912</td>
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<tr>
<td></td>
<td>2016/2017</td>
<td>123,425</td>
<td>11,946</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>125,361</td>
</tr>
<tr>
<td>Mr B. Hare</td>
<td>2017/2018</td>
<td>30,734</td>
<td>2,950</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33,684</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ms C. Brunner-Smith</td>
<td>2017/2018</td>
<td>257,760</td>
<td>24,235</td>
<td>-</td>
<td>11,116</td>
<td>-</td>
<td>293,099</td>
</tr>
<tr>
<td></td>
<td>2016/2017</td>
<td>259,978</td>
<td>26,047</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>286,025</td>
</tr>
</tbody>
</table>

**Total Remuneration Provided to Specified Executives**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/2018</td>
<td>1,194,219</td>
</tr>
<tr>
<td>2016/2017</td>
<td>1,194,219</td>
</tr>
</tbody>
</table>

### Benefits

- **Superannuation**: Total superannuation contributions paid is $35,055 for the year ended 30 June 2018.
- **Other Benefits**:
  - **Superannuation Benefits**: $29,929 for the year ended 30 June 2018.
  - **Superannuation Benefits**: $29,478 for the year ended 30 June 2017.

### Contributions to Other Parties

Port of Townsville Limited has had arm’s length transactions with other government agencies.

Senior Executives and Directors declare their interest on commercial dealings at Board meetings.

For details regarding any other transactions other than compensation paid refer to Related Party Transactions below.

### RELATED PARTY TRANSACTIONS

#### Control

POTL is a Queensland Government Owned Corporation, with all shares held by shareholders Ministers on behalf of the State of Queensland. There was no income resolved, or due and receivable, by the shareholder Ministers from POTL during the year.

No shareholder Minister has resolved or become entitled to receive any benefit by reason of a contract made by POTL.

**Key Management Personnel**

Disclosures relating to key management personnel are set out in Note 4.D.

**Transactions with Related Parties**

From time to time Senior Executives, Directors and related entities may have commercial dealings with POTL. These transactions are conducted on arm’s length terms and conditions. Senior Executives and Directors declare their interest on commercial dealings at Board meetings.

In the ordinary course of business conducted under normal terms and conditions, POTL has dealt with:

- **ADCOM**, of which Mr M. Hare is an employee. POTL made payments in relation to Berth 4 Upgrade works of $1,205,449 during the year.
- **Line King Pty Limited**, of which Mr R. Crosby is related to the owner of the company. POTL made payments in relation to line works within Port limits for $7,448 during the year.
- **Townsville Enterprise Limited**, of which Mr B. Hare is a Board Member. POTL made payment for membership fees of $13,580, contribution for Cruise Ship Sector Development Activation for $7,700, and registration fees for Singapore Deregistration of $55,300.
- **Maritime Museum**, of which Mr B. Webb is Chairman and Mr M. Sibley is a Director. POTL made a donation of $25,000 to the Museum during the year.

### Transactions with State of Queensland Controlled Entities

All transactions between POTL and other Government Owned Corporations are on an arm’s length commercial basis. Port of Townsville Limited, as a Government Owned Corporation, has had arm’s length transactions with other government agencies.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland Treasury Corporation</td>
<td>2017</td>
<td>410,879</td>
</tr>
<tr>
<td>Department of Transport and Main Roads (Maritime Safety Queensland)</td>
<td>2017</td>
<td>433,741</td>
</tr>
<tr>
<td>Pilotage transfers</td>
<td>2017</td>
<td>6,903,820</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>6,292,432</td>
</tr>
</tbody>
</table>
DIRECTORS’ DECLARATION

In the Directors’ opinion:

(a) the financial statements and associated notes are in accordance with the Corporations Act 2001 (Cth) including:
   (i) complying with Accounting Standards and Interpretations, the Corporations Regulations 2001 (Cth) and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the financial position of POTL as at 30 June 2018 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that POTL will be able to pay its debts as and when they become due and payable.

Note 3(C) confirms that the financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

21 August 2018

Ms Renita Garard Hon. Mike Reynolds CBE, AM
Chair Director

INDEPENDENT AUDITOR’S REPORT


Opinion

I have audited the accompanying financial report of Port of Townsville Limited.

In my opinion, the financial report:

(a) gives a true and fair view of the company’s financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended

(b) complies with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards.

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Valuation of Property, Plant and Equipment - Note 3(E)

Key Audit Matter: Valuation of Property, Plant and Equipment - Note 3(E)

My procedures included, but were not limited to:

- Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices.
- Checking, on a sample basis, the accuracy and relevance of the input data used, including recalculating input data to supporting evidence such as approved budgets.
- Performing a sensitivity analysis to establish that management’s assumptions for fair value, including cash flows, terminal values and discount rates are within a reasonable range of audit expectations for fair value.
- Assessing the reasonableness of cash flow forecasts and terminal value estimates relative to board approved budgets, historical growth trends and other relevant internal and external evidence. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process.
- Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.
- Challenging the reasonableness of key assumptions based on my knowledge of the industry and industry.
- Verifying the mathematical accuracy of net present value calculations.

I have audited the accompanying financial report of Port of Townsville Limited.

In my opinion, the financial report:

(a) gives a true and fair view of the company’s financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended

(b) complies with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards.

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Valuation of Property, Plant and Equipment - Note 3(E)

Key Audit Matter: Valuation of Property, Plant and Equipment - Note 3(E)

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- Performing a sensitivity analysis to establish that management’s assumptions for fair value, including cash flows, terminal values and discount rates are within a reasonable range of audit expectations for fair value.
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- Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.
- Challenging the reasonableness of key assumptions based on my knowledge of the industry and industry.
- Verifying the mathematical accuracy of net present value calculations.
AUDITOR’S REPORT

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

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

Responsibilities of the Company for the Financial Report

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

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of the company’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I communicate key audit matters to the company’s directors, together with other matters identified during the audit in bringing to the company’s directors’ attention the matters that were identified and the reason for communicating them to the company’s directors.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the company’s directors, as appropriate, my conclusions, or the results of my communications, and the significant matters that I identified during the audit, including the significant audit adjustments

28 August 2018

Vaughan Stiremest
Delegate of the Auditor-General
Queensland Audit Office
Brisbane